

5. INFORMATION ON OUR GROUP

5.1 INCORPORATION AND PRINCIPAL ACTIVITIES

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, we changed our name to Microlink Solutions Sdn Bhd and subsequently on 4 March 2005, we were converted into a public limited company under our present name. The principal activities of our Company 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 of this Prospectus, we do not have any associated company.

5.2 SHARE CAPITAL

Our authorised share capital is RM25,000,000 comprising 250,000,000 ordinary shares of RM0.10 each of which 115,406,000 ordinary shares of RM0.10 each have been issued and fully paid. Upon completion of the Public Issue, our enlarged issued and paid-up share capital will be RM12,740,600 comprising 127,406,000 Shares.

The movements in our issued and paid-up share capital since our date of incorporation are set out below:-

Date of allotment/ sub-division	No. of shares allotted/ sub-divided	Par value (RM)	Consideration/Types of issue	Resultant issued and paid-up share capital (RM)
07.07.2003	2	1.00	Cash (subscribers' shares)	2
28.10.2003	19,998	1.00	Cash	20,000
26.04.2004	180,000	1.00	Cash	200,000
10.08.2004	121,215	1.00	Cash	321,215
27.08.2004	338,785	1.00	Cash	660,000
13.04.2006	440,000	1.00	Conversion of RCPS	1,100,000
27.04.2006	114,800	1.00	Restricted Issue	1,214,800
27.04.2006	12,148,000	0.10	Share Split	1,214,800
27.04.2006	103,258,000	0.10	Bonus Issue	11,540,600

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5.3 LISTING SCHEME

In conjunction with, and as an integral part of the Listing, we have undertaken the following exercises.

5.3.1 Conversion of RCPS

We had on 13 April 2006 converted all our 440,000 RCPS into 440,000 ordinary shares of RM1.00 each. Hence, our issued and paid-up share capital has been increased from 660,000 ordinary shares of RM1.00 each to 1,100,000 ordinary shares of RM1.00 each.

5.3.2 Restricted Issue

We had on 27 April 2006 implemented a restricted issue of 114,800 new ordinary shares of RM1.00 each in MSB to certain Directors, key employees and Promoters of our Group and an investor, Oxfordtrax Sdn Bhd, which raised gross proceeds of approximately RM1.36 million.

5.3.3 Share Split

We had on 27 April 2006 implemented a share split exercise, involving the sub-division of every existing 1 ordinary share of RM1.00 each held after the Restricted Issue into 10 ordinary shares of RM0.10 each. Consequently, the number of our issued and paid-up shares increased from 1,214,800 ordinary shares of RM1.00 each to 12,148,000 ordinary shares of RM0.10 each.

5.3.4 Bonus Issue

We had on 27 April 2006 undertaken a bonus issue of 103,258,000 new Shares on the basis of 8.50 new Shares for every existing 1 Share held by our existing shareholders. The Bonus Issue was effected by capitalising the share premium and unappropriated profit after the Restricted Issue, amounted to RM10,325,800 in aggregate.

5.3.5 Public Issue

The public issue of 12,000,000 new MSB Shares at the Issue Price payable in full upon application and will be allocated in the following manner:-

- (a) 7,000,000 new MSB Shares by way of private placement to the identified investors;
- (b) 3,000,000 new MSB Shares will be made available for application by Malaysian citizens, companies, co-operatives, societies and institutions; and
- (c) 2,000,000 new MSB Shares will be made available for application by our eligible Directors, employees and/or persons who have contributed to the success of our Group.

5.3.6 Listing

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. 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.

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5.3.7 Employee Equity Scheme or EES

In conjunction with the Listing Scheme, MIBSSB (one of our Promoters and substantial shareholders) will establish an EES for the Eligible EES Executives to reward their contribution to our Group, and to motivate and retain them. The salient details of the EES are as follows:-

- (a) MIBSSB would allocate up to 11,844,600 of its existing MSB Shares (after Bonus Issue) to the Eligible EES Executives under the EES.
- (b) To participate in the EES, each Eligible EES Executive will be required to pay RM1.00 as acceptance of the MSB Shares offered to him pursuant to the terms of the EES ("Entitlements"). Entitlements that are not accepted by any Eligible EES Executive would be reallocated to the remaining Eligible EES Executives at the discretion of the Board of MIBSSB.
- (c) The tenure of the EES is for a period of 4 years from the date of the Listing.
- (d) The 11,844,600 MSB Shares shall be transferred to the Eligible EES Executives at a cost of RM0.49 per share over a period of 4 years from the date of Listing at 25% of their respective Entitlements annually. The MSB Shares to be transferred shall be credited directly into the respective CDS accounts of the Eligible EES Executives.
- (e) In the event of any capital distribution (includes distribution in cash or specie or by way of issue of MSB Shares), rights issues or capital reduction exercises undertaken by us during the EES period, MIBSSB may, as it deems fit, adjust the Entitlements to ensure the Eligible EES Executives continue to enjoy an equitable proportion of our capital.
- (f) Eligible EES Executives who leave the employment of our Group will not be entitled to their Entitlements or any balance thereof which remain not transferred. The said Entitlements or any balance thereof would be reallocated to the other Eligible EES Executives at the discretion of the Board of MIBSSB.
- (g) The allocation of the Entitlements are based on certain criteria which were determined by the Board of MIBSSB and these include:-
 - (i) the performance of the Eligible EES Executives;
 - (ii) the seniority or ranking of the Eligible EES Executives based on their job grades;
 - (iii) the length of service of the Eligible EES Executives; and
 - (iv) in case of Directors, the name appears in the Register of Directors.

Pursuant to the EES, we had obtained an approval in-principle from Bursa Depository on 4 May 2006 to enable MIBSSB to transfer our Shares under the Entitlements to the respective Eligible EES Executives' CDS accounts after the Listing.

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5.3.8 ESOS

We had on 27 April 2006 established the ESOS which entails the granting of ESOS Options to the eligible Directors and employees of our Group to subscribe for our new Shares up to a maximum of 10% of our issued and paid up share capital at any point in time during the tenure of the ESOS, subject to the terms and conditions of the By-Laws.

The ESOS is intended to motivate, retain and reward our eligible Directors and employees who have contributed to the growth and success of our Group.

The ESOS shall be in force for a period of 5 years from the effective date of the commencement of the ESOS, subject to any extension or renewal for a further period of 5 years commencing from the day after the date of expiry of the original 5-year period.

The new Shares to be allotted and issued upon the exercise of the Options will upon such allotment and issuance, rank pari passu in all respects with the then issued and fully paid-up share capital except that these new Shares will not be entitled to any dividends, rights, allotments or other distributions, the entitlement date (namely the date as at the close of business on which shareholders must be registered in order to be entitled to any dividends, rights, allotments or other distributions) of which is prior to the date of allotment of the new Shares and will be subject to all the provisions of our Articles of Association relating to the transfer, transmission and otherwise of our Shares.

The exercise price of the ESOS Options shall be:-

- (i) the Issue Price, for ESOS Options that are granted prior to the Listing; or
- (ii) based on the weighted average market price of our Shares for the 5 market days immediately preceding the date on which the ESOS Options are granted subject to a discount of not more than 10%, for ESOS Options that are granted subsequent to the Listing.

Our Directors intend to utilise the proceeds to be generated from the exercise of the Options for working capital purposes.

Further details of the ESOS, which are contained in the By-Laws, are set out in Section 16 of this Prospectus.

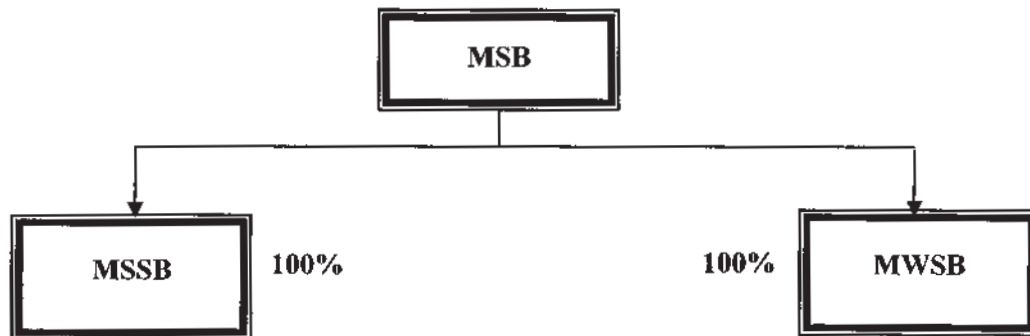
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5.4 BUSINESS OVERVIEW

5.4.1 Background

The current group structure of our Group 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. 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.

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 to further expand our operations in the Southeast Asia and Middle East regions.

Our Company was granted the MSC status on 30 January 2004 by the Government of Malaysia for our R&D in Islamic banking software solutions and as an MSC status company, we enjoy certain financial and non-financial incentives which are guaranteed under the Malaysian Government's Bill of Guarantees for MSC status companies.

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5.4.2 Nature of business

We are principally involved in the provision of IT products and services to the FSI, in particular, MiBS application software, which include the development of computer software system focusing on applying systematic, disciplined and quantifiable approaches to the development, operation and maintenance of computer software, R&D of computer software, provision of programming services for computer software, updating of computer software, provision of advisory services for computer software, configuration of computer software, licensing of computer software, rental of computer software, provision of computer consulting services, web-based programming, design of data banks and websites, provision of consulting services concerning computers in the area of commercial transactions and data processing by electronic means and provision of information concerning computer systems, all for the use in the FSI. In addition to this, we also provide IT solutions which encompass a mixture of customised consulting services and software programming, systems integration, outsourcing, software and hardware sales and other professional services, such as data and system migration and data security access control advice.

Our IT solutions are typically licensed to our Clients under a turnkey agreement for a one-time licence fee payable according to the milestones for the supply, installation, testing and commissioning of the IT software. The turnkey agreement gives our Client a non-exclusive and non-transferable irrevocable perpetual licence to use the IT software. Our Clients will also be able to retain a small percentage of the licence fee for a period of 12 months for local and 6 to 12 months for overseas agreements from the date of acceptance of our IT software. This retention sum will be released upon the expiry of the retention period in the event of no claims by our Clients.

Subsequently, our Clients would normally enter into agreements for the provision of IT maintenance and support for the hardware and software of the IT solution provided by us. The maintenance agreements may be renewed for further periods at the option of our Clients.

Our software products comprise modules which may be implemented independently or integrated with other modules as required to meet the specific needs of our Clients.

5.4.3 Significant Milestones / Key Achievements

Over the years, we have achieved significant milestones and key achievements which have raised our profile as follows:-

Year	Significant milestones / Key achievements
1995	Developed MiBS, a comprehensive application suite of modules to cater to both conventional and Islamic banking.
1996	Launched MiBS release 1.2 with the comprehensive Islamic banking features, taking advantage of the new generation Windows 32-bits clients.
1999	Launched MiBS release 2.2 with 24x7 electronic banking services by cutting daily batch downtime to near zero.
1999	Awarded "The Most Strategic Partner" of the year by Oracle Corporation Malaysia Sdn Bhd in recognition of our performance and contribution in 1999.
1999	Awarded "System Integrator with The Most Strategic Win" of the year by Sun Microsystems Malaysia Sdn Bhd in recognition of our project in the largest Islamic co-operative bank in Malaysia.

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Year	Significant milestones / Key achievements
2000	Launched MiBS release 7 with 64-bits RISC processor based Unix operating systems compliance. In addition to English and Bahasa Malaysia, MiBS is also available in other languages commonly used in the Southeast Asia region.
2001	Awarded "Sales Performance Excellence (Banking) Award" by Sun Microsystems Malaysia Sdn Bhd in recognition of our highest sales recorded for the banking & financial sector in year 2001.
2003	MSSB was designated by IBM Corporation as an IBM Advanced Business Partner.
2003	Secured a contract with an Islamic Bank in Thailand through our business partner in Thailand.
2003	Launched MiBS release 7.3 with Linux OS compliance. Together with IBM Malaysia, we jointly marketed the MiBS running on IBM eServers, particularly the zSeries (formerly known as Mainframe) and iSeries (formerly known as AS/400) in the Southeast Asia and Middle East region.
2003	Awarded "The ICT Software of the Year 2003" by Association of the Computer and Multimedia Industry of Malaysia or PIKOM Computimes in recognition of our MiBS conventional and Islamic banking systems.
2004	Awarded the MSC status for our R&D in Islamic banking software solutions by the Government of Malaysia.
2004	Awarded "FY05 Premier System Integrator Malaysia" by Sun Microsystems Malaysia Sdn Bhd for establishing first-class partnership.
2004	Awarded the "Best Application - Islamic Banking System" by Sun Microsystems Malaysia Sdn Bhd in recognition of our MiBS Islamic banking application.
2004	Awarded the "FY04 Best System Integrator" by Sun Microsystems Malaysia Sdn Bhd in recognition for being the top system integration partners in Malaysia.
2005	Secured a contract with an Islamic Bank in Brunei through our business partner in Brunei.
2005	Admitted as observer member of Accounting and Auditing Organization for Islamic Financial Institutions
2005	Awarded the "Islamic Banking Award for information technology solutions under the special recognition for outstanding contribution to Islamic Finance industry category" by Deloitte Consulting Malaysia and The International Institute of Islamic Finance Inc.
2006	Secured a contract with an Islamic Bank in North Africa through our business partner in Kuwait.
2006	Awarded the Halal Journal Awards for "Best Islamic Financial Service or Product" for outstanding achievements and innovations towards making a difference in the Halal market by the Halal Journal.

