

## 1. CORPORATE DIRECTORY

### BOARD OF DIRECTORS

Name/Designation	Address	Occupation	Nationality
Harald Weinbrecht <i>(Managing Director/Chief Executive Officer)</i>	16, Jalan 5/21C 46000 Petaling Jaya Selangor Darul Ehsan	Company Director	German
Christina Ingeburg Orth <i>(Executive Director/Chief Financial Officer)</i>	6, Jalan 5/35 Seksyen 5 46000 Petaling Jaya	Company Director	German
Gloria Chan Mei Ling <i>(Executive Director)</i>	16, Jalan 5/21C 46000 Petaling Jaya Selangor Darul Ehsan	Company Director	Malaysian
Anwar Ali bin Mustafa Jumabhoy <i>(Non-Independent Non-Executive Director)</i>	No. 166, Persiaran Nusantara Duta Nusantara Jalan Sri Hartamas 50480 Kuala Lumpur	Company Director	Malaysian
Loo Chan Yue <i>(Non-Independent Non-Executive Director)</i>	92, Jalan Awan Kecil Overseas Union Garden 58200 Kuala Lumpur	Company Director	Malaysian
Mohamed Nor Abdul Hamid <i>(Independent Non-Executive Director)</i>	7, Persiaran Beringin Bukit Damansara 50490 Kuala Lumpur	Company Director	Malaysian
Md Nahar Noordin <i>(Independent Non-Executive Director)</i>	1572, Jalan Merpati Taman Ulu Kelang 68000 Ampang Selangor Darul Ehsan	Company Director	Malaysian

### AUDIT COMMITTEE

Name	Designation	Directorship
Mohamed Nor Abdul Hamid	Chairman	Independent Non-Executive Director
Md Nahar Noordin	Member	Independent Non-Executive Director
Christina Ingeburg Orth	Member	Executive Director/Chief Financial Officer

### REMUNERATION COMMITTEE

Name	Designation	Directorship
Md Nahar Noordin	Chairman	Independent Non-Executive Director
Mohamed Nor Abdul Hamid	Member	Independent Non-Executive Director
Christina Ingeburg Orth	Member	Executive Director/Chief Financial Officer

## 1. CORPORATE DIRECTORY (Cont'd)

### NOMINATION COMMITTEE

Name	Designation	Directorship
Mohamed Nor Abdul Hamid	Chairman	Independent Non-Executive Director
Md Nahar Noordin	Member	Independent Non-Executive Director
Christina Ingeburg Orth	Member	Executive Director/Chief Financial Officer

<b>COMPANY SECRETARIES</b>	:	Jeyaraj a/l V. Ratnaswamy (MIA: 3421) 25, Jalan Sri Hartamas 9 Taman Sri Hartamas 50480 Kuala Lumpur
	:	Lim Yang Meng (MIA: 15860) 15, Jalan SS 21/16 47400 Petaling Jaya Selangor Darul Ehsan
<b>REGISTERED OFFICE</b>	:	Suite 16.03, 16 <sup>th</sup> Floor, Plaza Pertama Jalan Kampar, Off Jalan Tun Razak 50400 Kuala Lumpur Tel No.: 03-4042 1125
<b>HEAD OFFICE</b>	:	Level 61, Tower 2 Petronas Twin Towers Kuala Lumpur City Centre 50088 Kuala Lumpur Tel No.: 03-2166 3960 E-mail address: <a href="mailto:marketing@iss-consulting.com">marketing@iss-consulting.com</a> Website: <a href="http://www.iss-consulting.com">www.iss-consulting.com</a>
<b>AUDITORS AND REPORTING ACCOUNTANTS</b>	:	Horwath (AF 1018) Level 16, Tower C, Megan Avenue II 12, Jalan Yap Kwan Seng 50450 Kuala Lumpur Tel No.: 03-2166 0000
<b>SOLICITORS FOR THE LISTING EXERCISE</b>	:	Siew Lee & Co 7A, 1 <sup>st</sup> Floor, Jalan 19/29 46300 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7956 2043
<b>ISSUER OF INDUSTRY OVERVIEW REPORT</b>	:	Ernst & Young (AF 0039) Level 23A, Menara Milenium Jalan Damanlela Pusat Bandar Damansara 50490 Kuala Lumpur Tel No.: 03-7495 8000

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**1. CORPORATE DIRECTORY (Cont'd)**

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<b>EXPERT FOR SINGAPORE</b>	:	Madhavan Partnership Advocate & Solicitors Commissioners for Oath, Notaries Public 80 Robinson Road #08-01/02 Singapore 068898 Tel No.: 02 6225 5111
<b>REGISTRAR</b>	:	Symphony Share Registrars Sdn Bhd Level 26, Menara Multi-Purpose Capital Square No. 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Tel No.: 03-2721 2222
<b>ISSUING HOUSE</b>	:	MIDF Consultancy and Corporate Services Sendirian Berhad (11324-H) 12 <sup>th</sup> Floor, Bangunan MIDF 195A, Jalan Tun Razak 50400 Kuala Lumpur Tel No.: 03-2161 3355
<b>PRINCIPAL BANKER</b>	:	RHB Bank Berhad Lot G34 Ground Level Petronas Twin Towers Kuala Lumpur City Centre 50088 Kuala Lumpur Tel No.: 03-2164 4125
<b>ADVISER, CO-UNDERWRITER, SPONSOR AND CO-PLACEMENT AGENT</b>	:	Alliance Merchant Bank Berhad (21605-D) Level 3, Menara Multi-Purpose Capital Square No. 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Tel No.: 03-2692 7788
<b>CO-UNDERWRITER AND CO- PLACEMENT AGENT</b>	:	OSK Securities Berhad (14152-V) 20th Floor Plaza OSK Jalan Ampang 50450 Kuala Lumpur Malaysia Tel No.: 03-2333 8333
<b>LISTING SOUGHT</b>	:	MESDAQ Market of the Securities Exchange

## 2. INFORMATION SUMMARY

THE INFORMATION SUMMARY SET OUT BELOW IS ONLY A SUMMARY OF THE SALIENT INFORMATION ON THE GROUP. INVESTORS SHOULD READ AND UNDERSTAND THE WHOLE PROSPECTUS BEFORE DECIDING TO INVEST IN THE COMPANY.

### 2.1 HISTORY AND BUSINESS

ISS was incorporated in Malaysia on 15 December 2004 under the Act as a private limited company under the name of ISS Consulting Solutions Sdn Bhd. It was converted into a public limited company under the Act on 3 March 2005. As at the date of this Prospectus, the authorised share capital of the Company is RM50,000,000 comprising 500,000,000 ordinary shares of RM0.10 each, of which RM17,721,309 comprising 177,213,090 ISS Shares are issued and fully paid-up.

The Company was established to be the investment holding company of the ISS Group in conjunction with the listing of ISS on the MESDAQ Market. The principal activities of its subsidiary companies are as follows:

Name	Date/ Country of Incorporation	Effective Equity Interest %	Issued and Paid- up Share Capital	Principal Activities
ISS Malaysia	15.09.1997/ Malaysia	100.00	RM106,389	Provision of integrated technology software solutions.
ISS Singapore	24.10.1998/ Singapore	100.00	<sup>1</sup> SGD50,000	Advisers and consultants of computer software and systems, software utilities, data processing methods, techniques and tabulating services and information systems.
ISS Thailand	18.11.1999/ Thailand	<sup>+</sup> 49.00	<sup>2</sup> * THB5,000,000	Advisers and consultants of computer software and systems.
ISS Indonesia	10.08.2000/ Indonesia	100.00	<sup>3</sup> Rp225,000,000	Provision of services in the field of computer techniques and e-commerce such as hardware consulting services, software consulting services, project workshop, computer and management training, effort technique and quality computer products.

**Notes:**

<sup>1</sup> Equivalent to RM113,500 based on an exchange rate of approximately SGD1.00:RM2.27 as at 31 December 2005.

<sup>2</sup> Equivalent to RM469,500 based on an exchange rate of approximately THB100:RM9.39 as at 31 December 2005.

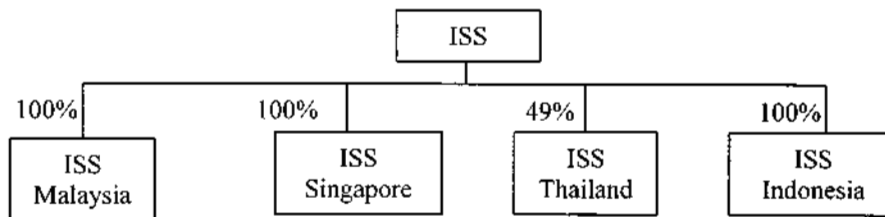
<sup>3</sup> Equivalent to RM87,750 based on an exchange rate of approximately Rp100:RM0.039 as at 31 December 2005.

