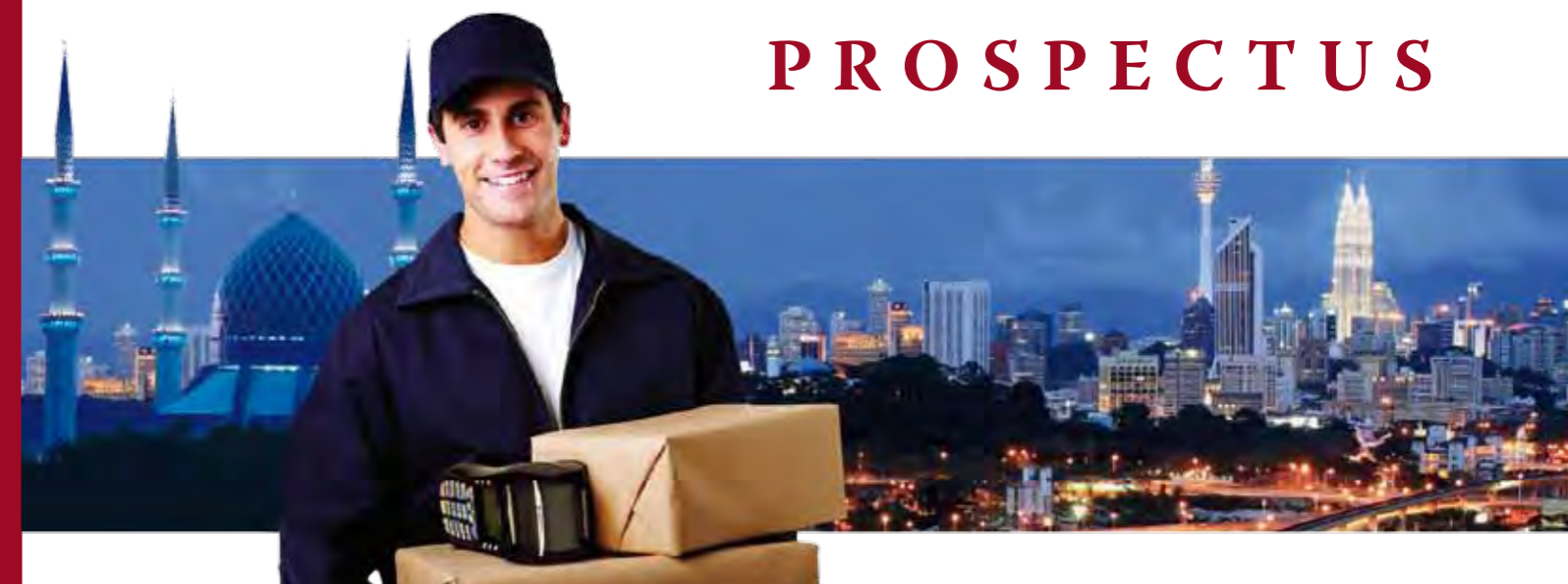


PROSPECTUS



MANAGEPAY SYSTEMS BERHAD

(Company No: 887689-D)
(Incorporated in Malaysia under the Companies Act, 1965)

INITIAL PUBLIC OFFERING OF 45,758,000 NEW ORDINARY SHARES OF RM0.10 EACH IN CONJUNCTION WITH OUR LISTING ON THE ACE MARKET OF BURSA MALAYSIA SECURITIES BERHAD COMPRISING:

- (I) 32,946,000 NEW ORDINARY SHARES OF RM0.10 EACH BY WAY OF PRIVATE PLACEMENT TO THE IDENTIFIED INVESTORS;
- (II) 3,660,000 NEW ORDINARY SHARES OF RM0.10 EACH AVAILABLE FOR APPLICATION BY OUR ELIGIBLE EMPLOYEES; AND
- (III) 9,152,000 NEW ORDINARY SHARES OF RM0.10 EACH AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC;

AT AN ISSUE PRICE OF RM0.16 PER ORDINARY SHARE PAYABLE IN FULL UPON APPLICATION.

Adviser, Sponsor, Underwriter and Placement Agent

OSK

OSK Investment Bank Berhad (14152-V)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

**YOU ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THE PROSPECTUS,
IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.**

**FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH PROSPECTIVE YOU SHOULD CONSIDER, SEE
"RISKS FACTORS" SET OUT IN SECTION 4 OF THIS PROSPECTUS.**

YOU ARE ADVISED TO NOTE THAT COMPANIES LISTED ON THE ACE MARKET MAY BE OF HIGH INVESTMENT RISK.

This Prospectus is dated 22 February 2011

MANAGEPAY SYSTEMS BERHAD

PROSPECTUS

MANAGEPAY SYSTEMS BERHAD
(Company No: 887689-D)

Wisma MPSB, Lot 113, Jalan USJ 21/10, 47630 Subang Jaya, Selangor Darul Ehsan.

Tel: (03) 8023 1880 **Fax:** (03) 8023 1889

Website: <http://www.mpsb.net>

RESPONSIBILITY STATEMENTS

Our Directors and Promoters have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm that there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

OSK Investment Bank Berhad (14152-V) (“OSK”), being our Principal Adviser, Sponsor, Underwriter and Placement Agent, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning the IPO (as defined herein).

STATEMENTS OF DISCLAIMER

A copy of this Prospectus has been registered with the Securities Commission of Malaysia (“SC”). The registration of this Prospectus should not be taken to indicate that the SC recommends the offering or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment.

The SC is not liable for any non-disclosure on our part and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness, and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this Prospectus.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKERS, BANK MANAGERS, SOLICITORS, ACCOUNTANTS OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

Approval has been obtained from Bursa Malaysia Securities Berhad (“Bursa Securities”) for the listing of and quotation for the securities being issued and/or offered. Our admission to the Official List of Bursa Securities is not to be taken as an indication of the merits of the invitation, our company or our securities. Bursa Securities shall not be liable for any non-disclosure on our part and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness, and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this Prospectus.

A copy of this Prospectus, together with the accompanying application forms, has also been lodged with the Registrar of Companies of Malaysia, who takes no responsibility for its contents.

OTHER STATEMENTS

Companies listed on the ACE Market of Bursa Securities may have limited operating history or may not have any profit track record prior to listing. Such companies may be of high investment risk. As with all investments, you should be aware of all potential risks in investing in such companies and should make the decision to invest after giving due and careful consideration by referring to, amongst others, the Prospectus, latest financial statements and corporate announcements. You are strongly recommended to seek advice from a securities professional/adviser.

The IPO is an exempt transaction under Section 213 of the Capital Markets and Services Act, 2007 (“CMSA”) and is therefore not subject to the approval of the SC.

You are advised to note that recourse for false or misleading statements or acts made in connection with this Prospectus is directly available through Sections 248, 249 and 357 of the CMSA.

Securities listed on Bursa Securities are offered to the public premised on full and accurate disclosure of all material information concerning the issue for which any of the persons set out in Section 236 of the CMSA, e.g. directors and advisers, are responsible.

This Prospectus has not been and will not be made to comply with the laws of any jurisdiction other than Malaysia, and has not been and will not be lodged, registered or approved pursuant to or under any applicable securities or equivalent legislation or with or by any regulatory authority or other relevant body of any jurisdiction other than Malaysia.

We will not, prior to acting on any acceptance in respect of the IPO, make or be bound to make any enquiry as to whether you have a registered address in Malaysia and will not accept or be deemed to accept any liability in relation thereto whether or not any enquiry or investigation is made in connection therewith.

It shall be your sole responsibility if you are or may be subject to the laws of countries or jurisdictions other than Malaysia, to consult your legal and/or other professional advisers as to whether the IPO would result in the contravention of any law of such countries or jurisdictions.

Further, it shall also be your sole responsibility to ensure that your application for the IPO would be in compliance with the terms of the IPO as stated in this Prospectus and the Application Forms (as defined herein) and would not be in contravention of any law of countries or jurisdictions other than Malaysia to which you may be subjected to. We will further assume that you had accepted the IPO in Malaysia and will at all applicable times be subjected only to the laws of Malaysia in connection therewith. However, we reserve the right, in our absolute discretion to treat any acceptance as invalid if we believe that such acceptance may violate any law or applicable legal or regulatory requirements.

No action has been or will be taken to ensure that this Prospectus complies with the laws of any country or jurisdiction other than the laws of Malaysia. It shall be your sole responsibility to consult your legal and/or other professional adviser on the laws to which the IPO or you are or might be subjected to. Neither us nor our Principal Adviser nor any other advisers in relation to the IPO shall accept any responsibility or liability in the event that any application made by you shall become illegal, unenforceable, avoidable or void in any country or jurisdiction.

ELECTRONIC PROSPECTUS

The contents of the Electronic Prospectus and the copy of this Prospectus registered with the SC are the same. This Prospectus can also be viewed or downloaded from Bursa Securities' website at www.bursamalaysia.com.

You may also obtain a copy of the Electronic Prospectus from the website of CIMB Investment Bank Berhad at www.eipocimb.com, the website of CIMB Bank Berhad at www.cimbclicks.com.my, the website of Malayan Banking Berhad at www.maybank2u.com.my, the website of Affin Bank Berhad at www.affinOnline.com, the website of RHB Bank Berhad at www.rhbbank.com.my and the website of Public Bank Berhad at www.pbebank.com.

You are advised that the internet is not a fully secured medium, and that your Internet Share Application (as defined herein) may be subject to risks in data transmission, computer security threats such as viruses, hackers and crackers, faults with computer software and other events beyond the control of the Internet Participating Financial Institution (as defined herein). These risks cannot be borne by the Internet Participating Financial Institutions.

If you are in doubt about the validity or integrity of an Electronic Prospectus, you should immediately request from us or our Issuing House, a paper printed copy of the Prospectus. In the event of any discrepancy arising between the contents of the Electronic Prospectus and the paper printed copy of the Prospectus for any reason whatsoever, the contents of the paper printed copy of the Prospectus, which is identical to the copy of the Prospectus registered with the SC, shall prevail. The Electronic Prospectus submitted to the SC and Bursa Securities is the same as the registered paper printed copy.

In relation to any reference in this Prospectus to third party internet sites (referred to as “Third Party Internet Sites”), whether by way of hyperlinks or by way of description of the Third Party Internet Sites, you acknowledge and agree that:

- (i) we and our Principal Adviser do not endorse and are not affiliated in any way with the Third Party Internet Sites. Accordingly, we and our Principal Adviser are not responsible for the availability of, or the content or any data, files or other materials provided on the Third Party Internet Sites. You bear all risks associated with the access to or use of the Third Party Internet Sites;
- (ii) we and our Principal Adviser are not responsible for the quality of products or services in the Third Party Internet Sites, particularly in fulfilling any of the terms of any of your agreements with the Third Party Internet Sites. We and our Principal Adviser are also not responsible for any loss or damage or cost that you may suffer or incur in connection with or as a result of dealing with the Third Party Internet Sites or the use of or reliance on any data, files or other materials provided by such parties; and
- (iii) any data, files or other materials downloaded from the Third Party Internet Sites is done at your own discretion and risk. We and our Principal Adviser are not responsible, liable or under obligation for any damage to your computer system or loss of data resulting from the downloading of any such data, information, files or other materials.

Where an Electronic Prospectus is hosted on the website of the Internet Participating Financial Institutions, you are advised that:

- (i) the Internet Participating Financial Institutions are only liable in respect of the integrity of the contents of an Electronic Prospectus, to the extent of the content of the Electronic Prospectus situated on the web server of the Internet Participating Financial Institutions which may be viewed via your web browser or other relevant software. The Internet Participating Financial Institutions is not responsible in any way for the integrity of the contents of an Electronic Prospectus, which has been obtained from the web server of the Internet Participating Financial Institutions, and subsequently communicated or disseminated in any manner to you or other parties; and
- (ii) while all reasonable measures have been taken to ensure the accuracy and reliability of the information provided in an Electronic Prospectus, the accuracy and reliability of an Electronic Prospectus cannot be guaranteed because the Internet is not a fully secured medium.

The Internet Participating Financial Institutions are not liable (whether in tort or contract or otherwise) for any loss, damage or costs, you or any other person may suffer or incur due to, as a consequence of or in connection with any inaccuracy, change, alteration, deletion or omission in respect of the information provided in an Electronic Prospectus which may arise in connection with or as a result of any fault with web browsers or other relevant software, any fault on your or any third party’s personal computer, operating system or other software, viruses or other security threats, unauthorised access to information or systems in relation to the website of the Internet Participating Financial Institutions, and/or problems occurring during data transmission, which may result in inaccurate or incomplete copies of information being downloaded or displayed on your personal computer.

INDICATIVE TIMETABLE

The indicative timing of events leading to the listing of and quotation for our entire enlarged issued and paid-up share capital on the ACE Market of Bursa Securities is set out below:

| Events | | Date |
|---|---|------------------|
| Opening of Application for the Issue Shares | : | 22 February 2011 |
| Closing of Application for the Issue Shares | : | * 2 March 2011 |
| Tentative Balloting Date | : | * 4 March 2011 |
| Tentative Allotment Date | : | * 9 March 2011 |
| Tentative Listing Date | : | * 15 March 2011 |

Note:

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

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PRESENTATION OF INFORMATION

All references to “our Company” or “the Company” or “ManagePay” in this Prospectus are to ManagePay Systems Berhad (No. 887689-D) and references to “our Group” are to our Company and our subsidiaries taken as a whole and references to “we”, “us”, and “ourselves” are to our Company and our subsidiaries, save where the context otherwise requires. Unless the context otherwise requires, references to “Management” are to our Executive Directors, key management and key technical personnel as at the date of this Prospectus, and statements as to our beliefs, expectations, estimates and opinions are those of our Management.

The word “approximately” used in this Prospectus is to indicate that a number is not an exact one, but that number is usually rounded off to the nearest two (2) decimal places. Any discrepancies in the tables included herein between the amounts listed and the totals thereof are due to rounding.

Words denoting the singular shall, where applicable, include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include a corporation, unless otherwise specified.

Any reference in this Prospectus to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Prospectus shall be reference to Malaysian time, unless otherwise stated.

The information on our website, or any website directly or indirectly linked to such website does not form part of this Prospectus and you should not rely on it.

This Prospectus includes statistical data provided by us and various third parties and cites third-party projections regarding growth and performance of the industries in which we operate. This data is taken or derived from information published by industry sources and from our internal data. In each such case, the source is stated in this Prospectus, provided that where no source is stated, it can be assumed that the information originates from us. In particular, certain information in this Prospectus is extracted or derived from report(s) provided by Frost & Sullivan Malaysia Sdn Bhd, an independent business and market research consultants. We believe that the statistical data and projections cited in this Prospectus are useful in helping you understand the major trends in the industries in which we operate. However, neither we nor our advisers have independently verified these data. Neither we nor our advisers make any representation as to the correctness, accuracy or completeness of such data and accordingly, you should not place undue reliance on the statistical data cited in this Prospectus. Similarly, third-party projections, including the projections from the Independent Business and Market Research Consultants, cited in this Prospectus are subject to significant uncertainties that could cause actual data to differ materially from the projected figures. Hence, you should not place undue reliance on the third-party projections cited in this Prospectus.

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FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements. All statements other than those of historical facts included in this Prospectus, including, without limitation, those regarding our Group's financial position, business strategies, plans and objectives of our Management for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties, contingencies and other factors which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our Group's present and future business strategies and the environment in which our Group will operate in the future. Such forward-looking statements reflect our Management's current view with respect to future events and are not a guarantee of future performance.

Some of these forward-looking statements can be identified by the use of forward-looking terminology such as the words "may", "will", "would", "could", "believe", "expect", "anticipate", "intend", "estimate", "aim", "plan", "forecast" or similar expressions and include all statements that are not historical facts. Such forward-looking statements include, without limitation, statements relating to:

- (i) demand for our products and services;
- (ii) our business strategies;
- (iii) plans and objectives of our Management for future operations, products and services;
- (iv) our financial positions; and
- (v) our future earnings, cash flows and liquidity.

Our actual results may differ materially from information contained in such forward-looking statements as a result of a number of factors beyond our control, including, without limitation:

- (i) the economic, political and investment environment in Malaysia and globally; and
- (ii) government policy, legislation or regulation.

Additional factors that could cause our actual results, performance or achievements to differ materially include, but are not limited to those discussed in Section 4 – Risk Factors and Section 11 – Management's discussion and analysis of financial conditions, results of operations and prospects of this Prospectus. Due to these and other uncertainties, we cannot assure you that the forward-looking statements included in this Prospectus will be realised.

We cannot give any assurance that the forward-looking statements made in this prospectus will be realised. Such forward-looking statements are made only as at the date of this Prospectus. You will be deemed to have read and understood the descriptions of the assumptions and uncertainties underlying the forward-looking statements that are contained herein.