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5.4.4 Overview of MiBS

Our core technological products and services are packaged under the brand name of MiBS, our flagship product. We developed MiBS with the principal intention to automate core-processing functions such as deposits/investments, loans/financing, treasury and customer information for both conventional and Islamic banking. MiBS' modules can be implemented independently or integrated with existing modules.

Although the Islamic banking modules of MiBS mirror that of our conventional banking modules, the former has been developed separately from the latter as we understand that implementing Islamic banking software solutions derived from a conventional banking system may not fully meet Syariah principles.

MiBS is a comprehensive and flexible solution designed to meet the information distribution, processing and management challenges in the FSI. MiBS provides our Clients with the flexibility in defining the attributes, operating methods and system utilisation of the products offered by our Clients.

MiBS application software is an integrated client/server-based banking and financial solution and is built under a proven 3-tier OLTP architecture with the MiBS UFP middle-tier. The latest MiBS release 8.0 offers multi-tier OLTP architecture on the J2EE platform supporting web-browser based clients. With MiBS UFP, the MiBS application software is independent of the hardware and system software that supports it, thus reducing the cost to be incurred by our Clients to implement onto their existing hardware systems and our Clients are also able to choose from the most cost-effective offerings. Furthermore, our Clients are also able to make fast and efficient modifications to their product features and services, computer and network systems to meet changes in market and business conditions, and keep abreast with technology advancements.

MiBS has software modules to support the various functional areas of Islamic banking, retail banking, corporate banking, wholesale banking, co-operative banking, development and infrastructure financing, investments, electronic delivery channels as well as supporting software modules such as accounting, executive functions, risk management, and systems maintenance. Each module of the MiBS can be interfaced with other clients' based modules and may also share common modules such as MiBS CIS, MiBS CMS, MiBS CM, MiBS IMS, general ledger and fixed assets.

The MiBS' Islamic banking modules include the Al-Wadiah Savings Account, Al-Wadiah Current Account, Al-Mudharabah Investment, AITAB Financing, Al-Ijarah Leasing and Islamic Financing, supporting concepts such as Istisna', Murabahah, Bai' Bithaman Ajil and Ar-Rahnu pawn-brokering.

Apart from Islamic banking modules, MiBS includes conventional banking modules such as savings account, current account, fixed deposit, hire purchase, leasing, general loans, remittance, trade finance and treasury modules.

All these MiBS modules share a pool of common services such as MiBS CIS, MiBS CMS, MiBS CM and MiBS IMS, and are delivered over multiple delivery channel modules such as MiBS BDS, ATM application and Internet banking.

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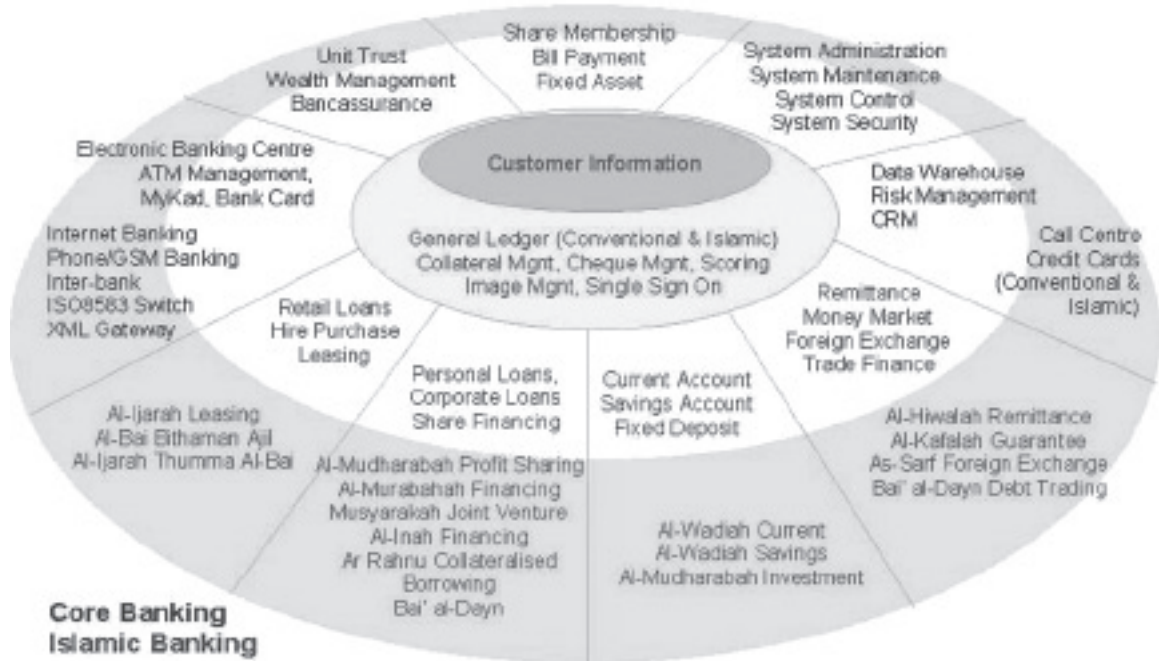
The main features of MiBS are as follows:-

- **Technology features:-**
 - Based on an Open System environment;
 - Real time OLTP enabling MiBS to reduce batch errors, cut down on batch processing duration and facilitate 24x7 delivery;
 - MiBS UFP allows MiBS suite of modules to operate on any Unix/Linux platform in a multi-tier OLTP architecture;
 - Introduces proven technology such as Grid Computing and Open Source Technology for FSI;
 - Provides Distributed Data Processing and/or Centralised Data Processing architecture, where information can be shared without the restriction of hardware location; and
 - Online Disaster Recovery Centre (“DRC”) data synchronisation based on periodic or size of log file. During a failure at the production or main computer system, our Clients are able to switch directly to the DRC instantly hence eliminating any downtime setback.

- **Software application features:-**
 - Provides a complete front office, back office, electronic delivery channels and headquarters’ processing;
 - Provides a highly secured system via User passwords, multilevel access authority, limit control, audit trail and electronic journal;
 - Provides computerised process automation to maximise operational efficiency and reduce operational cost;
 - Provides an on-line single bank-wide view of the services and products offered by our Clients including inquiry and update of accounts, collateral and relationship information;
 - Provides user-friendly Graphics User Interface front end on thick, Windows based clients as well as thin, web-browser based clients;
 - Permits remote or local on-line Supervisor Override for security controlled transactions;
 - Provides for error correction, allows User to amend current day financial transactions online;
 - Provides Substitute Branch mode, which serves to substitute another branch while that branch is not able to process any transaction;
 - MiBS is parameterised, allowing quick changes to product features by manipulating the system parameters or configurations, to support multi-financial institutions, multi-currency and multi-products; and
 - All accounting entries are automatically raised and posted to the General Ledger either real-time or by batch.

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An overview of the common products/services offered under conventional banking and the Islamic banking is illustrated below.



(1) Common/Shared Service Modules

The following modules are a few examples of common or shared services across all MiBS modules. It is akin to the foundation to support other MiBS modules such as for conventional, Islamic and delivery channels. A brief description of some common MiBS modules is set out below:-

(a) *MiBS Customer Information System (CIS)*

The MiBS CIS contains information on individual Customers of our Client and thus is able to provide a single glance, global overview of the Customer's relationship with our Client. It acts as a baseline for consolidating individual Customer accounts, assets and liabilities, and collaterals from all the other MiBS modules deployed. This allows the Users to enquire on the individual Customer's total position with our Client to monitor their exposure on a particular Customer and to extract the necessary data, current and historical, for risks management and computations aligned towards the Basel II and IFSB frameworks. The MiBS CIS consolidates customer information across all MiBS modules such as from the conventional and Islamic modules deployed across various headquarters, regional offices, branches, outlets and financial institutions.

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(b) *MiBS Collateral Management System (CMS)*

The MiBS CMS contains various types of collateral information used by the other MiBS financing modules, both conventional and Islamic. It is an online system that integrates seamlessly with the other MiBS modules to supply real time, single glance and consolidated global overview of collateral information on a particular Customer. MiBS CMS supports complex collateral-accounts relationships, for example, multiple types of collateral against a single financing account, as well as a single collateral against multiple financing accounts and facilities. MiBS CMS also monitors and alerts the User on important dates pertaining to the collateral, such as expiry of insurance policies and quit rent. It captures the necessary data, current and historical, for risks management and computations aligned towards the Basel II and IFSB frameworks. MiBS CMS consolidates collateral information across all MiBS financing modules from the conventional and Islamic modules deployed across various headquarters, regional offices, branches, outlets and financial institutions.

(c) *MiBS Cheque Management System (CM)*

The MiBS CM facilitates the handling of various cheques, such as outstation cheques, local cheques and post dated cheques. It is an online system that integrates seamlessly with the other MiBS modules to supply real time, single glance and consolidated global overview of cheque information, current and post dated, on a particular Customer or a particular account. Furthermore, this module works hand-in-hand with MiBS Standing Instruction module to enable employer and employee file maintenance and payment of salary via direct crediting and debiting of accounts. MiBS CM consolidates cheque information across all MiBS modules from the conventional and Islamic modules deployed across various headquarters, regional offices, branches, outlets and financial institutions.

(d) *MiBS Single Sign On (SSO) Module*

The MiBS SSO is the global control point of application level security module for our Clients to define the access level and transactions limit of the various Users within the deployed MiBS. This module has various security measures, such as password strength, password lock, password recycle control, preventing concurrent log on by a User on different workstations, restricting access of Users according to their rank and position, as well as a mandatory periodic change of password used by the Users. The MiBS SSO also generates audit trail reports for the transactions performed by the Users for monitoring purposes. MiBS SSO consolidates access control and exercise single sign on across all MiBS modules from the conventional and Islamic modules deployed across various headquarters, regional offices, branches, outlets and financial institutions.

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(e) *MiBS General Ledger (GL) Module*

The MiBS GL comes in two module types namely conventional GL and Islamic GL according to Accounting and Auditing Organization for Islamic Financial Institutions standard. It handles all the accounting transaction from both MiBS modules and other external interfaces. As the MiBS software is interfaced, the financial transactions are automatically updated to MiBS GL according to transaction type, generate consolidated financial reports by branch, region, profit centre and as a whole bank, as well as allow for unlimited backdating of journal posting and prior year adjustments for both conventional book and Islamic book. In addition to facilitating reporting functions, MiBS GL also has financial analysis functions.

(2) **Islamic Banking Modules**

The following modules are a few examples of the MiBS modules for Islamic banking which are suitable for Syariah compliant banking services for the Malaysian, Indonesian as well as the Middle East environment. They are delivered over channels such as the MiBS BDS and the ATM. A brief description of some Islamic MiBS modules is set out below:-

(a) *MiBS Islamic Hire Purchase (AITAB) Module*

MiBS AITAB is a module to implement Islamic hire-purchase financing activities and it is designed as an autonomous, entirely separate object from conventional hire purchase while sharing the same common services, MiBS UFP and infrastructure to support in particular the Ijarah-wa-iqtana', Ijarah-muntahiyah-bi-tamlik or Al Ijarah Thumma Al-Bai Syariah concept.

The Al Ijarah Thumma Al-Bai concept refers to two contracts undertaken separately and consequentially, i.e. the Al-Ijarah contract which is for the leasing/renting of asset, and the Al-Bai' contract which is for the purchase of asset. Under the Al-Ijarah contract, a customer leases the asset from the BFI at an agreed rental over a specified period. Upon the expiry of the period, the customer then enters into a second contract, i.e. the Al-Bai' contract to purchase the asset from the BFI at a price agreed by both parties at the initial stage.

Similar to other MiBS online modules, MiBS AITAB is an online system that integrates seamlessly with the other MiBS modules to supply real time, single glance and consolidated information of a particular Islamic hire-purchase account. When combined with other common modules such as MiBS CIS and MiBS CMS, single customer exposure and other risks management such as IFSB and Basel II frameworks alignment information can be made available. MiBS AITAB supports the entire life cycle of the Islamic hire-purchase from financing origination over the Internet, branches or other outlets complete with credit scoring, document tracking and management, collateral management, disbursement, repayment, post-dated cheque posting and monitoring until subsequent settlement, securitisation or NPF classification and provision and collection and recovery functions such as rescheduling and write-offs. MiBS AITAB is also able to handle both cash and accrual accounting methods. It also verifies against the MiBS CIS for Users to ensure that the customer's financing accounts with the BFI is within the single customer limit allowed. MiBS AITAB delivers online Islamic hire-purchase services across various headquarters, regional offices, branches, outlets and financial institutions.