\* Comprises THB2,550,000 preference shares of THB100 each and THB2,450,000 ordinary shares of THB100 each.

## 2. INFORMATION SUMMARY (Cont'd)

\* In accordance with the Memorandum and Articles of Association of ISS Thailand, one (1) voting right is attached to every one (1) ordinary share and one (1) voting right is attached to every five (5) preference shares. Based on the existing total issued and paid-up share capital of ISS Thailand of 24,500 ordinary shares of THB100 each and 25,500 preference shares of THB100 each, the total voting rights are 29,600 comprising 24,500 voting rights for ordinary shares and 5,100 voting rights for preference shares. ISS holds 24,500 ordinary shares which carry with them 24,500 voting rights or 82.77% of the total voting rights in ISS Thailand. As ISS has control of ISS Thailand, ISS Thailand is consolidated into the Group as a wholly-owned subsidiary.

The Group's corporate structure is as follows:



The business was founded in 1997 with the incorporation of ISS Malaysia by Harald Weinbrecht and Christina Ingeburg Orth for the provision of SAP-related consulting services in Asia. In 2002, ISS Malaysia started development of its Xpress suite applications. In 2003, ISS Malaysia began selling its proprietary Xpress software solutions and started capitalising the R&D costs associated with the development of the Xpress software solutions. ISS Malaysia then specialised in assisting business organisations to achieve improvements in their business processes, including e-commerce, by using SAP-based software as the technology enabler.

ISS Malaysia was granted MSC status on 19 August 1998 by the Malaysian government through MDC, the governing body of MSC. With its MSC status, ISS Malaysia enjoys a wide range of financial and non-financial incentives, including exemption from corporate tax, exemption from exchange control requirements for foreign currency funding and flexible movement of skilled IT professionals from its overseas offices.

ISS Malaysia is based in Kuala Lumpur. In order to cater for the needs of ISS Malaysia's international clientele as well as for ISS Malaysia to effectively tap new geographical markets, ISS Malaysia set up subsidiary companies, namely ISS Singapore in 1998, ISS Thailand (based in Bangkok) in 1999 and ISS Indonesia (based in Jakarta) in 2000, as well as representative offices in Penang, Malaysia and Beijing, China in 2004.

By setting up subsidiary companies and representative offices, ISS Malaysia managed to create a regional presence for itself in South-East Asia and East Asia. This has proven to be one of the Group's competitive strengths as it has enabled the Group to customise its solutions and services to the local customers' needs, tap local knowledge and expertise and also serve its customers in the various countries in South-East Asia and East Asia.

Presently, the ISS Group is involved in the sale and distribution of its proprietary Xpress suite of products that has been customised to cater to different industries. The ISS Group is also involved in the provision of project management, consulting and programming services, research, design, development, marketing and implementation of products including e-commerce applications as well as proprietary software solutions.

As at the Latest Practicable Date, the Group employs 146 consultants engaged in projects in seven (7) countries, namely Malaysia, Singapore, Thailand, Indonesia, Australia, China and Pakistan.

## 2. INFORMATION SUMMARY (Cont'd)

Please refer to Section 5 of this Prospectus for further information on the history and business of the Group.

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

The direct and indirect shareholdings of the promoters, substantial shareholders (holding 5% equity interest or more) and directors of the Company and the key management of the Group in the Company after the Public Issue are as follows:

Name	Designation	After the Public Issue*			
		-----Direct----->		<-----Indirect----->	
		No. of shares held	% held	No. of shares held	% held
<b>Promoters</b>					
Harald Weinbrecht	Managing Director/Chief Executive Officer	78,296,949	35.85	<sup>(i)</sup> 5,895,259	2.70
Christina Ingeburg Orth	Executive Director/Chief Financial Officer	27,276,294	12.49	-	-
Gloria Chan Mei Ling	Executive Director	5,895,259	2.70	<sup>(ii)</sup> 78,296,949	35.85
<b>Substantial Shareholders</b>					
Harald Weinbrecht	Managing Director/Chief Executive Officer	78,296,949	35.85	<sup>(i)</sup> 5,895,259	2.70
Christina Ingeburg Orth	Executive Director/Chief Financial Officer	27,276,294	12.49	-	-
Gloria Chan Mei Ling	Executive Director	5,895,259	2.70	<sup>(ii)</sup> 78,296,949	35.85
MAVCAP	-	25,678,563	11.76	<sup>(iii)</sup> 10,642,212	4.87
MTSB	-	10,642,212	4.87	-	-
Minister of Finance Incorporated	-	-	-	<sup>(iv)</sup> 36,320,775	16.63
<b>Directors</b>					
Harald Weinbrecht	Managing Director/Chief Executive Officer	78,296,949	35.85	<sup>(i)</sup> 5,895,259	2.70
Christina Ingeburg Orth	Executive Director/Chief Financial Officer	27,276,294	12.49	-	-
Gloria Chan Mei Ling	Executive Director	5,895,259	2.70	<sup>(ii)</sup> 78,296,949	35.85
Anwar Ali bin Mustafa Jumabhoy	Non-Independent Non-Executive Director	-	-	-	-
Loo Chan Yue	Non-Independent Non-Executive Director	400,000	0.18	<sup>(v)</sup> 9,161,397	4.20
Mohamed Nor Abdul Hamid	Independent Non-Executive Director	200,000	0.09	-	-
Md Nahar Noordin	Independent Non-Executive Director	200,000	0.09	-	-
<b>Key Management</b>					
Harald Weinbrecht	Managing Director/Chief Executive Officer	78,296,949	35.85	<sup>(i)</sup> 5,895,259	2.70
Christina Ingeburg Orth	Executive Director/Chief Financial Officer	27,276,294	12.49	-	-
Gloria Chan Mei Ling	Executive Director	5,895,259	2.70	<sup>(ii)</sup> 78,296,949	35.85

## 2. INFORMATION SUMMARY (Cont'd)

Name	Designation	After the Public Issue*			
		<-----Direct----->		<-----Indirect----->	
		No. of shares held	% held	No. of shares held	% held
Sanjay Nair	Country Manager, ISS Malaysia and ISS Indonesia	50,000	0.02	-	-
Wisit Wirayagorn	Country Manager, ISS Thailand	65,000	0.03	-	-
Richard Tan Chye Chin	Country Manager, ISS Singapore	150,000	0.07	-	-

**Notes:**

- \* Assuming that the Pink Form Shares allocated are fully taken up.
- (i) Deemed interest by virtue of Gloria Chan Mei Ling being his spouse.
- (ii) Deemed interest by virtue of Harald Weinbrecht being her spouse.
- (iii) Deemed interest by virtue of its shareholding in MTSB pursuant to Section 6A of the Act.
- (iv) Deemed interest by virtue of its shareholding in MAVCAP pursuant to Section 6A of the Act.
- (v) Deemed interest by virtue of his shareholding in JL Nexus pursuant to Section 6A of the Act.

Please refer to Section 8 of this Prospectus for further information on the promoters, substantial shareholders and directors of the Company and the key management of the Group.

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## 2. INFORMATION SUMMARY (Cont'd)

### 2.3 FINANCIAL HIGHLIGHTS

#### 2.3.1 Proforma Consolidated Income Statements

The following is a summary of the proforma consolidated income statements of ISS for the past three (3) FYE 31 December 2003 to 2005 prepared based on the assumption that the Group has been in existence throughout the financial years under review. The proforma consolidated income statements are prepared for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions set out in the Reporting Accountants' Letter on Proforma Financial Information set out in Section 11.14 of this Prospectus.

	<-----Proforma Group----->		
	<-----FYE 31 December----->		
	2003	2004	2005
	RM'000	RM'000	RM'000
Revenue	12,821	14,871	18,388
GP	7,346	8,809	11,436
EBIDTA	2,069	3,809	6,101
Interest expense	(40)	(34)	(25)
Depreciation	(533)	(526)	(440)
Amortisation of development costs	-	(529)	(723)
Interest income	2	-	-
PBT	1,498	2,720	4,913
Taxation	56	201	(199)
PAT	1,554	2,921	4,714
GP margin (%)	57.30	59.24	62.19
PAT margin (%)	12.12	19.64	25.64
No. of ordinary shares of RM0.10 assumed to be in issue <sup>(i)</sup> ( '000)	177,213	177,213	177,213
Gross EPS <sup>(ii)</sup> (sen)	0.85	1.53	2.77
Net EPS <sup>(ii)</sup> (sen)	0.88	1.65	2.66

*Notes:*

(i) Based on the number of ISS Shares in issue after the Acquisitions but before the Public Issue.