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DEFINITIONS

The following terms in this Prospectus bear the same meanings as set out below unless the term is defined otherwise or the context requires otherwise:

COMPANIES WITHIN OUR GROUP

| | | |
|----------------------------------|---|--|
| “ManagePay” or the “Company” | : | ManagePay Systems Berhad (Company No. 887689-D) |
| “ManagePay Group” or the “Group” | : | ManagePay and its subsidiaries |
| “MPSB” | : | Multimedia Prospect Sdn Bhd (Company No. 516641-W) |
| “Sinattec” | : | Sina Technologies Sdn Bhd (Company No. 523495-V) |
| “Whatdevice” | : | Whatdevice (Malaysia) Sdn Bhd (Company No. 523502-A) |

GENERAL

| | | |
|---------------------------------------|---|--|
| “Acquisitions” | : | Acquisition by ManagePay of the entire issued and paid-up share capital of the Acquired Companies for a total purchase consideration of RM13,727,309 satisfied by the issuance of an aggregate of 137,273,090 ManagePay Shares |
| “Acquired Companies” | : | MPSB, Sinattec and Whatdevice |
| “Act” | : | Companies Act, 1965 |
| “ADA” | : | Authorised Depository Agent |
| “Application Form” | : | The printed application form for the application of the Issue Shares accompanying this Prospectus |
| “ATM” | : | Automated Teller Machine |
| “Authorised Financial Institution(s)” | : | Authorised financial institution(s) participating in the Internet Share Application, with respect to payments for the Issue Shares made available for application under the Public Issue |
| “BNM” | : | Bank Negara Malaysia |
| “Board” | : | Board of Directors |
| “Bursa Depository” | : | Bursa Malaysia Depository Sdn Bhd (Company No. 165570-W) |
| “Bursa Securities” | : | Bursa Malaysia Securities Berhad (Company No. 635998-W) |
| “CAGR” | : | Compounded average growth rate |
| “Cardholder(s)” | : | Holder(s) of Cards |

DEFINITIONS (Cont'd)

| | | |
|---|---|---|
| “CCM” | : | Companies Commission of Malaysia |
| “CDS” | : | Central Depository System |
| “CDS Account” | : | An account established at Bursa Depository for a Depositor for the recording of deposit of securities and for dealing in such securities by the Depositor |
| “Central Depositories Act” | : | The Securities Industry (Central Depositories) Act, 1991 |
| “CLMS” | : | Cardgain Loyalty Management System |
| “CMSA” | : | Capital Markets and Services Act 2007 |
| “CRM” | : | Customer Relationship Management |
| “Depositors” | : | A holder of a CDS Account |
| “Director” | : | Our Director(s) and shall have the meaning given in Section 4 of the Act |
| “EBITDA” | : | Earnings before interest, taxation, depreciation and amortisation |
| “Electronic Share Application” | : | Application for the Issue Shares through a Participating Financial Institution’s ATMs |
| “EON Bank” | : | EON Bank Berhad (Company No. 92351-V) |
| “EPS” | : | Earnings Per Share |
| “ERP” | : | Enterprise Resource Planning |
| “Financial Institution(s)” | : | Institution which collects funds from the public and places them in financial assets, such as deposits, loans, and bonds, rather than tangible property |
| “Frost & Sullivan” | : | Frost & Sullivan Malaysia Sdn Bhd (Company No. 522293-W) |
| “FPE” | : | Financial period ended 31 October |
| “FYE” | : | Financial year(s) ended/ending 31 December, as the case may be |
| “GP” | : | Gross profit |
| “Hypercom” | : | Hypercom (Asia) Limited (Registration No. 08183117) |
| “Internet Participating Financial Institution(s)” | : | Participating organisation(s) for the Internet Share Applications as listed in Section 16 of this Prospectus |
| “Internet Share Application” | : | Application for the Issue Shares through an Internet Participating Financial Institution |

DEFINITIONS (Cont'd)

| | | |
|------------------------|---|--|
| “IPO” | : | Initial public offering of the Issue Shares at Issue Price in conjunction with our listing of and quotation for our entire enlarged issued and paid-up share capital on the ACE Market of Bursa Securities |
| “Issue Price” | : | The issue price of RM0.16 per Issue Share |
| “Issue Share(s)” | : | 45,758,000 new Shares to be issued pursuant to the Public Issue, subject to the terms and conditions of this Prospectus |
| “LAT” | : | Loss after taxation |
| “LBT” | : | Loss before taxation |
| “Listing” | : | Listing of and quotation for our entire issued and paid-up share capital of 183,031,190 Shares on the ACE Market of Bursa Securities |
| “LPD” | : | 25 January 2011, being the latest practicable date prior to the registration of this Prospectus or as otherwise stated |
| “Listing Requirements” | : | ACE Market Listing Requirements of Bursa Securities |
| “Listing Scheme” | : | Comprising collectively, the Acquisitions, Public Issue and Listing |
| “Malaysian Public” | : | Malaysian citizens and companies, co-operatives, societies and institutions incorporated or organised under the laws of Malaysia |
| “Market Day” | : | Any day between Monday to Friday (both days inclusive), excluding public holidays, and a day on which Bursa Securities is open for trading of securities |
| “MATTA” | : | Malaysian Association of Tour and Travel Agents |
| “MBB” | : | Malayan Banking Berhad (Company No. 3813-K) |
| “MDeC” | : | Multimedia Development Corporation Sdn Bhd (Company No. 389346-D) |
| “MI” | : | Minority interests |
| “MIDFCCS” | : | MIDF Consultancy and Corporate Services Sendirian Berhad (Company No. 11324-H) |
| “MIER” | : | Malaysian Institute of Economic Research |
| “MITI” | : | Ministry of International Trade and Industry |
| “MOSTI” | : | Ministry of Science, Technology and Innovation |
| “MSC” | : | Multimedia Super Corridor |
| “NA” | : | Net assets |
| “NL” | : | Net liabilities |
| “NTA” | : | Net tangible assets |

DEFINITIONS (Cont'd)

| | | |
|---------------------------------------|---|---|
| “NTL” | : | Net tangible liabilities |
| “Official List” | : | A list specifying all securities which have been admitted for listing on the ACE Market of Bursa Securities and not removed |
| “OSK” | : | OSK Investment Bank Berhad (Company No. 14152-V) |
| “PAT” | : | Profit after taxation |
| “PBT” | : | Profit before taxation |
| “PE Multiple” | : | Price-to-earnings multiple |
| “Pink Form Allocation(s)” | : | The allocation of 3,660,000 Shares to our eligible employees pursuant to our Public Issue |
| “Placement Agent” | : | OSK |
| “Promoter(s)” | : | Comprising collectively, Chew Chee Seng, Dato’ Theng Book, Chan Wah Kiang, Chin Shea Swong and Chin Shea Fong |
| “Prospectus” | : | This prospectus dated 22 February 2011 in relation to the IPO |
| “Public Issue” | : | Public issue of the Issue Shares at the Issue Price payable in full upon application and subject to the terms and conditions of this Prospectus comprising the following: <ul style="list-style-type: none"> (i) 32,946,000 Shares available for application by way of private placement to the identified investors; (ii) 3,660,000 Shares available for application by our eligible employees; and (iii) 9,152,000 Shares available for application by the Malaysian Public. |
| “R&D” | : | Research and development |
| “RM” and “sen” | : | Ringgit Malaysia and sen respectively |
| “ROC” | : | Registrar of Companies |
| “SC” | : | Securities Commission Malaysia |
| “SC Guidelines” | : | The Equity Guidelines issued by the SC on 8 May 2009 (effective on 3 August 2009) |
| “Securities” | : | Shares of our Company and, if applicable, include any debentures, stocks or bonds and any option, rights or interest in respect thereof and any debt securities as defined under the Central Depositories Act issued by our Company |
| “Share(s)” or “ManagePay Share(s)” | : | Ordinary share(s) of RM0.10 each in ManagePay |

DEFINITIONS (Cont'd)

| | | |
|--------------------------|---|--|
| “SLA” | : | Service Level Agreement |
| “SMI/SME” | : | Small and Medium Industries or Small and Medium Enterprises |
| “SSAs” | : | Share sale agreements dated 10 March 2010 entered into between our Company and Chew Chee Seng, Dato’ Theng Book, Chan Wah Kiang, Chin Shea Fong, Dato’ Yap Kuak Fong and Chee Sau Ying @ Chee Shioh Lian for the acquisition of the entire issued and fully paid-up share capital of the following: (i) MPSB; (ii) Sinatec; and (iii) Whatdevice. |
| “Underwriter” | : | OSK |
| “Underwriting Agreement” | : | The underwriting agreement dated 26 January 2011 entered into between our Company and the Underwriter for the underwriting of 9,152,000 Shares which are available for subscription by the Malaysian Public |

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GLOSSARY OF TECHNICAL TERMS

| | | |
|-------------------------------------|---|---|
| “advanced e-commerce portal system” | : | A generic portal for e-business solutions and it is not meant to be domain ready, but one that can be used as a high-level platform to develop specialised portals for specific domains. In other words, the advanced e-commerce portal system is to be considered as a portal platform/package with much available standard functionality that will contribute towards minimising development time |
| “DES” | : | Data Encryption Standard is an encryption algorithm that modifies data into a set of incomprehensible symbols or codes. A person will need to decipher the data with the correct key (DES-key) in order to transform it back to the original data |
| “EDCPOS” | : | Electronic Data Capture Point of Sales |
| “EMV” | : | Europay, MasterCard and VISA The name EMV comes from the initial letters of Europay, MasterCard and VISA, the three companies that originally cooperated to develop the standard |
| “EMV Cards” | : | Chip-based payment Cards, also known as smart cards which contain embedded microprocessor developed by Europay, MasterCard WorldWide and Visa International, who originally cooperated to develop international chip standard for payment cards |
| “EMV Compliance” | : | A set of global specification set by Europay, MasterCard and Visa for Cards, terminals and applications to enable smart card transactions. These specifications include physical characteristics (card size, shape, and thickness), electrical characteristics (signals to be fed to each contact), command set (access controls on card) and overall card security |
| “ICT” | : | Information and Communications Technology |
| “ISV” | : | Independent Software Vendor refers to a company that writes and sells software that are able to run on one or multiple operating systems |
| “MEPS” | : | Malaysian Electronic Payment System Sdn Bhd is an interbank network service provider in Malaysia, who offers platforms which enable customers of Financial Institutions to access their funds anywhere from any of the participating Financial Institutions’ ATMs. It also offers Interbank GIRO, an inter-bank fund transfer system that facilitates payments and collections between Financial Institutions |
| “MSC Malaysia OneISV Programme” | : | An initiative programme by MDeC and Microsoft Malaysia which aims to spur the growth and quality of local ISVs and their products |
| “NAC” | : | Network Access Concentrator is a network hardware embedded with encryption technology to transport data, maximise bandwidth and providing secure transmission for payment transactions |

GLOSSARY OF TECHNICAL TERMS (Cont'd)

- “PIN” : Personal Identification Number is a set of numeric used to authenticate the user to the system
- “RSA” : RSA are the initial letters of the surnames of the three founder - Ronald Linn Rivest, Adi Shamir and Leonard Max Adleman
- RSA is a method of encrypting data which involves three steps – key generation, encryption and decryption
- “SCICAD” : A Shrink-Wrapped Customisable Info-Commerce Automated Deployment System (or *Shrink Wrapper*)
- SCICAD a platform-independent, e-commerce portal generator, i.e. a software application that is used to semi-automatically build specific e-commerce components within a short development time period and at minimal costs
- “TRIPLE-DES” : Triple Data Encryption Standard is a variant of DES in which data is encrypted three times with standard DES using two keys to decipher or decrypt the encrypted data
- “UAT” : User Acceptance Test

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KEY CONCEPTS

| | | |
|---------------------------------|---|---|
| “Acquiring Bank” | : | Financial Institution that accepts Credit Cards and/or Debit Cards payments for products or services on behalf of a Merchant |
| “Agency Manager(s)” | : | Business owners who wish to participate in our Agency Manager Programme in the region they wish to establish their business presence. They pay us a joining fee in exchange of software system and business know-how to recruit Merchants. Agency Managers are appointed to provide support and services to our Merchants for a fee and commission structure payable by our Group |
| “Agency Manager Programme” | : | Our Group’s sales and distribution strategy to increase our market and customer reach where our Agency Managers are paid upon successful recruitment of Merchants |
| “Bankcard” | : | Bankcard allows ATM transactions such as cash withdrawal, fund transfer, balance enquiry and so on, together with payment application and other tie-up applications and programmes |
| “Business Process Outsourcing” | : | The contracting of the EMV Card Personalisation operations and responsibilities to a third-party service provider i.e. Whatdevice |
| “Card Organisation” | : | An organisation that manages electronic payment among Financial Institutions, Merchants and consumers. Examples include Visa International and MasterCard WorldWide |
| “Card(s)” | : | All types of cards including but not limited to Credit Cards, Debit Cards, Charge Cards and Loyalty Cards |
| “Cash Advance Automatic System” | : | Cash Advance Automatic System consists of EDCPOS Terminal software which integrates to the Credit Card host to provide the Credit Card holder another option to withdraw cash advance from counters at banking hall besides withdrawing cash advance via the ATM |
| “Card Issuing Bank” | : | Financial Institution that offers Card Organisation’s branded Cards directly to consumers. The issuing bank assumes primary liability for the consumers’ capacity to pay off debts they incur in their Cards |
| “Charge Card(s)” | : | A Charge Card enables its holder to buy goods and services with a credit line given by Charge Card issuer and the amount will be settled in full by the due date every month. Examples of Charge Card brands are American Express and Diners Club |
| “Credit Card(s)” | : | A Credit Card enables its holder to buy goods and services with a credit line given by Credit Card issuer and the amount will be settled at a later date. Cardholders are billed on a monthly basis and cardholders would have to bear finance charges (interest) on the outstanding amount if full payment is not made by the due date. For a fee, a Credit Card can also be used for cash advances at ATMs and at respective Credit Card issuers' counters. Examples of Credit Card brands are VISA, MasterCard and Japan Credit Bureau |

KEY CONCEPTS (Cont'd)

- “Debit Card(s)” : A Debit Card is a payment Card where the transaction amount is deducted directly from the Cardholder's bank account upon authorisation. In Malaysia, anyone having a bank account with a Financial Institution and has an ATM card can make payments using the Card at any Merchants displaying the Bankcard logo, as it doubles as a Debit Card. There are also international Debit Cards under the VISA and MasterCard brands
- “EDCPOS Terminal(s)” : Electronic Data Capture Point of Sales terminal which is an electronic device used to initiate an electronic fund transfer. The terminals are installed at Merchant outlets, typically at payment counters:
- (i) to verify and authenticate the Cards inserted/swiped;
 - (ii) to capture the cardholders' information stored in the Cards;
 - (iii) to capture the amounts entered by the cashiers; and
 - (iv) to relay information as set out in items (i), (ii) and (iii) above to the payment networks for payments authorisation
- “Electronic Payments” : Electronic payments can be divided into payments with Card presence (i.e. payments and/or transactions made through EDCPOS Terminals) and non-Card presence (i.e. payments made through non terminals/virtually)
- Electronic payments with Card presence are typically carried out at retail outlets or payment kiosks
- Electronic payments with non-card presence are made remotely without a Card being physically present when a payment is made. These include payments made via Cards through, amongst others, internet payment gateways, mobile phones, Mail Order Telephone Order (MOTO) and standing instructions
- “EMV Card(s)” : Smart chip based VISA and MasterCard
- “EMV Card Personalisation” : A process of printing Cardholders' information on a raw Card (a card with a bank's artworks but without cardholder's information) and storing this information into the chip of the Card
- “Financial Process Exchange” : Financial Process Exchange (FPX) leverages on the Financial Institution's internet banking services to provide online assurance of payments and purchases of goods and services. For both customers and Merchants, it facilitates payments and collections and provide an efficient and cost effective settlement mechanism via the internet
- “Host Application Server” : A computer software application for the intranet/internet environment that hosts a program database queries and/or general business processing utilising JavaScript and Java server pages (JSPs). These programs scripts and services typically access a database to retrieve or edit up-to-date data that is presented to users via their browsers or client applications
- “In-source EMV Card Personalisation” : EMV Card Personalisation carried out at a Financial Institution's premises by a third party service provider

KEY CONCEPTS (Cont'd)

| | | |
|--|---|---|
| “ISO8583” | : | Message format standard approved by the International Organisation for Standardisation for the exchange of electronic payment transactions |
| “Merchant” | : | Provider of goods or services in exchange for a Card payment. In this Prospectus, Merchant, amongst others, include retail outlets, healthcare companies and travel agencies, telecommunication companies, utility companies and government agencies |
| “Merchant Acquisition” | : | Recruitment of Merchants for the Acquiring Bank |
| “Managed Electronic Payment Solutions” | : | The outsourced Electronic Payment Solutions (Merchant Acquisition, installation of hardware and infrastructure, and provision of Software, Security and ICT Services) offered by a third party payment solution provider for any given electronic payment method |
| “Merchant Service Provider” | : | An entity that provides transactions and Cardholder processing services and performing Merchant and Cardholder solicitation for them to receive and comply with Card Organisation’s rules |
| “Loyalty Cards” | : | Loyalty card is a plastic or paper Card, visually similar to a Credit Card or Debit Card, that identifies the Cardholder as a member in a Loyalty Programmes |
| “Loyalty Programmes” | : | Loyalty programmes are structured marketing efforts that reward and encourage buying behaviour |
| “Loyalty Management Services” | : | The deployment of our loyalty software application and services as an outsourced services to business owners |
| “Payment Services” | : | The deployment of our payment applications or programmes as a managed service to retail and corporate businesses in Malaysia |
| “PMPC” | : | Payment Multi-Purpose Card (PMPC) is a smart Card that has three financial applications for ATM, e-Debit and MEPS Cash |
| “Personalisation Preparation Process System (P3 System)” | : | An automated process which takes new Credit Card applicants data or old magnetic stripe records from Credit Card host system and converts them to EMV data sets in a secure file format used by smart Card personalization system to physically emboss a raw EMV Card and logically copy the necessary fields into the smart chip of the raw EMV Card |
| “Software, Security and ICT Services” | : | Professional services such as software design and customisation services, security software for payment technologies and management services for turnkey projects |
| “Terminal Services” | : | The deployment of EDCPOS Terminals as payment devices which allow cashiers to capture Card-presence Credit/Debit Card payment transactions offered to retail and corporate businesses in Malaysia as a managed service with SLA |

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1. CORPORATE DIRECTORY

BOARD OF DIRECTORS

| Name | Address | Occupation | Nationality |
|---|--|------------------|-------------|
| Dato' Theng Book <i>(Non-Independent Non-Executive Chairman)</i> | 104-B, Block B Jalan PJS 11/2 Bandar Sunway 46150 Petaling Jaya Selangor Darul Ehsan | Company Director | Malaysian |
| Chew Chee Seng <i>(Managing Director/ Chief Executive Officer)</i> | 113, Jalan USJ 21/10 47630 Subang Jaya Selangor Darul Ehsan | Company Director | Malaysian |
| Chan Wah Kiang <i>(Non-Independent Non-Executive Director)</i> | 6, Jalan PPU 3 Taman Perindustrian Puchong Utama 47000 Puchong Selangor Darul Ehsan | Company Director | Malaysian |
| Cheong Chee Yun <i>(Independent Non-Executive Director)</i> | 113, Jalan USJ 21/10 47630 Subang Jaya Selangor Darul Ehsan | Company Director | Malaysian |
| Soon Kian Heng <i>(Independent Non-Executive Director)</i> | 113, Jalan USJ 21/10 47630 Subang Jaya Selangor Darul Ehsan | Company Director | Malaysian |

AUDIT COMMITTEE

| Name | Designation | Directorship |
|-----------------|---------------------------|---|
| Cheong Chee Yun | Chairman of the committee | Independent Non-Executive Director |
| Soon Kian Heng | Member of the committee | Independent Non-Executive Director |
| Chan Wah Kiang | Member of the committee | Non-Independent Non-Executive Director |

1. CORPORATE DIRECTORY (Cont'd)

REMUNERATION COMMITTEE

| Name | Designation | Directorship |
|-----------------|---------------------------|---|
| Soon Kian Heng | Chairman of the committee | Independent Non-Executive Director |
| Chew Chee Seng | Member of the committee | Managing Director/ Chief Executive Officer |
| Cheong Chee Yun | Member of the committee | Independent Non-Executive Director |

NOMINATION COMMITTEE

| Name | Designation | Directorship |
|------------------|---------------------------|---|
| Cheong Chee Yun | Chairman of the committee | Independent Non-Executive Director |
| Dato' Theng Book | Member of the committee | Non-Independent Non-Executive Chairman |
| Soon Kian Heng | Member of the committee | Independent Non-Executive Director |