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(b) *MiBS Islamic Leasing (Ijarah) Module*

MiBS Ijarah is a module to implement Islamic leasing activities and it is designed as an autonomous, entirely separate object from conventional leasing while sharing the same common services, MiBS UFP and infrastructure to support in particular the Al-Ijarah concept.

Under the Al-Ijarah concept, the BFI leases a wide variety of assets and services, for example, education, medical and travel services, equipment, building or other facility to the customer at an agreed rental which is agreed by both parties.

Similar to other online MiBS modules, MiBS Ijarah is an online system that integrates seamlessly with the other MiBS modules to supply real time, single glance and consolidated information of a particular Islamic leasing account. When combined with other common modules such as MiBS CIS and MiBS CMS, single customer exposure and other risks management such as IFSB and Basel II frameworks alignment information can be made available. It supports the entire life cycle of the leasing from financing origination over the Internet, branches or other outlets complete with credit scoring, document tracking and management, collateral management, disbursement, repayment, post-dated cheque posting and monitoring until subsequent settlement, securitisation or NPF classification and provision and collection and recovery functions such as rescheduling and write-offs. MiBS Ijarah is also able to handle both cash and accrual accounting methods. It also verifies against the MiBS CIS for Users to ensure that the customer's financing accounts with the BFI is within the single customer limit allowed. MiBS Ijarah delivers online Islamic leasing services across various headquarters, regional offices, branches, outlets and financial institutions.

(c) *MiBS Islamic Financing (IF) Module*

MiBS IF is a module to implement Islamic financing activities and it is designed as an autonomous, entirely separate object from conventional loans while sharing the same common services, MiBS UFP and infrastructure to support in particular the following concepts:-

- Bai' Al-Dayn
- Bai' Al-Inah
- Bai' Al-Salam
- Bai Bithaman Ajil
- Istisna'
- Mudharabah
- Murabahah
- Musyarakah
- Qardhul Hasan

When employing the supported Syariah concepts on its own as a single contract or in combination of a few contracts for instance undertaken separately and consequentially, various Islamic financing products can be defined by the Users. Examples of Islamic financing products include house financing or mortgage, term financing, personal financing, corporate financing, syndicated financing, unit trust and share financing.

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Similar to other online MiBS modules, MiBS IF is an online system that integrates seamlessly with the other MiBS modules to supply real time, single glance and consolidated information of a particular Islamic financing account. When combined with other common modules such as MiBS CIS and MiBS CMS, single customer exposure and other risks management such as IFSB and Basel II frameworks alignment information can be made available. It supports the entire life cycle of the Islamic financing accounts from financing origination of the Islamic financing account over the Internet, branches or other outlets complete with credit scoring, collateral management, documentation tracking and management, disbursement, repayment until subsequent settlement, securitisation, NPF classification and provision and collection and recovery functions such as rescheduling and write-offs. Its features comprise, amongst others, the posting and monitoring of post-dated cheques and the allowance for multi-tier rates over the life of the financing period. MiBS IF is also able to handle both cash and accrual accounting methods. It also verifies against the MiBS CIS for Users to ensure that the customer's financing accounts with the BFI is within the single customer limit allowed. MiBS IF delivers online Islamic financing services across various headquarters, regional offices, branches, outlets and financial institutions.

(d) *MiBS Islamic Pawn Brokering (Ar-Rahnu) Module*

MiBS Ar-Rahnu is the pawn brokering module operated under the Islamic Ar-Rahnu concept. Under the concept, the BFI and the customer enters into an arrangement whereby a valuable asset is placed as collateral for the financing and this collateral may be disposed of in the event that the customer is in default of its terms of arrangement. The BFI will charge service charges for the custody of the valuable asset.

Similar to other online MiBS modules, MiBS Ar-Rahnu is an online system that integrates seamlessly with the other MiBS modules to supply real time, single glance and consolidated information of a particular account. When combined with other common modules such as MiBS CIS and MiBS CMS, single customer exposure and other risks management such as IFSB and Basel II frameworks alignment information can be made available. It supports the entire life cycle of the collateralised financing from a simple application over the branch or other outlet, collateral management, disbursement, repayment, post-dated cheque posting and monitoring until subsequent settlement, extension or disposal of collateral. MiBS Ar-Rahnu delivers online Islamic pawn brokering services across various headquarters, regional offices, branches, outlets and financial institutions.

(e) *MiBS Islamic Trade Finance (TF) Module*

MiBS TF caters for the full life cycle of Islamic trade finance operations from both the importer and exporter's perspective. Supporting various Syariah concepts such as Murabahah and Al-Kafalah, the features of MiBS TF includes the automatic computation of commissions, fees and charges for normal and overdue profit based on User defined product parameters setup, and is able to perform straight through processing via its interface with Society For Worldwide Interbank Finance Telecommunication or SWIFT and Real Time Electronic Transfer of Funds and Securities or RENTAS for the issuance of Islamic Letter of Credit and its payments. Various controls such as exporter profile, limit management and document inventory management are available.

5. INFORMATION ON OUR GROUP

Similar to other online MiBS modules, MiBS TF is an online system that integrates seamlessly with the other MiBS modules to supply real time, single glance and consolidated information of a particular Islamic trade financing facility. MiBS TF delivers online Islamic trade financing services across various headquarters, regional offices, branches, outlets and financial institutions.

(3) Conventional Banking Modules

The following modules are a few examples of the MiBS modules for conventional banking. They are delivered over channels such as the MiBS BDS and the ATM. A brief description of some conventional MiBS modules is set out below:-

(a) *MiBS Hire Purchase (HP) Module*

The MiBS HP is designed to accommodate goods which are subject to the Hire Purchase Act 1967 (Revised 1978), as well as non-Act goods. It is an online system that integrates seamlessly with the other MiBS modules to supply real time, single glance and consolidated information of a particular hire-purchase account. When combined with other common modules such as MiBS CIS and MiBS CMS, single customer exposure and other risks management and Basel II framework alignment information can be made available. The MiBS HP is able to, amongst others, automatically generate the various notices in accordance with the Hire Purchase Act. It supports the entire life cycle of the hire-purchase from loans origination over the Internet, branches or other outlets complete with credit scoring, document tracking and management, collateral management, disbursement, repayment, post-dated cheque posting and monitoring until subsequent settlement, securitisation or NPL classification and provision and collection and recovery functions such as rescheduling, legal actions and write-offs. The MiBS HP also verifies against the MiBS CIS for Users to ensure that the Customer's financing accounts with our Client is within the single customer limit allowed. MiBS HP delivers online hire-purchase services across various headquarters, regional offices, branches, outlets and financial institutions.

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5. INFORMATION ON OUR GROUP

(b) *MiBS Leasing (LS) Module*

The MiBS LS covers a complete set of lease financing facilities such as full pay out lease, deposit lease, residual value lease and operating lease. It is an online system that integrates seamlessly with the other MiBS modules to supply real time, single glance and consolidated information of a particular leasing account. When combined with other common modules such as MiBS CIS and MiBS CMS, single customer exposure and other risks management and Basel II framework alignment information can be made available. It supports the entire life cycle of the leasing from loans origination over the Internet, branches or other outlets complete with credit scoring, document tracking and management, collateral management, disbursement, repayment, post-dated cheque posting and monitoring until subsequent settlement, securitisation or NPL classification and provision and collection and recovery functions such as rescheduling, legal actions and write-offs. Examples of its features include provision of various modes of interest calculation such as flat rate, sum-of-digits, daily balance, monthly, quarterly, half-yearly, yearly and anniversary rest, and also allows User definable repayment terms, such as weekly, quarterly, half-yearly, revolving credit and special repayment as agreed between our Client and the Customer. MiBS LS also verifies against the MiBS CIS for Users to ensure that the Customer's financing accounts with our Client is within the single customer limit allowed. MiBS LS delivers online leasing services across various headquarters, regional offices, branches, outlets and financial institutions.

(c) *MiBS General Loan (LN) Module*

The MiBS LN is a complete lending module. It is an online system that integrates seamlessly with the other MiBS modules to supply real time, single glance and consolidated information of a particular loan account. When combined with other common modules such as MiBS CIS and MiBS CMS, single customer exposure and other risks management and Basel II framework alignment information can be made available. It supports the entire life cycle of the loan accounts from loans origination of the loan account over the Internet, branches or other outlets complete with credit scoring, collateral management, documentation tracking and management, disbursement, repayment until subsequent settlement, securitisation, NPL classification and provision and collection and recovery functions such as rescheduling, legal actions and write-offs. Its features comprise, amongst others, the posting and monitoring of post-dated cheques and the allowance for multi-tier rates over the life of the loan period. The MiBS LN also verifies against the MiBS CIS for Users to ensure that the Customer's financing accounts with our Client is within the single customer limit allowed. MiBS LN delivers online lending services across various headquarters, regional offices, branches, outlets and financial institutions.

(d) *MiBS Share Financing (SF) Module*

The MiBS SF is designed to facilitate the various share financing activities offered by the financial institutions, such as term loan, employees share option schemes financing and new share subscription facilities. It is also able to generate daily exceptional reports on the names of Customers who have exceeded their limit, in an oversold position, at margin call position and in force selling position. The MiBS SF also enables financial institutions to interface with brokers through the uploading of daily business transactions, share transfers, bonus/rights credited from the brokers and the downloading of trading limit and counter portfolio to brokers.

5. INFORMATION ON OUR GROUP

(4) Deposits/Investments and Payment Modules

The following modules are a few examples of the MiBS modules for Deposits or Investments and Payment services. Each of these modules has two module type namely conventional module type and Islamic module type. They are delivered over channels such as the MiBS BDS and the ATM. A brief description of some of these MiBS modules is set out below:-

(a) *MiBS Current Account (CA) and Savings Account (SA) Module*

MiBS CA and MIBS SA are online systems where all financial transactions are updated into the databases directly and thus maintaining online real-time information supporting 24x7 operations over multiple electronic delivery channels. Selected features of MiBS CA and MiBS SA include the provision of multiple Users definable and multi-currency products, and the availability of various types of interest calculation for conventional CA and SA and profit computation or dividend distribution for Islamic CA and SA, such as multi-tier, multi-rate and flat rate. The MiBS CA also offers cheque book management functions and is able to interface with MiBS CM for the clearing of cheques, as well as access to Bank Negara Malaysia's system for bad cheque offenders and MiBS IMS for signature display and verification.

The MiBS Al-Wadiah CA and MiBS Al-Wadiah SA operate based on Syariah principles and they are suitable for implementation of Islamic safe custody and Islamic financing activities. It is designed as an autonomous, entirely separate object from conventional demand deposits while sharing the same common services, MiBS UFP and infrastructure to support in particular the Al-Wadiah, Naqad and Al-Inah concepts.

Under the Al-Wadiah concept, the BFI offers its customers safe custody of their funds. The BFI will then utilise the funds for investments purpose and offers returns to its customer at its own discretion. Under the Naqad or Al-Inah concept, overdraft is extended to the customer over the MiBS CA facilities.

Similar to other online MiBS modules, MiBS CA and MIBS SA are online systems that integrate seamlessly with the other MiBS modules to supply real time, single glance and consolidated information of a particular conventional or Islamic demand deposit accounts. Their features comprise, amongst others, the deposit and monitoring of post-dated cheques. MiBS CA and MiBS SA deliver online conventional and Islamic demand deposit services across various headquarters, regional offices, branches, outlets and financial institutions.

(b) *MiBS Fixed Deposit (FD) and Al-Mudharabah Investment (MI) Module*

MiBS FD and MiBS MI are online systems where all financial transactions are updated into the databases directly and thus maintaining online real-time information supporting 24x7 operations over multiple electronic delivery channels. MiBS FD and MiBS MI conventional module type powers conventional term deposit while its Islamic counterpart powers Islamic investment services. Two categories of term deposit or Islamic investment are supported, namely fixed deposit or Islamic investment for a tenure of 1 month to 999 months, and short term deposits or Islamic investment for a period of 1 day to 999 days. The features of MiBS FD and MiBS MI include the ability to generate mandatory statutory and management reports, allow for User definable minimal deposit or investment amount and period, withholding tax calculation, interest prepayment for conventional products and dividend or profit distribution for Islamic investments and pre-mature withdrawal calculation method.