(ii) The gross and net EPS are calculated based on the number of ISS Shares in issue after the Acquisitions but before the Public Issue.

There were no extraordinary items or exceptional items during the financial years under review. The audited financial statements of ISS and its subsidiary companies for the financial years under review have not been subjected to any audit qualification.

Please refer to Sections 11.1 and 11.14 of this Prospectus for further details of the proforma consolidated income statements together with the accompanying notes and assumptions.



## 2. INFORMATION SUMMARY (Cont'd)

### 2.3.2 Proforma Consolidated Balance Sheets

The following table is a summary of the proforma consolidated balance sheets of ISS as at 31 December 2005, prepared for illustrative purposes only, assuming the following had been effected on that date:

Proforma I : After completion of the Share Split  
 Proforma II : After Proforma I, the Acquisitions and the Waiver of Amount Owing to Directors  
 Proforma III : After Proforma II and the Public Issue and utilisation of proceeds

	As at 31 December 2005 RM'000	Proforma I RM'000	Proforma II RM'000	Proforma III RM'000
<u>Non-Current Assets</u>				
Equipment	-	-	524	524
Software development expenditure	-	-	11,418	11,418
Goodwill	-	-	1,308	1,308
Deferred tax assets	-	-	318	318
	-	-	13,568	13,568
<u>Current Assets</u>				
Trade receivables	-	-	5,106	5,106
Other receivables, deposits and prepayments	-	-	3,193	3,194
Cash and bank balances	*	*	563	15,940
	*	*	8,862	24,240
<u>Current Liabilities</u>				
Trade payables	-	-	1,439	1,439
Other payables and accruals	14	14	1,037	1,037
Hire purchase and lease payables	-	-	110	110
Provision for taxation	-	-	381	381
	14	14	2,967	2,967
Net Current (Liabilities)/Assets	(14)	(14)	5,895	21,273
	(14)	(14)	19,463	34,841
<u>Financed by:</u>				
Share capital	*	*	17,721	21,838
Share premium	-	-	-	11,261
Retained profits	(14)	(14)	1,468	1,468
Shareholders' (deficit)/equity	(14)	(14)	19,189	34,567

## 2. INFORMATION SUMMARY (Cont'd)

	As at 31 December 2005 RM'000	Proforma I RM'000	Proforma II RM'000	Proforma III RM'000
<u>Non-Current Liabilities</u>				
Provision for employee entitlements	-	-	160	160
Hire purchase and lease payables	-	-	92	92
Deferred taxation	-	-	22	22
	(14)	(14)	19,463	34,841
No. of shares of RM1.00 each	2	-	-	-
No. of shares of RM0.10 each	-	20	177,213,090	218,377,090
NTA/Proforma NTA per ordinary share (RM)	#	#	0.04	0.10

**Notes:**

\* Comprises RM2

# More than (RM100)

Please refer to Sections 11.11 and 11.14 of this Prospectus for further details of the proforma consolidated balance sheets together with the accompanying notes and assumptions.

### 2.3.3 Consolidated Profit Forecast

The Directors forecast that the consolidated profit of ISS for the FYE 31 December 2006, which have been prepared based on bases and accounting principles consistent with those previously adopted in the preparation of the audited consolidated financial statements of the Company, to be as follows:

	Forecast FYE 31 December 2006 RM'000
Revenue	20,522
Consolidated PBT	6,300
Less: Taxation	(329)
Consolidated PAT	5,971
Number of ISS Shares in issue after incorporating the Public Issue <sup>(i)</sup> ('000)	218,377
Gross EPS <sup>(ii)</sup> (sen)	2.88
Net EPS <sup>(iii)</sup> (sen)	2.73
Gross PE multiple <sup>(iv)</sup> based on basic gross EPS (times)	14.24
Net PE multiple <sup>(iv)</sup> based on basic net EPS (times)	15.02

## 2. INFORMATION SUMMARY (Cont'd)

**Notes:**

- (i) Upon the completion of the Public Issue, there will be 218,377,090 ISS Shares in issue.
- (ii) Calculated based on the forecast consolidated PBT divided by the number of ISS Shares in issue after incorporating the Public Issue.
- (iii) Calculated based on the forecast consolidated PAT divided by the number of ISS Shares in issue after incorporating the Public Issue.
- (iv) Calculated based on issue price of RM0.41 per share.

Please refer to Sections 11.15 and 11.16 of this Prospectus for further details of the consolidated profit forecast and the Reporting Accountants' letter thereon.

### 2.4 TECHNOLOGY AND LICENCES

ISS uses three (3) core technologies as a platform in developing its proprietary products: mySAP ERP, mySAP Business Suite and mySAP Netweaver. These technologies are owned by and are continually developed by SAP and, as they are developed, the new benefits and features are customised by ISS for incorporation into ISS's proprietary product suites and forms the bases of new functionality.

In 2002, the Group started development of its own proprietary software solutions, namely, ChemXpress and AutoXpress, which are solutions tailored to the specific needs of the chemical and automotive industries, respectively. In 2003, the Group began selling its proprietary Xpress solutions products and started capitalising the R&D costs associated with the development of the Xpress suite of products. As at the Latest Practicable Date, two (2) proprietary Xpress solutions products, namely ChemXpress and AutoXpress have been commercialised.

Further details of the Group's proprietary software solutions are set out in Section 5.4.2.1 of this Prospectus.

The Group has trademark licences from SAP, a provider of software solutions and related products under the SAP trademark, details of which are as follows:

Company	Licensor	Date of issue/Date of expiry	Details of licence granted
ISS Malaysia	SAP Malaysia	1 January 2004/ 31 December 2006	Non-exclusive, non-transferable and royalty-free licence to use SAP trademark in Malaysia, solely to identify the SAP software in connection with the marketing of the software, subject to SAP Malaysia's policies from time to time.
ISS Malaysia	SAP Malaysia	1 January 2004/ 31 December 2006	Licence to use specific SAP software exclusively for internal employee training, project-specific customer training and presentations to specific prospective customers.

## 2. INFORMATION SUMMARY (Cont'd)

Company	Licensor	Date of issue/Date of expiry	Details of licence granted
ISS Malaysia	SAP Malaysia	1 September 2003/ 31 December 2006	Non-exclusive, non-transferable and royalty-free licence to use SAP trademark in Malaysia and limited to chemicals industry and retail/trading business, solely to identify the SAP software in connection with the distribution of the software, subject to SAP Malaysia's policies from time to time.
ISS Singapore	SAP Asia Pte Ltd ("SAP Asia")	1 January 2004/ 31 December 2006	Non-exclusive, non-transferable and royalty-free licence to use SAP trademark in Singapore, solely to identify the SAP software in connection with the marketing of the software, subject to SAP's policies from time to time.
ISS Singapore	SAP Malaysia	1 January 2004/ 31 December 2006	Licence to use specific SAP software exclusively for internal employee training, project-specific customer training and presentations to specific prospective customers.
ISS Singapore	SAP Asia	23 October 2004/ 31 December 2006	Non-exclusive, non-transferable and royalty-free licence to use SAP trademark in Singapore and limited to chemicals industry and retail/trading business, solely to identify the SAP software in connection with the distribution of the software, subject to SAP's policies from time to time.
ISS Thailand	SAP Systems Applications and Products in Data Processing (Thailand) Ltd ("SAP Thailand")	1 October 2004/ 31 December 2006	Non-exclusive, non-transferable and royalty-free licence to use SAP trademark in Thailand and limited to chemicals industry and retail/trading business, solely to identify the SAP software in connection with the distribution of the software, subject to SAP's policies from time to time.
ISS Thailand	SAP Thailand	1 October 2004/ 31 December 2006	Licence to use specific SAP software exclusively for internal employee training, project-specific customer training and presentations to specific prospective customers.

Please refer to Section 5.4.5 for detailed information on the technology and licences of the Group.