REGISTERED OFFICE
(for ManagePay) : Lot 6.05, Level 6, KPMG Tower
8 First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Telephone number: 603 7720 1188
Facsimile number: 603 7720 1111

REGISTERED OFFICE
(for MPSB, Sinatex and
Whatdevice) : 16-A, 1st Floor
Jalan Tun Sambanthan 3
Brickfields
50470 Kuala Lumpur
Telephone number: 603 2273 3488
Facsimile number: 603 2273 3425

HEAD OFFICE : Wisma MPSB
Lot 113, Jalan USJ 21/10
47630 Subang Jaya
Selangor Darul Ehsan
Telephone number: 603 8023 1880
Facsimile number: 603 8023 1889
Email: info@mpsb.net
Website: http://www.mpsb.net

1. CORPORATE DIRECTORY (Cont'd)

- R&D OFFICE** : Unit 2B, Block 2330
Century Square
63000 Cyberjaya
Selangor Darul Ehsan
- Lot 9-1 & 11-1
Neo Cyber
Lingkar Cyber Point Barat
63000 Cyberjaya
Selangor Darul Ehsan
Telephone number: 603 8319 2129
- COMPANY SECRETARIES
(for ManagePay)** : Tai Yit Chan (MAICSA 7009143)
Chan Su San (MAICSA 6000622)
c/o Lot 6.05, Level 6, KPMG Tower
8 First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Telephone number: 603 7720 1188
- COMPANY SECRETARY
(for MPSB, Sinatec and
Whatdevice)** : Goh Tau Si (MAICSA 0724043)
c/o 16-A, 1st Floor
Jalan Tun Sambanthan 3
Brickfields
50470 Kuala Lumpur
Telephone number: 603 2273 3488
- AUDITORS** : Gomez & Co. (AF 0611)
16-A, 1st Floor
Jalan Tun Sambanthan 3
Brickfields
50470 Kuala Lumpur
Telephone number: 603 2273 3488
- REPORTING
ACCOUNTANTS
FOR THE LISTING** : Leou & Associates (AF 0659)
107-B, Jalan Amimuddin Baki
Taman Tun Dr. Ismail
60000 Kuala Lumpur
Telephone number: 603 7727 5573
- SOLICITORS FOR THE
LISTING** : Naqiz & Partners
42A, Lorong Dungun
Damansara Heights
50490 Kuala Lumpur
Telephone number: 603 2095 1188
- INDEPENDENT MARKET
RESEARCHER** : Frost & Sullivan Malaysia Sdn Bhd
Suite E-08-15, Block E
Plaza Mont' Kiara
2 Jalan Kiara, Mont' Kiara
50480 Kuala Lumpur
Telephone number: 603 6204 5800

1. CORPORATE DIRECTORY (Cont'd)

- ADVISER, SPONSOR,
UNDERWRITER AND
PLACEMENT AGENT** : **OSK Investment Bank Berhad**
20th Floor, Plaza OSK
Jalan Ampang
50450 Kuala Lumpur
Telephone number: 603 2333 8333
- PRINCIPAL BANKERS** : **EON Bank Berhad**
No 43 & 45, Jalan USJ 10/1G
47620 Subang Jaya
Selangor Darul Ehsan
Telephone number: 603 5637 1984
- Malayan Banking Berhad**
No 39, Jalan USJ 10/1G
47620 Subang Jaya
Selangor Darul Ehsan
Telephone number: 603 5631 4341
- OCBC Bank (Malaysia) Berhad**
No 2, Jalan Puteri 1/1
Dataran Puteri Bandar Puteri
47100 Puchong
Selangor Darul Ehsan
Telephone number: 603 8064 7338
- ISSUING HOUSE** : **MIDF Consultancy and Corporate Services Sendirian Berhad**
Level 8, Menara MIDF
82, Jalan Raja Chulan
50200 Kuala Lumpur
Telephone number: 603 2173 8888
- SHARE REGISTRAR** : **Tricor Investor Services Sdn Bhd**
Level 17, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Telephone number: 603 2264 3883
- LISTING SOUGHT** : ACE Market of Bursa Securities

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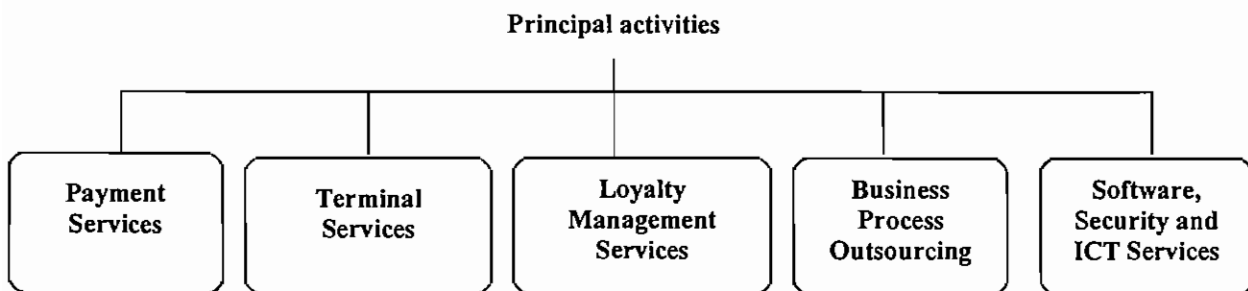
2. INFORMATION SUMMARY

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

2.1 HISTORY AND BUSINESS

Our Company was incorporated in Malaysia under the Act on 26 January 2010 as a private limited company under the name of ManagePay Systems Sdn Bhd. Subsequently, on 31 March 2010, we converted our Company into a public limited company and assumed our present name.

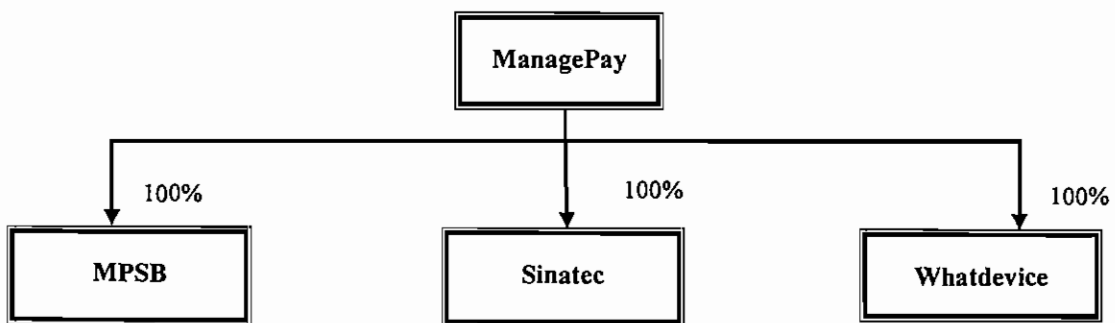
Our Company is principally an investment holding company whilst the principal activities of our subsidiaries are:



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

2.1.1 Group structure

The structure of our Group comprising an investment holding company and three (3) subsidiaries are set out below:



Principal activities:

- (i) Payment Services
- (ii) Terminal Services
- (iii) Software, Security and ICT Services

Principal activities:

- (i) Payment Services
- (ii) Loyalty Management Services
- (iii) Software, Security and ICT Services

Principal activities:

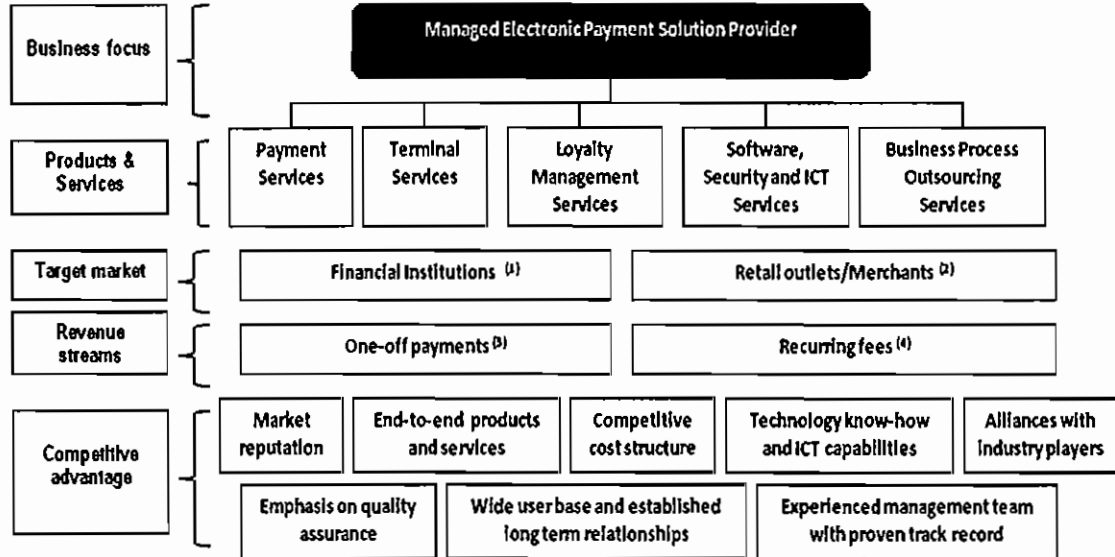
- (i) Business Process Outsourcing

As at the date of this Prospectus, we do not have any associated company.

2. INFORMATION SUMMARY (Cont'd)

2.1.2 What do we do and our business operations

Below illustrates an overview of what we do and our business model.



Notes:

- ⁽¹⁾ Appointment of ManagePay by Financial Institutions for the deployment/ implementation of Electronic Payment Solutions
- ⁽²⁾ ManagePay recruits (i.e. acquires) Merchants to install EDCPOS Terminals (or other non-terminal platforms such as internet payment) to enable the Merchants to accept electronic payments from their customers
- ⁽³⁾ One-off payment comprises the following:
- (i) one-off payment for payment infrastructure and software;
 - (ii) one-off payment for sales commission and installation fee;
 - (iii) redemption fees earned,
 - (iv) EMV Card Personalisation services fee; and
 - (v) other software development and system integration services fee.
- ⁽⁴⁾ Recurring fee comprises the following:
- (i) recurring monthly software licensing fee,
 - (ii) recurring monthly terminal rental fee,
 - (iii) recurring monthly terminal software support fee; and
 - (iv) recurring monthly application hosting fee.

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2. INFORMATION SUMMARY (Cont'd)

2.1.3 Future plans

Our future plans are as follows:

- (i) We aim to increase our presence by widening our sales and support network in Peninsular and East Malaysia.
- (ii) We intend to secure more Agency Managers to complement our in-house sales team.
- (iii) We intend to integrate our EDCPOS Terminal solutions with point-of-sales software vendors. With such alliances or collaborations, we will be able to secure more leads and opportunities in the market.
- (iv) We intend to integrate our EDCPOS Terminals solutions with accounting and human resources management software vendors. This will widen our customer base by expanding our target market and clientele base.
- (v) We aim to expand our business by securing additional in-source EMV Card Personalisation centres and Loyalty Management Services projects.
- (vi) We intend to launch our own co-branded Credit Card-based Loyalty Cards as this creates brand awareness that will be linked to our brands.
- (vii) We intend to market our products and solutions to Financial Institutions, large retail chain outlets and other sizeable business entities that uses our in-house products and the integrated point-of-sales system in collaboration with third party point-of-sales vendors in the short to mid-term.

Details of our future plans are set out in Section 6.23 of this Prospectus.

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2. INFORMATION SUMMARY (Cont'd)

2.2 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL

| Name | Designation |
|--|--|
| <i>Promoters/ Substantial shareholders</i> | |
| Dato' Theng Book | Non-Independent Non-Executive Chairman |
| Chew Chee Seng | Managing Director/Chief Executive Officer |
| Chan Wah Kiang | Non-Independent Non-Executive Director |
| Chin Shea Swong * | Chief Operating Officer |
| Chin Shea Fong | Shareholder |
| <i>Directors</i> | |
| Dato' Theng Book | Non-Independent Non-Executive Chairman |
| Chew Chee Seng | Managing Director/Chief Executive Officer |
| Chan Wah Kiang | Non-Independent Non-Executive Director |
| Cheong Chee Yun | Independent Non-Executive Director |
| Soon Kian Heng | Independent Non-Executive Director |
| <i>Key management personnel</i> | |
| Ng Kian Seng | Chief Technology Officer |
| Chew Lai Kian | Accountant |
| Chan Shi Yih | Software Implementation (Microsoft), Senior Manager |
| Ho Chee Jiun | Software Implementation (Java), Project Manager |
| Wong Siew Yee | Software Implementation (Java), Project Manager |
| Teh Thian Siong | Network and Payment System, Senior Manager |
| Lim Boon Huat | Channel Sales, Manager |
| Chew Lean Mei | Office Administration and Human Resource cum Accounts, Manager |
| Lim Wooi Peng | Corporate Sales, Manager |
| Ng Mei Sic | Customer Service, Manager |

Note:

* Deemed interested by virtue of the interest of her spouse, Chew Chee Seng pursuant to Section 6A of the Act.

Details of our Promoters, substantial shareholders, Directors and key management personnel are set out in Section 8 of this Prospectus.

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2. INFORMATION SUMMARY (Cont'd)

2.3 FINANCIAL HIGHLIGHTS

2.3.1 Proforma Consolidated Statements of Comprehensive Income

The table below sets out selected items from our proforma consolidated statements of comprehensive income for the past three (3) FYEs 2007 to 2009 and FPE 2010. We have also prepared our proforma consolidated statements of comprehensive income for the FPE 2009 for comparison to our proforma consolidated statements of comprehensive income for the FPE 2010. The proforma figures are provided for illustrative purposes only on the assumption that our Group has been in existence during the financial years and period under review.

You should read the summary of our financial data regarding our business for the past three (3) financial years, the FYE 2007, FYE 2008 and FYE 2009, and the FPE 2010, that we have presented below together with our Management's Discussion and Analysis of Financial Condition and Results of Operations and Prospects as set out in Section 11.5 of this Prospectus, the Reporting Accountants' letter on our Proforma Consolidated Financial Information enclosed in Section 11.4 of this Prospectus and the accompanying notes and assumptions included in the Accountants' Report enclosed in Section 12 of this Prospectus.

| | | FYE 2007 | FYE 2008 | FYE 2009 | FPE 2009 # | FPE 2010 |
|--|--------|----------|------------------------|----------|------------|----------|
| | | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | | 6,074 | 6,771 | 7,873 | 6,540 | 6,610 |
| Less: Cost of sales | | (2,291) | (1,388) | (780) | (587) | (255) |
| GP | | 3,783 | 5,383 | 7,093 | 5,953 | 6,355 |
| Other operating income | | 31 | 32 | 47 | 23 | 84 |
| EBITDA | | 1,861 | 2,639 | 5,449 | 4,678 | 4,549 |
| Finance cost | | (207) | (223) | (43) | (31) | (91) |
| Depreciation and amortisation | | (1,083) | (1,394) | (1,680) | (1,471) | (1,705) |
| PBT | | 571 | 1,022 | 3,726 | 3,176 | 2,753 |
| Tax expense | | (162) | 114 | (310) | (197) | (349) |
| PAT | | 409 | 1,136 | 3,416 | 2,979 | 2,404 |
| Extraordinary items ⁽¹⁾ | | - | - | - | - | - |
| MI | | - | - | - | - | - |
| PAT and MI | | 409 | 1,136 | 3,416 | 2,979 | 2,404 |
| No. of Shares in issue immediately prior to the IPO ⁽²⁾ | ('000) | 137,273 | 137,273 | 137,273 | 137,273 | 137,273 |
| GP margin | (%) | 62.28 | 79.50 | 90.09 | 91.02 | 96.14 |
| PBT margin | (%) | 9.40 | 15.09 | 47.33 | 48.56 | 41.65 |
| PAT margin | (%) | 6.73 | 16.78 | 43.39 | 45.55 | 36.37 |
| Effective tax rate | (%) | 28.37 | (11.15) ⁽³⁾ | 8.32 | 6.20 | 12.68 |
| Gross EPS ⁽⁴⁾ | (sen) | 0.42 | 0.74 | 2.71 | 2.31 | 2.01 |
| Basic EPS ⁽⁵⁾ | (sen) | 0.30 | 0.83 | 2.49 | 2.17 | 1.75 |
| Diluted EPS ⁽⁶⁾ | (sen) | n.a. | n.a. | n.a. | n.a. | n.a. |

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2. INFORMATION SUMMARY (Cont'd)

Notes:

- # *FPE 2009 represents unaudited management accounts and is included for the purpose of comparisons only.*
- n.a. *Not applicable*
- (1) *There were no exceptional and extraordinary items for the financial years/period under review.*
- (2) *Being the issued and paid-up share capital of RM0.10 per ManagePay Share immediately prior to the IPO.*
- (3) *Arose from deferred tax assets recognised for the FYE 2008.*
- (4) *The gross EPS was calculated based on the PBT attributable to the shareholders of ManagePay for the respective financial years/period divided by the number of ManagePay Shares in issue.*
- (5) *The basic EPS was calculated based on the PAT attributable to the shareholders of ManagePay for the respective financial years/period divided by the number of ManagePay Shares in issue.*
- (6) *Diluted EPS was not provided as there were no potential ordinary shares to be issued throughout the financial years/period under review.*

The details on our proforma consolidated statements of comprehensive income are set out in Section 11.1.1 of this Prospectus.

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2. INFORMATION SUMMARY (Cont'd)

2.3.2 Proforma Consolidated Statements of Financial Position

Set out below are the summary of our proforma consolidated statements of financial position as at 31 October 2010 provided for illustrative purposes only to show the effects of the Listing Scheme on the assumption that it had been in existence during the financial period under review.

We advise you to read the proforma consolidated statements of financial position together with the accompanying notes and assumptions included in the Reporting Accountants' letter on our Proforma Consolidated Financial Information enclosed in Section 11.4 of this Prospectus.

| | 31 October 2010 RM'000 | Proforma | |
|--------------------------------------|---------------------------|--------------------------|---|
| | | I After IPO RM'000 | II After Proforma I and utilisation of proceeds RM'000 |
| Non-current assets | 11,511 | 11,511 | 16,261 |
| Current assets | 5,819 | 13,140 | 6,890 |
| Current liabilities | (752) | (752) | (752) |
| Net current assets | 5,067 | 12,388 | 6,138 |
| Non-current and deferred liabilities | (447) | (447) | (447) |
| | 4,620 | 11,941 | 5,691 |
| Capital and reserves | 16,131 | 23,452 | 21,952 |
| NA | 16,131 | 23,452 | 21,952 |
| NA per Share (RM) | 0.12 | 0.13 | 0.12 |
| NTA | 13,916 | 21,237 | 18,737 |
| NTA per Share (RM) | 0.10 | 0.12 | 0.10 |

The details on our proforma consolidated statements of financial position are set out in Section 11.1.2 of this Prospectus.

