

## 1. CORPORATE DIRECTORY

### BOARD OF DIRECTORS

Name	Address	Occupation	Nationality
Datuk Ali Bin Abdul Kadir (Independent Non-Executive Chairman)	No. 37, Persiaran Duta 50480 Kuala Lumpur	Company Director	Malaysian
Phong Hon Voon (Chief Executive Officer and Executive Director)	No. 17, Jalan Safa 6 Safa Terraces Desa Parkcity 52200 Kuala Lumpur	Company Director	Malaysian
Wong Kim Ming (Chief Operating Officer and Executive Director)	33D-26-2 Villa Puteri Condo Jalan Tun Ismail 50480 Kuala Lumpur	Company Director	Malaysian
David Hii Chin Yun (Chief Technology Officer and Executive Director)	2-7-2 Phase 5 Pantai Hill Park Pantai Dalam 59200 Kuala Lumpur	Company Director	Malaysian
Datuk Zainun Aishah Binti Ahmad (Independent Non-Executive Director)	No. 4, Jalan 11/3 40000 Shah Alam Selangor Darul Ehsan	Company Director	Malaysian
Chok Kwee Bee (Non-Independent Non-Executive Director)	8B4-7, Prima Damansara 8 Jalan Chempenai 50490 Kuala Lumpur	Company Director	Malaysian
Yong Kar Seng Peter (Non-Independent Non-Executive Director)	No 6 Jalan 5/39 46000 Petaling Jaya Selangor Darul Ehsan	Company Director	Singaporean

### AUDIT COMMITTEE

Name	Designation	Directorship
Datuk Ali Bin Abdul Kadir	Chairman of the committee	Independent Non-Executive Chairman
Datuk Zainun Aishah Binti Ahmad	Member of the committee	Independent Non-Executive Director
Chok Kwee Bee	Member of the committee	Non-Independent Non-Executive Director

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**1. CORPORATE DIRECTORY**


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**REMUNERATION COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Yong Kar Seng Peter	Chairman of the committee	Non-Independent Non-Executive Director
Chok Kwee Bee	Member of the committee	Non-Independent Non-Executive Director
Phong Hon Voon	Member of the committee	Chief Executive Officer and Executive Director

**NOMINATION COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Datuk Zainun Aishah Binti Ahmad	Chairman of the committee	Independent Non-Executive Director
Datuk Ali Bin Abdul Kadir	Member of the committee	Independent Non-Executive Chairman
Yong Kar Seng Peter	Member of the committee	Non-Independent Non-Executive Director

**COMPANY SECRETARIES** : Kuan Hui Fang (MIA 16876)  
 23 Jalan BU3/2, Bandar Utama  
 47800 Petaling Jaya  
 Selangor Darul Ehsan  
 Telephone number: +6 03 7725 2888

Lew Ken Lee (MAICSA 7022557)  
 30 Jalan PUJ2/19  
 Taman Puncak Jalil  
 Bandar Putra Permai  
 43300 Seri Kembangan  
 Selangor Darul Ehsan  
 Telephone number: +6 03 7725 2888

Chen Kwee Ling (MIA 10447)  
 A14-06 Amadesa Resort Condo  
 Jalan 5/125, Desa Petaling  
 57100 Kuala Lumpur  
 Telephone number: +6 03 2145 3380

## 1. CORPORATE DIRECTORY

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- HEAD OFFICE** : 8th Floor, Bangunan Angkasa Raya  
Jalan Ampang  
50450 Kuala Lumpur  
Telephone number: +6 03 2145 3380  
Facsimile number: +6 03 2141 7600  
  
Website: [www.microlink.com.my](http://www.microlink.com.my)  
E-mail address: [info@microlink.com.my](mailto:info@microlink.com.my)
- OTHER OFFICES**
- Level 1-1A, Incubator 3  
Technology Park Malaysia  
Lebuhraya Puchong-Sg. Besi  
Bukit Jalil  
57000 Kuala Lumpur  
Telephone number: +6 03 8996 8520 / 5605
- Pusat Pedada  
Floor 1  
14 Jalan Pedada, Sibul  
96000 Sarawak  
Telephone number: +60 84 344 801
- 17th Floor, Jakarta Stock Exchange Tower II  
Jl. Jend. Sudirman Kav. 52-53  
Jakarta 12190 Indonesia  
Telephone number: +62 21 515 7703  
Facsimile number: +62 21 515 7799
- Al-Majmouaa Building  
P.O. Box 17030, Khaldiya  
72541 Kuwait  
Telephone number: +965 2411244  
Facsimile number: +965 2467727
- REGISTERED OFFICE** : 8th Floor, Bangunan Angkasa Raya  
Jalan Ampang  
50450 Kuala Lumpur  
Telephone number: +6 03 2145 3380  
Facsimile number: +6 03 2141 7600
- SHARE REGISTRAR** : Symphony Share Registrars Sdn Bhd  
Level 26, Menara Multi-Purpose  
Capital Square  
8, Jalan Munshi Abdullah  
50100 Kuala Lumpur  
Telephone number: +6 03 2721 2222
- SOLICITORS FOR THE LISTING** : Cheang & Ariff  
39 Court  
39 Jalan Yap Kwan Seng  
50450 Kuala Lumpur  
Telephone number: +6 03 2161 0803

## 1. CORPORATE DIRECTORY

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- AUDITORS/  
REPORTING  
ACCOUNTANTS** : Deloitte & Touche (AF No.: 0834)  
Level 19, Uptown 1  
No 1, Jalan SS 21/58  
Damansara Uptown  
47400 Petaling Jaya  
Selangor Darul Ehsan  
Telephone number: +6 03 7723 6500
- INDEPENDENT MARKET  
RESEARCH CONSULTANT** : Financial Insights (Asia Pacific) Pte Ltd  
38th Floor  
Fuji Xerox Building  
80 Anson Road  
Singapore 079907  
Telephone number: +65 6226 0330
- PRINCIPAL BANKER** : Malayan Banking Berhad  
Ground Floor, Block C  
Kompleks Pejabat Damansara  
Jalan Semantan, Damansara Heights  
50490 Kuala Lumpur  
Telephone number: +6 03 2095 3259/89/80
- ISSUING HOUSE** : Malaysian Issuing House Sdn Bhd  
27<sup>th</sup> Floor, Menara Multi-Purpose  
Capital Square  
8, Jalan Munshi Abdullah  
50100 Kuala Lumpur  
Telephone number: +6 03 2693 2075
- ADVISER, SPONSOR,  
UNDERWRITER AND  
PLACEMENT AGENT** : Malaysian International Merchant Bankers Berhad  
21<sup>st</sup> Floor, Menara EON Bank  
288, Jalan Raja Laut  
50350 Kuala Lumpur  
Telephone number: +6 03 2691 0200
- SUB-PLACEMENT AGENTS** : AmMerchant Bank Berhad  
22<sup>nd</sup> Floor, Bangunan AmBank Group  
55, Jalan Raja Chulan  
50200 Kuala Lumpur  
Telephone number: +6 03 20782633
- Hwang-DBS Securities Berhad  
Level 2, 3, 4, 7 and 8  
Wisma Sri Pinang, 60 Green Hall  
10200 Penang  
Telephone number: +6 04 263 6996
- LISTING SOUGHT** : MESDAQ Market of Bursa Securities

## 2. INFORMATION SUMMARY

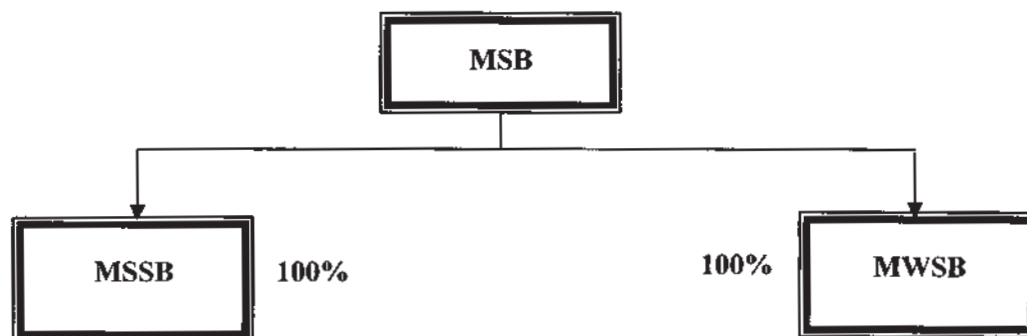
The information contained in this section is intended only to be a summary of some salient information relating to our Group and the Public Issue, and the information concerned is derived from and should be read in conjunction with the full text of the Prospectus. You should read and understand the whole Prospectus prior to deciding whether to invest in our Shares.