5. INFORMATION ON OUR GROUP

The MiBS MI operates based on Syariah principles and it is suitable for implementation of Islamic investment activities. It is designed as an autonomous, entirely separate object from conventional termed deposits while sharing the same common services, MiBS UFP and infrastructure to support in particular the Al-Mudharabah and Al-Inah concepts.

Under the Al-Mudharabah investment concept, a profit sharing arrangement is made where the BFI will agree with its customers on a profit sharing ratio and the profit rate will be based on the monthly rate maintained by the head office of the BFI. The Al-Inah concept is where the customer agrees to buy a permitted asset of the BFI and subsequently sells the asset back to the BFI for a profit. However, the BFI will only repay the fund plus the profit after a specified period of time.

Similar to other online MiBS modules, MiBS FD and MiBS MI are online systems that integrate seamlessly with the other MiBS modules to supply real time, single glance and consolidated information of a particular conventional termed deposit or Islamic investment accounts. Their features comprise, amongst others, the deposit or investment and monitoring of post-dated cheques. MiBS FD and MiBS MI deliver online conventional termed deposits and Islamic investment services across various headquarters, regional offices, branches, outlets and financial institutions.

(c) *MiBS Foreign Exchange (FX) and Money Market (MM) Module*

MiBS FX and MiBS MM are online systems where all financial transactions are updated into the databases directly and thus maintaining online real-time information supporting 24x7 operations over multiple electronic delivery channels. The MiBS FX and MiBS MM support the various foreign exchange and money market transactions and are able to handle both front office functions and back office processing and settlement. Some of their supported products include government securities, treasury bills, bonds or Sukuk, negotiable certificate of deposits, own and secondary banker's acceptance and inter-bank placement. Selected features of these modules include the limits management, monitoring of open position for individual dealer, profit centre and the whole financial institution and also provide gapping analysis, Nostro/Vostro account balances projection and profitability analysis.

Similar to other online MiBS modules, MiBS FX and MiBS MM are online systems that integrate seamlessly with the other MiBS modules to supply real time, single glance and consolidated information for foreign exchange and money market services. MiBS FX and MiBS MM deliver online remittance services across various headquarters, regional offices, branches, outlets and financial institutions.

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5. INFORMATION ON OUR GROUP

(5) Electronic Delivery Channels

The following modules are a few examples of the MiBS suite of electronic delivery channels. A brief description of some of these MiBS modules is set out below:-

(a) *MiBS Electronic Banking Centre (EBC) Module*

The MiBS EBC provides online ATM, cash deposit machines, cheque deposit machines, passbook updates and electronic kiosks transactions as well as various back office functions for new card applications, account linking, limit management, refund for share applications as well as performing data maintenance. In addition to interfacing with the other MiBS modules, the MiBS EBC also interfaces with the inter-bank gateway over the MiBS ISO8583 (an international standard for financial transaction card originated messages) switch to enable Customers making ATM withdrawals at other BFI as well as inter-bank fund transfer or MEPS. The MiBS EBC is also able to, amongst others, provide agency bill payment over the MiBS Bill Payment module with interfaces with utility companies, provide for online fund transfers between account, inter-bank transfer, share applications, inquiry on account balances, loans or financing account information inquiry and share application status, and online crediting of customer's accounts for deposits made through the cash deposit terminals. The MiBS PMPC and MiBS GMPC are the latest ATM module offering that supports the integrated circuit smartchip card based bankcard and MyKad initiatives. MiBS EBC is a ready and proven electronic delivery channel solution to automate many traditional branch banking services otherwise performed manually.

(b) *Internet Banking (IB) Module and Phone Banking (PB) Modules*

The MiBS IB and MiBS PB extend the MiBS banking service capabilities to the Internet and through the telephone. They are interactive channels where Customers can enjoy 24x7 user friendly, automated banking services anywhere around the world. For MiBS IB, we incorporate the latest and updated security features into the product. Continuous effort is invested into MiBS IB and MiBS PB to ensure their data protection and encryption technologies are in line with the industry's standards. The MiBS IB is certified on the iVest security standards protected by the Malaysian Digital Signature Act 1997. MiBS IB also supports interfaces to e-commerce with business-to-business or B2B facilities like payment gateway and credit card gateway, as well as stock trading which interfaces with the stockbroker's system. Ready interface to its partner call centre solutions is also made available to offer a comprehensive solution to those who look for an end-to-end implementation.

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5. INFORMATION ON OUR GROUP

(6) System Integration

We provide our Clients in the FSI with IT solutions that will assist them to utilise IT to automate and streamline their business processes. Our Clients are expected to be more flexible and responsive to their Customers' demands without straining their human and financial resources. We also provide professional services and consultancy relating to the integration of hardware, software and network components that are required to implement a particular application software solution and system architecture that has been selected by our Clients. It is an end-to-end IT solution offering that encompasses all the business needs of our Clients.

Our full offering of IT solutions provides the technology foundation to achieve our Clients' business objectives:-

- Profitable financial management
- Effective delivery of innovative products and services
- Enhanced decision-making
- Increased control over costs and technology direction
- Quality customers' service
- Information for credit risks management
- Compliance with regulatory and statutory requirements

From a single application software implementation, up to the complete IT outsourcing, we can structure a technology solution best suited to our Clients' business needs. The available products, services and resources include the following:-

- Application and systems managed services
- Banking application software
- Technical & operational training
- Software development, customisation, maintenance and support
- Network services
- Workflow solutions
- Project management
- Quality management
- Disaster recovery
- Resource management
- Data migration
- Office automation
- Storage area network solution
- Emerging technology services

(7) Technology Base of our Group

Hardware	:	Sun, IBM, HP, Intel based Servers
Operating Systems	:	Sun Solaris, IBM AIX, Linux, HP-UX, Microsoft Windows
Databases	:	Oracle, Sybase, DB2, SQL Server, MySQL
Development Tools	:	Microsoft Visual Studio, GCC Suite, J2EE, Web development IDE tools

5. INFORMATION ON OUR GROUP

5.4.5 Markets and Mode of Distribution

Our current Clients are mainly domestic based companies in the FSI and for the financial year ended 31 December 2005, approximately 92% of our revenue was generated locally whilst the remaining 8% from other countries. Since 2003, we had secured contracts with Islamic financial institutions in Thailand, Brunei and North Africa.

We currently sell our products and services through the following methods:-

- (i) direct sales; and
- (ii) overseas business partners.

The direct sales method is mainly used for the domestic market and we adopt a team-selling approach in which the sales personnel collaborates with the business unit professionals and the management team to identify our Clients' sales process to develop the appropriate solutions which meet their needs and budgets. We currently have 5 dedicated employees in our marketing team led by Phong Hon Voon who is our Chief Executive Officer and Executive Director.

For the overseas market, we market our products mainly through our overseas business partners and as such, we adopt the local partnership approach whereby the overseas contracts are secured via the local business partner and we provide the groundwork for the contract. The overseas business partners may also provide the first line of support to our Clients as well as localisation services, while our overseas support centre and offices in Malaysia will provide the second line of support to the overseas business partners or our Clients.

As at the Latest Practicable Date, we have value-added resellers or business partners to cover potential countries including Thailand, Brunei, Vietnam, China, Saudi Arabia, Kuwait and North Africa. These overseas business partners are an integral part of our overseas ventures as they offer synergistic value to us, such as technical support, market intelligence information and network support. In addition, we have also set up a representative office in Jakarta, Indonesia and a support centre in Kuwait to further expand our operations in the Southeast Asia and Middle East regions.

5.4.6 Quality Control Procedures

The software process improvement programme CMMI (Level 3 maturity) is initiated with the aim of achieving the following:-

- Improve the quality and competitiveness of products and services as we venture into the international market.
- Be agile and reduce time-to-market by streamlining the software development process, reducing backtracking, and performing tasks in parallel.
- Establish well-estimated predictable schedules and reduce rework through better requirements management, tracking and project management.
- Maintain and improve our Clients' satisfactions.

5. INFORMATION ON OUR GROUP

CMMI facilitates enterprise-wide process improvement and improves predictability of the critical measures of cost, schedule, performance, and our Clients' satisfaction. It links management and software engineering best practices to business objectives by providing a perpetual framework that optimises performance in management, product development and quality delivery.

5.4.7 Research and Development

R&D Overview

We believe in investing in substantial R&D activities to maintain the competitive advantage of MiBS aimed at providing superior technology solutions to our Clients.

We aim to provide and apply advanced Open Systems and Open Source platform technology and tools to develop innovative and comprehensive IT solutions to the FSI. Our core technological products and services are packaged under the brand name of MiBS.

We focus on enriching and expounding the valuable intellectual property of MiBS and our related systems components, aimed to offer better and more comprehensive products and services to the FSI in Malaysia, as well as the overseas markets.

We recognise that we operate in an industry that is continuously and rapidly evolving. The risk and threat of technology advancement may potentially outpace our offerings. Hence, continuing R&D is vital to maintain our competitive advantages and to differentiate us from our rivals. Leveraging on the MSC initiatives and our close ties with the Islamic finance research community, we are expected to enjoy much local support and international recognition.

As at the Latest Practicable Date, we employ a total of 17 full time R&D professionals, led by our Chief Technology Officer and Executive Director, David Hii Chin Yun, comprising systems architects, systems analysts and software developers.

R&D Projects

Under the MSC business plan, we are committed in developing 4 areas of R&D since early 2004. 3 of which are considered core R&D projects designed to meet market expectations in the immediate future. We have successfully completed the first core R&D project in 2004 with the remaining 2 core R&D projects expected to be completed by 2006. The core R&D projects form the backbone of the new and innovative MiBS offerings to the market place in the immediate future. The remaining R&D project is recognised as a strategic R&D initiative to prepare us specifically for the Middle East region.

Apart from the above, we have also embarked on 4 enhancement R&D projects in the area of risks management specifically for IFSB and Basel II frameworks' requirements, i.e. to secure international convergence on revisions to supervisory regulations governing the capital adequacy of internationally active banks by the Basel Committee on Banking Supervision as endorsed by the Central Bank Governors and Heads of Banking Supervision of the Group of Ten countries. These enhancement R&D projects involve either the re-design of our existing modules or extracting components of our existing modules to cater for better credit risks management on a common framework.

Finally, 4 new Islamic banking R&D projects to enhance our current suite of offerings have been launched as we anticipate the formation of regional Islamic capital markets and increasing Islamic trade finance transactions.

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R&D Focus

The key research focus is to produce innovative Islamic and conventional banking services constructed on the building blocks of Open Source technology initiatives, suitable not just for Malaysia, but also for the Middle East and the global market. It is further enhanced with risk management capabilities aligned towards the IFSB and Basel II frameworks and was designed to offer a fully integrated, Open Systems solution to the global FSI.

Given that MiBS research in Open Source technology initiatives such as Linux OS and the GCC suite of software has matured, it is expected to contribute much value to our overall offerings. Being a proponent of the Open Systems, we continue to ensure that MiBS is readily portable across commercial RDBMS and Unix OS in addition to their Open Source peers such as MySQL, PostgreSQL RDBMS and Linux OS.

Meanwhile, our Clients are also offered both thin web-browser interfaces as well as thick Windows rich-client interfaces. Both thin and thick MiBS interfaces could be deployed simultaneously with multiple BFIs, languages, currencies and date supports.

The principal goal is to continuously improve and enhance the MiBS suite of products and services, and position them for the challenges of globalisation.

R&D on innovative Islamic banking products of Syariah principles, built around conventional banking products is also planned in our 5-year R&D plan. Apart from catering to retail banking, those innovative Islamic banking products are developed in anticipation of increasing Islamic investments, trade finance transactions as well as the formation of regional Islamic capital markets.

In addition to these, we will also continue to focus on R&D activities to meet the needs of global FSI, such as to enhance product features and performance and to develop new products, which are in line with technological advances.

We have embarked on the implementation of a CMMI Level 3 model for all our internal process, inclusive of the R&D projects. The R&D methodology is therefore subject to improvement from time to time as required under the CMMI continuous representation model.

MiBS Release 8.0 was successfully developed in early 2005 and the next major release is scheduled to be in early 2007 during which, all the R&D projects under the MSC projects and risks management modules are expected to be completed.

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5. INFORMATION ON OUR GROUP

Development Milestones

The summary of the development milestones of all our targeted R&D projects is set out below.

<i>Year</i>	<i>Action Plan</i>
	Research and Development Activities
2005-2006	<ul style="list-style-type: none"> • R&D on Open Source platform • R&D on web-browser based system • R&D on new Islamic modules • Enhance credit risks management capabilities • Provide minor releases of MiBS Release 8.0 • Enhance MiBS with Arabic language support
2007	<ul style="list-style-type: none"> • Provide MiBS Release 9.0
2008	<ul style="list-style-type: none"> • Provide enhancement on MiBS Release 9.0 • Optimisation and enhancement of MiBS UFP
2009	<ul style="list-style-type: none"> • Provide MiBS Release 10.0 • Enhancement on new and emerging electronic delivery channels

R&D Expenditure

The total investment in R&D for the past 3 financial years ended 31 December 2005 is set out below:-

R&D expenditure	RM'000	% of revenue
FY2003	887	9.9
FY2004	1,194	6.5
FY2005	1,596	8.0

Out of the proposed RM2.225 million set aside from the gross listing proceeds to be utilised in R&D related activities, we expect to spend approximately RM1.8 million for the FY2006.