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## 2. INFORMATION SUMMARY *(Cont'd)*

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### 2.5 RISK FACTORS

Before investing in the Public Issue Shares, investors should be aware that ISS and its subsidiary companies and, to a large extent, its activities are subject to legal, regulatory and business environment in Malaysia, Singapore, Thailand and Indonesia. The Group's business is subject to a number of factors, many of which are outside its control. Prior to applying for the Public Issue Shares, investors should carefully consider, along with other matters in this Prospectus, the risks and investment conditions set out below. The following is only a summary of the risks and investment considerations and is not an exhaustive list of the challenges that the Group currently face or that may develop in the future. Additional risks, whether known or unknown, may in the future have a material adverse effect on the Company and its Shares.

#### **Risks Specific to the Industry**

- (i) Rapid technological change in the software/ICT market;
- (ii) Political, economic and regulatory developments; and
- (iii) Acceptance of new products.

#### **Risks Specific to the Group**

- (i) Business risks;
- (ii) Increased competition;
- (iii) Continuous business relationship with SAP and market acceptance of SAP products;
- (iv) Risks of expansion into foreign markets;
- (v) Failure to achieve the objectives of its five (5)-year business development plan;
- (vi) Delays in completion of projects;
- (vii) Change in or loss of MSC Status;
- (viii) Continued employment and performance of directors and key management;
- (ix) Product and/or service liability;
- (x) Foreign currency exchange rate fluctuations;
- (xi) Control by substantial shareholders;
- (xii) Future capital injections; and
- (xiii) Security and systems disruptions.

#### **Risks Specific to the ISS Shares**

- (i) No prior trading market for ISS Shares; and
- (ii) Delay in or failure of listing.

Please refer to Section 4 of this Prospectus for detailed information on the risks of investing in the Company.

## 2. INFORMATION SUMMARY *(Cont'd)*

### 2.6 PRINCIPAL STATISTICS RELATING TO THE PUBLIC ISSUE

(i) Share Capital	RM
<b>Authorised share capital as at the date of this Prospectus</b> 500,000,000 ordinary shares of RM0.10 each	50,000,000
<b>Issued and fully paid-up share capital as at the date of this Prospectus</b> 177,213,090 ordinary shares of RM0.10 each	17,721,309
<b>To be issued and credited as fully paid-up pursuant to the Public Issue</b> 41,164,000 new ordinary shares of RM0.10 each	4,116,400
<b>Enlarged issued and fully paid-up share capital upon listing</b> 218,377,090 ordinary shares of RM0.10 each	21,837,709
<b>(ii) Issue Price per Public Issue Share</b>	<b>RM0.41</b>
<b>(iii) Market Capitalisation based on the Issue Price</b>	<b>RM89,534,607</b>
<b>(iv) Classes of Shares and Ranking</b>	

There is only one (1) class of shares, being ordinary shares of RM0.10 each, in ISS. The Public Issue Shares shall rank equally in all respects with the existing issued and fully paid-up ISS Shares including voting rights and rights to all dividends and other distributions that may be declared subsequent to the date of allotment of the Public Issue Shares.

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

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

**(v) Proforma Consolidated NTA as at 31 December 2005**

Proforma consolidated NTA after the Acquisitions, the share split and the Public Issue (RM'000)	21,841
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Proforma consolidated NTA per Share based on the enlarged issued and paid-up share capital of 218,377,090 ISS Shares after the Public Issue	RM0.10
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Please refer to Section 3 of this Prospectus for further information on the particulars of the Public Issue.

## 2. INFORMATION SUMMARY (Cont'd)

### 2.7 UTILISATION OF PROCEEDS

There is no minimum subscription for the Public Issue. Based on the issue price of RM0.41 per share, the total gross proceeds of approximately RM16,877,240 will be utilised by the Group as follows:

Purpose	RM	Timeframe for utilisation
Working capital	10,377,240	Within two (2) years from the date of receipt
R&D expenditure	5,000,000	Within three (3) years from the date of receipt
Estimated listing expenses	1,500,000	Within one (1) year from the date of receipt
Total	<u>16,877,240</u>	

Please refer to Section 3.6 of this Prospectus for further information on the utilisation of proceeds.

### 2.8 BORROWINGS, MATERIAL LITIGATION, CONTINGENT LIABILITIES AND MATERIAL CAPITAL COMMITMENTS

#### (i) Borrowings

As at the Latest Practicable Date, the total borrowings of the Group, all of which are interest-bearing and from financial institutions, are as follows:

	Short Term payable within twelve (12) months RM'000	Long Term payable after twelve (12) months RM'000	Total outstanding RM'000
Hire purchase and lease facilities:			
Denominated in RM	165	106	271
Denominated in SGD*	27	21	48
Total	<u>192</u>	<u>127</u>	<u>319</u>
	SGD'000	SGD'000	SGD'000
* Comprise of	12	9	21

There has not been any default by the Group on the payment of interest and/or principal sums in respect of its borrowings throughout the FYE 31 December 2005 and the subsequent period up to the Latest Practicable Date.

#### (ii) Material Litigation

As at the Latest Practicable Date, the Group is not engaged in any material litigation, claims or arbitration either as plaintiff or defendant, which may have a material effect on the Group's financial position upon becoming enforceable, and the Directors do not have any knowledge of any proceedings pending or threatened against the Group or any facts likely to give rise to any proceedings which may materially and adversely affect the Group's financial position or business.

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**2. INFORMATION SUMMARY (Cont'd)**

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**(iii) Contingent Liabilities**

The Directors of ISS confirm that, as at the Latest Practicable Date, there are no contingent liabilities which, upon becoming enforceable, may have a material impact on the profit or net assets value of the Group.

**(iv) Material Capital Commitments**

The Directors of ISS confirm that, as at the Latest Practicable Date, there are no material capital commitments contracted or known to be contracted by the Group which, upon becoming enforceable, may have a material impact on the financial position or performance of the Group.

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### 3. PARTICULARS OF THE PUBLIC ISSUE

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#### 3.1 INTRODUCTION

This Prospectus is dated 30 June 2006.

**The Public Issue under the terms of this Prospectus was approved by the SC (and approved under the FIC's Guidelines on the Acquisition of Interest, Mergers and Takeovers by Local and Foreign Interest) on 6 April 2006 and 26 May 2006. Approval-in-principle has also been obtained from the Securities Exchange on 5 June 2006 for the admission to the Official List of MESDAQ Market and for permission to deal in and quotation of the entire enlarged issued and paid-up share capital of the Company including the Public Issue Shares which are the subject of this Prospectus.**

The entire enlarged issued and fully paid-up share capital of 218,377,090 ISS Shares will be admitted to the Official List of the MESDAQ Market and their official quotation will commence upon receipt of confirmation from the 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.

Pursuant to Section 14(1) of the Central Depositories Act, the Securities Exchange has prescribed the ISS Shares as a prescribed security. Therefore, ISS will deposit the Public Issue Shares directly with the Bursa Depository. Any dealings in these Shares will be carried out in accordance with the aforesaid act and the Rules.

Applicants of the Public Issue Shares must have a CDS account. For application by way of Application Form, the applicant must state his/her CDS account number in the space provided in the Application Form. For application by way of ESA, the applicant shall furnish his/her CDS account number to the Participating Financial Institution by keying in his/her CDS account number if the instructions on the ATM screen at which he/she enters his/her ESA requires him/her to do so. For application by way of Internet Share Application, only an applicant who has a CDS account and an existing account with access to the Internet financial services facilities with the Internet Participating Financial Institutions can make an Internet Share Application. The applicant shall furnish his/her CDS account number to the Internet Participating Financial Institution by way of keying in his/her CDS account number into the online application form. A corporation or institution cannot apply for the Public Issue Shares by way of ESA or Internet Share Application.

Pursuant to the MMLR, at least 25% but not more than 49% of the total number of shares for which listing is sought must be held by a minimum number of 200 public shareholders at the time of admission to the MESDAQ Market. ISS expects to meet the public shareholding requirement at the point of listing, failing which it may not be allowed to proceed with the listing. In such an event, ISS will return in full, without interest, moneys paid in respect of all applications.

Investors should rely only on the information contained in this Prospectus. ISS or its advisers have not authorised anyone to provide information that is different and not contained in this Prospectus. The delivery of this Prospectus or any issue made in connection with this Prospectus shall not, under any circumstances, constitute a representation or create any implication that there has been no change in our affairs since the date of this Prospectus.

**Investors should rely on their own evaluation to assess the merits and risks of the Public Issue and an investment in the Company. In considering the investment, if investors are in any doubt as to the action to be taken, they should consult their stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.**

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

#### 3.2 DETAILS OF THE PUBLIC ISSUE

The Public Issue is an invitation by the Company to the eligible directors and employees of the Group and the Malaysian Public to subscribe for the Public Issue Shares at an issue price of RM0.41 per share, payable in full on application upon the terms and conditions of this Prospectus.