### 2.1 HISTORY AND BUSINESS

Our Company was incorporated in Malaysia on 7 July 2003 under the Act as a private limited company under the name of M-Cape Holdings Sdn Bhd. On 22 September 2004, our name was changed to Microlink Solutions Sdn Bhd and subsequently on 4 March 2005, we were converted into a public limited company under our present name.

Our Company's principal activities are that of investment holding, the provision of and R&D on IT solutions to the FSI. We have 2 wholly-owned subsidiary companies, namely, MSSB and MWSB. As at the date hereof, we do not have any associated company. Our subsidiary companies are principally involved in the provision of IT solutions to the FSI and dealing in related products.

Our current group structure is as follows:-



We began operations on 25 July 1994 with the incorporation of MSSB to develop a comprehensive IT solution enabling the BFIs in Malaysia to become more competitive and responsive to their Customers' demands for better products and services. We developed the original release of MiBS, an all-in-one banking solution which contains a comprehensive application suite of modules to cater for both conventional and Islamic banking, and we implemented our first Islamic banking software solution in 1996. On 30 January 2004, we were granted the MSC status by the Government of Malaysia for our R&D in Islamic banking software solutions. Throughout 1998 to 2005, we had successfully developed newer releases of MiBS and each release is an improvement of the previous releases with further add-ons and incorporation of technology advances catering for the development of new banking products particularly in Islamic banking, which is our core focus.

With the original release of MiBS, we secured our first banking software solution contract to provide a finance company with a customised OLTP integrated computer system which is based on a 3-tier client/server architecture. Since 1996, we had secured numerous IT solution contracts from over 10 BFIs.

## 2. INFORMATION SUMMARY

In December 2000, we incorporated a 100%-owned subsidiary, MWSB, in Malaysia with the intention to market our IT services and solutions to BFIs outside Malaysia. Since 2003, we had secured IT solution contracts with Islamic financial institutions in Thailand, Brunei and North Africa through our business partners. In addition, we had also set up a representative office in Jakarta, Indonesia and a support centre in Kuwait.

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

### 2.2 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL

Some relevant information relating to our Promoters, substantial shareholders, Directors and key management personnel (as summarised from Section 7 of this Prospectus) are set out below.

#### 2.2.1 Promoters

Some relevant details of our Promoters are as follows:-

Name	Nationality/ Place of Incorporation	Designation	No. of Shares held after the Public Issue			
			<---Direct--->		<---Indirect--->	
			'000	%	'000	%
MIBSSB	Malaysia	-	18,789	14.75	-	-
Phong Hon Voon	Malaysian	Chief Executive Officer	<sup>3</sup> 13,841	10.86	<sup>1</sup> 18,789	14.75
Wong Kim Ming	Malaysian	Chief Operating Officer	<sup>3</sup> 12,824	10.07	<sup>1</sup> 18,789	14.75
David Hii Chin Yun	Malaysian	Chief Technology Officer	<sup>3</sup> 11,806	9.27	<sup>1</sup> 18,789	14.75
Lee King You	Malaysian	Head, Projects & Consultancy Division	<sup>3</sup> 2,588	2.03	-	-
Azidah Binti M.O.B. Hassan	Malaysian	Head, Business Development and Marketing Division	<sup>3</sup> 1,042	0.82	-	-
Yong Kar Seng Peter	Singaporean	Non-Independent Non-Executive Director	<sup>3</sup> 4,800	3.77	<sup>2</sup> 6,259	4.91

Notes:-

1. Deemed interested by virtue of his interest in MIBSSB pursuant to Section 6A of the Act.
2. Deemed interested by virtue of his spouse's shareholding in our Company.
3. On the basis that the Public Issue Shares allocated to our eligible Directors and employees are subscribed in full based on their respective entitlements under the Pink Form Allocations.

## 2. INFORMATION SUMMARY

### 2.2.2 Substantial Shareholders

Some relevant details of our substantial shareholders are as follows:-

Name	Nationality/ Place of Incorporation	Designation	No. of Shares held after the Public Issue			
			<---Direct--->		<---Indirect--->	
			'000	%	'000	%
MIBSSB	Malaysia	-	18,789	14.75	-	-
BIWV3	Malaysia	-	18,288	14.36	-	-
Phong Hon Voon	Malaysian	Chief Executive Officer	<sup>4</sup> 13,841	10.86	<sup>1</sup> 18,789	14.75
Wong Kim Ming	Malaysian	Chief Operating Officer	<sup>4</sup> 12,824	10.07	<sup>1</sup> 18,789	14.75
David Hii Chin Yun	Malaysian	Chief Technology Officer	<sup>4</sup> 11,806	9.27	<sup>1</sup> 18,789	14.75
Yong Kar Seng Peter	Singaporean	Non-Independent Non-Executive Director	<sup>4</sup> 4,800	3.77	<sup>2</sup> 6,259	4.91
SME Bank	Malaysia	-	-	-	<sup>3</sup> 18,288	14.36
Khazanah	Malaysia	-	-	-	<sup>3</sup> 18,288	14.36
Maybank	Malaysia	-	-	-	<sup>3</sup> 18,288	14.36

Notes:-

1. Deemed interested by virtue of his interest in MIBSSB pursuant to Section 6A of the Act.
2. Deemed interested by virtue of his spouse's shareholding in our Company.
3. Deemed interested by virtue of its interest in BIWV3 pursuant to Section 6A of the Act.
4. On the basis that the Public Issue Shares allocated to our eligible Directors are subscribed in full based on their respective entitlements under the Pink Form Allocations.

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## 2. INFORMATION SUMMARY

### 2.2.3 Directors and Key Management Personnel

Some relevant details of our Directors and key management personnel are as follows:-

Name	Nationality	Designation	No. of Shares held after the Public Issue			
			<---Direct--->		<---Indirect--->	
			'000	%	'000	%
<b><u>Directors</u></b>						
Datuk Ali Bin Abdul Kadir	Malaysian	Independent Non-Executive Chairman	<sup>4</sup> 50	0.04	<sup>1</sup> 4,750	3.73
Phong Hon Voon	Malaysian	Chief Executive Officer	<sup>4</sup> 13,841	10.86	<sup>2</sup> 18,789	14.75
Wong Kim Ming	Malaysian	Chief Operating Officer	<sup>4</sup> 12,824	10.07	<sup>2</sup> 18,789	14.75
David Hii Chin Yun	Malaysian	Chief Technology Officer	<sup>4</sup> 11,806	9.27	<sup>2</sup> 18,789	14.75
Datuk Zainun Aishah Binti Ahmad	Malaysian	Independent Non-Executive Director	<sup>4</sup> 50	0.04	-	-
Chok Kwee Bee	Malaysian	Non-Independent Non-Executive Director	<sup>4</sup> 50	0.04	-	-
Yong Kar Seng Peter	Singaporean	Non-Independent Non-Executive Director	<sup>4</sup> 4,800	3.77	<sup>3</sup> 6,259	4.91
<b><u>Key Management Personnel</u></b>						
Lee King You	Malaysian	Head, Projects & Consultancy Division	<sup>4</sup> 2,588	2.03	-	-
Chen Kwee Ling	Malaysian	Chief Financial Officer	<sup>4</sup> 541	0.42	-	-
Azidah Binti M.O.B. Hassan	Malaysian	Head, Business Development and Marketing Division	<sup>4</sup> 1,042	0.82	-	-
Ong Lay Beng	Malaysian	Head, Business Alliance Division	<sup>4</sup> 28	0.02	-	-

Notes:-

1. Deemed interested by virtue of his interest in Oxfordtrax Sdn Bhd pursuant to Section 6A of the Act.
2. Deemed interested by virtue of his interest in MIBSSB pursuant to Section 6A of the Act.
3. Deemed interested by virtue of his spouse's shareholding in our Company.
4. On the basis that the Public Issue Shares allocated to our eligible Directors and employees are subscribed in full based on their respective entitlements under the Pink Form Allocations.



## 2. INFORMATION SUMMARY

### 2.3 FINANCIAL HIGHLIGHTS

#### 2.3.1 Proforma Consolidated Income Statements

The table below sets out selected items from our proforma consolidated income statements for the past 3 financial years ended 31 December 2005. They are provided for illustrative purpose only on the assumption that our current structure has been in existence throughout the periods under review.