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5. INFORMATION ON OUR GROUP

5.4.8 Major Clients

Our major Clients for the past 3 financial years ended 31 December 2005 are set out below:-

Major Clients	Nature of transactions	Years of relationship	% of Revenue		
			FY2003	FY2004	FY2005
Bank Kerjasama Rakyat Malaysia Berhad	Provision of MiBS applications	7	43.6	39.0	38.0
RHB Bank Berhad	Provision of MiBS applications	4	1.2	20.5	1.6
Fitrah Resources Sdn Bhd	Sales of hardware	1	-	-	19.7
Commerce Tijari Bank Berhad	Provision of MiBS applications	2	-	13.2	12.9
Bank Pertanian Malaysia Berhad	Provision of MiBS applications	4	0.2	10.6	4.7
EON Bank Berhad	Provision of MiBS applications	11	16.7	4.4	-
Bank Muamalat Berhad	Provision of MiBS applications	3	13.1	0.9	3.7

Although our products are mainly software products, we also provide our Clients with complete software systems, together with hardware products and database.

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 Bank Kerjasama Rakyat Malaysia Berhad for the past 3 financial years accounted for at least 38% of our total revenue for these periods, we have not encountered any major problems in our dealing with the said Client or other major Clients of ours and enjoy good business relationships with them. Additional information relating to our risk of dependence on our major Clients and the mitigating factors thereto are highlighted in Section 4.1.2 of this Prospectus.

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5. INFORMATION ON OUR GROUP

5.4.9 Major Trade Suppliers

Our major trade suppliers for the past 3 financial years ended 31 December 2005 are set out below:-

Major trade suppliers	Nature of transactions	Years of relationship	% of Purchases		
			FY2003	FY2004	FY2005
Ingram Micro Malaysia Sdn Bhd	Provision of IT hardware	3	-	-	45.5
Computer Systems Advisers (M) Berhad	Provision of IT hardware & software	8	0.6	79.0	28.0
Sun Microsystems Malaysia Sdn Bhd	Provision of IT operating systems	6	17.9	9.0	7.9
Fujitsu Malaysia Sdn Bhd	Provision of IT hardware	4	28.5	-	-
Einvestore Sdn Bhd	Provision of IT software	3	11.5	1.9	-
Letatsu Cycles Sdn Bhd	Provision of IT hardware	4	10.1	0.1	-

Our business is on a project-to-project basis and hence our major trade suppliers tend to vary from year to year. We purchase hardware and software products mainly for resale to our Clients. As a result, some projects secured may involve purchase of certain products which accounts to a significant percentage of purchases during a certain year. Nevertheless, our software uses an open architecture platform which alleviates our reliance on specific suppliers in sourcing its hardware and software purchases. As such, we are not overly dependent on any major trade supplier for its products to be installed.

5.4.10 Locations of Operations

We currently operate in the following locations:-

Head office

8th Floor, Bangunan Angkasa Raya, Jalan Ampang, 50450 Kuala Lumpur

R&D centre

1-1A, Incubator 3, Technology Park Malaysia, Lebuhraya Puchong-Sg. Besi, Bukit Jalil 57000 Kuala Lumpur

Branch office

Pusat Pedada, Floor 1, 14 Jalan Pedada, Sibul, 96000 Sarawak

Representative office

17th Floor, Jakarta Stock Exchange Tower II,
Jl. Jend. Sudirman Kav. 52-53, Jakarta 12190 Indonesia

Support centre

Al-Majmouaa Building, P.O. Box 17030, Khaldiya, 72541 Kuwait

5. INFORMATION ON OUR GROUP

5.4.11 Strengths and Competitive Advantages

We believe that we will be able to compete effectively as we possess the following strengths and competitive advantages:-

- With more than 10 years in the software development business particularly in the Islamic banking solutions, we have an established track record and developed good business relationships with our Clients over the years. We continue to serve our Clients after implementation of IT systems as the IT industry is prone to rapid changes. In addition, we have yearly maintenance contracts with most of our Clients after implementation of IT systems. As a result, we are able to leverage and capitalise on our experience gained in the past to serve our existing and potential Clients. Besides, we have a pool of Syariah advisers and/or consultants, banking experts, business consultants and IT consultants who are able to develop and provide our Clients with customised products and services to meet their business needs. Since 2005, we have also engaged external Syariah advisory service to ensure our solution meets international Syariah requirements, especially the Middle East requirements.
- We have established strategic alliances with leading and major IT partners, such as Sun Microsystems Malaysia Sdn Bhd, IBM Corporation, Oracle Corporation Malaysia Sdn Bhd, Microsoft (Malaysia) Sdn Bhd and Hewlett Packard Sales (Malaysia) Sdn Bhd, which are well-known brand names in the IT industry. These alliances 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.
- Our MiBS application software has won several awards and received recognitions over the years. It comprises various modules and our Clients are able to choose the modules best suited to their needs. In addition, the MiBS software operates on a multi-tier OLTP architecture on the J2EE platform supporting web-browser based clients in MiBS release 8.0 which enables the MiBS software to be independent of the hardware system and this reduces maintenance and upgrading costs and allows Users of the software to make fast and efficient modifications to their computers and network systems. Besides, MiBS is especially suitable for banks that are just starting their Islamic banking operations because they will not have to invest a large investment as MiBS comes in a modular format.
- Our Executive Directors each have more than 10 years of experience in the software solutions for FSI. In addition, they are well supported by a team of competent and experienced personnel who have many years of experience in their respective fields. We believe that we have the required competency and capacity to render a spectrum of services and solutions to our Clients. This has allowed us to create value for our Clients, offering a one-stop end-to-end service.
- We are able to identify technological trends and market needs in our core business of customised banking and software R&D. In particular, our dedicated R&D team, consists of experience and qualified IT personnels with inputs from Syariah advisers and/or consultants, have good track records of successfully identifying Open Systems, Islamic banking and of late Open Source technology as key building blocks in MiBS that has been deployed to multiple BFI in the region. We are confident that we will be able to maintain our position in the industry as a result of our continuous focus in R&D and our understanding of the regional business culture and practices as well as local governments' regulations and requirements.

5. INFORMATION ON OUR GROUP

- Our MiBS UFP allows MiBS suite of modules to operate on any Unix/Linux platform in a multi-tier OLTP architecture. MiBS does not require dedicated resources from our Clients and it is secure, easily scalable and requires minimal customisation. It is an independent Open Systems solution that allows our Clients to implement a cost effective solution as they are able to mix and select the available hardware and systems software that are best suited to their needs.
- The software process improvement programme CMMI Level 3 maturity is 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. With the CMMI accreditation expected to be accorded in 2006, we may be able to enjoy the benefits of continuous process improvement such as in the areas of software R&D, project implementation and client support services. Besides, the CMMI accreditation enables us to distinguish ourselves from our competitors and is also expected to give confidence to our Clients (particularly overseas-based) that MiBS and its development processes meet internationally recognised standards.

5.4.12 Major Approvals, Licences and Permits

Details of major approvals, licences and permits granted to or held by us are set out below.

(a) MSC status

Our Company was granted the MSC status on 30 January 2004 by the Government of Malaysia for our R&D in Islamic banking software solutions and the salient terms and general conditions of the MSC status are as follows:-

Salient terms and conditions	Status of compliance
-------------------------------------	-----------------------------

- | | |
|--|-----|
| <p>(i) Complete business registration of the proposed entity as a locally incorporated company under the Act within 1 month from the approval date, commence operations of the proposed entity within 6 months from the approval date, and undertake such activities specified in our business plan as approved by MDC ("MSC-Qualifying Activities") within 6 months from the approval date or by such date(s) as may be specified in our business plan as approved, which date(s) may be extended or modified with the written consent of MDC, and thereafter continue with such business and activities unless otherwise approved by MDC. The MSC Qualifying Activities are as follows:-</p> | Met |
|--|-----|

Development of the following Islamic financial software applications:-

- MiBS Open Source Platform.
- MiBS BDS.
- MiBS Credit Card System.

Any changes proposed to the above MSC Qualifying Activities as detailed in the business plan must receive the prior written consent of MDC.

5. INFORMATION ON OUR GROUP

Salient terms and conditions	Status of compliance
(ii) Locate the implementation and operation of the MSC Qualifying Activities in Cyberjaya, within 6 months from the approval date and seek MDC's prior written approval in the event of any changes in the location or address of our Company.	Met
(iii) Ensure that at all times at least 15% of our total number of employees (excluding support staff) shall be "knowledge workers" (as defined by MDC).	Met
(iv) Continuously comply with the MSC's environmental guidelines as determined by MDC from time to time.	Noted
(v) Submit to MDC a copy of our Annual Report and Audited Statements in parallel with submission to the Companies Commission of Malaysia.	Met and noted
(vi) Inform and obtain the prior approval of MDC for any proposed change in our name.	Met

As an MSC status company, our Company is entitled to the following incentives, rights and privileges provided for under the Bill of Guarantees:-

- To provide a world-class physical and information infrastructure.
- To allow unrestricted employment of local and foreign knowledge workers.
- To ensure freedom of ownership by exempting companies with MSC status from local ownership requirements.
- To give the freedom to source capital globally for MSC infrastructure, and the right to borrow funds globally.
- To provide competitive financial incentives, including Pioneer Status (100% tax exemption) for up to 10 years or an Investment Tax Allowance for up to 5 years and no duties on the importation of multimedia equipment.
- To become a regional leader in Intellectual Property Protection and Cyberlaws.
- To ensure no censorship of the Internet.
- To provide globally competitive telecommunication tariffs.
- To tender key MSC infrastructure contracts to leading companies willing to use the MSC as their regional hub.
- To provide a high-powered implementation agency to act as an effective one-stop super shop.

5. INFORMATION ON OUR GROUP

(b) Pioneer status

Our Company was granted the pioneer status on 5 February 2005 by the Ministry of International Trade and Industry Malaysia (“MITI”) for a period of 5 years commencing 1 September 2004 and the salient terms and conditions of the pioneer status are as follows:-

Salient terms and conditions	Status of compliance
(i) We shall carry out pioneer activities as stated in the certificate of pioneer status subject to the conditions agreed by MITI.	Met
(ii) We must submit a formal application to MDC on or before 31 August 2009 to extend the period of pioneer status for another 5 years.	To be met
(iii) MITI shall issue an extension letter for the extension of pioneer status of a further 5 years upon confirmation from MDC that all terms of the incentives under the MSC have been complied with.	To be met

(c) Contractor’s licence

The contractor’s licence certificate was issued by the Ministry of Finance Malaysia (“MOF”) to MSSB for the supply/provision of services under the categories of personal computer and related peripheral and services, small to large multi-user systems and services, workstations and related peripheral and services, software product and services, other computer related services, and networking products and services. Subject to renewable by the MOF, this contractor’s licence certificate will expire on 5 December 2008. The salient terms and conditions of the licence are as follows:-

Salient terms and conditions	Status of compliance
(i) MSSB is to ensure that the registered services on the certificate do not overlap with the services provided by other company that has the same shareholders or directors and managements.	Met
(ii) Any amendment to the information, which had been submitted to the MOF, must be submitted online within 10 days from the date of such amendment.	To be met, if applicable
(iii) MSSB must disclose the information required by the MOF within the fixed timeframe.	Met
(iv) The MOF reserves the right to terminate or suspend the company’s registration without any notice in the event that the information given by the company is not true.	Noted

5. INFORMATION ON OUR GROUP

(d) Foreign Investment Committee ("FIC")

Our Company had on 27 July 2004 obtained an approval from the FIC in relation to the acquisition of the entire issued and paid-up share capital of MSSB and MWSB for a total cash consideration of RM9 million. There were no conditions imposed by the FIC in relation to the said acquisitions.

5.4.13 Intellectual Property and Trade Marks

We had, on 14 March 2005 filed 3 applications to the Trade Marks Registry for the registration of the trade marks in relation to "MiBS & device" and "Microlink & device" in the name of MSB under the following classes:-

- (1) Trade mark "MiBS & device" in Class 9;
- (2) Trade mark "MiBS & device" in Class 42; and
- (3) Trade mark "Microlink & device" in Class 42.

The applications for "MiBS & device" and "Microlink & device" in Class 42 and "MiBS & device" in Class 9 have been accepted for publication in the *Government Gazette* by the Trade Marks Registry. The relevant forms, fees and art-work in Class 42 and Class 9 have been submitted to the Trademark Office on 16 January 2006 and 6 March 2006 respectively.