The 41,164,000 Public Issue Shares shall be allocated in the following manner:

**(i) Malaysian Public**

10,919,000 new ISS Shares representing approximately 5.0% of the enlarged issued and paid-up share capital reserved for application by the Malaysian Public.

**(ii) Eligible Directors and Employees**

5,162,000 new ISS Shares representing approximately 2.4% of the enlarged issued and paid-up share capital are reserved for application by eligible directors and employees of the Group.

The criteria for the allocation of the said shares to the eligible directors and employees of the Group as approved by the Board of Directors are as follows:

- (a) Contribution to the success of the Group; and
- (b) Position and length of service in the Group.

Based on the above criteria, 5,162,000 new ISS Shares have been reserved for application by 6 directors and 104 employees of the Group, of which 2,450,000 Public Issue Shares have been reserved for application by the following eligible directors:

Name of Director	Designation	Number of Pink Form Shares Allocated
Harald Weinbrecht	Managing Director/Chief Executive Officer	550,000
Christina Ingeburg Orth	Executive Director/Chief Financial Officer	550,000
Gloria Chan Mei Ling	Executive Director	550,000
Loo Chan Yue	Non-Independent Non-Executive Director	400,000
Mohamed Nor Abdul Hamid	Independent Non-Executive Director	200,000
Md Nahar Noordin	Independent Non-Executive Director	200,000
<b>Total</b>		<b>2,450,000</b>

**(iii) Private Placement**

25,083,000 new ISS Shares representing approximately 11.5% of the enlarged issued and paid-up share capital will be placed with Malaysian investors identified by the Placement Agent.

The Public Issue Shares made available to the Malaysian Public listed under paragraph (i) above have been fully underwritten by Alliance.

Any Public Issue Shares in respect of paragraph (ii) above which are not subscribed will be offered to other eligible directors and employees of the ISS Group. Any Public Issue Shares remaining unsubscribed after the subsequent offer ("Unsubscribed Pink Form Shares") will be made available for application by members of the Malaysian Public and will be fully underwritten by Alliance.

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

Any Public Issue Shares in respect of paragraph (iii) above which are not subscribed by the placees ("Unsubscribed Placement Shares") will be made available for application by members of the Malaysian Public and will be fully underwritten by the Underwriters.

There is no minimum subscription level in respect of the Public Issue Shares.

#### 3.3 PURPOSES OF THE PUBLIC ISSUE

The purposes of the Public Issue are as follows:

- (i) To raise funds for the Group's continued operation and expansion, details of which are elaborated in Section 3.6 below;
- (ii) To provide the Group access to the capital market to raise funds for future expansion and continuing growth of the Group;
- (iii) To provide an opportunity for the eligible directors and employees of the Group as well as the Malaysian Public to participate in the continuing growth of the Group by way of equity participation;
- (iv) To obtain the listing of and quotation for the entire enlarged issued and paid-up ordinary share capital of ISS on the MESDAQ Market, which is expected to enhance the profile of the Group;
- (v) To enhance the stature of the Group for the marketing of its products and services, and for retaining and attracting new skilled employees; and
- (vi) To increase the Group's profile in Malaysia and in the international markets that it is serving or intends to serve in the future.

#### 3.4 SHARE CAPITAL AND RIGHTS ATTACHING TO PUBLIC ISSUE SHARES

(i) Share Capital	RM
<b>Authorised share capital as at the date of this Prospectus</b> 500,000,000 ordinary shares of RM0.10 each	50,000,000
<b>Issued and fully paid-up share capital as at the date of this Prospectus</b> 177,213,090 ordinary shares of RM0.10 each	17,721,309
<b>To be issued and credited as fully paid-up pursuant to the Public Issue</b> 41,164,000 new ordinary shares of RM0.10 each	4,116,400
<b>Enlarged issued and fully paid-up share capital upon listing</b> 218,377,090 ordinary shares of RM0.10 each	21,837,709
<b>(ii) Issue Price per Public Issue Share</b>	<b>RM0.41</b>
<b>(iii) Market Capitalisation based on the Issue Price</b>	<b>RM89,534,607</b>

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

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**(iv) Classes of Shares and Ranking**

There is only one (1) class of shares, being ordinary shares of RM0.10 each, in ISS. The Public Issue Shares shall rank equally in all respects with the existing issued and fully paid-up ISS Shares including voting rights and rights to all dividends and other distributions that may be declared subsequent to the date of allotment of the Public Issue Shares.

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

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

**3.5 PRICING OF THE PUBLIC ISSUE SHARES**

The issue price of RM0.41 per Public Issue Share was determined and agreed upon by the Company and Alliance, as the Adviser, after taking into consideration the following factors:

- (i) The forecast PE multiple of approximately 15.02 times based on the forecast net EPS of the Group of approximately 2.73 sen for the FYE 31 December 2006 as set out in Sections 11.15 and 11.16 of this Prospectus;
- (ii) The outlook of the industry in which the Group operates in and the Group's future plans, strategies and prospects as set out in Sections 6 and 7 of this Prospectus and the prevailing market conditions particularly the MESDAQ Market which appears to be relatively stable;
- (iii) The Group's proforma net EPS of 2.66 sen computed based on the latest proforma consolidated PAT of RM4.714 million for the FYE 31 December 2005 and the issued and paid-up share capital of 177,213,090 ISS Shares as set out in Section 11.1 of this Prospectus. The historical net PE multiple is approximately 15.41 times;
- (iv) The proforma consolidated NTA per share as at 31 December 2005 of RM0.10 based on the latest proforma consolidated NTA as at 31 December 2005 of RM21.841 million and the enlarged issued and paid-up share capital of 218,377,090 ISS Shares as set out in Section 11.11 of this Prospectus; and
- (v) The quality of key management as depicted in their profiles set out in Sections 8.3.2 and 8.6.2 of this Prospectus.

Investors should also note that the market price of ISS Shares upon listing is subject to the vagaries of market forces and other uncertainties, which may affect the price of ISS Shares being traded. Investors should also bear in mind the risk factors as set out in Section 4 of this Prospectus and form their own views on the valuation of the Public Issue Shares before deciding to invest in the Company.

### 3. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

#### 3.6 PROCEEDS OF THE PUBLIC ISSUE AND UTILISATION OF PROCEEDS

Based on the issue price of RM0.41 per share, the total gross proceeds of approximately RM16,877,240 will be utilised by the Group as follows:

Purpose	Note	RM	Timeframe for utilisation
Working capital	(i)	10,377,240	Within two (2) years from the date of receipt
R&D expenditure	(ii)	5,000,000	Within three (3) years from the date of receipt
Estimated listing expenses	(iii)	1,500,000	Within one (1) year from the date of receipt
<b>Total</b>		<b>16,877,240</b>	

**Notes:**

**(i) Working Capital**

The allocation of approximately RM10.4 million for working capital purposes is in line with the business development plan. The funds will be used to finance day-to-day operations of the Group such as staff salaries, travelling expenses, rental and others.

**(ii) R&D expenditure**

R&D is a key component in the ISS Group's business activities as it allows the Group to generate value added products for its existing and potential customers in the South-East Asia and East Asia regions. As such, the Board has allocated RM5.0 million from the proceeds raised for future development of its products as well as continuously enhancing its existing products for the next three (3) years. The allocation will cover development staff's salaries, hardware, software, training and other related expenses.

**(iii) Estimated Listing Expenses**

The estimated listing expenses incidental to the listing exercise of ISS are as follows:

	RM
Professional advisory fees	800,000
Fees paid to authorities	70,500
Underwriting commission, placement fees and brokerage fees	400,000
Issuing house fee	45,000
Printing and advertisement of prospectus	120,000
Miscellaneous/Contingencies	64,500
<b>Total</b>	<b>1,500,000</b>

Any variation to the actual listing expenses from the estimated amount will result in an adjustment to the working capital allocation of the Group.

The utilisation of proceeds as set out above is expected to enhance the future earnings of the Group as the Public Issue will raise funds that would otherwise have to be borrowed from financial institutions to enable the Group to carry out its business plans as set out in Section 7 of this Prospectus.