	<b>Proforma Group</b>		<b>Group</b>
	<b>FY2003</b>	<b>FY2004</b>	<b>FY2005</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Revenue</b>	8,932	18,293	19,820
<b>Gross Profit</b>	5,140	7,813	9,424
<b>EBITDA</b>	2,958	4,802	6,282
<b>PBT</b>	1,854	3,422	5,443
<b>PAT</b>	1,302	3,026	5,012
<b>No. of Shares assumed to be in issue* ('000)</b>	115,406	115,406	115,406
<b>Gross EPS (sen)</b>	1.6	3.0	4.7
<b>Net EPS (sen)</b>	1.1	2.6	4.3

*Note:-*

\* *The number of our Shares assumed to be in issue throughout the periods under review is based on our issued and paid-up share capital before the Public Issue of 115,406,000 Shares.*

There were no exceptional or extraordinary items throughout the periods under review.

Detailed information on our proforma consolidated income statements is set out in Section 10.1 of this Prospectus.

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**2. INFORMATION SUMMARY**

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**2.3.2 Consolidated Cashflow Statement**

The table below sets out a summary of our consolidated cashflow statement for the financial year ended 31 December 2005.

	<b>FY2005 RM'000</b>
<b>Net cashflows from operating activities</b>	4,832
<b>Net cashflows used in investing activities</b>	(1,920)
<b>Net cashflows from financing activities</b>	-
<b>Net increase in cash and cash equivalents</b>	<u>2,912</u>
<b>Cash and cash equivalents at beginning of the year</b>	4,609
<b>Cash and cash equivalents at the end of the year</b>	<u><u>7,521</u></u>

Detailed information on our consolidated cashflow statement is set out in Section 10.2 of this Prospectus.

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## 2. INFORMATION SUMMARY

### 2.3.3 Proforma Consolidated Balance Sheets / Statement of Assets and Liabilities

The summary of our proforma consolidated balance sheets / statement of assets and liabilities as at 31 December 2005 as set out below are provided for illustrative purpose only to show the effects of the Listing Scheme and on the assumption that these transactions were completed on 31 December 2005, and should be read in conjunction with the appropriate notes and assumptions thereto as set out in Section 10.3 of this Prospectus.

	<b>Proforma Group</b> <b>As at 31 December 2005</b> <b>RM'000</b>
<b>Property, plant and equipment</b>	689
<b>Software development expenditure</b>	3,334
<b>Goodwill on consolidation</b>	2,818
<b>Current assets</b>	19,459
<b>Current liabilities</b>	(2,752)
<b>Net current assets</b>	16,707
<b>Deferred tax liabilities</b>	(519)
	<u>23,029</u>
<b>Share capital</b>	12,741
<b>Unappropriated profit</b>	7,108
<b>Share premium</b>	3,180
<b>Shareholders' equity</b>	<u>23,029</u>
<b>NTA</b>	<u>16,877</u>
<b>No. of Shares upon Listing ('000)</b>	<u>127,406</u>
<b>NTA per Share (RM)</b>	<u>0.13</u>

Detailed information on our proforma consolidated balance sheets / statement of assets and liabilities is set out in Section 10.3 of this Prospectus.

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## 2. INFORMATION SUMMARY

### 2.3.4 Audit Qualifications

The financial statements of our Group for the financial years under review have not been subject to any audit qualifications.

## 2.4 PROFIT AND DIVIDEND FORECASTS

### 2.4.1 Consolidated Profit Forecast

Financial year ending 31 December 2006		RM'000
Revenue		23,284
Consolidated PBT		6,820
Less: Taxation		(363)
Consolidated PAT		6,457
Weighted average number of MSB Shares in issue after Listing *	('000)	119,710
Net EPS	(sen)	5.39
Net PE Multiple based on the Issue Price	(times)	9.09

\* The weighted average number of MSB Shares in issue is computed on the assumption that the Public Issue is completed on 30 June 2006.

Detailed information on our consolidated profit forecast is set out in Section 10.6 of this Prospectus.

### 2.4.2 Dividend Forecast

Financial year ending 31 December 2006	
Tax-exempt dividend per Share <sup>1</sup> (sen)	1.5
Dividend yield based on the Issue Price (%)	3.06
Net dividend cover <sup>2</sup> (times)	3.38

Notes:-

1. Based on our enlarged issued and paid-up share capital upon Listing comprising 127,406,000 Shares.
2. Computed based on our consolidated forecast PAT over the net dividend.

Detailed information on our dividend forecast is set out in Section 10.8 of this Prospectus.

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## **2. INFORMATION SUMMARY**

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### **2.5 SIGNIFICANT MILESTONES / KEY ACHIEVEMENTS**

We have achieved numerous significant milestones and key achievements over the years that have raised our profile, the details of which are disclosed in Section 5.4.3 of this Prospectus.

### **2.6 STRENGTHS AND COMPETITIVE ADVANTAGES**

Our strengths and competitive advantages are as follows:-

- (a) We have an established track record and developed good business relationships with our Clients over the years.
- (b) We have established strategic alliances with leading and major IT partners which are expected to enhance our ability to market and distribute our products, particularly our Islamic banking solutions, over a wider geographical area by leveraging on our partners' network.
- (c) Our award winning MiBS application software comprises various modules which enable our Clients to choose the modules best suited to their needs.
- (d) Our Executive Directors each have more than 10 years of experience in the software solutions for FSI and they are well supported by a team of competent and experienced personnel who have many years of experience in their respective fields.
- (e) Our dedicated and experienced R&D team and our understanding of the regional business culture and practices as well as local governments' regulations and requirements enable us to identify technological trends and market needs in our core business of customised banking and software R&D.
- (f) Our MiBS application software is secure, easily scalable and requires minimal customisation. It is an Open Systems solution that allows our Clients to implement a cost effective solution.
- (g) Our software process improvement programme CMMI Level 3 maturity has been initiated with the aim of enabling us to be more competitive and be recognised as one of the IT solution providers at the international level.

Details of our strengths and competitive advantages are set out in Section 5.4.11 of this Prospectus.

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## 2. INFORMATION SUMMARY

### 2.7 PRINCIPAL STATISTICS RELATING TO THE PUBLIC ISSUE

#### 2.7.1 Share Capital

	RM
<b>Authorised:</b>	
250,000,000 ordinary shares of RM0.10 each	<u>25,000,000</u>
<b>Issued and fully paid-up as at the date of this Prospectus:</b>	
115,406,000 ordinary shares of RM0.10 each	11,540,600
<b>To be issued pursuant to the Public Issue</b>	
12,000,000 ordinary shares of RM0.10 each	1,200,000
<b>Enlarged issued and paid-up share capital</b>	
127,406,000 ordinary shares of RM0.10 each	<u>12,740,600</u>

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

Details of our share capital are set out in Section 5.2 of this Prospectus.

#### 2.7.2 Issue Price per ordinary share RM0.49

The Issue Price was determined and agreed upon after taking into consideration the factors as set out in Section 3.7 of this Prospectus.

#### 2.7.3 Proforma consolidated NTA as at 31 December 2005

Proforma consolidated NTA (RM'000) <i>(after taking into account the Public Issue and after deducting the estimated listing expenses amounting to RM1,500,000)</i>	16,877
Proforma consolidated NTA per share (RM) <i>(based on the enlarged issued and paid-up share capital of 127,406,000 Shares)</i>	0.13

Details of our proforma consolidated NTA are set out in Section 10.3 of this Prospectus.

#### 2.7.4 Total market capitalisation upon Listing RM62,428,940 *(Based on the issue price of RM0.49 per Share)*

Detailed information on our total market capitalisation upon Listing is set out in Section 3.8 of this Prospectus.

## 2. INFORMATION SUMMARY

### 2.8 PLANNED UTILISATION OF PROCEEDS

The total gross proceeds arising from the Public Issue and the Restricted Issue amounting to approximately RM7.24 million shall be utilised in the following manner:-

<b>Planned Utilisation of Proceeds</b>		<b>RM'000</b>
1.	R&D expenditure	2,225
2.	Working capital requirements for our Group	3,515
3.	Estimated listing expenses	1,500
		<u>7,240</u>

Details of the proposed utilisation of proceeds are set out in Section 3.9 of this Prospectus.