5.4.14 Management and Employees

Our management team is spearheaded by our Chief Executive Officer and Executive Director, Phong Hon Voon who has had extensive experience in the industry for more than 17 years. We are supported by a team of qualified and experienced personnel who has contributed significantly to our progress.

As at Latest Practicable Date, we have a total workforce of 119 employees, all of whom are Malaysian. The breakdown of the total number of employees by categories is as follows:-

Category of employees	Number of employees			Total	Foreign employees
	Less than 1 year	1 – 3 years	More than 3 years		
Executive Director	-	-	3	3	-
Management	1	2	2	5	-
Supervisory	21	14	16	51	-
Technical	45	5	-	50	-
Marketing/ Administration	6	-	2	8	-
General workers	-	-	2	2	-
Total	73	21	25	119	-

None of our employees are represented by any union and there have not been any disputes between us and our employees in the past. Besides, we have enjoyed cordial relationships with our employees.

5. INFORMATION ON OUR GROUP

We actively promote training and development of the skills of our employees through the following on-going programmes and activities:-

- (i) external courses such as Java development and Oracle training courses;
- (ii) participation in conferences such as Islamic banking conference and Linux World conference;
- (iii) training courses for relevant staff on the CMMI process areas by certified external trainers. The training offers better understanding of CMMI process implementation and subsequent optimisation, hence further improvement of MiBS product quality;
- (iv) internal training courses on the existing banking modules. The training is conducted by the staff in charge of the respective modules to provide our staff with an overview of the MiBS; and
- (v) external examination such as those by Microsoft certified developer, Institute Bank-Bank Malaysia diploma, Islamic Banking and Finance Institute Malaysia and SUN certified engineer.

5.4.15 Interruption in Business Operations

There was no interruption in our business which had a significant effect on our operations in the 12 months preceding the Latest Practicable Date.

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5. INFORMATION ON OUR GROUP

5.5 SUBSIDIARY COMPANIES

Our Company has 2 wholly-owned subsidiary companies, MSSB and MWSB, and does not have any associated companies.

The details of our subsidiary companies are as follows:-

Company	Date/ Place of Incorporation	Authorised Share Capital	Issued and Paid-up Share Capital	Equity Interest %	Principal Activities
MSSB	25.7.1994 / Malaysia	5,000,000	2,000,000	100	Provision of IT solutions to the FSI and dealing in related products.
MWSB	1.12.2000 / Malaysia	100,000	2	100	Provision of IT solutions to the FSI and dealing in related products.

5.5.1 Information on MSSB

(a) History and business

MSSB was incorporated in Malaysia on 25 July 1994 under the Act as a private limited Company under the name of Danau Jati Sdn Bhd and on 19 September 1995, changed its name to Microlink Systems Sdn Bhd.

MSSB commenced business since incorporation and is principally involved in the provision of IT solutions (mainly MiBS application) to the FSI and dealing in related products. As at the Latest Practicable Date, MSSB has 68 employees.

(b) Share capital

MSSB's present authorised share capital is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each. The movements in issued and paid-up share capital of MSSB since its incorporation are as follows:-

Date of allotment	No. of ordinary shares	Par Value (RM)	Consideration/Type of issue	Resultant issued and paid-up share capital (RM)
25.07.1994	2	1.00	Cash (subscribers' shares)	2
01.08.1995	99,998	1.00	Cash	100,000
12.08.1995	150,000	1.00	Cash	250,000
18.08.1998	1,750,000	1.00	Bonus issue 7 : 1	2,000,000

5. INFORMATION ON OUR GROUP

(c) **Substantial shareholders and Directors**

MSSB is our wholly-owned subsidiary company and the Directors of MSSB are Chok Kwee Bee and Phong Hon Voon.

(d) **Subsidiary and associated companies**

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

5.5.2 Information on MWSB

(a) **History and business**

MWSB was incorporated in Malaysia on 1 December 2000 under the Act as a private limited Company. MWSB commenced operations on 1 March 2003 and is principally involved in the provision of IT solutions to the FSI and dealing in related products. As at the Latest Practicable Date, MWSB has 2 employees.

(b) **Share capital**

MWSB's present authorised share capital is RM100,000 comprising 100,000 ordinary shares of RM1.00 each. The present issued and paid-up capital of MWSB is RM2 comprising 2 ordinary shares of RM1.00 each.

There has been no change in the issued and paid-up share capital of MWSB since its incorporation.

(c) **Substantial shareholders and Directors**

MWSB is our wholly-owned subsidiary company and the Directors of MWSB are Chok Kwee Bee, Phong Hon Voon and David Hii Chin Yun.

(d) **Subsidiary and associated companies**

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

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6. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

6.1 THE GLOBAL ECONOMY

In 2005, global economic expansion was sustained at a strong pace of 4.3%. Growth was remarkably resilient against the backdrop of higher oil prices, rising interest rates, large balance of payment imbalances and disruptions from natural disasters. While the economies of the United States (US) and PR China remained major drivers of global growth, the recovery in Japan and the euro area in the second half-year gained momentum, providing additional support to the global economy. Consumer spending was sustained, reinforced to a significant extent by wealth effects, particularly from robust housing markets in several major economies. Reflecting robust demand conditions, stronger corporate financial positions and rising capacity utilisation, investment spending expanded further. Meanwhile, growth in the Asian region strengthened in the second half-year as the uptrend in the global electronics cycle became evident. Overall, higher global growth was reflected in the continued expansion in world trade, which rose at a strong pace of 7%.

In the Asian region, growth remained strong at 7.2% in 2005 following a milder-than-expected slowdown in the electronics sector. Growth, nevertheless, moderated slightly from the high base of 7.9% in 2004 in the face of surging oil prices, monetary tightening cycle and some slowdown in global IT demand. PR China continued to drive regional expansion with a revised growth estimate of 9.9%. Regional growth was broad based, underpinned by both external and domestic demand.

Going forward, the outlook for 2006 is for global expansion to remain positive. World output and world trade are projected to expand at a firm pace of 4.3% and 7.4% respectively in 2006. Global growth is expected to broaden across the major economies, with the economies of Japan and Europe playing a more significant role. Another notable feature is the stronger investment uptrend seen in several major economies. For the Asian region, the global electronics up-cycle is expected to strengthen further following higher ICT-related spending in the industrial economies and stronger intra-regional demand. While monetary stimulus has been reduced due to increased interest rates, monetary conditions continue to remain accommodative to growth.

(Source: Bank Negara Malaysia Annual Report 2005)

Moving forward, current trends in the global environment point to a more challenging external sector in 2006. While the global economy is expected to expand, there are still downside risks on the horizon. In particular, uncertainties still remain with respect to adjustments in the imbalances brought about by the sharp increases in oil prices. Given the likely pressure on general price levels, interest rate policy is likely to continue to tighten with rates expected to gradually continue its upward trend, especially in the United States.

(Source: Economic Report 2005/2006)

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6. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

6.2 THE MALAYSIAN ECONOMY

Notwithstanding the persistently high oil prices and the downturn in the global electronics cycle, real gross domestic product (GDP) expanded by 5.3%. Growth was private-sector driven and was underpinned by supportive macroeconomic policies and favorable financial conditions. Private consumer demand was sustained at a strong pace while the resilience in private investment further supported economic expansion. The public sector continued to take the opportunity of a favourable environment to consolidate its finances to more sustainable levels.

Given its strong fundamentals and the structural changes taking place in the region, Bank Negara Malaysia adjusted the exchange rate regime on 21 July 2005, moving from a pegged exchange rate against the US dollar to a managed float. The more flexible regime allows Malaysia to respond to changes in the international and domestic environment. The ringgit since appreciated to reach 3.7460 to the US dollar before closing the year at 3.78. Reflecting Malaysia's strong external conditions, the rate has continued to improve further to 3.7055 in 3 March 2006.

The prudent macroeconomic management by the Government further enhanced fundamentals of the Malaysian economy in 2005. The current account in the balance of payments remained in surplus, savings remained high, reserves increased, inflation remained at manageable levels and the external debt declined. In this context of sustained growth performance and fundamentals, the Government's continued commitment to strengthen its budgetary position was reflected in the narrowing of its budgetary deficit to 3.8% in 2005 from 4.3% of GDP in 2004. The Government's focus was on reallocating resources to smaller projects particularly in agriculture, construction, housing and for infrastructure development in rural areas. This progressive reduction in the deficit would provide the policy flexibility for the Government to mitigate potential adverse effects from uncertainties in the external sector. The Government recognised the need to help mitigate the higher international oil prices while ensuring price signals were transmitted efficiently, thus allowing economic agents to make the necessary adjustments to these developments. In 2005, the Government removed the price subsidies gradually, while in early 2006, a further adjustment was made to fuel prices effective 28 February. In order to improve predictability and allow agents to plan ahead, the Government also announced that no further adjustments would be made in 2006.

The Malaysian economy is expected to strengthen further in 2006. Real GDP is projected to grow at a faster rate of 6%, driven by strengthening exports and resilient domestic demand. The global semiconductor upcycle, sustained global growth and higher prices for primary commodities are expected to have positive effects on exports, as well as private consumption and investment.

Moving forward, the 2006 Budget put forth various proactive measures to enhance national resilience and the ability to face external challenges, arising from higher oil prices, higher global interest rates and increasing global competition. Incentives have been given to develop new growth areas such as biotechnology, high technology manufacturing and ICT industries. The National Biofuel Policy was launched at the end of 2005 to encourage private sector involvement in the production of biodiesel. In addition, selected companies undertaking ICT and multimedia services will be given Pioneer Status, which allows for tax exemption or tax allowances of up to 50% for five years. The Government increased the pace of developing the Multimedia Super Corridor (MSC) by awarding the status to cybercities of Bayan Lepas, Pulau Pinang and the Kulim High Technology Park in Kedah.

6. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

The Government will continue to focus on strengthening the fiscal position with the ultimate aim of supporting economic growth without compromising long-term fiscal sustainability. In 2006, prices are expected to increase, driven largely by cost-push factors. Nevertheless, inflation is expected to remain at manageable levels during the year as capacity expansion and productivity improvements in the domestic economy will help contain price pressures. Monetary policy will, therefore, remain supportive of growth. While downside risks remain, the strong macroeconomic fundamentals and diversified economic structure will provide economic resilience.

(Source: Bank Negara Malaysia Annual Report 2005)

6.3 THE INFORMATION, COMMUNICATION AND TECHNOLOGY (“ICT”) INDUSTRY

With regards to IT services, the Government continued to promote MSC as a global ICT hub and to increase the usage and adoption of innovative domestic ICT products and services. As part of the gradual rollout of the MSC to the rest of the country, Penang and Kulim Hi-tech Park in Kedah were declared cybercity status in 2005, thus enabling new MSC-status companies to be based in the northern region. In the second phase of the rollout (2004 - 2010), the focus is on accelerating the MSC flagship applications, increasing adoption and introducing new initiatives to increase its competitiveness. As at end 2005, a total of 1,421 companies have been given MSC-status with total approved investment of RM18.2 billion.

(Source: Bank Negara Malaysia Annual Report 2005)

In moving towards a knowledge-based economy, new activities are expected to be generated in business services, particularly ICT services such as software and content development as well as Internet-based services and e-commerce solutions. During the Ninth Plan period, efforts will be undertaken to further harness ICT as a new source of wealth creation and to sustain Malaysia's position as a hub for a competitive global multimedia, shared services and outsourcing. This includes the provision of improved incentives and the review of related laws and regulation which will provide a more conducive environment for investment in this subsector. In addition, the implementation of parallel efforts in nurturing human resources, building local content, strengthening intellectual property right protection, enhancing security and increasing e-enabled activities will contribute to the growth of this subsector.

As concerted efforts continue to be undertaken to strengthen the foundation for a knowledge-based economy, the greater adoption and usage of ICT will become strategically more important. The country will need to increasingly harness ICT to improve productivity and competitiveness as well as progress to high value added and knowledge-intensive economic activities. The Government will build upon and enhance ICT capacity for ubiquitous access, develop core competencies, narrow the digital divide and expand usage of electronic transactions as part of the overall effort to empower the populace to partake in the growing networked economy. Simultaneously, this will allow for the greater expansion of ICT-related industries and services.

6. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

During the Ninth Plan period, the country will leverage on the significant progress made in fostering the development of ICT and multimedia industries. Taking into cognisance the increasing competition from other ICT hubs worldwide, efforts will be intensified towards strengthening Malaysia's position as a preferred global location for ICT investment and as a market leader for ICT solutions. Since the provision for a conducive environment, such as reliable infrastructure as well as service availability, affordability, and productivity, is a critical requirement in attracting key players, continuous global benchmarking of Malaysia's position will be important in assessing Malaysia's competitiveness and investment attractiveness internationally. In this regard, the National Information Technology Council (NITC) will continue to be the principal forum to further develop national ICT policy and strategy, coordinate initiatives and monitor implementation.