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

#### 3.7 BROKERAGE, UNDERWRITING COMMISSION AND PLACEMENT FEE

##### Brokerage

Brokerage fee will be paid by the Company only for the Public Issue Shares reserved for application by the Malaysian Public at the rate of 1.0% of the Issue Price in respect of successful applications bearing the stamp of either Alliance, a member company of the Securities Exchange, a member of the Association of Banks in Malaysia, a member of the Malaysian Investment Bank Association or MIDFCCS. No brokerage is payable by the Company on the Public Issue Shares reserved for application by eligible directors and employees and the Public Issue Shares to be placed to investors identified by the Placement Agent.

##### Underwriting Commission

The Company and the Underwriters have entered into an underwriting agreement on 8 June 2006 for the underwriting of:

- (i) 10,919,000 new ISS Shares reserved for application by the Malaysian Public; and
- (ii) Any Unsubscribed Pink Form Shares; and
- (iii) Any Unsubscribed Placement Shares.

Underwriting commission is payable by the Company at the rate of 2.5% of the Issue Price per Public Issue Share. The salient terms of the Underwriting Agreement stating the events that may affect the underwriting are set out in Section 3.8 of this Prospectus.

##### Placement Fee

A placement fee is payable by the Company to the Placement Agents in respect of the 25,083,000 Public Issue Shares to be placed to investors identified by the Placement Agents at a rate ranging from 1.5% to 2.5% of the Issue Price per Public Issue Share.

#### 3.8 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

The following salient terms are reproduced from the underwriting agreement entered into by the Company, Alliance and OSK as the Underwriters on 8 June 2006 ("Underwriting Agreement"). Unless otherwise stated, all capitalise terms shall bear the same meaning as prescribed in the Underwriting Agreement.

##### Conditions Precedent

- (i) The obligations of the Underwriters under this Agreement will further be conditional upon:
  - (a) there not having been on or prior to the date of the Listing, in the opinion of the Underwriters (which the said opinion shall be final and binding to all parties), any material adverse change or any development reasonably likely to involve a prospective adverse change in the financial condition of the Company and its subsidiaries, which is material in the context of the IPO from that set forth in the Prospectus, nor the occurrence of any event or the discovery of any fact which is inaccurate, untrue or incorrect to any extent which is or will be material in the reasonable opinion of the Underwriters, which makes any representations or warranties contained in clause 4 of the Underwriting Agreement untrue and incorrect in any material aspect as though they had been given or made on such date with reference to the facts and circumstances then subsisting, nor the occurrence of any breach of the undertakings contained in Clause 4 of the Underwriting Agreement;

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

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- (b) the delivery to the Underwriters prior to the date of the registration of the Prospectus:
- (a) a copy certified as a true copy by an authorised officer of the Company of all the resolutions of the Directors and the shareholders in general meeting approving this Agreement, the Prospectus, the IPO and authorising the execution of this Agreement and the issuance of the Prospectus; and
  - (b) a certificate, in the form or substantially in the form contained in the Third Schedule of the Underwriting Agreement, dated the date of the Prospectus signed by duly authorised officers of the Company stating that, to the best of their knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence.
- (c) the delivery to the Underwriters on the Closing Date of such reports and confirmations dated on the Closing Date from the Directors of the Company as the Underwriters may reasonably require to ascertain that there is no material change subsequent to the date of this Agreement that will adversely affect the performance or financial position of the Company or its subsidiaries;
- (d) the IPO not being prohibited by any statute, order, rule, regulation or directive or guideline (whether or not having the force of law) promulgated or issued by any legislative, executive or regulatory body or authority in Malaysia;
- (e) the Company having complied and that the IPO is in compliance with the policies, guidelines and requirements of the Securities Exchange and/or the SC and all revisions, amendments and/or supplements thereto;
- (f) the acceptance for registration by the SC of the Prospectus and the lodgment with the ROC of the Prospectus on together with the documents under section 42 of the Companies Act, 1965 or before their issue, circulation or distribution to the public; and
- (g) Securities Exchange agreed and approved in principle on or prior to the Closing Date to the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company on the MESDAQ Market and the SC (as the case may be) having approved the Prospectus and if such approvals shall be conditional, all conditions thereto being in terms acceptable to the Underwriters and the Underwriters being reasonably satisfied that such listing and quotation shall be granted two (2) clear Market Days after the IPO Shares have been issued and despatched to entitled holders and after the receipt of all relevant documents pertaining to the listing and quotation of the entire enlarged issued and paid-up share capital of the Company by the Securities Exchange and the Prospectus being in the form and substance satisfactory to the Underwriters.
- (ii) If any of the conditions precedent in clause (i) above which is to be satisfied prior to the Closing Date for application of the IPO Shares is not satisfied to the satisfaction of the Underwriters, the Underwriters will thereupon be entitled to terminate this Agreement by notice in writing to the Company. In such event, this Agreement will automatically be terminated and the parties to this Agreement will be released and discharged from their obligations, save and except for the liability of the Company for payments of costs (inclusive of solicitors cost on solicitor and client basis) and expenses incurred prior to or in connection with such termination. The Underwriters reserves the right to waive or modify any of the conditions aforesaid and such waiver or modification shall not prejudice the Underwriters' rights under this Agreement.

### 3. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

#### Termination by the Underwriters if Adverse Changes and Consequence Thereof

- (i) Notwithstanding anything contained in this Agreement, the Underwriters may by notice in writing to the Company given at any time before the Listing Date, terminate, cancel and withdraw their commitments to underwrite the Underwritten Shares and pursuant thereto terminate this Agreement if:
- (a) there is any breach by the Company of any of the representations, warranties or undertakings contained in clause 4 of the Underwriting Agreement, which is not capable of remedy or, if capable of remedy, the Company has failed to remedy such breach within a period of fourteen (14) days from the date of a notice in writing or any other period which is specifically defined in the said notice from the Underwriters notifying the Company of such breach and require the Company to remedy the same; or
  - (b) the Company withholds any information of a material nature from the Underwriters, which, in the reasonable opinion of the Underwriters, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the success of the IPO and issuance of IPO Shares, or the distribution or sale of the IPO Shares; or
  - (c) there has occurred, happened or come into effect any material and adverse change to the business or financial condition of the Company or the Group; or
  - (d) there has occurred, happened or come into effect any event or series of events beyond the reasonable control of the Underwriters by reason of *Force Majeure* (defined below) which would have or can reasonably be expected to have, a material adverse effect on the business or the operations of the Company or the Group or the success of the IPO and/or the IPO Shares or which is likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms; or

*Force Majeure* means causes which are unpredictable and beyond the reasonable control of the parties claiming *force majeure* which could not have been avoided or prevented by reasonable foresight, planning and implementation including:

- (i) any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing; or
  - (ii) any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of the Underwriter (including without limitation, acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents); or
  - (iii) the MESDAQ Composite Index at no less than 70 points on or prior to 5.00pm on the Closing Date.
- (e) any government, requisition or other occurrence of any nature whatsoever which would or is likely to have a material adverse effect on the financial and operational condition of the Company;
- (f) there is failure on the part of the Company to perform any of its obligations herein contained;



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

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- (g) there is an imposition of any moratorium, suspension or material restriction on trading in all securities on the Securities Exchange;
- (h) the MESDAQ Composite Index at no less than 70 points on or prior to 5.00 p.m. on the Closing Date; and
- (i) the approval for the Proposed Listing is withdrawn, modified and/or subject to terms and conditions not acceptable to the Underwriters.
- (ii) Upon such notice(s) of termination being given under clause (i) above, the Underwriters will be released and discharged of its obligations under this Agreement whereupon this Agreement will be of no further force or effect and no party will be under any liability to the other in respect of this Agreement, except that the Company shall remain liable in respect of any of its obligations and liabilities under clause 4 of the Underwriting Agreement or any antecedent breaches and for the payment of the costs and expenses referred to in clause 15.3 of the Underwriting Agreement which are incurred up to the date on which such notice was given and for the payment of any taxes, duties or levies and the Company will refund to the Underwriters the subscription monies, if any, relating to the IPO Shares without any deduction.
- (iii) The Underwriters and the Company may however, confer with a view to deferring the issuance of the IPO Shares or amending its terms or the terms of this Agreement or enter into a new underwriting agreement accordingly. However, neither the Company nor the Underwriters will be under any obligation to enter into a fresh underwriting agreement.