### 2.9 MATERIAL RISK FACTORS

Before applying for our Public Issue Shares, you should carefully consider the following material risks factors as summarised from Section 4 of this Prospectus (which may not be exhaustive), in addition to the other information contained elsewhere in this Prospectus before applying for the Public Issue Shares. For a more detailed commentary, please refer to Section 4 of this Prospectus.

**(a) Risks relating to our Group:-**

- Project risk.
- Dependence on major Clients.
- Business and product risks.
- Operating risk.
- Product liability risk.
- Dependence on key management personnel.
- Penetration and opening of new geographical markets.
- Changes in technology and products / services.
- Risk associated with R&D.
- Protection of our intellectual property rights.
- Security risk and systems disruption.
- Difficulty in managing future growth and uncertainty in our 5-year business development plan.
- Change in or loss of MSC status.
- Disaster recovery.
- Future capital / funding needs.
- Insurance adequacy.
- Foreign exchange fluctuations.
- Financial risk.
- Acquisitions and joint ventures.
- Investment risk.

**(b) Risks relating to our industry:-**

- Competition.
- Reliance on the FSI.
- Political, economic and regulatory factors.

## 2. INFORMATION SUMMARY

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- (c) **Risks relating to the investment in our Shares:-**
- No prior market for our Shares.
  - Delay in or abortion of the Listing.
  - Continued control by existing shareholders.
- (d) **Other risks:-**
- Achievability of profit forecast.
  - Forward-looking / prospective statements.

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### **3. DETAILS OF THE PUBLIC ISSUE**

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#### **3.1 INTRODUCTION**

This Prospectus is dated 2 June 2006.

A copy of this Prospectus has been registered and lodged with the SC and the ROC respectively, and neither the SC nor the ROC takes any responsibility for its contents.

The approvals obtained from the SC on 27 February 2006 and 27 April 2006 for the Listing shall not be taken to indicate that the SC recommends the Public Issue. You are advised to make your own independent assessment of our Group and should rely on your own evaluation to assess the merits and risks of our Public Issue and an investment in us.

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

Approval in-principle from Bursa Securities was obtained on 25 May 2005 for admission to the Official List of the MESDAQ Market and for permission to deal in and for listing of and quotation for our entire issued and paid-up share capital including the Public Issue Shares which are the subject of this Prospectus. Admission to the MESDAQ Market is not to be taken as an indication of the merits of our Group or our Shares. Our Shares will be admitted to the Official List of the MESDAQ Market and official quotation will commence after receipt of confirmation from Bursa Depository that all CDS accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants.

Acceptance of applications for the Public Issue Shares will be conditional upon permission being granted by Bursa Securities to deal in and for the quotation for our entire enlarged issued and fully paid-up share capital on the MESDAQ Market. Accordingly, monies paid in respect of any application accepted from the Public Issue will be returned without interest if the said permission for listing is not granted within 6 weeks from the date of this Prospectus (or such longer period as may be specified by the SC) provided that we are notified by or on behalf of Bursa Securities within the aforesaid time frame. If any such monies are not repaid within 14 days after we have become liable to repay it, the provision of sub-section 52(2) of the Securities Commission Act 1993 shall apply accordingly.

Pursuant to the Listing Requirements, we need to have at least 25% but not more than 49% of the total number of Shares for which listing is sought in the hands of a minimum of 200 public shareholders holding not less than 100 shares each at the point of Listing. In the event that the above requirement is not met pursuant to the Public Issue, we may not be allowed to proceed with the Listing on the MESDAQ Market. In the event thereof, monies paid in respect of all applications will be returned without interest if the said permission is not granted.

You must have a CDS account when applying for our Public Issue Shares. In the case of an application by way of Application Form, you must state your CDS account number in the space provided in the Application Form. If you do not presently have a CDS account, you should open a CDS account at an ADA prior to making an application for the Public Issue Shares. In the case of application by way of Electronic Share Application, you shall furnish your CDS account number if the instructions on the ATM screen at which you enter your Electronic Share Application require you to do so. A corporation or institution cannot apply for the Public Issue Shares by way of Electronic Share Application.

### 3. DETAILS OF THE PUBLIC ISSUE

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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 us. Neither the delivery of this Prospectus nor any offer made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in our affairs since the date hereof.

The distribution of this Prospectus and the sale of the Public Issue Shares in certain 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 the purpose of an offer to sell or an invitation to subscribe any Public Issue Share 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.

**You should rely on your own evaluation to assess the merits and risks of the Public Issue and an investment in us. If you are in doubt about this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.**

#### 3.2 OPENING AND CLOSING OF APPLICATION

Applications will be opened from 10.00 a.m. on 2 June 2006 and will close at 5.00 p.m. on 9 June 2006 or for such further period or periods as our Directors and the Underwriter may, in their absolute discretion, mutually decide.

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### 3. DETAILS OF THE PUBLIC ISSUE

#### 3.3 TENTATIVE TIMETABLE

Event	Date
Opening of application for the Public Issue Shares	: 2 June 2006
Closing of application for the Public Issue Shares*	: 9 June 2006
Tentative Balloting Date*	: 13 June 2006
Tentative Allotment Date*	: 20 June 2006
Tentative Listing Date*	: 23 June 2006

\* *These dates are tentative and are subject to changes which may be necessary to facilitate implementation procedures. Our Directors and the Underwriter may, in their absolute discretion, mutually decide to extend the closing date of the application to a further date or dates. Should the closing date of the application be extended, the dates for the balloting, despatch of notices of allotment, and the listing of and quotation for our entire enlarged issued and paid-up share capital on the MESDAQ Market would be extended accordingly. Any change to the closing date of the application will be advertised in a widely circulated English and Bahasa Malaysia newspaper in Malaysia.*

#### 3.4 DETAILS OF THE PUBLIC ISSUE

The Public Issue shall be subject to the terms and conditions of this Prospectus and upon acceptance of applications, the Public Issue Shares shall be allocated in the following manner:-

- (a) 7,000,000 new MSB Shares representing 5.5% of our enlarged issued and paid-up share capital upon Listing by way of private placement to the identified investors.
- (b) 3,000,000 new MSB Shares representing 2.4% of our enlarged issued and paid-up share capital upon Listing will be made available for application by Malaysian citizens, companies, co-operatives, societies and institutions.
- (c) 2,000,000 new MSB Shares representing 1.6% of our enlarged issued and paid-up share capital upon Listing will be made available for application by our eligible Directors, employees and/or persons who have contributed to our success under the Pink Form Allocations.

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### 3. DETAILS OF THE PUBLIC ISSUE

The Public Issue Shares have been allocated to our eligible Directors, employees and/or persons who have contributed to our success based on, where applicable, their contributions to our Group, years of service and designation, and, for employees, they must be confirmed employees on a permanent basis. Based on the above criteria, which have been approved by our Board, 1,500,000 Public Issue Shares are reserved for application by 92 eligible employees whilst the remaining 500,000 Public Issue Shares are reserved for application by the following eligible Directors:-

Director	Designation	No. of MSB Shares
Datuk Ali Bin Abdul Kadir	Independent Non-Executive Chairman	50,000
Phong Hon Voon	Chief Executive Officer and Executive Director	100,000
Wong Kim Ming	Chief Operating Officer and Executive Director	100,000
David Hii Chin Yun	Chief Technology Officer and Executive Director	100,000
Datuk Zainun Aishah Binti Ahmad	Independent Non-Executive Director	50,000
Chok Kwee Bee	Non-Independent Non-Executive Director	50,000
Yong Kar Seng Peter	Non-Independent Non-Executive Director	50,000

The 9,000,000 Public Issue Shares under paragraphs (a) and (c) above, which are not underwritten by the Underwriter, would be subscribed by the identified investors, our eligible Directors, employees and/or persons who have contributed to our success pursuant to their respective written irrevocable undertakings.

The 3,000,000 Public Issue Shares in respect of paragraph (b) above have been fully underwritten and any unsubscribed Public Issue Shares thereafter shall be taken up by the Underwriter in accordance with the terms and conditions of the Underwriting Agreement.

There is no minimum subscription amount to be raised from the Public Issue.

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### 3. DETAILS OF THE PUBLIC ISSUE

#### 3.5 SHARE CAPITAL

	RM
<b>Authorised:</b>	
250,000,000 ordinary shares of RM0.10 each	<u>25,000,000</u>
<b>Issued and fully paid-up as at the date of this Prospectus:</b>	
115,406,000 ordinary shares of RM0.10 each	11,540,600
<b>To be issued pursuant to the Public Issue</b>	
12,000,000 ordinary shares of RM0.10 each	1,200,000
<b>Enlarged issued and paid-up share capital</b>	
127,406,000 ordinary shares of RM0.10 each	<u>12,740,600</u>

The issue price of RM0.49 per Public Issue Share is payable in full upon application.