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2. INFORMATION SUMMARY (Cont'd)

2.3.3 Audit Qualifications

As set out in the Accountants' Report in Section 12 of this Prospectus, none of the financial statements of the companies within our Group for the financial years/period under review was subject to any audit qualification.

2.4 PRINCIPAL STATISTICS RELATING TO THE IPO

2.4.1 Share capital

| | RM |
|--|------------|
| Authorised: 250,000,000 Shares | 25,000,000 |
| Issued and fully paid-up as at the LPD 137,273,190 Shares | 13,727,319 |
| To be issued pursuant to the Public Issue 45,758,000 Shares | 4,575,800 |
| Enlarged issued and paid-up share capital upon Listing 183,031,190 Shares | 18,303,119 |

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

The details on our share capital are set out in Sections 3.3 and 3.4 of this Prospectus.

2.4.2 Details on our IPO

| | |
|---------------|--|
| Public Issue: | Public Issue by our Company of 45,758,000 Shares at the Issue Price comprising: |
| | (i) 32,946,000 Shares available for application by way of private placement to the identified investors; |
| | (ii) 3,660,000 Shares available for application by our employees; and |
| | (iii) 9,152,000 Shares available for application by the Malaysian Public. |
| Issue Price: | RM0.16 |

Please refer to Section 3 of this Prospectus for detailed information of the IPO.

2. INFORMATION SUMMARY (Cont'd)

2.5 PLANNED UTILISATION OF PROCEEDS

The total estimated gross proceeds to be raised by our Company from our IPO of approximately RM7.321 million shall be utilised in the following manner:

| Planned utilisation of proceeds | Estimated time frame | RM'000 | Approximate % of total proceeds |
|---------------------------------|----------------------|--------------|---------------------------------|
| 1. Purchase of equipment | 24 months | 3,750 | 51 |
| 2. Working capital | 24 months | 1,071 | 15 |
| 3. R&D | 12 months | 1,000 | 14 |
| 4. Estimated listing expenses | 3 months | 1,500 | 20 |
| Total | | 7,321 | |

The details on our proposed utilisation of proceeds are set out in Section 3.8 of this Prospectus.

2.6 MATERIAL RISK FACTORS

Before applying for our Issue Shares, you should carefully consider the following material risk factors as summarised from Section 4 of this Prospectus (which may not be exhaustive), in addition to the other information contained elsewhere in this Prospectus.

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

- Dependency on EON Bank as a major customer.
- Impact of e-bidding by Financial Institutions on the industry.
- Operating risk.
- Visa International and MasterCard WorldWide certification and appointments from Financial Institutions.
- Competition.
- Dependency on Hypercom as single supplier of EDCPOS Terminals.
- Changes in technology and products/services.
- Continuing demand for our Group's products and services.
- Future growth.
- Reliance on Agency Managers.
- Credit Card charged back risk.
- Financial risk.
- Foreign exchange fluctuations.
- Protection of intellectual property rights.
- Change in or loss of MSC status.
- Dependence on our Managing Director and key management personnel.
- Security breaches or system failures.
- Litigation.
- Change in policy by Financial Institutions regarding Merchant Acquisition/recruitment.
- Lack of long-term contracts limits our ability to secure long-term and consistent streams of income from our customers.
- Risks relating to conflict of interests.
- Unfavourable economic, social and political conditions.
- Economic costs of regulatory compliance.
- Risk of disruption to our Business Process Outsourcing operations.

2. INFORMATION SUMMARY (Cont'd)

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

Further information on our risk factors is disclosed under Section 4 of this Prospectus.

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3. DETAILS OF OUR IPO

3.1 OPENING AND CLOSING OF APPLICATION

All applications for our Issue Shares will open from 10.00 a.m. on 22 February 2011 to 5.00 p.m. on 2 March 2011 or for such further period or periods as our Directors and the Underwriter may mutually decide in their absolute discretion.

Our Directors and Underwriter may mutually decide, at their absolute discretion, to extend the closing date and time of application of the IPO to any later date or dates. Should the closing date of the application for the IPO be extended, we will advertise a notice of the extension in a widely-circulated English and Bahasa Malaysia daily newspapers prior to the original closing date of applications for the IPO. Following this, the dates for the balloting of applications for the Issue Shares and allotment of the Issue Shares, as well as the Listing would be extended accordingly.

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3. DETAILS OF OUR IPO (Cont'd)

3.2 DETAILS OF OUR PUBLIC ISSUE

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

- (a) 32,946,000 Shares, representing 18.00% of our enlarged issued and paid-up share capital, by way of private placement to the identified investors;
- (b) 3,660,000 Shares, representing 2.00% of our enlarged issued and paid-up share capital, will be made available for application by our eligible employees under the Pink Form Allocations, based on the following criteria as approved by our Board:
- length of service;
 - designation and position;
 - job performance;
 - full time employee; and
 - at least eighteen (18) years of age.

Based on the above, the details of the Pink Form Allocations as approved by our Board are summarised in the table below:

| Category | Number of eligible persons | Issue Shares |
|-----------|----------------------------|--------------|
| Employees | 13 | 3,660,000 |

- (c) 9,152,000 Shares, representing 5.00% of our enlarged issued and paid-up share capital, will be made available for application by the Malaysian Public.

All the 32,946,000 Shares under paragraph (a) above, which are not underwritten by OSK, would be subscribed by the identified investors to be placed out by our Placement Agent.

All the 3,660,000 Shares under paragraph (b) above, which are not underwritten by OSK, would be subscribed by our eligible employees pursuant to their respective written irrevocable undertakings.

All the 9,152,000 Shares in respect of paragraph (c) above have been fully underwritten and any unsubscribed Issue Shares thereafter shall be taken up by OSK in accordance with the terms and conditions of the Underwriting Agreement.

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

There is no over-allotment or 'greenshoe' option that will result in an increase in the amount of our Issue Shares.

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3. DETAILS OF OUR IPO (Cont'd)

3.3 SHARE CAPITAL

As at the LPD, the details of our share capital are as follows:

| | Nominal value RM |
|---|---------------------|
| Authorised 250,000,000 Shares | <u>25,000,000</u> |
| Issued and fully paid-up as at the LPD 137,273,190 Shares | 13,727,319 |
| To be issued pursuant to the Public Issue 45,758,000 Shares | 4,575,800 |
| Enlarged issued and paid-up share capital upon Listing 183,031,190 Shares | <u>18,303,119</u> |
| Issue Price | RM0.16 |

The Issue Price is payable in full upon application.

3.4 CLASSES OF SHARES AND RANKINGS

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

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

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

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3. DETAILS OF OUR IPO (Cont'd)

3.5 PURPOSES OF THE IPO

The purposes of the IPO are as follows:

- (a) to obtain the listing of and quotation for our entire enlarged issued and paid-up share capital on the ACE Market of Bursa Securities;
- (b) to enable our Group to raise funds for the purposes specified in Section 3.8 below;
- (c) to enable us to gain access to the capital market to raise funds for our future expansion and continued growth of our Group;
- (d) to provide an opportunity for the Malaysian Public to participate in our equity and continuing growth;
- (e) to enhance our profile nationally and regionally;
- (f) to enhance the liquidity of our Shares; and
- (g) to enhance the transparency and discipline of our corporate management.

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3. DETAILS OF OUR IPO (Cont'd)

3.6 BASIS OF ARRIVING AT THE ISSUE PRICE

The Issue Price was determined and agreed upon by us, our Adviser, Underwriter and Placement Agent, after taking into consideration the following factors:

- (a) our proforma consolidated NA per Share (upon Listing) as at 31 October 2010 of RM0.12 computed based on our proforma consolidated NA (upon Listing) of approximately RM21.95 million divided by 183,031,190 Shares in issue immediately upon Listing as set out in Section 11.4 of this Prospectus;
- (b) the implied net PE Multiple of approximately 7.62 times based on our proforma audited annualised net EPS of approximately 2.10 sen for the FPE 2010 and our number of Shares in issue of 137,273,190 Shares as set out in Section 11.4 of this Prospectus;
- (c) our Group recorded a proforma consolidated annualised PAT (upon Listing) of RM2.88 million for the FPE 2010. Details of our operating and financial history as set out in Sections 5 and 11 of this Prospectus;
- (d) our Group's competitive strengths and advantages as set out in Section 6.11 of this Prospectus including, amongst others, our years of experience as a software systems developer and provider and solution provider in the Electronic Payment Solutions industry. The users of our solutions would include, amongst others, retail outlets, Financial Institutions, government agencies and non-profit organisations; and
- (e) the growth anticipated for the Electronic Payment Solutions industry as forecasted by Frost & Sullivan to reach RM280.4 million (CAGR of 8.3% from 2010-2015) underlines the prospect of our Group. The future plans envisaged by our management to capitalise this growth would include business expansion through the widening of our sales and support network and offering of new products and services. Details of our prospects and future plans are set out in Section 6.23 of this Prospectus.

However, you should note that our market price upon Listing is subject to the vagaries of market forces and other uncertainties that may affect the price of our Shares being traded. You should form your own views on the valuation of the Issue Shares before deciding to invest in our Shares.

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3. DETAILS OF OUR IPO (Cont'd)

3.7 TOTAL MARKET CAPITALISATION

Based on the Issue Price and our enlarged issued and paid-up share capital comprising 183,031,190 Shares upon Listing, our total market capitalisation will be approximately RM29.28 million.

3.8 PLANNED UTILISATION OF PROCEEDS

The estimated gross proceeds arising from our Public Issue of approximately RM7.321 million shall be utilised within three (3) months to twenty-four (24) months from the date of our Listing in the following manner:

| Planned utilisation of proceeds | Estimated Time frame | Note | RM'000 | Approximate % of total proceeds |
|---------------------------------|----------------------|-------|--------------|---------------------------------|
| 1. Purchase of equipments | 24 months | (i) | 3,750 | 51 |
| 2. Working capital | 24 months | (ii) | 1,071 | 15 |
| 3. R&D | 12 months | (iii) | 1,000 | 14 |
| 4. Estimated listing expenses | 3 months | (iv) | 1,500 | 20 |
| Total | | | 7,321 | |

Notes:

- i. *As part of our business expansion plan, we intend to expand our presence throughout Peninsular Malaysia and East Malaysia. In anticipation of the demands from our existing customers as well as potential customers, we will be purchasing additional EDCPOS Terminals, point-of-sales system and peripherals; computer hardware and software system required to set up Host Application Server for Payment Services and Loyalty Management System within the next twenty-four (24) months to expand our market presence and market penetration through our in-house sales team and our Agency Managers in Malaysia. The total estimated expenditure of RM3.75 million is mainly for the purchase and installation of these equipments. The details are as follows:*

| Items | Quantity | % of proceeds to be allocated |
|---|-------------|-------------------------------|
| • EDCPOS Terminals | 4,000 units | 80 |
| • Point-of-sales system and peripherals | 150 units | 10 |
| • Computer hardware and software system required to set up Host Application Server for Payment Services and Loyalty Management System | 5 sets | 10 |

- ii. *The utilisation for working capital of approximately RM1.071 million is set out below:*

| Working capital | RM'000 |
|---|--------------|
| • Day-to-day operational expenses (such as salaries, utilities and travelling expenses) | 871 |
| • Marketing expenses to be incurred for sales and support network (such as training materials, product samples, marketing materials and advertisement and promotional activities) | 200 |
| Total | 1,071 |

3. DETAILS OF OUR IPO (Cont'd)

iii. The utilisation for R&D expenditure of approximately RM1.00 million is set out below:

R&D expenditure

- Enhancement of our existing range of EDCPOS Terminals by upgrading the terminals' software to continuously comply with evolving EMV standard set by Europay, MasterCard and Visa;
- Enhancement of Host Applications Software by upgrading the security features and requirements to comply with evolving EMV standard set by Europay, MasterCard and Visa;
- Enhancement of Cards application by writing new software programmes to comply with evolving EMV standard set by Europay, MasterCard and Visa;
- Enhancement of payment middleware by upgrading the existing POSConnect and ISO Manager to comply with evolving EMV standard set by Europay, MasterCard and Visa and to meet our customers' requirements; and
- Manpower cost, hardware and software, training and other related overhead expenses.

iv. The estimated expenses incidental to the Listing Scheme which would be borne by ManagePay are as follows:

| <i>Estimated listing expenses</i> | <i>RM'000</i> |
|---|---------------|
| <i>Professional fees</i> | 750 |
| <i>Fees payable to the authorities</i> | 65 |
| <i>Underwriting, placement and brokerage fees</i> | 205 |
| <i>Printing and advertising fees</i> | 220 |
| <i>Contingencies</i> | 260 |
| <i>Total</i> | <u>1,500</u> |

The amount allocated of approximately RM1.50 million is based on the estimated cost for the Listing exercise. If the actual Listing expenses are higher than the amount budgeted, the deficit will be funded out of the portion allocated for our working capital. Conversely, if the actual Listing expenses are lower than the amount budgeted, the excess will be utilised for our working capital.

The proforma impact of the proposed utilisation of proceeds on the estimated listing expenses has been reflected in our proforma consolidated statements of financial position in Section 11.4 of this Prospectus. Save for the gross proceeds received by our Group arising from our IPO, our Board has confirmed there are no other sources of funds needed to fund the existing business and any other potential plans for a period of twelve (12) months from the date of this Prospectus. We expect the utilisation of proceeds of the Public Issue to benefits our Group in the following manner:

- (i) to expand our business primarily throughout Peninsular Malaysia and East Malaysia, which in-turn is expected to increase our Group's revenue and earnings;
- (ii) to strengthen our liquidity and cash flow position via the increase in our working capital; and
- (iii) to enhance our R&D activities which will in turn help us to expand our products and services offered.

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3. DETAILS OF OUR IPO (Cont'd)

3.9 DILUTION

Dilution is computed as the difference between the Issue Price paid by the applicants for our Shares and the proforma consolidated NA per Share of our Group immediately after our Public Issue.

Pursuant to the Public Issue in respect of 45,758,000 new Shares at the Issue Price of RM0.16, our proforma NA per Share after our Public Issue and after taking into consideration the estimated listing expenses based on the enlarged issued and paid-up share capital of 183,031,190 Shares would have been RM0.12. This represents an immediate dilution in the NA per Share of our Group of RM0.04, representing approximately 25.00% of the Issue Price to new investors. The following table illustrates such dilution on a per Share basis:

| | |
|---|------------|
| Issue Price | RM 0.16 |
| Adjusted NA per Share as at 31 October 2010 (before adjusting for the IPO) | 0.12 |
| Increase in NA per Share contributed by new investors | - |
| NA per Share after adjusting for the IPO | 0.12 |
| Dilution in NA per Share to new investors [^] | 0.04 |
| Dilution in NA per Share to new investors as a percentage of the Issue Price | 25.00% |

Note:

[^] After taking into consideration the effect of the utilisation of the proceeds received and the listing expenses pursuant to the Listing.

The following table summarises the total number of Shares received by our Director/ substantial shareholders from the Acquisitions and the cost per Share to them and to the new public investors who subscribe for/ or purchase the Issue Shares pursuant to the IPO:

| Directors/ Substantial shareholders | Number of Shares received pursuant to the Acquisitions | Total consideration RM | Cost per Share RM |
|--|--|---------------------------------------|------------------------------|
| Chew Chee Seng | 54,332,678 | 5,433,267.80 | 0.10 |
| Dato' Theng Book | 21,963,660 | 2,196,366.00 | 0.10 |
| Chan Wah Kiang | 27,454,638 | 2,745,463.90 | 0.10 |
| Chin Shea Fong | 22,540,258 | 2,254,025.90 | 0.10 |
| Dato' Yap Kuak Fong | 5,490,928 | 549,092.70 | 0.10 |
| Chee Sau Ying @ Chee Shiow Lian | 5,490,928 | 549,092.70 | 0.10 |
| | Number of Issue Shares | Total consideration RM | Cost per Share RM |
| New investors | 45,758,000 | 4,575,800 | 0.10 |

Save for the Shares received by our Directors/ substantial shareholders pursuant to the Acquisitions, there is no material acquisition of any existing Shares that involved cash in our Company by our Directors, substantial shareholders, senior management or persons connected with them, or in which they have the right to acquire, during the past three (3) years prior to the date of this Prospectus.

3. DETAILS OF OUR IPO (Cont'd)

3.10 BROKERAGE, PLACEMENT AND UNDERWRITING COMMISSION

Brokerage is payable by our Company in respect of our Issue Shares made available for application by the Malaysian Public at the rate of 1.00% of the Issue Price in respect of successful applications which bear the stamp of either OSK, participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association or the Issuing House.

The Placement Agent has agreed to place out 32,946,000 Shares in our Company to be offered to the identified investors. We are obliged to pay the Placement Agent a placement fee at the rate of 1.00% and 2.00% of the value of the Shares placed out to investors identified by our Directors and Promoters, and the Placement Agent respectively at the Issue Price.

The Underwriter has agreed to underwrite 9,152,000 Issue Shares available for application by the Malaysian Public, the details of which are set out in Section 3.2 of this Prospectus. The underwriting commission is payable by our Company at the rate of 2.00% of the Issue Price in respect of the 9,152,000 Issue Shares.

3.11 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

We had on 26 January 2011 entered into an underwriting agreement with our Underwriter to underwrite 9,152,000 Shares ("Underwritten Shares") at the Issue Price based on some of the salient terms set out below.

The salient terms of the Underwriting Agreement as extracted from the Underwriting Agreement are set out below.