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

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Before investing in the Public Issue Shares, investors should be aware that ISS and its subsidiaries and, to a large extent, its activities are subject to legal, regulatory and business environment in Malaysia, Singapore, Thailand and Indonesia. The Group's business is subject to a number of factors, many of which are outside its control. Prior to applying for the Public Issue Shares, which is the subject of this Prospectus, investors should carefully consider, along with other matters in this Prospectus, the risks and investment conditions set out below. The following is only a summary of the risks and investment considerations and is not an exhaustive list of challenges that the Group currently face or that may develop in the future. Additional risks, whether known or unknown, may in the future have a material adverse effect on the Company and its shares.

##### **4.1 RISKS SPECIFIC TO THE INDUSTRY**

###### **4.1.1 RAPID TECHNOLOGICAL CHANGE IN THE SOFTWARE/ICT MARKET**

The markets for the Group's products and services are characterised by rapid technological developments, evolving industry standards, swift changes in customer requirements, computer operating environments and software applications and frequent new product introductions and enhancements. The Group's future success depends substantially upon its ability to address the increasingly sophisticated needs of its customers. There can be no assurance that the Group will be successful in adapting to advances in technology or in addressing changing customer needs on a timely basis. In addition, there can be no assurance that the products or services or technologies developed by others will not significantly reduce the demand for the Group's products or services or render the Group's products or services obsolete.

In recognition of this, the Group with its experienced and skilled personnel, constantly endeavour to keep abreast with developments in technology and the market by fostering good working relationships with its customers and actively participating in industry-related events.

###### **4.1.2 POLITICAL, ECONOMIC AND REGULATORY DEVELOPMENTS**

Any adverse development in the political situation and economic uncertainties in Malaysia and the countries in which the Group has business links, directly or indirectly, could materially and adversely affect the financial performance of the Group. These include risks of war, global economic downturn, expropriation, nationalisation and unfavourable changes in government policy, legislation and regulations such as methods of taxation and foreign currency exchange controls. There can be no assurance that any change to these factors will not have a material adverse effect on the Group's business.

The Group has adopted a proactive approach in keeping abreast of political, economic and regulatory developments of the countries in which it operates as well as of those into which the Group plans to expand, by setting up local representative offices with experienced employees and by adopting effective measures such as prudent financial management and efficient operating procedures.

###### **4.1.3 ACCEPTANCE OF NEW PRODUCTS**

The markets for the Group's products are characterised by rapid technological advancement, evolving industry standards and changes in customer requirements. Hence, the Group's future depends substantially upon its ability to formulate and develop new customised software to meet the increasingly sophisticated requirements of its customers as technology advances.

The Group will continuously update existing products and solutions and develop new products and solutions to increase value added offerings. Additional packages targeted at various other industries are also being developed.

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**4. RISK FACTORS (Cont'd)**

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However, the timely development of new and enhanced products is a complex and uncertain process. Although the Group believes that it will have sufficient knowledge and skills to implement its business plan, there can be no assurance that the Group will continue to have sufficient resources to successfully and accurately anticipate technology and market trends and even to successfully manage long development cycles.

In addition, the Group may also experience design, marketing and other difficulties that could delay or prevent the development, introduction and marketing of its new products.

To mitigate these risks, the Group will constantly endeavour to develop new or enhanced products using the latest appropriate technology and employing experienced R&D personnel with the technology knowledge as well as industry experience to deliver a leading edge product in the market, and collaborate or form working partnerships with new and existing R&D partners.

**4.2 RISKS SPECIFIC TO THE GROUP****4.2.1 BUSINESS RISKS**

The Group is currently profitable. However, there is no assurance that the Group will achieve increasing or consistent levels of profitability or be profitable in the future as the Group's revenue and operating results are dependent on many factors. These include customer order deferrals, market acceptance of products and services, competitions and other business risks common to going concerns.

The Group seeks to limit these risks through, inter-alia, increasing the efficiency of operations, diversifying the pool of strategic partners, increasing its range of customers, developing products and services, diversifying its market reach and improving its technological competence in advanced technologies and adopting a prudent cash flow management which includes regular monitoring of debtors' position, capital expenditure and borrowings. Notwithstanding the above, no assurance can be given that any changes to these factors will not have a material adverse effect on the Group's business.

**4.2.2 INCREASED COMPETITION**

The Group faces competition from the SAP's consulting division, international professional service groups of large technology and management consulting companies, international/regional IT consulting companies and local consulting firms. These competitors vary in size, scope and services offered and may be able to respond better to emerging technologies, changes in customer preferences or have greater resources to the development, promotion, sale and servicing of their products/services.

Furthermore, new entrants with new technologies and products will pose additional competition for the Group. There can be no assurance that the Group will be able to compete successfully with existing or new competitors. Stiff competition could result in price reductions which will lead to reduction in revenue and profit margins as well as the loss of market share.

Notwithstanding the above, the Management is confident that the Group is able to remain competitive based on its strengths over its competitors as set out in Section 5.4.16 of this Prospectus.

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**4. RISK FACTORS (Cont'd)**

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**4.2.3 CONTINUOUS BUSINESS RELATIONSHIP WITH SAP AND MARKET ACCEPTANCE OF SAP PRODUCTS**

The Group is a SAP Partner and has entered into several agreements with SAP. The agreements are subject to annual renewal. Termination of the agreements with SAP will have a material adverse impact on the Group's operations and financial position.

In the unlikely event of a termination of the agreements and the licences with SAP, the Group will lose their recognition as a business partner of SAP, licences to use SAP trademarks and customer references from SAP.

Should such an event take place, the Group shall continue and expand the sales of its proprietary products, the Xpress suite of products. As elaborated in Section 5.4.4 of this Prospectus, the Group has gradually increased its focus on the development and sales of its proprietary products. The Group will also continue with its provision of consulting services to its existing customer base and/or pursue collaboration with other platform providers. The Group has over eight (8) years of experience in SAP implementation and references from its customers of over 100 projects. This provides the Group with a sustainable competitive advantage. The Group has also built-up a strong portfolio of repeat customers and is confident that it shall continue providing services to its existing customers as well as securing new customers. The Group has also established a strong knowledge base on both the development of industry specific products based on generic ERP software as well as implementation expertise of complex ERP software. This knowledge base can be transferred to alternative ERP platforms should the need for new partnerships with other platform providers arise.

The Group believes that there is a very remote chance of SAP terminating the agreements and revoking licences from the Group. The ISS Group has been a very successful business partner of SAP in South-East Asia since its inception as evidenced by the Group's appointment as Certified Implementation Partners of SAP in Malaysia, Singapore and Indonesia as well as SAP Business Partners in Malaysia, Singapore, Indonesia and Thailand. The Group and SAP enjoy a cordial working relationship through various business development activities jointly conducted by both parties. This include making joint sales calls, conducting joint meetings with prospective customers, promotion of SAP products and methodologies, active participation in incentive programs launched by SAP as well as involvement in training to upgrade consultants' skills on SAP products and methodologies.

**4.2.4 RISKS OF EXPANSION INTO FOREIGN MARKETS**

Based on feedbacks and inquiries for its products from potential foreign customers, the Group has identified areas of expansion of its business. The Group foresees vast opportunities in China as well as the Middle East countries. The risks inherent in regional business include unexpected changes in regulatory requirements, difficulties in managing regional operations, potentially adverse taxation consequences, currency exchange rate fluctuations, uncertainties in general economic or industry conditions, difficulties in repatriation of earnings and the burdens of complying with foreign laws. There can be no assurance the Group's regional efforts will be successful or will generate significant revenue.

However, the Group has already established subsidiaries in Singapore, Thailand and Indonesia and has been successful in their expansion into these foreign markets. The Group will endeavour to monitor regulatory requirements, economic conditions and exercise caution before embarking on expansions into foreign markets.

#### 4. RISK FACTORS *(Cont'd)*

##### 4.2.5 FAILURE TO ACHIEVE THE OBJECTIVES OF ITS FIVE (5)-YEAR BUSINESS DEVELOPMENT PLAN

The Group's proposed future plans and prospects hinge on:

- (i) the continuous acceptability of the Group's products;
  - (ii) its marketing strategies;
  - (iii) its R&D activities to create/maintain new and existing products to maintain its competitive edge; and
  - (iv) the ability to recruit and retain skilled technical, marketing, financial and other key personnel.
- There can be no assurance that the Group will be able to successfully implement its five (5)-year business development plan or that unanticipated expenses or problems or technical difficulties will not occur which would result in material delays in its implementation or even deviation from its original plans, thereby affecting its financial performance. Actual financial results may also deviate due to rapid technological changes, as well as competitive pressures.

However, the Group will continuously monitor the implementation of its five (5)-year business development plan to ensure minimum delays or deviation.