We only have 1 class of shares, being ordinary shares of RM0.10 each, all of which rank pari-passu with one another. The Public Issue Shares will rank pari-passu in all respects with our existing issued and paid-up ordinary shares including voting rights and rights to all dividends and other distributions that may be declared subsequent to the issue and allotment of the Public Issue Shares.

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

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

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### **3. DETAILS OF THE PUBLIC ISSUE**

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#### **3.6 PURPOSES OF THE LISTING**

The purposes of the Public Issue are as follows:-

- (a) to obtain the listing of and quotation for our entire enlarged issued and paid-up share capital on the MESDAQ Market;
- (b) to enable us to gain access to the capital market to raise funds for our future expansion and growth;
- (c) to raise funds for our operations and future expansion;
- (d) to provide an opportunity for the Malaysian investing public, our eligible Directors, employees and/or persons who have contributed to our success, to participate in our equity and continuing growth; and
- (e) to enhance our stature in marketing our products and services and to maintain our existing workforce and attract new skilled IT professionals.

#### **3.7 BASIS OF ARRIVING AT THE PUBLIC ISSUE PRICE**

The issue price of RM0.49 per Public Issue Share was determined and agreed upon by us and MIMB, as the Adviser, Sponsor, Underwriter and Placement Agent, after taking into consideration the following factors:-

- (a) Our proforma consolidated NTA per Share (upon Listing) as at 31 December 2005 of RM0.13 based on our proforma consolidated NTA (upon Listing) as at 31 December 2005 of approximately RM16.9 million and our enlarged issued and paid-up share capital upon Listing comprising 127,406,000 Shares as set out in Section 10.3 of this Prospectus;
- (b) The forecast net PE Multiple of approximately 9.09 times based on our forecast net EPS of approximately 5.39 sen for FY2006 and our weighted average number of Shares assumed to be in issue of 119,709,792 Shares as set out in Section 10.6 of this Prospectus;
- (c) The prospects of the industries in which we operate in. As stated in the Ninth Malaysian Plan 2006 – 2010, economic activities within the field of IT will be developed and further strengthened whilst in the financial services, efforts will focus on strengthening Malaysia's position as an international centre for Islamic banking and finance.
- (d) Our future plans and business strategies as outlined in Section 6.7 of this Prospectus;
- (e) Our financial and operating history as elaborated in Sections 10 and 5 of this Prospectus. Based on our net EPS for FY2005 of approximately 4.19 sen and our weighted average number of Shares assumed to be in issue of 119,709,792 Shares, the historical net PE Multiple is approximately 11.69 times; and
- (f) The general prevailing market conditions particularly on the MESDAQ Market which appear to be improving.

**YOU SHOULD FORM YOUR OWN VIEWS ON THE VALUATION OF THE PUBLIC ISSUE SHARES BEFORE DECIDING TO INVEST IN THE PUBLIC ISSUE SHARES.**

### 3. DETAILS OF THE PUBLIC ISSUE

#### 3.8 TOTAL MARKET CAPITALISATION

Based on the Issue Price and our enlarged issued and paid-up share capital comprising 127,406,000 Shares upon Listing, our total market capitalisation is estimated to be RM62,428,940.

#### 3.9 PLANNED UTILISATION OF PROCEEDS

The total gross proceeds arising from the Public Issue and the Restricted Issue of approximately RM7.24 million shall accrue entirely to us and are planned to be utilised within 24 months from the date of our listing on Bursa Securities, in the following manner:-

Planned Utilisation of Proceeds	Time frame	Notes	RM'000
1. R&D expenditure	24 months	(i)	2,225
2. Working capital requirements for our Group	24 months	(ii)	3,515
3. Estimated listing expenses	6 months	(iii)	1,500
			<u>7,240</u>

Notes:-

- (i) The R&D expenditure, which is expected to be utilised within 24 months from the date of our listing, will involve the continuing development and enhancement of MiBS as well as other related software applications.
- (ii) An amount of approximately RM3.515 million of the gross proceeds will be utilised for our working capital requirements to support our existing day-to-day business operations.
- (iii) The estimated expenses incidental to the Listing which would be borne by us are as follows:-

Estimated listing expenses	RM'000
Professional fees	650
Fees to authorities	80
Underwriting, placement and brokerage fees	250
Printing and advertising fees	250
Other miscellaneous fees	270
<b>Total</b>	<u><b>1,500</b></u>

The amount allocated of RM1.5 million is based on the estimated cost for the Listing exercise. If the actual Listing expenses are higher than budgeted, the deficit will be funded out of the portion allocated for our working capital requirements. Conversely, if the actual Listing expenses are lower than budgeted, the excess will be utilised for our working capital requirements.

The proforma impact of the utilisation of proceeds on our proforma consolidated balance sheets is reflected in Section 10.3 of this Prospectus.

### 3. DETAILS OF THE PUBLIC ISSUE

#### 3.10 BROKERAGE, PLACEMENT AND UNDERWRITING COMMISSION

Brokerage is payable by us in respect of the Public Issue Shares made available to the Malaysian public at the rate of 1.0% of the Issue Price in respect of successful applications which bear the stamp of either MIMB, participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association or MIH.

The placement fee is payable by the Company to the Placement Agents at a rate of 1.5% of the Issue Price in respect of the number of MSB Shares successfully placed out.

The Underwriter has agreed to underwrite 3,000,000 of the Public Issue Shares as set out in Section 3.4 of this Prospectus. The underwriting commission is payable by us to the Underwriter at the rate of 2.0% of the 3,000,000 Public Issue Shares at the Issue Price.

#### 3.11 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

We have entered into the Underwriting Agreement with MIMB to underwrite 3,000,000 Public Issue Shares as mentioned in Section 3.4 of this Prospectus.

The following salient terms are reproduced from the Underwriting Agreement. The capitalised terms and numbering references used in this section shall have the respective meanings and numberings as ascribed thereto in the Underwriting Agreement.

##### *Clause 3 (Conditions Precedent)*

*"3.1 The obligations of the Underwriter under this Agreement are conditional upon:-*

- 3.1.1 the registration of the Prospectus with the SC 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 and the registration must be completed within 2 months from the date of this Agreement;*
- 3.1.2 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;*
- 3.1.3 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;*
- 3.1.4 there not being, on or prior to the 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 in the reasonable opinion of the Underwriter (which is final and binding) is material in the context of the Proposed 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 [thereof] as though given or made on such date;*



### 3. DETAILS OF THE PUBLIC ISSUE

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- 3.1.5 *the Proposed 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 the SC and Bursa Securities);*
- 3.1.6 *the Proposed Public Issue has been approved by the SC and any other relevant authority or authorities and has not been withdrawn, revoked, suspended or terminated on or prior to the Closing Date;*
- 3.1.7 *the Proposed Public Issue has been approved by the members of the Company at an extraordinary general meeting prior to the date of registration of the Prospectus;*
- 3.1.8 *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;*
- 3.1.9 *the Company will deliver to the Underwriter prior to the date of registration of the Prospectus, certified true copies of all relevant resolutions of the board of directors and shareholders of the Company relating to the Proposed Public Issue and this Agreement as the Underwriter may reasonably require;*
- 3.1.10 *The Company shall deliver to the Underwriter prior to the date of registration of the Prospectus, the relevant irrevocable undertaking letters from the Company and eligible directors and employees and/or persons who have contributed to the success of the Group in respect of the Employees Allocated Shares; and*
- 3.1.11 *the proceeds from the identified investors/placees for the Placement Shares under the Proposed Public Issue which will be issued by way of private placement as described in Recital E(a), having been received prior to the Closing Date.*
- 3.2 *If any of the conditions in Clause 3.1 above is not satisfied, the Underwriter is entitled to:-*
  - 3.2.1 *terminate this Agreement to the extent of its obligations contained in it by giving a written notice to the Company not later than three (3) Market Days after the Closing Date; and*
  - 3.2.2 *cease performance of its obligations under this Agreement.*
- 3.3 *In the event this Agreement is terminated pursuant to Clause 3.2, the parties to this Agreement will be released and discharged from their obligations under this Agreement (except for the liability of the Company for payments of costs and expenses as provided in Clause 16.3 [thereof] and then obligation to indemnify the Underwriter pursuant to Clauses 10.1.11 and 10.1.12 [thereof]).*
- 3.4 *The Underwriter may at its discretion waive compliance with any of the provisions of this Clause 3.1 above and any conditions so waived shall be deemed to have been satisfied in relation to it."*