The emphasis on ICT infrastructural development as well as application usage and adoption will provide the private sector with extensive investment and employment opportunities. Among the new sources of growth within the major segments of the ICT sector, include digital content development, e-commerce, SSO [Shared Services and Outsourcing] and bioinformatics. The aim is to increase the number of new companies as well as specialists capable of producing customised technological solutions in niche areas. Particular emphasis will also be given to the promotion and usage of local products and services.

(Source: Ninth Malaysia Plan 2006 - 2010)

6.4 OVERVIEW OF THE BANKING SECTOR

In Malaysia

Growth in the finance, insurance, real estate and business services sub-sector was sustained at 5.4% in 2005 (2004: 6.3%). Growth emanated from expansion in bank lending activities as well as increased collection of insurance premiums. Despite the narrowing spreads between the lending and deposit rates amidst the competition as well as mergers between commercial banks and finance companies, the increase in total loans outstanding by 8.6% contributed to the higher net interest income during the year. The finance segment has also been increasingly supported by fee-based income arising from the introduction of new banking services and products. Islamic banking gained further prominence during the year with the establishment of three new Islamic banking subsidiaries and one foreign Islamic bank. As a result, growth in total loans (16.5%), deposits (15.1%) as well as assets (17.7%) of the Islamic banking system continued to remain firm.

The banking system sustained its strong performance in 2005, both in terms of financial strength and operational efficiency. The banking sector registered RM12.4 billion in pre-tax profit and maintained the risk-weighted capital ratio (RWCR) above 13%. Non-performing loans (NPLs) ratio continued its downward trend to 4.6%, the lowest level since the advent of the Asian financial crisis. Supported by the strong financial position, the banking system was well-positioned to effectively support economic growth as evident from the expansion in lending activities. New loan approvals and disbursements increased by 11.4% and 8.4% respectively, whilst total outstanding loans expanded by 8.6% during the year.

(Source: Bank Negara Malaysia Annual Report 2005)

6. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

Other Regions

While a definitive market size cannot be determined for spending on Islamic banking, IDC and Financial Insights have calculated the total size of the banking IT market. This is the sum of all external technology spend – hardware, packaged software and services – and provides an estimate of the available market.

Asia

The following table presents these figures for eight Asia Pacific countries, and forecast growth through 2008. These figures are for external IT spend on vendors, and do not include in-house development. They do include, however, all spending from solution providers like MSB and its peers.

(All in USD million)

Country	2003	2004	2005	2006	2007	2008	2003-2008 CAGR ¹
China	2,994	3,446	3,929	4,524	5,185	5,911	14.6%
India	1,199	1,470	1,832	2,242	2,725	3,232	21.9%
Indonesia	343	379	434	519	603	690	15.0%
Malaysia	396	450	509	575	653	748	13.6%
Philippines	129	136	151	167	190	219	11.3%
Singapore	670	702	727	746	775	806	3.8%
Taiwan	607	634	653	691	732	774	5.0%
Thailand	239	261	299	336	362	393	10.5%
Vietnam	41.8	48.1	56.1	67.7	79.5	91.7	17.0%

1. Compound Annual Growth Rate.

As the table shows, total external IT spending varies significantly across country, with China and India representing the largest markets in terms of total spend. More importantly, however, are the growth expectations for these markets, with double-digit growth in seven of the eight markets. The nature of this spending will vary across institution, but the largest projects is expected to be focused on enterprise-wide, core systems infrastructure as banks look to replace their legacy systems in view of more intense competition in their respective markets.

Anecdotal evidence states that Islamic banking typically constitutes 10% to 15% of technology spend in the bank. However, it is important to note that this covers both in-house and external IT spending and should only be taken as a rough indicator. What is more significant is the double-digit annual growth rate of technology spending in Malaysia, Indonesia and Thailand (natural markets for MSB).

6. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

Middle East

IT services spending in the combined finance sector (banking, insurance and financial services) reached USD78.22 million, accounting for 12.8% of total IT services expenditure in Saudi Arabia in 2003. Local banks are investing in sophisticated IT equipment although the sector has not seen an influx of foreign competition.

The finance sector is relatively fragmented with many vendors active in the market. The top five vendors account for just 51% of the combine expenditure of the finance sector although IBM leads the pack through its local operations – Saudi Business Machines.

UAE

The combined finance sector was the second largest area for investment in IT services as compared to the other sector with a year-on-year growth of 20.3%. The banking segment saw the highest level of spending at USD30.68 million. Year-on-year, the finance sector has seen an increase in spending of 20.3% on IT services.

IT services spending is likely to increase further with the development of the Dubai International Finance Center (“IFC”) a free zone for financial services delivery where Islamic banking will be one of the key areas of activity. Bahrain has also announced plans to develop a USD1.3 billion financial harbor to compete with Dubai’s IFC.

The rising status of Dubai as the leading trading hub in the Middle East is also attracting foreign banks to set up shop in 2003 - India’s second largest bank has set up a representative office and Emirates Bank Group added an Islamic banking arm to its Dubai operations.

(Source:- Independent Market Research Report dated March 2005 prepared by Financial Insights (Asia Pacific) Pte Ltd, a subsidiary of IDC).

Bahrain

Bahrain is one of the leading global centers for Islamic banking. As of April 2006, there are 28 Islamic financial institutions licensed in Bahrain, including 5 full commercial banks, 16 investment banks and 3 offshore banking units.

According to the Bahrain Monetary Agency, the combined assets of Islamic financial institutions in Bahrain increased from USD1.35 billion at the end of 1998 to USD6.8 billion at the end of August 2005. This accounts for about 5.3% of the total banking industry, but it does not include business generated by the Islamic banking “windows” of conventional banks.

(Source:- Financial Insights (Asia Pacific) Pte Ltd, a subsidiary of IDC).

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6. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

6.5 OVERVIEW OF THE ISLAMIC BANKING SECTOR

In Malaysia

The Islamic financial system in Malaysia showed significant progress in an increasingly liberalised and competitive environment in line with the increased integration of the Malaysian Islamic financial system into the global Islamic financial landscape.

Following the issuance of three new Islamic banking licences under the IBA [Islamic Banking Act 1983] to foreign Islamic financial institutions, the first foreign Islamic bank commenced operations in August 2005 while the other two foreign Islamic banks would commence operations later in 2006. The expertise brought in by the foreign Islamic banks ranging from retail banking to the more sophisticated investment banking, wealth and fund management, real estate development and venture capital business would further enhance the competitiveness of the domestic Islamic banking industry, its global linkages and Malaysia's position as an international Islamic financial centre. On the other hand, it would entail new regulatory and supervisory challenges to Bank Negara Malaysia in view of the different business models adopted by these banks.

In tandem with the progressive liberalisation of the Islamic banking industry, strategic initiatives were undertaken to further strengthen the institutional capacity and financial resilience of the domestic Islamic banking institutions. In this regard, Bank Negara Malaysia has approved to date, the transformation of the "Islamic window" institutional structure of seven domestic banking groups into Islamic subsidiaries (IS) licensed under the IBA within their respective banking groups to carry out Islamic banking business. Three IS commenced operations in 2005 while four others would commence operations in 2006. The IS structure allows the domestic banking groups to maximise the full potential accorded by the universal nature of Islamic banking licence under the IBA which provides wider strategic focus for Islamic banking institutions to strengthen their competitiveness through diverse and innovative product offerings. These range from retail banking products to the higher end corporate finance and investment banking products that include private wealth and fund management as well as private equity and real estate investments.

In terms of financial performance, the Islamic banking industry as a whole showed commendable results in 2005, with profitability and assets surpassing for the first time the RM1 billion and RM100 billion thresholds respectively. Assets increased to RM111.8 billion, registering a strong growth of 17.7% and accounting for 11.3% of the total assets of the entire banking system. The market shares of Islamic deposits and outstanding financing also increased to 11.7% and 12.1% of the industry's total respectively. Total outstanding financing grew by 16.5%, attributed by the growth in new financing approved and disbursed of 55.1% and 19.4% respectively, while net non-performing financing ratio declined further to 4.8% at the end of the year. The Islamic banking sector remained well-capitalised with the risk-weighted capital ratio (RWCR) sustained above 12% throughout the year.

(Source: Bank Negara Malaysia Annual Report 2005)

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6. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

[During the Eighth Malaysia Plan period from 2001 to 2005,] the Islamic banking industry grew at an average annual rate of 18.9 per cent in terms of its assets. The total assets of the Islamic banking sector accounted for 11.3 per cent of total assets in the banking system as at end of 2005, compared with 6.9 per cent in 2000. Total deposits from Islamic banking institutions increased more than double during the same period accounting for 11.7 per cent of total banking sector deposits. In view of the rapid development and steady performance of the Islamic banking industry, the liberalisation of the Islamic banking sector was brought forward from 2007 to 2004 with the issuance of new Islamic bank licences to three leading foreign Islamic financial institutions. As at end of 2005, seven domestic banking groups were granted approval to establish an Islamic subsidiary under their commercial banking arm. The number of full fledged Islamic banks increased from two in 2000 to six in 2005. Following the consolidation of the banking system, the number of conventional banking institutions participating in the Islamic Banking Scheme (IBS) was reduced correspondingly. The number of finance companies participating in the IBS was reduced from 14 in 2000 to one as at the end of 2005. During the same period, IBS merchant banks refocused their business operations to fee-based activities from financing portfolio, which no longer required them to maintain dedicated Islamic banking.

(Source: Ninth Malaysia Plan 2006 - 2010)

Another important strategic measure is the transformation of the current Islamic windows into Islamic subsidiaries ("IS") within the respective banking groups. To date, six domestic banking groups have been approved to establish IS, of which three have commenced operations. Meanwhile, up to 49% foreign equity is allowed in the IS. The liberalisation move is expected to increase the potential for building strategic partnerships to acquire new expertise, tap the best talents from a broad range of fields and develop new value-added activities that would stimulate greater innovation and expansion of the Islamic banking industry as well as enhance global integration of the industry.

Islamic financial services in Malaysia are set to further expand with the transformation of Islamic windows of domestic banks into IS as well as the entry of foreign players. The presence of foreign Islamic financial institutions as well as higher foreign equity in domestic IS is expected to further spur competition and accelerate the global integration of the Malaysian Islamic banking system. Meanwhile, some Malaysian financial institutions are gearing to be important financial players through their presence in regional markets as well as plans to expand to other growth areas, such as the Middle East.

(Source: Economic Report 2005/2006)

Other Regions

Islamic banking assets worldwide run from estimates of USD200 billion dollars upwards with average growth figures of 10% for the past decade. However, it is anticipated that the Islamic banking industry will be responsible for managing at least 40% - 50% of the total savings of Muslims worldwide in 8 to 10 years. The addressable market is huge. The world's 1.3 billion Muslims control a vast number of assets. Furthermore, massive opportunity exists in the primarily Muslim Asian countries of Indonesia, Malaysia, Brunei, Pakistan and Bangladesh. There are also sizeable Muslim populations in countries like India, China, the Philippines and Thailand.

Southeast Asia is competing aggressively with the Middle East to become the hub of Islamic banking and finance activity. Within the region, Malaysia has the most developed regulatory system and boasts a robust Islamic banking market, exhibiting a high level of growth.

6. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

The Persian Gulf countries, particularly Saudi Arabia, Kuwait and Bahrain, have been the center of Islamic banking activity because of the availability of funds and a desire among the predominantly Muslim population for Syariah-compliant products. Islamic banking has developed primarily as a private sector phenomenon, and full-fledged private Islamic financial institutions provide the most coherent set of comparable data. These private institutions had, in the most recent year reported, a total tier-1 capital of USD5.1 billion, total assets of USD38 billion, and total pre-tax profits of USD801 million. Most of these are independent financial institutions, while some are members of multinational groups such as Dar Al Maal Al Islaami (DMI) and Dallah Albaraka. It should be noted, however, that the actual size of the regional industry in the Middle East is underestimated by a significant amount, because there are no figures available for the Islamic “window” operations (divisions dedicated to Islamic financial services) of major financial institutions.

(Source:- Independent Market Research Report dated March 2005 prepared by Financial Insights (Asia Pacific) Pte Ltd, a subsidiary of IDC).

6.6 PROSPECTS OF OUR GROUP / INDUSTRY

Domestic banking groups will be encouraged to provide complete and integrated financial solutions to their customers and achieve cost efficiency through group rationalisation. The emphasis will be on enhancing the role of financial holding company in pursuing group strategies that promote greater risk and income diversification, synergy creation and enhanced branding. The greater use of ICT will also be promoted to enhance risk management capabilities, to improve service delivery, and provide seamless and customised services. Competitive pressure will accelerate adoption of international best practices and standards towards strengthening the level of professionalism and encourage banking institutions to continually differentiate themselves through product and service offerings.