(i) **Conditions precedent**

The obligations of the Underwriter under this Underwriting Agreement are subject to the fulfilment of the following conditions precedent to the satisfaction of the Underwriter:

- (a) upon our Company's application, the SC having approved the offering of the Underwritten Shares and the Prospectus;
- (b) upon our Company's application, the Bursa Securities agreeing in principle on or prior to the last date for receipt of the application to the admission of the Underwritten Shares ("Closing Date") to the Official List of the Bursa Securities and the listing and quotation of all the Underwritten Shares on the ACE Market or the Underwriter being reasonably satisfied that such admission, listing and quotation will be granted three (3) Market Days (or such other days as the Bursa Securities may permit) after the Bursa Securities has received all the necessary supporting documents;
- (c) upon our Company's application, the registration of the Prospectus with the SC in accordance with the requirements of the CMSA and the issue by the SC of the relevant certificate of registration, if required;
- (d) the lodgement of the Prospectus with the CCM;
- (e) the Underwriter being satisfied with the arrangements of our Company to pay the underwriting commission;

3. DETAILS OF OUR IPO (Cont'd)

- (f) the Underwriter receiving our Company's Board of Directors Resolution which shall be in full force and effect and duly certified by our Director and/or Secretary of our Company as true and accurate and in the form and substance acceptable to the Underwriter in respect of the following:
 - (i) approving the Prospectus, this Underwriting Agreement and the transactions contemplated by them;
 - (ii) authorising a person to sign and deliver this Underwriting Agreement on behalf of our Company; and
 - (iii) authorising the issuance of the Prospectus.
- (g) this Underwriting Agreement being duly signed by all parties and stamped;
- (h) the IPO not being prohibited or impeded by any statute, order, rule, directive or regulation promulgated by any legislative, executive or regulatory body or authority of Malaysia and all consents, approvals, authorisations or other orders required by our Company under such laws for or in connection with the IPO and/or listing of and quotation for the entire enlarged issued and paid-up share capital of our Company on the ACE Market have been obtained and are in force on the Closing Date or the Underwriter being reasonably satisfied that the same will be in force on the Closing Date;
- (i) the Underwriter being satisfied that our Company has complied with the policies, guidelines and requirements of the SC, Bursa Malaysia and other relevant authorities and all revisions, amendments and/or supplements thereto;
- (j) there has been no material change or any development likely to result in a material adverse change in the financial position, business operations or conditions (financial or otherwise) of our Company or our Group taken as a whole from that subsequent to the date of this Underwriting Agreement;
- (k) there has not occurred any event or the discovery of any facts or circumstances which would render any representation, warranty or undertaking in Clause 3 materially untrue or inaccurate or result in a material breach of this Underwriting Agreement by our Company;
- (l) the Underwriter receiving a certificate in the form or substantially in the form contained in Schedule 3 (Certificate) of this Underwriting Agreement dated the Closing Date signed by a Director of our Company for and on behalf of our Board stating that, to the best of their knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as referred to in Clause 3 (Representations, Warranties and Undertakings) of this Underwriting Agreement; and
- (m) the approvals of the respective relevant authorities referred to in this Underwriting Agreement remaining in full force and effect and that all conditions precedent to the approvals have been complied with.

3. DETAILS OF OUR IPO (Cont'd)

If any of the foregoing conditions is not satisfied by the Closing Date, the Underwriter shall thereupon be entitled, subject to termination events as set out below, to terminate this Underwriting Agreement by notice in writing to our Company and in that event the parties hereto shall, save and except for the fees (including legal fee on a solicitor and client basis), Underwriting Commission, costs and expenses incurred prior to or in connection with such termination, which are to be solely borne by our Company, be released and discharged from their respective obligations hereunder PROVIDED THAT the Underwriter may in its absolute discretion waive compliance with any provisions of this clause.

(ii) **Terminating events**

Notwithstanding anything herein contained, the Underwriter may at any time before the Closing Date by notice in writing to our Company terminate its obligations under this Underwriting Agreement if:

- (a) there is any material breach by our Company of the warranties, representations or undertakings herein set out, which is not being capable of remedy or, if capable of remedy, is not remedied by our Company within thirty (30) days of written notice of such breach being given to our Company;
- (b) there is a failure on the part of our Company to perform any of its obligations herein contained or there occurs any event or there is discovered any fact, which renders and/ or will render any of the representations, warranties or undertakings of our Company herein contained given as at the date hereof materially inaccurate, untrue or incorrect;
- (c) there shall occur any event or series of events beyond the reasonable control of the Underwriter (including without limitation to acts of government, strikes, lockouts, fire, explosion, floods, civil commotion, viral outbreak, acts of war, sabotage, Acts of God) which has or is likely to have the effect of rendering any material part of this Underwriting Agreement incapable of performance;
- (d) there shall have been such a change in national or international monetary, financial, political or economic conditions, or in exchange control or currency exchange rates or in any law, regulation, directive, policy or ruling in any relevant jurisdiction which renders it illegal for the Underwriter to perform their obligations herein;
- (e) the imposition of any moratorium, suspension or material restriction on trading in all securities generally on Bursa Securities or the FTSE Bursa Malaysia KLCI falling below 1,200 points and remaining below 1,200 points for 3 consecutive Market Days between the date of this Underwriting Agreement and the Closing Date, both dates inclusive; and
- (f) there occurs any material litigation and/ or legal proceedings taken by or proposed to be taken by or filed against our Company or our subsidiaries outside our ordinary course of business which will affect our Company's or our Group's financial position and reputation.

3. DETAILS OF OUR IPO (Cont'd)

- (iii) Upon receipt of such notice of termination from the Underwriter by our Company in accordance with this Underwriting Agreement, this Underwriting Agreement shall be terminated and the obligations of the Underwriter under this Agreement shall be discharged accordingly whereupon this Underwriting Agreement shall be of no further force or effect and no party shall be under any liability to any other in respect of this Underwriting Agreement save and except that our Company shall remain liable for the payment of the Underwriting Commission and shall remain liable in respect of its obligations and liabilities under 'cost and expenses' as set out in the Underwriting Agreement for the payment of costs and expenses already incurred prior to or in connection with such termination and for the payment of any taxes, duties or levies, and for any antecedent breach.

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4. RISK FACTORS

Notwithstanding the prospects of our Group outlined in this Prospectus, you should carefully consider the following risk factors (which may not be exhaustive) and ranked in order of priority based on our evaluation, that may have a significant impact on our future performance, in addition to all other relevant information contained elsewhere in this Prospectus, before making an application for the IPO Shares.

4.1 RISKS RELATING TO OUR GROUP

4.1.1 Dependency on EON Bank as a major customer

As at the LPD, our Group has derived revenue from the major customers particularly EON Bank as detailed in Section 6.21 of this Prospectus. For the FYE 2007 to FYE 2009 and the FPE 2010, our Group had recorded revenues of approximately RM2.24 million, RM2.85 million, RM4.31 million and RM3.32 million representing 36.81%, 42.08%, 54.72% and 50.24% respectively from EON Bank. Save for these contracts, our Group does not depend on the revenue contributed by the other Financial Institutions and our Board is of the opinion that the dependence on the other Financial Institutions and customers is limited as the previous sales derived are either non-recurrent and on project basis or does not contribute materially to our revenue. In addition, we are constantly diversifying our product range and customer base which forms as a natural hedge against reliance on a single customer which is demonstrated by our ongoing marketing strategies as disclosed in Section 6.15 of this Prospectus. Hence, the reliance on these other major customers are mitigated.

In addition to the above, there is no assurance that the following agreements will be renewed:

With EON Bank:

- (i) EMV Card Personalisation Services agreement dated 1 August 2009 and expiring on 31 July 2011; and
- (ii) Master Rental agreement dated 1 April 2005 unless otherwise terminated by either party due to breaches or non-compliance with the agreement.

With MBB:

- (i) External Sales Agent Merchant Recruitment agreement dated 15 September 2009 and expiring on 14 September 2011.

In the event that the abovementioned agreements lapsed or terminated or the potential take-over of EON Bank by Hong Leong Bank Berhad is successful, which may or may not result in termination of our existing agreements with EON Bank, there may be adverse financial impact to our Group. However, our Group is of the view that we will be able to source other Financial Institutions as the Acquiring Banks for our existing pool of Merchants and to expand and diversify our products and services to different industries based on our existing product range and our technology experience garnered deployed in various industries since our incorporation. As at the LPD, we have one (1) proposal submitted to a non-bank Credit Card issuer for our Terminal Services. In addition, our Group believes that the existing relationships established between our Group and these Financial Institutions should deter any material loss of business.

Further, for avoidance of doubt, there is no conflict of interests between the External Sales Agent Merchant Recruitment agreement and Master Rental agreement. The Master Rental agreement entered between MPSB and EON Bank is essentially a vendor programme to install EDCPOS Terminals for the Merchants acquired by EON Bank, whereas, the External Sales Agent Merchant Recruitment agreement entered between MPSB and MBB allows MPSB to:

- (i) source and recruit Merchants on behalf of MBB; and
- (ii) install EDCPOS Terminals pursuant to the recruitment of the Merchants.

4. RISK FACTORS (Cont'd)

4.1.2 Impact of e-bidding by Financial Institutions on the industry

E-bidding is when industry players (i.e. third party service providers) tenders for contracts electronically. Typically an e-bidding system promotes efficiency and transparency as prices are visible to official bidders. An e-bidding system may reduce the terminal rental fees as participants are able to bid against each other in a transparent environment. The industry players that are able to offer the most competitive terminal rental fees will thrive in such an environment.

As a result of implementing e-bidding system, the competitiveness of all industry players including our Group increases. However, there is a risk that, in an open e-bidding system, other competitors may be able to offer more competitively-priced terminals rental fees. In an immediate term, the e-bidding system implemented by Financial Institutions reduces the profitability of the terminal rental business. Further, over time, some players become more aware and knowledgeable of other fellow competitors' prices, and this may also negatively impact our Group's competitiveness. However, our Board is of the view that such competitiveness forces companies to become leaner and more cost efficient and weed out the weaker players in the industry.

As demanded by the competitive environment, our management will strive to achieve an optimal operating cost, to source for more competitively-priced EDCPOS Terminals and to introduce innovative terminal and maintenance service packages as mitigating factors to maintain our profit margin.

4.1.3 Operating risk

There is no assurance that our Group will be profitable in the future, or that it will achieve increasing or consistent levels of profitability. Our Group's revenue and operating results are difficult to forecast and could be adversely affected by many factors. These include, amongst others, changes in our Group's operating expenses, the ability of our Group to develop and market new products and services and to control costs, market acceptance of new products or services, and other business risks common to going concerns. Our Directors believe that our Group should be able to maintain its record of profitability. Our Directors believe that our business activities consist of recurring and non-recurring based revenue models which should be sufficient to cover our operating expenses. Our management regularly monitors our debtors position, continue to have long-term relationships with our customers and business partners, close monitoring of operating expenditure, and careful consideration of any proposed capital expenditure and its effect on our Group.

4.1.4 Visa International and Mastercard WorldWide certification and appointment from Financial Institutions

To provide Terminal Services, our Group must be awarded or appointed by the Financial Institutions which are in the Credit Card issuing and acquiring business and to have our EDCPOS Terminals, payment gateway solutions and other related software applications to be certified by Visa International and MasterCard Worldwide to allow us to acquire Merchants.

As at the LPD, save for the agreements entered between our subsidiaries with EON Bank and MBB as disclosed in Section 6.18(iii) of this Prospectus, there is no agreement entered between us and VISA International or MasterCard Worldwide. These designations awarded or appointed or certified are subject to adherence to the standards set by the Acquiring Banks, Visa International and MasterCard Worldwide. Any failure to comply with these standards may have our designation revoked or terminated. The termination of any of these may result in the loss in revenue and our ability to provide Terminal Services.

Nonetheless, our Group has over the years established good rapport with certain Financial Institutions, and will continue to be diligent adhering to the standards set by Visa International and MasterCard Worldwide. Our Directors do not foresee any issues in continuing to be designated as Merchant Service Provider in the future so long as our Group continue to operate within the parameters of the standards.

4. RISK FACTORS (Cont'd)

4.1.5 Competition

Our Group is involved in the following activities:

- (i) Payment Services;
- (ii) Terminal Services;
- (iii) Loyalty Management Services;
- (iv) Business Process Outsourcing; and
- (v) Software, Security and ICT Services.

The markets in which our Group operates are competitive and characterised by rapid technological innovation. Our Group has experienced and expects to continue to experience intense competition from current and future competitors. Our Group believes that our ability to compete depends upon many factors both within and outside our control, including timing and market acceptance of new products and services and enhancements developed by our Group and our competitors, product and service functionality, ease of use, performance, price, value for money, reliability, customer service and support, sales and marketing efforts, and product and service distribution channels.

Our Group's competitors vary in size and in the scope and breadth of the products and services offered. Our Group encounters competition from a number of sources. Our Group's current primary competitors are mentioned in Section 7.4 of this Prospectus. While the barriers to entry in the Merchant Acquisition which is an integral part of our Terminal Services may be relatively low, since Merchant Acquisition is largely a sales function requiring little technical and/or capital requirements, the barriers to entry within the rest of the Electronic Payment Solutions industry is fairly high. Merchant Acquisition forms only one part of the Electronic Payment Solution industry value chain, and successful industry players typically provide other hardware and software related services as well, such as Payment Services, in addition to recruiting Merchants.

Some of our Group's competitors may have significantly greater resources than our Group, in terms of product pricing, finance, technical and human resources and others. Our Group's competitors may be able to respond more quickly to new or emerging technologies and changes in customer preference or to devote greater resources to the development, promotion, sale and service of their products and services. Our Group also expects to face additional competition from international competitors that have greater name recognition. Emerging companies could enter the market and introduce new products and technologies. Increased competition could result in price reductions, reduced revenue and margins, and loss of market share, any one of which could materially and adversely affect our Group's business, operating results and financial condition.

Our Group focuses on technology that is highly reliable and able to handle high volume and also invests in product innovation to ensure its competitiveness in capturing market share and garnering market acceptance. However, there can be no assurance that our Group will be able to maintain its competitiveness against current and future competitors or that competitive pressures will not materially and adversely affect our Group's business, operating results and financial condition.

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4. RISK FACTORS (Cont'd)

4.1.6 Dependency on Hypercom as single supplier of EDCPOS Terminals

MPSB has entered into a non-exclusive agreement with Hypercom as a local reseller of the EDCPOS Terminals. This agreement is auto renewable on a yearly basis subject to either party giving termination notice at least ninety (90) days prior to the expiration of the agreement. There is no assurance that Hypercom will not terminate its agreement with MPSB. In the event that the agreement between Hypercom and MPSB is terminated, our Group is of the view that alternative brands of EMV-compliant EDCPOS Terminals can be sourced easily from Verifone Holdings, Inc., Ingenico S.A. and Gemalto NV who are readily accepted by Merchants. Besides the three terminal suppliers mentioned, as at the LPD, our management has:

- (i) started purchasing the EDCPOS Terminals from the local supplier of Verifone Holdings, Inc; and
- (ii) discussed with other EDCPOS Terminal manufacturers with the intention to jointly develop new applications.

Nevertheless, the failure of MPSB to maintain our existing relationship with Hypercom, or to satisfy the terms and conditions of our contract with Hypercom, may affect our Group's business, operating results and financial condition in the future.

4.1.7 Changes in technology and products/services

The markets for our 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. Our Group's future depends substantially upon our ability to address the increasingly sophisticated needs of our customers by supporting existing and emerging hardware, software, database and networking platforms.

The timely development of new or enhanced products and services is a complex and uncertain process. To mitigate these risks, our Group believes that we have sufficient funding and in-house expertise to implement our business plan and to manage long development cycles which involve undertaking requirement analysis, software testing and usability testing. Notwithstanding these, our Group may experience design, marketing and other difficulties that could delay or prevent the development, introduction or marketing of our products and services, as well as new products and services and enhancements. To mitigate these possible adverse developments, our Group may collaborate with third parties to develop products and services on a timely and cost-effective basis.

There can be no assurance that our Group is able to develop new products and services or enhancements to our existing products and services on a timely and cost-effective basis, or if our Group's new products and services or enhancements fail to achieve market acceptance, or if one or more of our Group's competitors introduce products and services that better address customer needs or for any reason gain market share, our Group's business, operating results and financial condition would be adversely affected.

4.1.8 Continuing demand for our Group's products and services

Our Group's future results will depend on the overall demand for our Group's products and services. Any economic slowdown may cause our Group's customers to defer or terminate purchases or rental of our Group's products and services or otherwise alter their usage patterns. Uncertainty in the economic environment may cause some businesses to curtail or eliminate spending on payment technology. In addition, our Group may experience hesitancy on the part of existing and potential customers to commit to continuing or new services from our Group.

To date, our Group's products and services have been well-received by our customers and our Group expects that enhancements and improvements of features, quick time to market and good technical service should ensure continuing acceptance of our products and services.

4. RISK FACTORS (Cont'd)

4.1.9 Future growth

Our Group has grown since we started offering our Managed Electronic Payment Solutions. As at the LPD, our Group's installed base of EDCPOS Terminals at Merchants' outlets has reached approximately 5,300 units, and our Group has had to recruit and hire more personnel, modify our processing systems and expand our operations to accommodate our growth. In addition, to achieve our Group's growth targets as set out in our business plan, there may be significant strain on our Group's management, financial, customer support, operational and other resources. There can be no assurance that our Group will be successful in managing our growth.

Our Group's proposed future plan and prospects will be dependent upon, amongst others, our Group's ability to enter into strategic marketing and other arrangements on a timely basis and on favourable terms; hire and retain skilled management as well as financial, technical, marketing and other personnel; successfully manage growth (including monitoring operations, controlling costs and maintaining effective quality, inventory and service controls); and obtain adequate financing as and when needed. There can be no assurance that our Group will be able to successfully implement our business plan or that unanticipated expenses or problems or technical difficulties will not occur which would result in material delays in our implementation or even deviation from our original plans. In addition, the actual results may deviate from the business plan due to rapid technological changes, and market as well as competitive pressures.

4.1.10 Reliance on Agency Managers

Our products and services are marketed primarily through our in-house sales team and the Agency Managers. As such, our revenue is dependent also upon the efforts of our Agency Managers, and any growth in future sales volume will require an increase in the productivity of our in-house sales team and our Agency Managers.

Our Group's Agency Manager Programme allows our Agency Managers to represent our Group in eleven (11) locations as our sales and service centres. The Agency Managers have, as at the LPD, acquired 250 Merchants. The agreements entered into between the respective Agency Managers and our Group would prohibit the Agency Managers from directly or indirectly, own, maintain, engage in the operation of other directly competing business. However, these Agency Managers are not bound to remain with our Group after the expiry of the agreements between our Group and the Agency Managers. Hence, these Agency Managers do not have an obligation to continue to market and sell our products, or to achieve any targets which may be set for them by our Group. In addition, the agreements entered into between the respective Agency Managers and our Group provides that the Agency Managers shall not, for a period of two (2) years after the termination of the agreements, engage in or participate in the operation of any business which is similar to our Group within a radius of ten (10) kilometres of the location specified in their respective agreements. However, there can be no assurance that the Agency Managers may not be attracted to other similar opportunities. Should this happen, and if the Agency Managers persuaded the Merchants to switch to other Financial Institutions, the business and performance of our Group may be adversely affected.

Our Group recognises this risk and has taken steps to mitigate it by having in place commission and motivation programmes organised from time to time to maintain the level of dedication, commitment and loyalty of the Agency Managers to our Group. In addition, our Group has in place agreements with the Agency Manager for a duration of up to ten (10) years and shall be automatically renewed for another period of up to ten (10) years on the expiry thereof until terminated by either party by giving not less than ninety (90) days notice prior to any renewal date. The salient terms of our Agency Manager Programme agreement are set out in Section 6.15(b) of this Prospectus.