### 3. DETAILS OF THE PUBLIC ISSUE

#### *Clause 14 (Termination of this Agreement)*

*"14.1 Notwithstanding the terms of this Agreement, the Underwriter may at any time terminate and cancel and withdraw its commitment to underwrite the Public Portion Shares and withdraw remittance of the payments to be made pursuant to Clause 6 of this 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 [thereof] or which is contained in any statement or notice provided under or in connection with this 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 material obligations under this 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 this 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 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 the listing of and quotation for the entire issued and paid-up share capital of the Company do not take place within 2 months from the date of the Prospectus.*
- 14.1.8 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*

### 3. DETAILS OF THE PUBLIC ISSUE

- (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 Proposed Public Issue, or the application, distribution, sale or payment of the Public Issue Shares, or which has or is likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms, or which would prohibit or impede the obligations of the Underwriter under this Agreement, then, :-*

- (a) *the Underwriter may terminate this Agreement by giving a written notice to the Company not later than three (3) Market Days after 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 [thereof] incurred prior to or in connection with such termination and the obligation to indemnify the Underwriter pursuant to Clauses 10.1.11 and 10.1.12 [thereof] for a period of six (6) months from the date of such notice) be released and discharged from their respective obligations under this Agreement.*

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

- (a) *the Company is entitled to terminate this Agreement by giving a written notice to the Underwriter not later than three (3) Market Days after the Closing Date; and*
- (b) *the parties 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 this Agreement.*

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

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

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## 4. RISK FACTORS

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**Notwithstanding our prospects as outlined in this Prospectus, you should carefully consider the following risk factors (which may not be exhaustive) that may have a significant impact on our future performance in addition to all other relevant information contained elsewhere in this Prospectus, before making an application for the Public Issue Shares.**

### 4.1 RISKS RELATING TO OUR GROUP

#### 4.1.1 Project Risk

Our contracts with our Clients are generally entered into on a project basis save for maintenance and support contracts which are renewable for specified periods at the option of our Clients. Due to the complexities of the projects undertaken or to be undertaken, we are subject to the following risks:-

- (a) Our Clients may delay or cancel their projects due to unforeseen circumstances. Delays may arise from incomplete specifications or unanticipated difficulties in implementing the solutions. Project delays may affect our profit margins as time spent in negotiating and resolving issues could delay the recognition of revenues. Additional costs may also be incurred as a result of these project delays. Further, any changes in our Clients' management may also cause cancellation of or significant modifications to the awarded projects; and
- (b) Failure to implement projects that fully satisfy the requirements and expectations of our Clients may lead to claims being made against us, which may adversely affect our profits and reputation. This may arise from technology deficiencies, staff turnover, human negligence, mis-interpretation of and failure to adhere to specifications and procedures.

We carefully consider and evaluate the specification of each project undertaken in order to ensure, inter alia, smooth implementation and minimise cost overrun. Besides, we have a dedicated project management team which is focused on improving the efficiency of project management processes. In this regard, we have implemented CMMI model that provides guidance for improving our organisation processes and enables us to manage project implementation. CMMI places proven practices into structure in helping us to assess our organisational maturity and process area capability, establish priorities for improvement, and guide the implementation of these improvements. However, there can be no assurance that any failure to accurately assess these risks will not have an adverse impact on our operating results.

In addition, most of our projects secured are short term in nature and were completed or are expected to be completed within 1 year's time. This is common and inherent in our industry. Our Board is of the view that the lack of or absence of long term contracts is not expected to have any significant impact on our business prospects, operations and results as most of our projects implemented are expected to generate maintenance income which is a secured source of recurring income. In addition, we will continue to tender or bid for a large number of projects with the aim of securing sufficient number of projects annually particularly those with high-value orders.

## **4. RISK FACTORS**

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### **4.1.2 Dependence on Major Clients**

Our business is on a project-to-project basis and hence our major Clients tend to vary from year to year. Therefore, we may have certain projects which may contribute significantly to our revenue and/or profit during a certain year, depending on the percentage of work done and the recognition of the revenue earned on the projects. Although the average total revenue from our single largest Client for the past 3 financial years accounted for at least 38% of our total revenue for these periods, we have not encountered any major problem in our dealing with the said Client or other major Clients of ours and enjoy good business relationships with them.

As a mitigating factor, most of the projects implemented by us generate maintenance contracts upon expiry of the warranty period which is a secured source of recurring income. In addition, we are also widening our client base to other overseas markets through our business partners or value-added resellers.

Although we believe that we have built up good rapport with our major Clients, there can be no assurance that we can continue to maintain our existing relationships with them in the future. Failing which, our businesses, operating results and financial conditions may be materially and adversely affected.

### **4.1.3 Business and Product Risks**

Our future results will substantially depend on continuing market acceptance of our products and the renewal of maintenance contracts upon expiry. Any decrease in demand, non renewal of maintenance contracts, failure to develop new software or enhance existing software in a timely manner in response to changing market conditions, governing rules and regulations or an increase in competition on existing or new software developed may have an adverse effect on our businesses, operating results and financial conditions. To this end, we plan to enhance the features and performances of our existing products, introduce new products and to develop new technological platform that would provide our software with, amongst others, greater flexibility on the installation of the software on various hardware products available in the market as part of our 5-year business development plan to ensure continuous acceptance and competitiveness of our products in the market.

### **4.1.4 Operating Risk**

There is no assurance that we will be profitable in the future, or that we will achieve higher or consistent levels of profitability. Our revenue and operating results are difficult to forecast and could be materially affected by many factors, which may include changes in our operating expenses, our ability to develop and market new or enhanced products and services, cost control, and other business risks common to going concerns.

Nevertheless, we would exercise our best endeavour to maintain our record of profitability. The IT projects implemented by us are expected to generate maintenance income which is a secured source of recurring income, the quantum of which appears to be sufficient to sustain our current overhead costs and is expected to grow in tandem with the new IT projects to be implemented. Furthermore, we manage our cashflow via regular monitoring of our debtors position and adopting efficient credit control measures, maintaining long term business relationship with our Clients and business partners, close monitoring of operating expenditure and careful consideration of any proposed capital expenditure and its effects on us.

#### **4. RISK FACTORS**

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##### **4.1.5 Product Liability Risk**

We do not have any product claims by our Clients in the past and hence, has not taken up any insurance against product liability. We are relying on our experienced Directors and key management personnel to develop products that are of quality and suitable to the needs of our Clients. We focused on improving the quality of our processes for defect identification, prevention and removal. In this regard, we have implemented the CMMI model that provides guidance for improving our organisation processes and enables us to manage the development, acquisition, and maintenance of products and services. CMMI places proven practices into structure in helping us to assess our organisational maturity and process area capability, establish priorities for improvement, and guide the implementation of these improvements. In addition, the material turnkey agreements and material support services contracts entered into between our Clients and us contain various terms and conditions which, to a certain extent, limit our liabilities in relation to the software, products or services provided. Nevertheless, there is no assurance that we would not face any product claim within the warranty period in future.

##### **4.1.6 Dependence on Key Management Personnel**

Our future performance depends, to a significant extent, upon the experience, continuous efforts, expertise and the networking of our existing Directors, key management, technical, sales and marketing personnel. The loss of services of any of these individuals may have a material and adverse effect on our operations. Hence, our future success also depends on, amongst others, our ability to attract, train, retain and motivate sufficient skilled employees. We currently enjoy a cordial relationship with our employees and they do not belong to any trade union. In addition, we have in place various monetary and non-monetary benefits for our employees to encourage and motivate them. Our employees are also sent to various courses to upgrade and update their knowledge on the latest technology as well as certified training courses aimed at increasing our employee's skills and qualifications. As a result, we have a large number of long serving key personnel.

We believe that by increasing our profile through our Listing, we would be able to retain our existing employees and at the same time, attract suitably qualified personnel to play an active role in our growth. Further, in conjunction with our Listing, EES and ESOS would be introduced to provide additional incentives to reward, motivate and retain them. Notwithstanding the above, there can be no assurance that we would be able to recruit, develop and retain a sufficient number of highly skilled and motivated professionals to successfully compete with our competitors as well as to achieve our business development plans.