The Islamic banking industry will continue to expand in parallel with conventional banking. By 2010, the Islamic banking industry is expected to constitute 20 per cent of the overall banking and insurance market. To elevate the domestic Islamic financial system and further integrate it with the international financial infrastructure, strategic initiatives will continue to be undertaken to strengthen Malaysia’s position as a global Islamic financial hub. The move is expected to strengthen financial, trade and investment ties as well as linkages between Malaysia and other countries.

Capitalising on the strength and experience that Malaysia has garnered over the years, the hub will serve as a platform for origination, issuance and trading of Islamic capital market and treasury instruments, for fund and wealth management, offshore Islamic financial services market as well as *takaful* and *retakaful* business. This will be complemented by the formation of centres of excellence for education, training, consultancy and research in Islamic banking and finance. Malaysia will also have the presence of a strong and diversified range of Islamic financial institutions that are able to offer a comprehensive and broad array of Islamic financial products and services. Other initiatives will include nurturing Malaysian Islamic financial institutions to venture abroad, promoting a strong Malaysian brand globally, establishing an effective and efficient delivery system, fostering strategic alliances with other financial centres and establishing monetary policy conduct for the Islamic financial. Concerted efforts will be directed at providing the requisite regulatory and prudential framework to facilitate the development of a sound and efficient Islamic financial system.

(Source: Ninth Malaysia Plan 2006 - 2010)

6. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

The expected establishment of more Islamic banks and takaful companies during the year would further enhance the growth in the finance, insurance and real estate and business services subsector. Efforts by the Government in promoting new areas of growth, such as IT-related services and shared services and outsourcing (SSO) activities, including business process outsourcing, are also expected to yield positive results and contribute to higher growth in the business services segment.

In 2006, the major policy thrust for the Islamic banking sector will concentrate on further strengthening the resilience of the Islamic banking system and expanding the capacity and capability of the Islamic financial institutions. This is in line with the objective of enhancing the integration of the domestic Islamic banking sector with the international Islamic financial landscape, and strengthening Malaysia's position as a leading Islamic financial centre.

(Source: Bank Negara Malaysia Annual Report 2005)

As the Islamic banking market is still in its infancy, there will be future demand for large-scale core systems investment once the market gains considerable size. As most Islamic banking sites are currently small, the banks are able to modify their current conventional systems. As the market and complexity of transactions grow, these banks will increasingly find that processing efficiency is affected as Islamic banking requires more complex and rigorous computation and processing as compared to conventional banking. Banks will then find it necessary to switch to products especially tailored for Islamic banking as offered by our Group.

Malaysia's large domestic Muslim population and established Islamic banking infrastructure has made it a reference point for other countries wanting to set up Islamic banking. As Malaysia gains credibility in the Islamic banking space, so will solutions that are developed in the country.

Banks which have entered the Islamic banking market late would be looking to jump-start their operations and would be more open to buying a technology solution that will get them running from day one.

The Islamic banking sector in Malaysia is now in its third phase with the development of non-bank financial offerings such as waqaf, inheritance management, microcredit and corporate zakat (donations). Banks that have been in the Islamic banking market are looking to expand into other areas than retail. Already, banks are exploring possible technology solutions for new areas such as a Syariah-compliant treasury management. As our Group's solution is modular and can work across platforms, the Group is in a good position to expand its product offering into these new areas.

Banks without a sophisticated systems infrastructure will experience higher costs of operations because of additional compliance and capital allocation issues. Syariah-compliant banks will also have to comply with conventional banking standards, especially for risk and transparency and will be under pressure to invest in technology to streamline regulatory compliance processes.

The Malaysian government has been actively introducing measures to bolster growth in Islamic banking in the country. These measures such as the issuance of an Islamic Treasury Bill and a proposed tax break for gains made from Islamic as opposed to conventional banking will support growth of the Islamic banking market.

(Source:- Independent Market Research Report dated March 2005 prepared by Financial Insights (Asia Pacific) Pte Ltd, a subsidiary of IDC).

6. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

Competition

We are principally involved in the development and provision of software products and services to the FSI focusing on the development of comprehensive banking solutions for both conventional and Islamic banking. 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. 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.

6.7 FUTURE PLANS AND BUSINESS STRATEGIES

We will adopt and implement the following business strategies over the next 5 years in order to consolidate and expand our position in the market.

(a) **Product Research and Development**

The key focus is to produce innovative core banking and Islamic banking services constructed on the building blocks of Open Source technology initiatives, suitable not just for Malaysia, but also for the Middle East and the global market. Our products are designed to offer a fully integrated, Open Systems solution to the global FSI. Open Source technology initiatives such as Linux and the GCC suite of software is expected to contribute much value to our complete offerings. Being a proponent of Open Systems, we continue to ensure that MiBS is readily portable across commercial RDBMS and UNIX OS in addition to their Open Source peers such as MySQL, PostgreSQL RDBMS and Linux OS. Our principal goal is to continuously improve and enhance the MiBS suite of products and services, and position them for the challenges of globalisation.

Being a shrink-wrapped solution, the implementation and customisation timeline is greatly reduced compared to traditional full-customised implementations. Moreover, the Open MiBS platform opens up a wealth of options for the banks and financial institutions to choose the best of breed hardware and systems software without digging deep into their pockets. Cost savings, lower risk and better return of investment, lower total cost of ownership, are some persuasive arguments that rooted MiBS in BFI in Malaysia and other Southeast Asia countries today.

(b) **Product Awareness**

We aim to capture most of the new domestic Islamic banking tender for new systems such as in the areas of Islamic core-banking, Islamic credit card, Islamic treasury and trade financing. We also aim to win a few strategic conventional core-banking tenders for MiBS risks management suite of products, MiBS core-banking and Co-operative banking. MiBS delivery channel services such as MiBS Web BDS, internet banking, phone banking and electronic banking centre are potential growth areas for existing MiBS' Clients and possibly new domestic Clients.

6. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

It is therefore necessary for us to continue to enhance brand and product awareness, especially in Islamic banking offerings within the local FSI. We were one of the main sponsors of the Islamic Banking Conference held in 2003 which was specially designed for Islamic banking practitioners, developers, investors, financiers, legal advisors and all senior executives who have specific interest in Islamic banking, finance and Takaful. With good response received from this seminar, we have put in place further plans to conduct and sponsor seminars to advertise and promote our products and services. In 2004, we also co-sponsored the Second International Islamic Banking Conference where the Syariah scholars and Islamic bankers in this region as well as from the Middle East congregate while in 2005, we have sponsored several events, including the 12th Annual World Islamic Banking Conference 2005 in Bahrain and the Kuala Lumpur Islamic Finance Forum 2005. We have also sponsored selected specialised Islamic banking publications or magazine advertisements including "The Halal Journal" publications.

Given the fervent promotion of Islamic banking by the Malaysian Government, we are presented with plenty of opportunities to showcase MiBS Islamic core banking in Malaysia and more importantly to the international arena. Besides, Islamic banking conferences and seminars were sometimes held or conducted to discuss technical implementations in addition to other regulatory, framework and implementation concerns. Our product awareness program is anticipated to send loud and clear messages to the global Islamic banking industry. We regularly invite our Clients to participate in Islamic banking conferences and to present their experience with their colleagues locally and from overseas.

(c) **Explore New Opportunities**

We aim to capture a substantial number of new Islamic banking system tenders to be issued in the Southeast Asia region. Our undivided focus in Islamic banking outside of Malaysia is due to our observation that the competition for conventional core-banking is stiff and margins are eroding but demand for Islamic banking particularly in the Southeast Asia countries appears to be rising. Hence, we made a strategic move to expand our Islamic banking market share from Thailand and Brunei into Indonesia and intend to expand into Singapore in the near future. We have set up a representative office in Jakarta in 2005 as we opined that Indonesia is expected to issue a large number of new Islamic banking system tenders in the near future.

We also aim to capture a significant number of the new Islamic banking system tenders to be issued in the Middle East region. We observe that the IT solutions for Islamic banking in the Middle East are generally expensive and usually developed based on conventional banking systems. Hence, we believe that MiBS is a good alternative to the Islamic banks in the Middle East, offering off-the-shelf solutions.

Hence, we made a strategic move to set up a support centre in Kuwait with the aim of expanding our Islamic banking market share into the Middle East region as awareness and market acceptance of Islamic banking and finance gains popularity.

Tapping on our MSC status as well as our membership with Malaysia External Trade Development Corporation ("MATRADE"), we have participated in subsidised IT trade exhibitions to the Middle East organised by both the MDC and MATRADE. Given the growing demand of Islamic banking in the Middle East and positive response MDC and MATRADE receives from such trade exhibitions or shows, we are expected to spend more subsidised marketing effort through either or both MDC and MATRADE.

6. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

Sales and marketing in overseas countries are conducted through business partners. Meetings are held on a regular basis between our representatives, the business partners and potential Clients to discuss various issues including tender and marketing opportunities. As at the Latest Practicable Date, we have value-added resellers or business partners to cover potential countries including Thailand, Brunei, Vietnam, China, Saudi Arabia, Kuwait, and North Africa.

(d) Develop Strategic Alliances

We currently have business and technical alliances with the following partners:-

Business Partner	Product/Service
Sun Microsystems Malaysia Sdn Bhd	Servers, Workstation, Solaris, Java Enterprise System and Desktop System
Hewlett Packard Sales (Malaysia) Sdn Bhd	Servers, Desktop, Printer and HP-UX
International Business Machines (IBM) Corporation	Servers, Desktop, Printer, Notebook, AIX i5 and DB2
Oracle Corporation Malaysia Sdn Bhd	RDBMS
Microsoft (Malaysia) Sdn Bhd	Software Licenses for Windows, Server and Client
AXS-One Pte Ltd	AXS-One Financial & Workflow
SprintVille Technologies	Strategic Banking Partner (Brunei)
Pro-Line (Thailand) Co. Ltd.	Strategic Banking Partner (Thailand)
GRG Banking Equipment Co. Ltd.	Strategic Banking Partner (Vietnam and China)
Arab Digital Computer Company	Strategic Banking Partner (Saudi Arabia)
National Computer Systems Company	Strategic Banking Partner (Saudi Arabia)
Technology World Company	Strategic Banking Partner (Kuwait and North Africa)

In line with our overseas expansion plans, we intend to have more business and technical tie-up with strategic banking partners in other regions. We believe that the regional partners are able to offer synergistic value to the partnership with their technical support capabilities, market information, understanding of local law and regulations, network support and customisation skills. In addition to regional partners, we also work with global players such as IBM Corporation and Sun Microsystems Malaysia Sdn Bhd to offer their professional services arms with the ability to implement Islamic and core-banking solutions.

6. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

We understand that apart from engaging strategic banking partners to expand our market presence, we also need to recruit regional partners with complementing capabilities. These business partners in other regions provide the relevant support services, such as hardware, server, printer, ATM, systems software and RDBMS products to enable us to provide our overseas Clients with complete, one-stop banking solutions. As such, we have plans to aggressively search for business and technical partners to enhance our products and our market reach.

(e) Development Milestones

Set out below is our plan and timeframe for our 5 years' development milestones to achieve our business strategies as outline above.

<i>Year</i>	<i>Action Plan</i>
	Research and Development Activities
2005-2006	<ul style="list-style-type: none"> • R&D on Open Source platform. • R&D on web-browser based system. • R&D on new Islamic modules. • Enhance credit risks management capabilities. • Provide minor releases of MiBS Release 8.0. • Enhance MiBS with Arabic language support.
2007	<ul style="list-style-type: none"> • Launch MiBS Release 9.0.
2008	<ul style="list-style-type: none"> • Provide enhancement on MiBS Release 9.0. • Optimisation and enhancement of MiBS UFP.
2009	<ul style="list-style-type: none"> • Launch MiBS Release 10.0. • Enhancement on new and emerging electronic delivery channels.
	Regional Marketing and Supporting Infrastructure
2005	<ul style="list-style-type: none"> • Identify and survey the potential growth region of MiBS. • Identify business partners with complementing skills or strong presence in the potential region. • Study and plan for the marketing and supporting infrastructure. • To set-up regional marketing representative offices and/or support center.
2006-2009	<ul style="list-style-type: none"> • To provide co-marketing and implementation services with the local partners. • To expand representative offices and/or support centre. • To provide support services to implemented sites in the potential region. • Identify new regions of growth for MiBS and repeat the expansion cycle to those new regions.

Given the prospects and positive outlook of the IT industry in the long-term, we are optimistic that our business will grow in tandem. Capitalising on our financial, infrastructure, personnel strength and overall capabilities, we will strive to maintain our reputation as a reliable assembler to local and multinational BFIs and further enhance our client base.