4. RISK FACTORS (Cont'd)

The enforceability of our Agency Manager Programme agreement entered into between our Agency Managers and our Group are governed by the laws of Malaysia. In the event of any default from our Agency Managers, our Group has the right to, amongst others, terminate the said agreement and the Agency Manager shall cease all such usage of our Group's proprietary information and proprietary marks. In addition, for any liability for breach as a result of our Agency Manager's default, the Agency Manager shall indemnify our Group for any losses or damages incurred by our Group. The Agency Manager Programme agreements are governed under Section 10 of the Malaysian Contracts Act, 1950 which deals with the contractual relationship of parties and constitute legal, valid and binding obligations which are enforceable against the parties under Malaysian laws and are structured to limit our Group's exposure to liabilities which may arise from any breaches or defaults by our Agency Managers.

4.1.11 Credit Card charged back risk

Our Group is subject to the credit risks of our Merchants being unable to satisfy obligations for which our Group also may be liable. For example, our Group and our Merchants are contingently liable for transactions originally acquired by the Acquiring Bank that are disputed by the Card holders and charged back to the Merchants. If the Acquiring Bank is unable to collect this amount from the Merchants, due to the Merchants' insolvency or other reasons, our Group will bear the loss for the amount of the refund paid to the Card holders. As at the LPD, there is no payment made or obligation force on us arising from our Merchant's failure to satisfy their Credit Card charged back obligations for the past three (3) FYEs 2007 to 2009 and the FPE 2010. To mitigate these risks, our Group has in place a credit control monitoring process and upfront collection of terminal deposit as collateral as well as executing a customer agreement which allows our Group to take legal actions against any defaulted Merchants. Notwithstanding that, it is possible that a default on such obligations by one or more of our Group's Merchants could have a material adverse effect on our Group's business.

4.1.12 Financial risk

We are reasonably comfortable with our present gearing position. Based on our proforma financial statements for the FPE 2010, our total borrowings of approximately RM214,000 represent a gearing ratio of 0.01 times.

Notwithstanding the above, there is no assurance that there will not be any future development or event, which will require us to seek additional capitals/funds and that if such additional capitals/funds are so required, they will be available or, if available, will be on terms and conditions satisfactory to us. Further, the issue of additional equity in our Company in the future for the purpose of raising additional capital/funds, if any, may result in a dilution to the percentage equity holding of our shareholders upon our Listing.

4.1.13 Foreign exchange fluctuations

Save for the purchase of the EDCPOS Terminals on demand basis which exposed our Group to foreign currency risks, our operations are not subject to foreign exchange risk as our revenue and operating expenses are denominated in RM. However, with BNM's efforts, the exchange rate of RM vis-à-vis other major foreign currencies, which is being operated on a managed float basis, will be closely monitored where the value of RM is determined by economic fundamentals to ensure, amongst others, that the exchange rate of RM remains stable and close to its fair value.

Notwithstanding with such efforts, there is no assurance that any currency control will not recur or any future significant fluctuations in foreign exchange rates and financial crisis will not occur, which may adversely affect our revenue and earnings. As at the LPD, we do not use forward contracts or other derivative instruments to mitigate this risk. Notwithstanding that, our Group may undertake hedging activities for future spending, if required, against foreign exchange fluctuations.

4. RISK FACTORS (Cont'd)

4.1.14 Protection of intellectual property rights

Our Group's success is also dependent on our ability to protect our intellectual property, which includes our proprietary technologies.

Intellectual property laws in Malaysia afford protection in various forms, such as trademark protection, copyrights, patents and industrial design. Companies that deal heavily with intellectual property, such as software and hardware design, must therefore, take necessary precautions to safeguard against unlawful duplication, use and exploitation of these proprietary rights by third parties. Our Group enjoys copyright protection over the literary aspects of our products, including but not limited to the source code for software products, by virtue of the Copyrights Act, 1987.

As at the LPD, our Group has appointed Naqiz & Partners as our trademark agent to facilitate the registration of our logos as trademarks set out in Section 6.17 of this Prospectus.

Our Group's proprietary technology, which is primarily in the form of software, is protected by copyright laws applicable in Malaysia. These software comprises a series of computer programmes developed in-house to enable seamless integration between the EDCPOS Terminals and Host Application Server to facilitate Credit/Debit Cards payment transactions. In securing these rights, our Group has put in place several security measures to protect our proprietary technology, including never revealing the source codes of our Group's software to our customers to whom the software is sold, and having built-in controls in some of the software developed by our Group which will lock a particular copy of the software onto the hardware on which it is running, thus preventing any unauthorised copying of the software. The nature of our Group's software also acts as a barrier against illegal usage as specialised knowledge and familiarisation with the software is required to make it work, and most of our software requires special training and domain knowledge to develop or customise; hence, such software is often sold to customers bundled with our Group's professional services.

However, even with the steps taken by the Company to secure these rights, there can be no assurance that our Group will be able to protect our proprietary rights against unauthorised third party copying, use or exploitation, any of which could have a material adverse effect on our Group's business, operating results and financial condition.

Third parties may challenge or dispute our Group's intellectual property rights in terms of, amongst others, title and third party intellectual property rights infringement and our Group could incur substantial costs in defending or prosecuting any claims relating to our intellectual property rights. Issues relating to intellectual property rights can be complicated and there can be no assurance that disputes will not arise or that any disputes in relation to the disputes could be time consuming, cause delays in introducing new or improved products and services or require that our Group discontinue using the challenged technology, and could have a material adverse effect on our Group's reputation, business, operating results and financial condition.

Intellectual property generated by our employees during their course of employment are governed by the principles of "work for hire", which permits our Company to retain the legal rights relating to such intellectual property save and except where an express alternative ownership arrangement is reached between our employee and our Company. However, as at the LPD, no such agreement has been entered into between our Group and any of our employees.

4. RISK FACTORS (Cont'd)

4.1.15 Change in or loss of MSC status

MPSB and Sinatec were granted MSC status in 2001 and 2006 respectively by MDeC. MDeC is the body responsible for assessing and monitoring all MSC status companies. As MSC status companies, MPSB and Sinatec enjoy certain financial and non-financial incentives which are guaranteed under the Malaysian Government's Bill of Guarantees for MSC status companies.

Amongst others, MPSB and Sinatec are, by virtue of their MSC status, granted pioneer status by MITI under the Promotion of Investments Act, 1986, vide letters dated 30 April 2001 and 7 November 2006 respectively, and enjoy full exemption from paying Malaysian federal income tax for a period of ten (10) years. This exemption only applies in respect of income derived from MPSB and Sinatec's MSC-qualifying activities as set out in its application documents submitted to MDeC at the time when the subsidiaries applied for their MSC status and upon submission of the application for the determination of effective date of Pioneer Status under the Promotion of Investment Act, 1986. As at the LPD, both MPSB and Sinatec have been granted the MSC status. MPSB has enjoyed the benefits accorded in respect to the MSC status granted since 30 April 2001 whereas Sinatec has applied to MDeC for the effective date of its pioneer status. On 5 April 2010, MDeC has informed Sinatec that they have submitted its application to the MITI for the determination and commencement of effective date of its pioneer status. On 23 June 2010, the MITI has informed Sinatec that the effective date for the commencement of its pioneer status shall be 7 November 2006. MPSB and Sinatec will be subjected to pay statutory income tax upon the expiry of its pioneer status.

Apart from the tax exemptions, the incentives of having the MSC Status to our Group, amongst others, are as follows:

- (i) eligible for R&D grants that is exclusive to majority Malaysian ownership MSC Status companies such as large MSC Research Grant, Anchor Project for MSC Flagship Application, Thrust Project for Vertical Community and Special Grant which promote ICT adoption at national level;
- (ii) MDeC provide a comprehensive regulatory framework of intellectual property protection and cyberlaws to facilitate and assist the development of a truly ICT and multimedia environment;
- (iii) ensure freedom of ownership of companies;
- (iv) easy access to foreign expertise and investment; and
- (v) profiling of our Group by MDeC's Industry Development Division whose primary objective is to increase Malaysia ICT competitiveness and ICT business revenue growth.

Furthermore, whilst it is usual for MSC status to be conferred so long as MPSB and Sinatec continue to comply with the conditions for MSC status as set out in the grant of MSC status by MDeC, MDeC has the right to revoke or withdraw the subsidiaries' MSC status at any time at its discretion. Although MPSB and Sinatec believe that they have and will continue to be able to fulfil the conditions of MSC status, there can be no assurance that MPSB and Sinatec will continue to retain their MSC status or that they will continue to enjoy the benefits accorded to MSC status companies. If MPSB and Sinatec lose their MSC status, they will cease to be entitled to the benefits accorded to MSC status companies. A loss or suspension of MSC status could subject MPSB and Sinatec to be liable to pay statutory income tax.

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4. RISK FACTORS (Cont'd)

4.1.16 Dependence on our Managing Director and key management personnel

Our present success and achievements are largely attributable to the concerted efforts and invaluable experience of our Managing Director and key management personnel. We believe that our continued success in the future will, to a certain extent, hinge on our abilities to retain our existing Managing Director and key management personnel. As such, loss of our Managing Director and/or key management personnel could have a material effect on our business, performance and continuing ability to compete effectively in the industry.

We recognise the importance of our ability to attract and retain our key management personnel and have in place a human resource strategy, which includes the maintenance of a competitive remuneration package and the opportunities for long-term career development for our employees. In addition, we have included Pink Form Allocations for our eligible employees pursuant to our Listing with the objective of providing added motivation and incentive for them to remain with us through equity participation. Efforts have been made to promote and groom lower and middle management staff to gradually assume the roles and responsibilities undertaken by the senior management team to ensure continuity in our management team and thus providing a clear management succession plan. Nonetheless, there can be no assurance that we will be able to recruit, develop and retain adequate number of highly skilled and motivated employees.

4.1.17 Security breaches or system failures

The success of our Group's business is also dependent on our ability to provide secured transmissions of confidential information over network accessible to the public which is subject to capacity limitations, breaches of security by computer viruses, sabotage, break-ins and other factors. As a mitigating factor, our Group has installed firewalls and anti-virus software to protect our e-commerce, loyalty and payment Hosting Application Servers and provided a 24-hour service helpdesk personnel with mobile phones.

Despite a variety of network security and alternative measures taken by our Group, our Group cannot assure that unauthorised access, computer viruses, accidental or intentional actions and other disruptions will not occur. Advances in technology capabilities, new discoveries in the field of cryptography or other developments may result in a compromise or breach of the technology that our Group uses to protect confidential customer and end-user data stored on or transmitted through our e-commerce, loyalty and payment Hosting Application Servers. In addition, any of these occurrences may cause systems failures, interruptions in service or reduced customer capacity, which could have an impact on our Group's ability to acquire, manage or service our customers or partners and could materially and adversely affect our Group.

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4. RISK FACTORS (Cont'd)

4.1.18 Litigation

Our Group's agreements with our customers and the Acquiring Banks typically contain provisions designed to limit our Group's exposure to potential product and/or service liability claims. As at the LPD, our Group has not experienced any material product and/or service liability claims. It is possible, however, that the limitation of liability provisions contained in our Group's customer agreements and/or Acquiring Bank agreements may not be effective as a result of existing or future laws or unfavourable judicial decisions. As our Group has not purchased any product liability insurance, there is a risk that our Group's interests may not be adequately protected in the event of a potential litigation. However, our Group, as a payment enable service provider that provides Managed Electronic Payment Solutions to our customers and the Acquiring Banks, hence, our Group's liability is limited by the terms and conditions of the agreements between our Group and the customers and the Acquiring Banks. As at the LPD, our Group has adhered to the terms and conditions of our arrangements with our customers and the Acquiring Banks and our management will continue to comply with the terms and conditions in delivering our products and services which are generally non-mission critical solutions as failure or disruption of our solutions will not result in the failure of our customers and Acquiring Banks' business operations.

Save for the litigation risks as disclosed above, our Group does not anticipate litigation risks arising from the Merchants acquired by our Agency Managers as our Agency Managers are to adhere strictly to the operation manual provided by our Group in soliciting and acquiring Merchants. In the event should there be any non-adherence by any of our Agency Managers in their solicitation and acquisition of Merchants, our Group may be exposed to potential claims from the Acquiring Banks due to breach of representations and warranties. As such, we have taken proactive measures to mitigate any potential litigation arising therefrom by executing the Agency Manager Programme agreement. Detail of the salient terms of Agency Manager Programme agreement is set out in Section 6.15 of this Prospectus.

In addition, our Group has also entered into the following agreements with the Merchants and has not experienced any material product and/or service liability claims:

- (i) customer agreement that protects our Group from possibility of chargeback imposed by the Financial Institutions; and
- (ii) terminal rental/assignment agreement to protect our Group from the losses of terminal rental income and terminals.

These agreements entered with the Merchants limit our Group's liabilities on matters such as obligations, compliance, authorisation of transaction, chargebacks and disputed transactions, liabilities, indemnities, confidentiality and trademarks.

4.1.19 Change in policy by Financial Institutions regarding Merchant Acquisition/ recruitment

The change in policy by Financial Institutions to conduct Merchant Acquisition and/or electronic payment services in-house rather than outsource to a third party provider would pose a threat to existing electronic payment solution providers, as this would translate to a loss of business in these areas for the service providers. Most industry players are cognizant of this possibility, and many have moved to mitigate this risk by offering additional services other than the existing Merchant Acquisition or Merchant services. These other services include internet, mobile and cash Card payment services; Card personalisation services; loyalty management services; and other ICT-related services, among others.

4. RISK FACTORS (Cont'd)

4.1.20 Lack of long-term contracts limits our ability to secure long-term and consistent streams of income from our customers

Our Group has not entered into any long-term contracts with our customers for the provision of our products and services. Save for the MATTA Co-branded Card – Management of Loyalty Programme agreement entered into between Sinatec and EON Bank, which has fix duration, generally, any contract entered into by our Group spans over a period of two (2) to five (5) years. The lack of long-term contracts is mainly due to the present industry practice where Financial Institutions do not normally enter into long-term contracts for better priced service packages from other service providers.

Consequently, the financial performance of our Group would be dependent on our ability to continuously secure new contracts on a consistent basis. Failure to do so may have a material adverse impact on our Group.

However, our Group has established long standing and cordial relationships with majority of our customers which provides us with business continuity and growth and mitigate the absence of such long-term contracts.

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4. RISK FACTORS (Cont'd)

4.1.21 Risks relating to conflict of interests

As at the LPD, our Group's principal activities are dependent on the relationships with the Acquiring Banks and their relative intents to acquire Merchants. Currently, our Group has entered into the following agreements with EON Bank and MBB respectively for the Merchant Acquisitions activities:

- (i) MATTA Co-branded card – Management of Loyalty Programme agreement dated 15 January 2008 unless otherwise terminated by either party due to breaches or non-compliance with the agreement (with EON Bank); and
- (ii) External Sales Agent Merchant Recruitment agreement dated 15 September 2009 and expiring on 14 September 2011 (with MBB).

The above banks have business relationship of more than nine (9) years with our Group. We note the purposes for both the agreements maybe however similar, our Board is of the opinion that there is no conflict of interests between the External Sales Agent Merchant Recruitment agreement and MATTA Co-branded card – Management of Loyalty Programme agreement as the following salient differences between these agreements are summarised below:

- (i) MATTA Co-branded card – Management of Loyalty Programme agreement: EON Bank appointed Sinatec to recruit Merchants who wish to participate in the MATTA Loyalty Programme, manage and operate the MATTA Co-branded Card namely a Credit or prepaid Card which allows the Cardholders to earn MATTA Co-branded loyalty points and to obtain discounts, rebates or other privileges offered by any Merchant recruited under the MATTA loyalty programme. This affinity programme was established for the MATTA community and EON Bank where the Merchants affiliated to the tourism industry were sourced and recruited.
- (ii) External Sales Agent Merchant Recruitment agreement: MBB appointed MPSB to source and recruit interested parties to participate in its Card acceptance program in accordance with the selection criteria determined by MBB whereby MPSB shall install the required EDCPOS Terminals at the Merchants' outlets to enable payments by way of a Charge, Credit and/or Debit Card. Unlike the MATTA Co-branded Card – Management of Loyalty Programme agreement which specifically targets Merchants affiliated to the tourism industry, this agreement with MBB is to source, recruit and install EDCPOS Terminals across the industry wide.

In addition to the above and as a mitigating factor, our management has incorporated separate legal entities in their own rights to undertake the scope as provided by the agreements. Premised on these, our Board is of the opinion that agreements entered by our Group will not give rise to any conflict of interest situation. Notwithstanding the mitigating factor, Naqiz & Partners, our legal adviser for the IPO has also given their views via their legal memorandum dated 20 August 2010 to concur with our management's opinion and adding that the services provided by the two (2) entities under each agreement are different and as such there would be no conflict of interest between the two (2) agreements.

4.1.22 Unfavourable economic, social and political conditions

Any adverse change in the political, economic and regulatory environment and uncertainties in Malaysia and regions where we operate could have unfavourable effect on our financial and business prospects. These include but not limited to the risk of war, terrorist attacks, riots, changes in political leadership, global economic downturn and unfavourable changes in the governmental policies such as changes in the methods of taxation, interest rates, licensing or introduction of new regulations and method of taxation in which we operate in. Whilst we would continue to take effective measures such as prudent financial management and continue seeking new markets, there is no assurance that any change to these factors will not materially and adversely affect our financial position or business in the future.

4. RISK FACTORS (Cont'd)

4.1.23 Economic costs of regulatory compliance

There may be changes in general company and contract laws, and other specific legislation or regulations introduced by the Government such as the recently imposed service tax of RM50.00 per principal Card and RM25.00 per supplementary Card to be charged to each principal Cardholder may have adverse impact to our revenue. However, our Board does not expect the revenue of our Group to be materially affected. Unlike the service providers that focus on Credit Card holders acquisition will be materially affected due to the reduction of Credit Card applicants, our business activities do not include the procurement or acquisition of Credit Card holders.

The Directors are unable to predict whether any of this potential legislation and/or regulation will be enacted or changed that may affect the operations of our Group in the future. Notwithstanding the abovementioned, our Group strives to keep abreast with the legislative and regulatory development and constantly upgrade our product offerings to counter any adverse impact in order to remain profitable.