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## **4. RISK FACTORS**

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### **4.1.7 Penetration and Opening of New Geographical Markets**

We intend to expand our business to other parts of the world including Southeast Asia and Middle East countries. In this regard, substantial management resources will be devoted to launch our products and grow our operations in these targeted markets. Nevertheless, there is no assurance that these new sales and marketing efforts would be successful or generate significant revenue in the future, as any such failure could adversely affect our business operations, financial conditions and operating results. In addition, we would be subject to further risks when we operate in foreign countries and these could affect our financial conditions and operating results. These risks include the following:-

- (a) general business and credit risks;
- (b) political and economic landscape;
- (c) local regulatory requirements;
- (d) fluctuations in currency exchange rates;
- (e) any imposition on currency exchange controls;
- (f) legal and tax legislations;
- (g) infringement of intellectual property rights;
- (h) restriction on the import or export of certain sensitive technologies, including data security and encryption technologies that may be used; and
- (i) poor market acceptance.

To address these risks, we will conduct and evaluate detailed analysis of new target markets prior to making these decisions. Our market penetration strategy will be reviewed and modified in accordance with the specific requirements of the respective target markets.

### **4.1.8 Changes in Technology and Products / Services**

We operate in a market where the products and services are prone to evolving industry standards, computer operating environments and software applications, and frequent new product introductions and enhancements. Our future growth and success would depend, in part, on our ability to develop new or enhanced products and services, to meet the needs of our Clients.

The development of new or enhanced products and services is a complex and uncertain process. Although we have an R&D arm that focuses on developing new and enhanced products and services, there can be no assurance that we would have sufficient resources to successfully and accurately anticipate technological changes and market trends. Furthermore, we may also experience design, marketing and other difficulties that could delay or prevent the development of existing products and services and the introduction or marketing of our new or enhanced products and services.

#### **4. RISK FACTORS**

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The number and type of products that are being offered in the FSI have also changed significantly over the years and we expect the evolution of product offerings in the FSI to continue. Hence, our ability to develop new or enhanced products and services that meet such needs of the industry is critical to maintain our market share and enhance our revenue growth. It is therefore important for us to keep abreast of any market change to ensure that our products and services remain relevant.

In addition to the development of new or enhanced products and services, we also face competition from our competitors on the pricing and timing of introducing such products and services. Our businesses, operating results and financial conditions could be adversely affected if our competitors are able to develop new or enhanced products and services, in a more timely manner and cost-effective basis that meet or best suit our Clients' needs.

##### **4.1.9 Risk Associated with R&D**

We have on-going R&D programmes with the purpose of developing products that are market leaders, meeting the dynamic requirements and expectations of the industry. However, there can be no assurance that these R&D programmes can be successfully completed on time so as to enable the rollout of new or enhanced products on a timely basis vis-à-vis market requirements and expectations. Nevertheless, we believe that our current range of products and services are stable and have been well-accepted by our Clients, and as such the effects of any material delay in the roll-out of new or enhanced products is mitigated by continued availability of our existing products.

##### **4.1.10 Protection of Our Intellectual Property Rights**

We rely on copyright laws, common law, including the Copyrights Act, 1987 and confidentiality agreements with employees to protect our intellectual property rights. However, there can be no assurance that we would be able to protect our proprietary rights against unauthorised copying, use or exploitation, any of which could have a material adverse effect on our businesses, operating results and financial conditions. As a further mitigating factor, we had, in March 2005, submitted applications for the registration of the MiBS brand name and related devices under the Trade Marks Act 1976 and Trade Marks Regulations 1997. The said applications have already been accepted by the Trade Marks Registry for publication in the Government Gazette.

##### **4.1.11 Security Risk and Systems Disruption**

We operate in a high technology environment where our operations are susceptible to various security risks such as in the form of computer viruses, industrial espionage, hacking and fraud. We have several preventive or precautionary measures in place including setting up firewalls, server intrusion prevention, detection tools, and ensuring our anti-viruses programmes are updated to minimise the risk of any potential security breaches. However there can be no assurance that the present measures are adequate to counter any potential security breaches that may materially affect our operations and hence our performance.



#### **4. RISK FACTORS**

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##### **4.1.12 Difficulty in Managing Future Growth and Uncertainty in Our 5-Year Business Development Plan**

We anticipate that our business could experience rapid growth and further expansion in the future and these may place a significant strain on our management and financial resources, client support, operational, administrative and other resources. Our ability to manage our future growth would require us to continually enhance and improve our operating, financial and management systems and to effectively expand, develop, motivate and manage our professional and administrative work force. However, there can be no assurance that we would be able to successfully manage our future growth. As a mitigating factor, we have a team of experienced management and IT personnel to support our expansion plans. Our management team and senior IT personnel would benefit from our growth and expansion by virtue of their respective shareholdings in us. In addition, we also have manpower planning for the next 5 years under our 5-year business development plan to mitigate the risk of inadequate manpower in the future.

Our proposed future business plan and prospects will be dependent upon, amongst others, our ability to further develop and market our products, maintain a cost-effective structure, hire and retain skilled personnel, successfully manage growth and obtain adequate financing as and when needed. Nevertheless, there can be no assurance that we would be able to successfully implement our business plan or that unanticipated events or problems or technical difficulties will not occur which would result in significant delays in our implementation or even material deviation from our original plans. In addition, our actual results may deviate from the business plan due to rapid technological changes, market as well as competitive pressures.

##### **4.1.13 Change in or Loss of MSC Status**

We were granted the MSC status on 30 January 2004 by the Government of Malaysia and as an MSC status company, we are entitled to several financial and non-financial incentives. MDC, who is the body responsible for assessing and monitoring all MSC designated companies, has the right to revoke the MSC status any time if we do not comply with the conditions imposed. As such, there can be no assurance that we will continue to retain our MSC status or that we will continue to enjoy the MSC incentives, all of which may materially and adversely affect our businesses, operating results and financial conditions. In addition, there can also be no assurance that these MSC incentives will not be changed or modified in anyway in the future.

##### **4.1.14 Disaster Recovery**

Our daily operations may be affected by events of emergency such as explosion, fire, flood, power or energy disruptions, health crisis, sabotage, civil commotion war or acts of God. In this regard, we have various measures and plans in place to minimise any impact on our daily operations as a result of the aforementioned threats, such as, ensuring our data are back up on a regular basis, maintaining proper data storage system, temporary diversion of operations plan (from the affected area to another location or back-up area) and ensuring all our offices and IT equipment and other peripherals which include back-up media or server and remote access system facilities are in good working condition. Nevertheless, there can be no assurance that these events would not occur or if occur, measures or plans taken would be effective or successful in countering such disasters or threats.

## **4. RISK FACTORS**

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### **4.1.15 Future Capital / Funding Needs**

Our Board is of the opinion that after taking into account our cashflow position, various banking facilities available and the total gross proceeds to be raised from the Restricted Issue and Public Issue, we would have adequate working capital for our business operations for a period of 12 months from the date of this Prospectus. However, there is no assurance that there will not be any future development or event which will cause us to require additional capital. If additional capital/funds are so required, there can be no assurance that it will be available or, if available, will be on terms and conditions satisfactory to us. Further, the sale or issue of additional equity in our Company in the future, if any, may result in dilution to the percentage equity holding of our shareholders upon our Listing.

### **4.1.16 Insurance Adequacy**

At present, we believe that our assets are adequately insured against unforeseen events such as fire and burglary. Although we have taken appropriate measures to ensure that our assets are adequately insured, 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.

### **4.1.17 Foreign Exchange Fluctuations**

Our current revenue is mainly generated locally (approximately 92% for the FY2005). In an effort to broaden our client base, our plans to increase our foreign client base in the future may expose us to foreign exchange risks as all our foreign contracts have been and would be quoted in USD. On 21 July 2005, Bank Negara Malaysia announced that with immediate effect the exchange rate of RM will be allowed to operate in a managed float, with its value determined by economic fundamentals to ensure, amongst others, that the exchange rate remains stable and close to its fair value. Nevertheless, there is no assurance that currency control will not recur or any future significant fluctuations in exchange rates and financial crisis will not adversely affect our revenue and earnings.

### **4.1.18 Financial Risk**

As at the Latest Practicable Date, we do not have any outstanding borrowing. Nevertheless, there is no assurance that future credit facilities with commercially viable rates will be available to us as an alternative source of capital to fund our future expansion or working capital requirements, should the need arises.