##### 4.2.6 DELAYS IN COMPLETION OF PROJECTS

The Group may experience delays in completion of projects which may result in additional commitment of resources or termination. Customer dissatisfaction may arise as a consequence of the delay and may have a negative impact on the Group's reputation in the market.

The ISS team has the requisite experience and technical know-how in managing projects efficiently, which minimises the risks of project delays and cost overruns.

##### 4.2.7 CHANGE IN OR LOSS OF MSC STATUS

ISS Malaysia was granted MSC status on 19 August 1998 by the Malaysian government through MDC, the governing body of MSC. This status accords ISS Malaysia financial and non-financial incentives guaranteed under the Malaysian Government's Bill of Guarantees for MSC status companies. The financial incentives include:

- (i) a five (5)-year exemption from Malaysian income tax (only on income derived from MSC-related activities) commencing from the date when the company starts generating income, renewable to an aggregate of ten (10) years;
- (ii) duty-free importation of multimedia equipment, provided that the equipment is used by the company in the operation of its business, and not for direct sale and trading or use as components in manufactured items; and
- (iii) R&D grants for MSC small and medium enterprises that are at least 51% Malaysian-owned.

Non-financial incentives include:

- (i) unrestricted employment of foreign knowledge workers;
- (ii) freedom of ownership; and
- (iii) freedom to source capital for MSC infrastructure globally, and the right to borrow funds globally. All MSC status companies are given exemption by the Controller of Foreign Exchange from exchange control requirements which would allow them to execute transactions in any currency in Malaysia or elsewhere, borrow any amount from financial institutions, associated companies or non-residents, hedge foreign exchange exposure, remit funds globally and open foreign currency accounts in Malaysia or abroad with no limits on balances.

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#### **4. RISK FACTORS (Cont'd)**

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ISS Malaysia enjoyed its pioneer status from 19 August 1998 to 31 July 2003. Its pioneer status has been extended for another five (5) years to 31 July 2008. ISS Malaysia will be subject to pay statutory Malaysian income tax upon the expiry of its pioneer status as pioneer status cannot be extended beyond an aggregate of ten (10) years.

The MDC is the body responsible for monitoring all MSC designated companies. MDC has the right to withdraw any company's MSC status at any time. There can be no assurance that the Group will continue to retain its MSC status or that it will continue to enjoy or not experience delays in enjoying the MSC incentives outlined above, all of which could materially and adversely affect the Group's business, operating results and financial condition.

##### **4.2.8 CONTINUED EMPLOYMENT AND PERFORMANCE OF DIRECTORS AND KEY MANAGEMENT**

The Group believes that its continued success depends, to a significant extent, on its ability to hire, train, motivate and retain qualified professional with requisite skills in order to develop new software products and services, deliver existing products and services to customers and keep abreast with technological changes, evolving industry standards and to meet customers' expectations and preferences. There is no assurance that the Group will continue to be successful in attracting and retaining such professionals.

The abilities and continued efforts of its Chief Executive Officer, Harald Weinbrecht; its Chief Financial Officer; Christina Ingeburg Orth, its Executive Director; Gloria Chan Mei Ling; the key management personnel and skilled employees contribute to the success of the Group. The Chief Executive Officer, Chief Financial Officer, Executive Director and the key management, with a wealth of experience in the SAP related consulting and implementation work, are valuable assets of the Group. The loss of any key members of the Group's Board of Directors or key management could affect the Group's continued ability to compete effectively in this industry.

The Group enjoys a cordial relationship with its employees and the employees are not represented by any labour union. The Group funds frequent trainings and courses are organised to ensure employees obtain timely and relevant skill upgrades.

##### **4.2.9 PRODUCT AND/OR SERVICE LIABILITY**

The Group's agreements with its customers typically contain provisions designed to limit the Group's exposure to potential product and/or service liability claims. While the Group has not experienced any product liability claims, the provisions relating to limitation of liability contained in the Group's agreements with its customers may not be effective as a result of existing or future laws or unfavourable judicial decisions on such laws or the construction of such provisions. The Board believes that the Group's personnel possess the requisite experience and expertise to develop products and/or provide services which are of reliable quality.

##### **4.2.10 FOREIGN CURRENCY EXCHANGE RATE FLUCTUATIONS**

The ISS Group's existing foreign businesses in Singapore, Thailand and Indonesia accounted for approximately 65.8% of the Group's revenue as at FYE 31 December 2005. Contracts with foreign customers are mainly billed in the respective foreign businesses' local currencies as well as in Euro and USD.

To mitigate the risks of foreign currency exchange rate fluctuations, the Group may enter into hedging or forward contracts. Currently, the Group does not enter into any hedging against foreign currency exposure as the fluctuations in foreign currency exchange rates have no material adverse impact on the financial position of the Group.

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#### **4. RISK FACTORS (Cont'd)**

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Notwithstanding the above, there is no assurance that any future significant fluctuations in foreign currency exchange rates will not have a material adverse impact on the financial position of the Group.

##### **4.2.11 CONTROL BY SUBSTANTIAL SHAREHOLDERS**

The substantial shareholders of ISS, Harald Weinbrecht, Christina Ingeburg Orth, Gloria Chan Mei Ling, MAVCAP and Minister of Finance Incorporated will collectively hold approximately 67.67% of the enlarged issued and fully paid-up share capital of ISS after the Public Issue. The substantial shareholders may be able to influence the outcome of certain matters requiring the vote of shareholders unless they are required to abstain from voting by law and/or by the relevant authorities.

The introduction of corporate governance that requires the formation of Audit Committee, which includes the appointment of independent directors, will effectively help to promote greater transparency in all material transactions and the ISS Group's accountability, thereby safeguarding the interests of the minority shareholders and the general public. The substantial shareholders would also be required to abstain from voting if there is any related party transaction which may pose as a conflict of interest to the Group.

##### **4.2.12 FUTURE CAPITAL INJECTIONS**

The Management is of the opinion that the net proceeds of the Public Issue, together with cash flow from operations and other existing sources of funds will be sufficient to meet the Group's projected working capital and other cash requirements. However, there is no assurance that future events may not cause ISS to seek additional capital from shareholders.

##### **4.2.13 SECURITY AND SYSTEMS DISRUPTIONS**

During the past twelve (12) months prior to the date of this Prospectus, there have been no security and systems disruptions that have significantly affected its operation. Although the management of the Group does not foresee any disruptions to the security and systems of the Group's operations, there is no assurance that any security and systems disruptions will not materially affect the Group's business.

#### **4.3 RISKS SPECIFIC TO THE ISS SHARES**

##### **4.3.1 NO PRIOR TRADING MARKET FOR ISS SHARES**

There has been no prior market for ISS Shares. There can be no assurance that an active market for the Company's shares will be developed or sustained after the listing. The issue price of RM0.41 per Public Issue Share was determined after taking into consideration a number of factors including the forecast PE multiple, forecast EPS, outlook of industry, future plans, strategies and prospects of the Group, financial and operating history of the Group, quality of management and the prevailing market conditions.

There can be no assurance that the price at which the ISS Shares will trade on the MESDAQ Market upon or subsequent to its listing will be higher than the Issue Price or that an active market for ISS Shares will develop and continue following its listing.

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#### **4. RISK FACTORS (Cont'd)**

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The Group believes that a variety of factors could cause the price of ISS Shares to fluctuate, including the sale of substantial amounts of ISS Shares in the public market; developments relating to the Group's business; fluctuations in the Group's operating results and sales levels; general industry conditions or the world-wide economy; new products or product enhancements by the Group or its competitors; and developments in patent, copyright or other intellectual property rights. In addition, in recent years, the stock market in general and the market for the shares of many high technology companies in particular have experienced extreme price fluctuations which have often been unrelated to the operating performance of such companies. Such fluctuations may adversely affect the market price of the shares.

##### **4.3.2 DELAY IN OR FAILURE OF LISTING**

The listing of ISS may fail or be delayed should any of the following events occur:

- (i) the Underwriters of the Public Issue fail to honour their obligations under the underwriting agreement; and
- (ii) ISS does not meet the public shareholding spread requirement, whereby at least 25% but not more than 49% of the total number of ISS Shares for which listing is sought must be held by a minimum of two hundred (200) public shareholders (including employees) upon completion of the Public Issue and at the time of its admission on the MESDAQ Market.

Although the Board and Alliance endeavour to secure the listing and ensure compliance with the MMLR, no assurance can be given that the abovementioned factors will not cause a delay in or failure of the listing of ISS.

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