4.1.24 Risk of disruption to our Business Process Outsourcing operations

As at the LPD, all of our business activities are carried out within our rented premises except for our Business Process Outsourcing activities which is operating from Wisma EON Bank. In the provision of this service, both EON Bank and our Business Process Outsourcing center has complied with the processes and security tests required by Visa International and MasterCard WorldWide in accordance with EMV standards to which, our Group has invested a substantial amount in installing, commissioning and professional work for adhering to these requirements. Our Board is of the view that should EON Bank decides to discontinue our Business Process Outsourcing activities on the aforementioned premise or re-evaluate the existing contract entered between EON Bank and Whatdevice due to reasons, amongst others, business right sizing or downsizing, our Business Process Outsourcing operations may be disrupted as it would have to source for new contract to utilise our equipment on a short notice and would have to incur relocation, installation and regulatory costs. However, our Board is of the view that our Group enjoys a cordial relationship with EON Bank for the past seven (7) years and this relationship is expected to continue. As at the LPD, our Board has no knowledge of any potential disruption to the operations of our Business Process Outsourcing.

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4. RISK FACTORS (Cont'd)

4.2 RISKS RELATING TO THE INVESTMENT IN OUR SHARES

4.2.1 No prior market for our Shares

Prior to our Listing, there was no public trading for our Shares. Accordingly, there can be no assurance that an active market for our Shares will develop upon our Listing or, if developed, that such market will be sustained. The Issue Price was determined after taking into consideration a number of factors including but not limited to our historical earnings, prospects and future plans, and our financial and operating history before the issue of the Prospectus. There can be no assurance that the Issue Price will correspond to the price at which our Shares will be traded on the ACE Market of Bursa Securities upon or subsequent to our Listing or that an active market for our Shares will develop and continue upon or subsequent to our Listing.

The price at which our Shares will trade on the ACE Market of Bursa Securities after the IPO may be influenced by a number of factors including, amongst others, the depth and liquidity of the market for our Shares, investors' individual perceptions of our Group, market and economic conditions, etc.

4.2.2 Failure / Delay in or abortion of the Listing

Our Listing is exposed to the risk that it may be aborted or delayed on the occurrence of any one or more of the following events:

- (i) force majeure events or events/circumstances, outside the control of our Group such as systemic interruption or failure of electricity or telephone service, which are beyond the control of our Company and/or Underwriter, arising prior to our Listing;
- (ii) the identified investors fail to subscribe for the portion of the Issue Shares by way of private placement pursuant to our IPO;
- (iii) the eligible employees and/or persons who have contributed to our success fail to subscribe for their respective portions of our Issue Shares allocated to them pursuant to the Pink Form Allocations;
- (iv) the Underwriter exercising their rights pursuant to the Underwriting Agreement discharging themselves from their obligations therein; and
- (v) we are unable to meet the public shareholding spreads requirement, which is at least 25% of our total number of Shares for which listing is sought must be held by a minimum number of 200 public shareholders holding not less than 100 shares each upon the completion of our IPO and at the point of Listing.

In this respect, we will exercise our best endeavour to comply with the Listing Requirements with regard to paragraph (v) above. However, there can be no assurance that the abovementioned factors/events will not cause a delay in or non-implementation of our Listing.

4.2.3 Continued control by existing shareholders

Upon Listing, the Promoters, substantial shareholders and person(s) connected with them will collectively hold a total of approximately 69.00% of our enlarged issued and paid-up share capital. Depending on how they choose to vote and because of their shareholdings, these shareholders will generally be expected to have significant influence on the outcome of certain matters requiring the vote of our shareholders unless they are required to abstain from voting by law and/or as required by the relevant authorities. Nevertheless, as a step towards good corporate governance, we have appointed two (2) Independent Directors and set up an Audit Committee to ensure that, inter-alia, all future transactions involving related parties are entered into at arm's length basis, on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of our minority shareholders.

4. RISK FACTORS (Cont'd)

4.3 OTHER RISKS

4.3.1 Forward-looking / Prospective statements

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

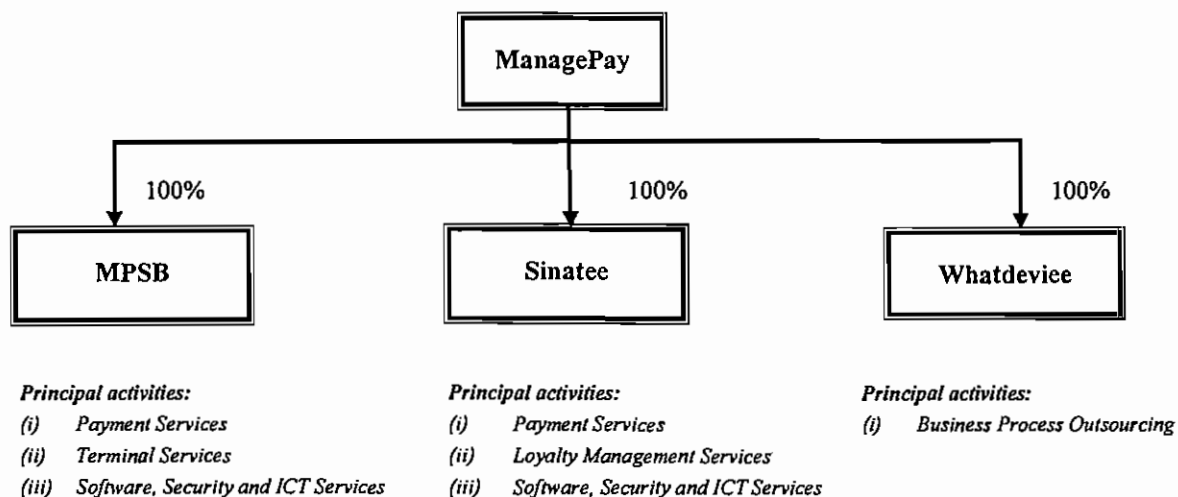
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5. INFORMATION ON OUR GROUP

5.1 HISTORY AND BUSINESS

Our Company was incorporated in Malaysia under the Act on 26 January 2010 as a private limited company under the name of ManagePay Systems Sdn Bhd. Subsequently, on 31 March 2010, we converted our Company into a public limited company and assumed our present name.

As at the LPD, our Company has three (3) wholly-owned subsidiaries, MPSB, Sinatec and Whatdevice. We do not have any associated company. The structure of our Group is set out below:



Details on the subsidiaries of our Group are set out in Section 5.4 of this Prospectus.

The history of our Group begun with the incorporation of MPSB. In June 2000, MPSB started as a technology solutions provider focusing on a variety of ICT and technology-related business activities such as Java software development, e-business consultancy services, telecommunication equipment sales and smart card technologies for mobile operators.

Subsequent to the incorporation of MPSB, Sinatec and Whatdevice were incorporated in August 2000. The incorporation of Sinatec was to offer business application in Microsoft platform with ERP and CRM as its primary focus, whilst, Whatdevice was incorporated to sell mobile phones on the internet. On 24 July 2002, Sina Consulting Sdn Bhd was incorporated to offer software development, programming, analysis and design mainly to cater for system integration and customisation work. These companies were incorporated as stand-alone entity.

On 30 April 2001, MPSB was granted MSC Status to undertake variety of ICT and technology-related business activities which were primarily based on Java software development platform.

5. INFORMATION ON OUR GROUP (Cont'd)

In 2002, MPSB collaborated with University Sains Malaysia ("USM") to carry out R&D activities in portal system, e-commerce engine and payment gateway solutions. The R&D activities were conducted in Kompleks Eureka, USM Minden campus to work closely with the dean and professors of the School of Computer Science, USM. This collaboration has culminated into MPSB securing the MSC Grant Scheme awarded by MOSTI amounting to RM2.78 million. Subsequently, additional R&D centre was set up in Century Square, Cyberjaya utilising the abovementioned grants. Both the R&D centres in Kompleks Eureka and Century Square were relocated to our existing R&D facilities in NeoCyber in year 2007.

On 21 August 2001, MPSB has acquired the entire equity interest of Sinatec for a consideration of RM250,000. This acquisition was made to merge the software programmers of MPSB and Sinatec (collectively referred to as "MPSB Group") as both the companies have similar capability albeit their technology platforms used to develop and provide solution are different. MPSB concentrates on Java platform whereas Sinatec uses the Microsoft platform for their product development respectively.

In 2004, MPSB Group saw an opportunity to develop a recurring revenue income arising from the years of assisting Financial Institutions and large Merchants to integrate value-added systems such as prepaid top-up for mobile airtime into our EDCPOS Terminals. From these experiences, the MPSB Group and Whatdevice have developed competencies in the areas of message format and communication flow for the electronic payment transactions ("ISO 8583") and standard for authenticating Credit and Debit Card payments ("EMV compliances") respectively for both the EDCPOS Terminals and Host Application Servers solutions. MPSB Group and Whatdevice were invited by Financial Institutions to participate in tenders and quotations for their Credit/Debit EMV migration projects which required vendors with experience in ISO8583, EMV Cards and EDCPOS Terminals. In this connection, the MPSB Group and Whatdevice were successfully secured three (3) major contracts which paved the way to build a business model that generates recurring revenue. The brief information of the three (3) contracts is set out below:

| Subsidiary | Financial Institutions | Name of project | Status |
|------------|---|--|--------------|
| MPSB | EON Bank | ▪ Letter of award dated 7 April 2004 and the subsequent contract dated 1 May 2005 for the Cash Advance Automation System and NAC for the entire EON Bank branch network. | Ongoing. # |
| | Southern Bank Berhad (now known as CIMB Bank Berhad) | ▪ Contract entered into on 1 August 2004 for the in-source EMV Card Personalisation contract. | Completed. * |
| Whatdevice | EON Bank | ▪ Letter of award dated 2 April 2004 and the subsequent contract dated 1 August 2006 for the in-source EMV Card Personalisation contract. | Ongoing. ^ |

Notes:

This contract shall expire on 30 April 2011 unless renewed by mutual agreement.

* *Southern Bank Berhad had on 12 October 2005 purchased the entire in-source set up together with all machinery and ancillary items for a total consideration of RM1.68 million prior to the expiry of the EMV Card Personalisation project.*

^ *This contract shall expire on 31 July 2011 unless renewed by mutual agreement.*

5. INFORMATION ON OUR GROUP (Cont'd)

Realising there are greater potential to develop recurring revenue in the provision of Managed Electronic Payment Solutions instead as a technology solution provider or system integrator, save for Sina Consulting Sdn Bhd which focuses on R&D development of advanced e-commerce portal system and SCICAD, Sinatec and Whatdevice were realigned to focus on electronic payment related activities whereas MPSB was installed to lead the Payment Services and Terminal Services businesses.

To further unlock the potential, in July 2006, Sinatec was demerged from MPSB to focus on Loyalty Management Service whereas in April 2004, Whatdevice was repositioned to focus on the Business Process Outsourcing services. Subsequently, Sinatec was awarded MSC status in November 2006 and started the R&D activities at NeoCyber, Cyberjaya on 1 April 2010.

On 1 July 2009, Sina Consulting Sdn Bhd which was owned by Chew Chee Seng (90%) and Chin Shea Swong (10%) was sold to Chin Yui Long and Lee Boon Aun for a consideration of RM3.64 million. The board of directors of Sina Consulting Sdn Bhd comprised Chew Chee Seng and Chin Shea Swong, together with the other Promoters decided to dispose Sina Consulting Sdn Bhd as an effective way to curb draining resources due to the inadequate revenue recorded by Sina Consulting Sdn Bhd for the past three (3) FYEs 2007 to 2009.

The original cost of investment for SCICAD and advanced e-commerce portal system were RM2.90 million and RM2.30 million respectively.

In December 2009, MPSB acquired SCICAD and advanced e-commerce portal system from Sina Consulting Sdn Bhd in lieu of payment of amount outstanding due from Sina Consulting Sdn Bhd together with the relevant upgrades of approximately RM3.64 million (based on the unaudited net book value of Sina Consulting Sdn Bhd) to expand our Payment Services to include trading exchanges to handle full transaction cycle from procurement to supply chain management to customer relationship management. The purchase was important to us arising from the high possibility of a nationwide SME online service delivery platform implementation by MDeC and after careful deliberation of the benefits, amongst others:

- (i) the scalability of SCICAD and advanced e-commerce system portal which is able to meet MDeC's requirement of a payment solution for trading exchange portal; and
- (ii) the immediate availability and familiarity of the technology used in developing the SCICAD and advanced e-commerce system portal as opposed to developing from scratch which may take approximately six (6) to twelve (12) months or purchasing off-the-shelf product which may require further customisation.

We have, on 23 March 2010, received a letter of intent from MDeC to implement and roll-out SME online service delivery platform utilising SCICAD and advanced e-commerce portal system. On 26 April 2010 we received a purchase order of approximately RM1.55 million to implement and roll-out the first phase of the SME online service delivery platform which was subsequently confirmed by the letter of award from MDeC dated 15 May 2010. On 30 December 2010, we have completed the SME online service delivery platform (which was renamed as Malaysia Digital Enterprise Exchange (MDEX)) by recruiting more than 3,000 SMEs to participate in the said project.

Further details and information relating to our subsidiaries and business overview are set out in Sections 5.4 and 6 of this Prospectus respectively.

5. INFORMATION ON OUR GROUP (Cont'd)

5.2 SHARE CAPITAL

As at the LPD, our authorised share capital is RM25,000,000 comprising 250,000,000 Shares of which RM13,727,319 comprising 137,273,190 Shares have been issued and fully paid-up. Upon completion of our IPO, our enlarged issued and paid-up share capital will be approximately RM18,303,119 comprising 183,031,190 Shares.

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

| No. of Shares allotted | Par value | Consideration/ Types of issue | Cumulative issued and paid-up share capital |
|------------------------|-----------|--------------------------------------|---|
| | RM | | RM |
| 100 | 0.10 | Subscribers' shares | 10 |
| 137,273,090 | 0.10 | Issued pursuant to the Acquisitions | 13,727,319 |
| 45,758,000 | 0.10 | Issued pursuant to the Public Issue | 18,303,119 |
| | | Enlarged issued and paid-up post IPO | <u>18,303,119</u> |

5.3 LISTING SCHEME

In conjunction with and as an integral part of our Listing, we undertook a Listing Scheme which involves the following:

5.3.1 ACQUISITIONS

Pursuant to the SSAs, the details of the Acquisitions are set out below:

(i) Acquisition of MPSB

Our Company entered into the SSA to acquire the entire equity interest in MPSB comprising 3,017,738 MPSB shares from the vendors of MPSB, namely Chew Chee Seng, Dato' Theng Book, Chan Wah Kiang, Chin Shea Fong, Dato' Yap Kuak Fong and Chee Sau Ying @ Chee Shioh Lian for a total purchase consideration of RM11,586,047 fully satisfied via the issuance of 115,860,470 ManagePay Shares at par, as follows:

| Vendors | Equity interest in ←—— MPSB ———→ | | ←— Purchase consideration —→ | |
|------------------------------------|-------------------------------------|---------------|------------------------------|----------------------------------|
| | No. shares | % | RM | No. ManagePay Shares allotted |
| Chew Chee Seng | 1,194,421 | 39.58 | 4,585,756.80 | 45,857,568 |
| Dato' Theng Book | 482,838 | 16.00 | 1,853,766.30 | 18,537,663 |
| Chan Wah Kiang | 603,547 | 20.00 | 2,317,210.20 | 23,172,102 |
| Chin Shea Fong | 495,512 | 16.42 | 1,902,429.70 | 19,024,297 |
| Dato' Yap Kuak Fong | 120,710 | 4.00 | 463,442.00 | 4,634,420 |
| Chee Sau Ying @ Chee Shioh Lian | 120,710 | 4.00 | 463,442.00 | 4,634,420 |
| Total | 3,017,738 | 100.00 | 11,586,047.00 | 115,860,470 |

The purchase consideration for the acquisition of MPSB was arrived at on a willing buyer willing seller basis after taking into account the audited NA of MPSB as at 31 December 2009.

5. INFORMATION ON OUR GROUP (Cont'd)

(ii) Acquisition of Sinatec

Our Company entered into the SSA to acquire the entire equity interest in Sinatec comprising 1,013,475 Sinatec shares from the vendors of Sinatec, namely Chew Chee Seng, Dato' Theng Book, Chan Wah Kiang, Chin Shea Fong, Dato' Yap Kuak Fong and Chee Sau Ying @ Chee Shioh Lian for a total purchase consideration of RM1,209,783 fully satisfied via the issuance of 12,097,830 ManagePay Shares at par, as follows:

| Vendors | Equity interests in ← Sinatec → | | ← Purchase consideration → | |
|------------------------------------|------------------------------------|---------------|----------------------------|----------------------------------|
| | No. shares | % | RM | No. ManagePay Shares allotted |
| Chew Chee Seng | 401,133 | 39.58 | 478,831.80 | 4,788,318 |
| Dato' Theng Book | 162,156 | 16.00 | 193,564.20 | 1,935,642 |
| Chan Wah Kiang | 202,695 | 20.00 | 241,957.30 | 2,419,573 |
| Chin Shea Fong | 166,413 | 16.42 | 198,646.90 | 1,986,469 |
| Dato' Yap Kuak Fong | 40,539 | 4.00 | 48,391.40 | 483,914 |
| Chee Sau Ying @ Chee Shioh Lian | 40,539 | 4.00 | 48,391.40 | 483,914 |
| Total | 1,013,475 | 100.00 | 1,209,783.00 | 12,097,830 |

The purchase consideration for the acquisition of Sinatec was arrived at on a willing buyer willing seller basis after taking into account the audited NA of Sinatec as at 31 December 2009.

(iii) Acquisition of Whatdevice

Our Company entered into the SSA to acquire the entire equity interest in Whatdevice comprising 968,786 Whatdevice shares from the vendors of Whatdevice, namely Chew Chee Seng, Dato' Theng Book, Chan Wah Kiang, Chin Shea Fong, Dato' Yap Kuak Fong and Chee Sau Ying @ Chee Shioh Lian for a total purchase consideration of RM931,479 fully satisfied via the issuance of 9,314,790 ManagePay Shares at par, as follows:

| Vendors | Equity interests in ← Whatdevice → | | ← Purchase consideration → | |
|------------------------------------|---------------------------------------|---------------|----------------------------|-------------------------------------|
| | No. shares | % | RM | No. ManagePay Shares allotted |
| Chew Chee Seng | 383,445 | 39.58 | 368,679.20 | 3,686,792 |
| Dato' Theng Book | 155,006 | 16.00 | 149,035.50 | 1,490,355 |
| Chan Wah Kiang | 193,758 | 20.00 | 186,296.40 | 1,862,963 |
| Chin Shea Fong | 159,075 | 16.42 | 152,949.30 | 1,529,492 |
| Dato' Yap Kuak Fong | 38,751 | 4.00 | 37,259.30 | 372,594 |
| Chee Sau Ying @ Chee Shioh Lian | 38,751 | 4.00 | 37,259.30 | 372,594 |
| Total | 968,786 | 100.00 | 931,479.00 | 9,314,790 |

The purchase consideration for the acquisition of Whatdevice was arrived at on a willing-buyer willing-seller basis after taking into account the audited NA of Whatdevice as at 31 December 2009.