### **4.1.19 Acquisitions and Joint Ventures**

If appropriate opportunities present themselves, we intend to acquire businesses, products or technologies or enter into synergistic joint ventures that we believe will be in the interest of our shareholders. However, there can be no assurance that we will be able to successfully identify, negotiate or finance such acquisitions and joint ventures, or to integrate such acquisitions and joint ventures with our current businesses. Acquisitions and joint ventures may cause us to seek additional capital, which may or may not be available on satisfactory terms. As a mitigating factor, any investment of such nature will be carefully considered by our Board and where relevant, may be subject to our shareholders' approval.

## **4. RISK FACTORS**

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### **4.1.20 Investment Risk**

We may from time to time invest in new ventures that are relatively new to us or to the Malaysian market. As such, there is a potential risk that these investments may have longer than expected gestation period or may not be entirely successful. In such event, we may take time to recover or not be able to recover our initial investments. We seek to limit this risk through exercising due care and diligence in the evaluation of such ventures or investments and by practising prudent financial policy. Nevertheless, there can be no assurance that such ventures or investment, if any, will yield positive returns to us in the future.

## **4.2 RISKS RELATING TO OUR INDUSTRY**

### **4.2.1 Competition**

We are principally involved in the development and provision of software products and services to the FSI. The IT industry is very competitive and is subject to rapid technological changes. We face intense competition from both local as well as international companies. In addition, our ability to compete with our competitors depends upon many factors within and outside our control. This includes the timing and market acceptance of new products and services, and enhancements developed by us vis-à-vis our competitors, product functionality, ease of use, performance, price, value for money, reliability, client service and support, sales and marketing efforts, product distribution channels and the resources of our competitors.

We have been in operation since 1994, focusing on the development of comprehensive banking solutions for both conventional and Islamic banking. As a banking solutions provider, we compete with the other banking solution providers which are mainly private companies as well as several public listed companies who are also industry players in the IT industry, albeit not directly. According to the Independent Market Research Report dated March 2005 prepared by Financial Insights (Asia Pacific) Pte Ltd, we are the leading Malaysian Islamic banking solution provider (in terms of number of implementations in Southeast Asia) and are well positioned for the expected high growth in Islamic banking industry. Besides, we continuously enhance our existing products via our R&D arm to meet the changes in technology as well as the needs of our Clients.

Notwithstanding the above, there can be no assurance that we would be able to maintain our competitiveness against current and future competitors or that competitive pressures will not have material adverse effects on our businesses, operating results and/or financial conditions.

### **4.2.2 Reliance on the Financial Services Industry**

We rely and expect to continue to rely on sales to companies in the FSI for our revenue. As such, our growth is also dependent on the growth of this industry as well as the continuous demand for our software solutions. Any significant economic crisis and unexpected events, including recession, inflation or other adverse occurrences may result in reduced IT expenditure by the BFIs or cancellation and deferment of IT related projects which could in turn adversely affect our results and operations.

## **4. RISK FACTORS**

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Many local commercial banks have merged in the past and it is expected that bank mergers and consolidations would continue in the future in order to remain competitive in the domestic as well as global markets. We may risk losing our Clients and face more intense competition with the shrinking number of BFIs even though the Government of Malaysia has been actively promoting the country as a premier Islamic financial centre/hub and that includes issuance of additional Islamic banking licenses. Further, such consolidations may result in our Clients reassessing their decisions to purchase our products or terminating our existing services. Our products may also face possible integration difficulties due to change in technological infrastructure of the merged entity.

As a mitigating factor, other than commercial banks, the majority of our Clients are non-commercial banks such as Islamic banks, savings institutions and development financial institutions. In addition, we intend to expand our marketing efforts and enhance our presence in other remaining domestic commercial banks as well as in other countries particularly in the Southeast Asia and Middle East regions. Nevertheless, there can be no assurance that any future bank mergers and consolidations will not adversely affect our results and operations.

### **4.2.3 Political, Economic and Regulatory Factors**

Adverse changes in political, economic and regulatory conditions in Malaysia or the countries where we render our services could have unfavourable effect on our financial and business prospects. These political, economic and regulatory uncertainties include but not limited to the risks of war, terrorist attacks, riots, changes in political leadership, expropriation, nationalisation, renegotiation or nullification of existing contracts, and changes in rates of interest, methods of taxation and foreign exchange regulations. There is no assurance that any such changes will not have a material adverse effect on our financial position or business.

## **4.3 RISKS RELATING TO THE INVESTMENT IN OUR SHARES**

### **4.3.1 No Prior Market for Our Shares**

Prior to our Listing, there has been no public trading for our Shares. Accordingly, there can be no assurance that an active market for our Shares will develop upon our Listing or, if developed, that such market will be sustained. The Issue Price was determined after taking into consideration a number of factors including but not limited to our operating conditions and prospects, the industry prospects and the prevailing market conditions before the issue of this Prospectus. There can be no assurance that the Issue Price will correspond to the price at which our Shares will be traded on the MESDAQ Market upon or subsequent to our Listing or that an active market for our Shares will develop and continue upon or subsequent to our Listing. The price at which our Shares will be traded on the MESDAQ Market after the Public Issue may be influenced by a number of factors, including the depth and liquidity of the market for our Shares, investors' individual perceptions of our Group, market conditions and economic environment.

#### **4. RISK FACTORS**

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##### **4.3.2 Delay in or Abortion of the Listing**

The Public Issue is exposed to the risk that it may be aborted or delayed on the occurrence of any one or more of the following events:-

- (i) force majeure events or events/circumstances which are beyond our control and/or the Underwriter arising prior to our Listing;
- (ii) the identified investors under the Private Placement fail to subscribe for their respective portions of the Public Issue Shares reserved for them;
- (iii) the eligible Directors, employees and/or persons who have contributed to our success under the Pink Form Allocations fail to subscribe for their respective portions of the Public Issue Shares reserved for them;
- (iv) the Underwriter exercising its rights pursuant to the Underwriting Agreement discharging itself from its obligation thereunder; and
- (v) we are unable to meet the public shareholding spread requirements, where at least 25% but not more than 49% of the total number of Shares for which listing is sought must be held by a minimum number of 200 public shareholders holding not less than 100 shares each at the point of our Listing.

In this respect, we will exercise our best endeavour to comply with the Listing Requirements (where applicable and relevant) with regard to paragraph (v) above. However, there can be no assurance that the abovementioned factors/events will not cause a delay in or abortion of our Listing. In the event of the failure of our Listing on the MESDAQ Market, the application money of the investors shall be refunded without interest.

##### **4.3.3 Continued Control by Existing Shareholders**

Upon Listing, the Promoters will collectively own approximately 51.23% of our enlarged issued and paid-up share capital. Depending on how they choose to vote and because of their shareholdings, these shareholders will generally be expected to have significant influence on the outcome of certain matters requiring the vote of our shareholders unless they abstain from voting by law and/or as required by the relevant authorities. Nevertheless, as a step towards good corporate governance, we have appointed 2 independent non-executive Directors, in addition to the formation of the Audit Committee to ensure that all future transactions involving related parties, if any, are entered into on arms-length terms.

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#### **4. RISK FACTORS**

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##### **4.4 OTHER RISKS**

###### **4.4.1 Achievability of Profit Forecast**

This Prospectus contains our profit forecast which was prepared based on various assumptions which our Directors deem reasonable, but are nevertheless subject to uncertainties and contingencies. Due to the subjective judgements and inherent uncertainties of profit forecast, and because events and circumstances may not occur as expected, there can be no assurance that our profit forecast contained in this Prospectus will be realised, and the actual results may be materially different from those shown therein. You shall be deemed to have read and understood the descriptions of the assumptions and the uncertainties underlying our profit forecast that are contained in Section 10.7 of this Prospectus.

###### **4.4.2 Forward-Looking / Prospective Statements**

Certain statements in this Prospectus are based on historical data, which may not be reflective of future results, and others are forward-looking in nature, that are based on assumptions and subject to uncertainties and contingencies which may or may not be achievable. Whether such statements ultimately prove to be accurate depends upon a variety of factors that may affect our business and operations, and such forward-looking statements also involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance and achievements, or industry results, to be materially different from any future results, plans, performances and achievements, expressed or implied, by such prospective statements. Although we believe that the expectations reflected in such future statements are reasonable at this time, there can be no assurance that such prospective statements or expectations will indeed prove correct in the future. Any deviations from the expectations may have material effect on our financial and business performance.

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