5. INFORMATION ON OUR GROUP (Cont'd)

The 137,273,090 Shares issued pursuant to the Acquisitions rank pari passu in all respects with all then existing Shares and carry all rights to receive in full all dividends and other distributions declared and paid subsequent to the allotment thereof.

Upon completion of the Acquisitions, our issued and paid-up share capital has increased from RM10 comprising 100 Shares to RM13,727,319 comprising 137,273,190 Shares.

5.3.2 Public Issue

In conjunction with our Listing, we are undertaking a public issue of 45,758,000 Shares at the Issue Price comprising the following:

- (a) 32,946,000 Shares by way of private placement to identified investors.
- (b) 3,660,000 Shares will be made available for application by our eligible employees under the Pink Form Allocations.
- (c) 9,152,000 Shares will be made available for application by the Malaysian Public.

5.3.3 Listing and Quotation

Upon completion of the IPO, we shall seek the permission of Bursa Securities for the listing of and quotation for our entire enlarged issued and paid up share capital comprising 183,031,190 Shares on the ACE Market of Bursa Securities.

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5. INFORMATION ON OUR GROUP (Cont'd)

5.4 SUBSIDIARIES

We are an investment holding company with three (3) subsidiaries as set out below:

| Company | Date/ place of incorporation | Authorised share capital | Issued and paid-up share capital | Equity interest % | Principal activity |
|----------------------------------|------------------------------------|--------------------------------|--|-------------------------|---|
| <i>Subsidiaries of ManagePay</i> | | | | | |
| MPSB (516641-W) | 12 June 2000/ Malaysia | 5,000,000 | 3,017,738 | 100 | (i) software development business, marketing of computer software solution, telecommunication and hardware equipment, providing consultancy services in respect of e-commerce, e-business creation, management of web-site and providing maintenance services; and (ii) provision of merchant acquisition services, deploy connectivity infrastructure and terminal equipment for electronic payment between Merchants and Financial Institutions, provide EDCPOS Terminals rentals to Merchants. |
| Sinatec (523495-V) | 14 August 2000/ Malaysia | 5,000,000 | 1,013,475 | 100 | (i) provision of consultancy services in respect of e-commerce, e-business creation, management of web-site, software development, marketing of computer software solution, telecommunication and hardware equipment and providing maintenance services; and (ii) provision of merchant acquisition services, deploy connectivity infrastructure and terminal equipment for electronic payment between Merchants and Financial Institutions, provide EDCPOS Terminals rentals to Merchants, hosting of customer loyalty programme for third party. |
| Whatdevice (523502-A) | 15 August 2000/ Malaysia | 5,000,000 | 968,786 | 100 | Provision of information technology services and consultation and outsource services, amongst others, the contracting of the card personalisation services. |

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5. INFORMATION ON OUR GROUP (Cont'd)

5.4.1 MPSB

(a) History and business

MPSB was incorporated in Malaysia under the Act on 12 June 2000 as a private limited company under its present name. The principal activities of MPSB are:

- (i) software development business, marketing of computer software solution, telecommunication and hardware equipment, providing consultancy services in respect of e-commerce, e-business creation, management of web-site and providing maintenance services; and
- (ii) provision of merchant acquisition services, deploy connectivity infrastructure and terminal equipment for electronic payment between Merchants and Financial Institutions, provide EDCPOS Terminals rentals to Merchants.

MPSB commenced its business operations on 16 June 2000.

(b) Share capital

MPSB's present authorised share capital is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each of which RM3,017,738 comprising 3,017,738 ordinary shares of RM1.00 each have been issued and fully paid-up. The movements in issued and paid-up share capital of MPSB since incorporation are as follows:

| Date of allotment | No. shares allotted | Par value RM | Consideration/ Type of issue | Cumulative issued and paid-up share capital RM |
|-------------------|---------------------|-----------------|---------------------------------|---|
| 12 June 2000 | 2 | 1.00 | Subscribers' shares | 2 |
| 21 August 2001 | 249,998 | 1.00 | Otherwise than cash* | 250,000 |
| 7 August 2002 | 750,000 | 1.00 | Otherwise than cash* | 1,000,000 |
| 30 December 2003 | 1,500,000 | 1.00 | Otherwise than cash* | 2,500,000 |
| 3 December 2009 | 517,738 | 1.00 | Otherwise than cash* | 3,017,738 |

Note:

* Capitalising the amount owing to Chew Chee Seng.

5.4.2 Sinatec

(a) History and business

Sinatec was incorporated in Malaysia under the Act on 14 August 2000 as a private limited company under its present name. The principal activities of Sinatec are:

- (i) provision of consultancy services in respect of e-commerce, e-business creation, management of web-site, software development, marketing of computer software solution, telecommunication and hardware equipment and providing maintenance services; and
- (ii) provision of merchant acquisition services, deploy connectivity infrastructure and terminal equipment for electronic payment between Merchants and Financial Institutions, provide EDCPOS Terminals rentals to Merchants, hosting of customer loyalty programme for third party.

Sinatec commenced its business operations on 14 August 2000.

5. INFORMATION ON OUR GROUP (Cont'd)

(b) Share capital

Sinatec's present authorised share capital is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each of which RM1,013,475 comprising 1,013,475 ordinary shares of RM1.00 each have been issued and fully paid-up. The movements in issued and paid-up share capital of Sinatec since its incorporation are as follows:

| Date of allotment | No. Shares allotted | Par value | Consideration/ Type of issue | Cumulative issued and paid-up share capital |
|-------------------|---------------------|-----------|---------------------------------|---|
| | | RM | | RM |
| 14 August 2000 | 2 | 1.00 | Subscribers' shares | 2.00 |
| 21 August 2001 | 249,998 | 1.00 | Otherwise than cash* | 250,000 |
| 3 December 2009 | 763,475 | 1.00 | Otherwise than cash* | 1,013,475 |

Note:

* Capitalising the amount owing to Chew Chee Seng.

5.4.3 Whatdevice

(a) History and business

Whatdevice was incorporated in Malaysia under the Act on 15 August 2000 as a private limited company under the name of Erenong.Com Sdn. Bhd. and subsequently, on 23 November 2001, it changed its name to its present name. The principal activities of Whatdevice are the provision of information technology services and consultation and outsource services, amongst others, the contracting of the card personalisation services.

Whatdevice commenced its business operations in July 2001.

(b) Share capital

Whatdevice's present authorised share capital is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each of which RM968,786 comprising 968,786 ordinary shares of RM1.00 each have been issued and fully paid-up.

The movements in issued and paid-up share capital of Whatdevice since its incorporation are as follows:

| Date of allotment | No. shares allotted | Par value | Consideration/ Type of issue | Cumulative issued and paid-up share capital |
|-------------------|---------------------|-----------|---------------------------------|---|
| | | RM | | RM |
| 15 August 2000 | 2 | 1.00 | Subscribers' shares | 2.00 |
| 30 January 2004 | 99,998 | 1.00 | Otherwise than cash* | 100,000 |
| 27 April 2004 | 150,000 | 1.00 | Cash | 250,000 |
| 3 December 2009 | 718,786 | 1.00 | Otherwise than cash* | 968,786 |

Note:

* Capitalising the amount owing to Chew Chee Seng.

5. INFORMATION ON OUR GROUP (Cont'd)

Save as disclosed above:

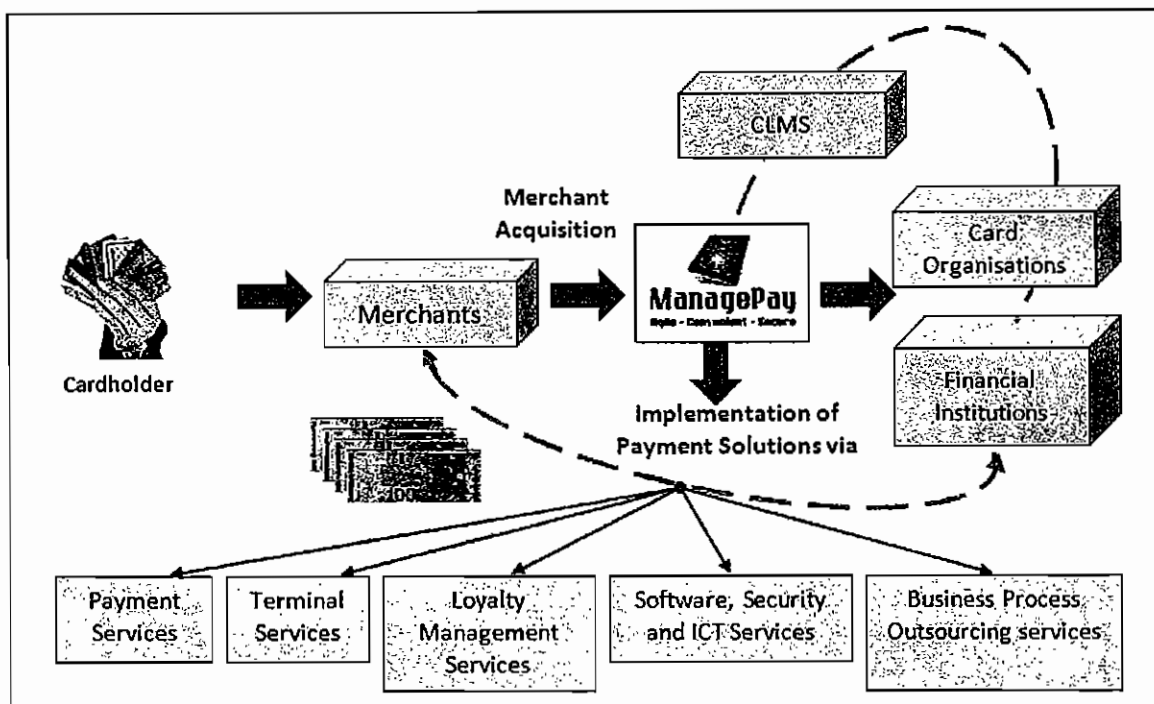
- (i) there have been no changes in the issued and paid-up share capital of our subsidiaries for the past three (3) years up to the LPD;
- (ii) our subsidiaries do not have any subsidiaries or associated companies as at the LPD; and
- (iii) our subsidiaries do not have any outstanding warrant, options, convertible securities or uncalled capital as at the LPD.

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6. BUSINESS OVERVIEW

6.1 PRINCIPAL ACTIVITIES, PRODUCTS AND SERVICES

(i) Our Group’s Managed Electronic Payment Solutions ecosystem



Our business activities predominantly entail recruiting business enterprises to participate in the electronic payment network through Merchant Acquisition exercises. Through our products and services, we provide integrated electronic payment solutions that include installation of the necessary linkages in the form of hardware and software that will link the Merchants to the relevant Financial Institutions and Card Organisations. In addition to that we also offer Loyalty Management Services through our CLMS. Our products and services are further elaborated in Section 6.1(ii) below.

To date, we have been appointed by EON Bank and MBB as Merchant Service Provider. We have also been accredited by MasterCard WorldWide and Visa International as Merchant Service Provider.

(ii) Principal products and services

| | |
|--|---|
| Payment Services | Merchant acquisition and connectivity infrastructure for electronic payment between Merchants and Financial Institutions. |
| Terminal Services | EDCPOS Terminal rentals range from RM50 to RM150 where the rental charges differ among Merchants. |
| Loyalty Management Services | Delivery of loyalty software application as a managed service to business owners. |
| Business Process Outsourcing | Provision of EMV Card Personalisation services. |
| Software, Security and ICT Services | Software development and system integration services. |

6. BUSINESS OVERVIEW (Cont'd)

Our products and services comprises five (5) key components within two (2) main clusters, namely core and value added services.

Core services

- (a) Payment Services; and
- (b) Terminal Services.

Value-added services

- (a) Loyalty Management Services;
- (b) Business Process Outsourcing; and
- (c) Software, Security and ICT Services.

(a) Payment Services

Our Payment Services entail integrating the necessary linkages between the Merchants and the relevant Financial Institutions and Card Organisations. This includes providing the following:

- (i) front-end interface – rolling-out of the EDCPOS Terminals or non-terminals (internet or mobile) interface that captures data; and
- (ii) network connectivity – building switching networks called NAC to transfer data to relevant Host Application Servers.

As we have the relevant expertise in Electronic Payment Solutions industry value chain, we are able to customise our products and services based on the respective customer's needs. Through our products and services, our payment solutions ensure secure payment transactions across numerous channels. Irrespective of the platforms used, once the payment request is submitted, our solutions shall ensure that the purchase transactions are being processed. As the technology continues to evolve rapidly, we strive to keep abreast with new developments in the industry. Thus, allowing us to provide the latest technologies for the Payment Services to our customers.

Transaction process

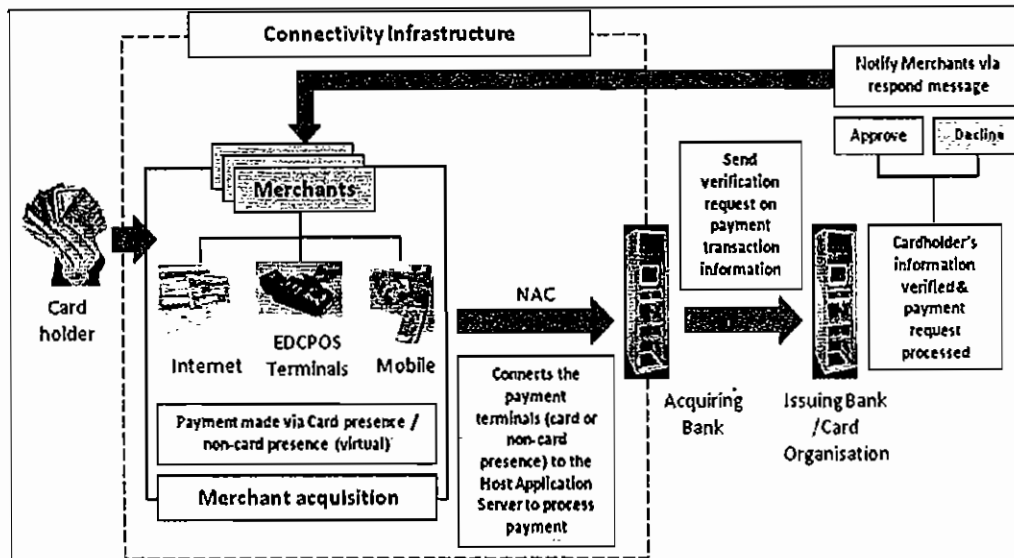
Typically, a Card-based transaction travels from the EDCPOS Terminals or other non-terminals interface through a series of integrated networks for authorisation against the Cardholder's account. These integrated networks include that of the Acquiring Bank (and Issuing Bank if applicable) as well as the Card Organisations.

The transaction data contains information derived from the Card (e.g. the account number), the EDCPOS Terminals and other non-terminals interface (e.g. the Merchant number), transaction details (e.g. the amount), together with other data which may be generated dynamically or added by intervening systems. The Issuing Bank's Host Application Server will either approve or decline the transaction and generates a response message that is delivered back to the EDCPOS Terminal or other non-terminal interface in real time.

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6. BUSINESS OVERVIEW (Cont'd)

Figure 1: Transaction process for Payment Services



Note:

The dashed lines indicate our Payment Services.

(b) Terminal Services

To customers who only require the hardware for payment solutions, we will provide EDCPOS Terminal installation and maintenance services. Our EDCPOS Terminals (front-end) interact with network programmes and softwares (at the back-end) in the electronic payment network structure. The EDCPOS Terminals read or acquire information from chip-based Credit/Debit/Charge Cards, which are verified against a Card issuing system.

Our EDCPOS Terminals are deployed at cashier counters in any Merchant stores and outlets throughout Malaysia. As value-added services, we also provide training sessions to our customers if we are requested to. Since all EDCPOS Terminals are simple and easy to use the time required for user training is minimised. We also offer 24-hour customer support services on a daily basis. The key features of EDCPOS Terminals are as below:

Communication type: (i) dial-up
(ii) leased line
(iii) mobile wireless
(iv) fixed wireless

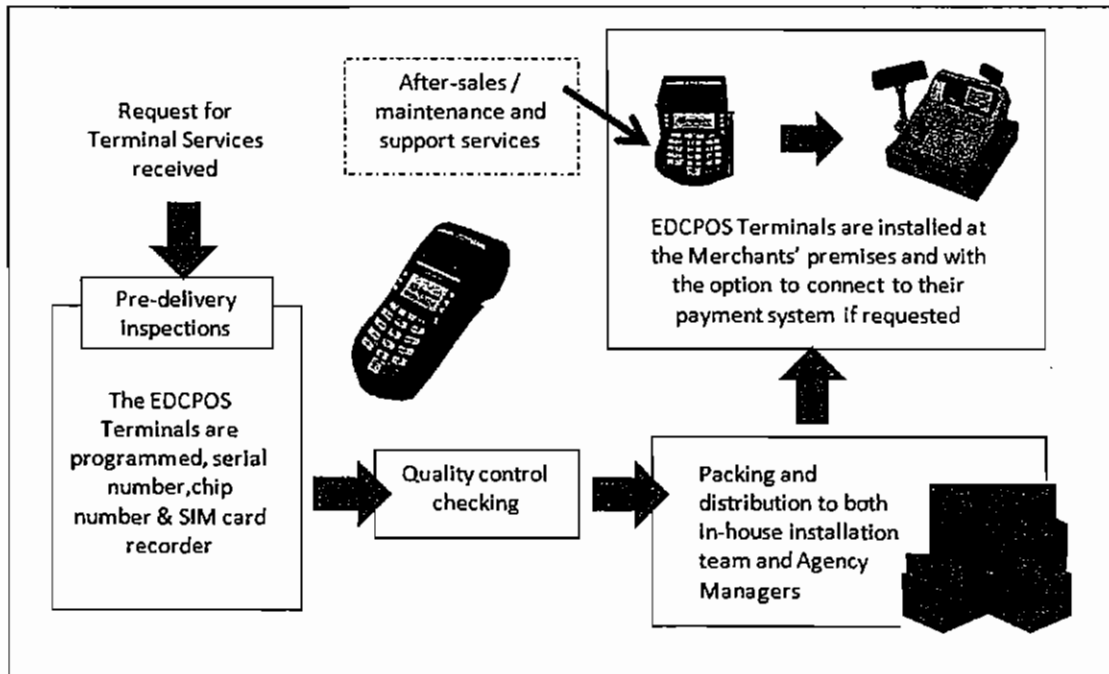
Features: (i) Card reader: both magnetic stripe and smart Card (chip-based)
(ii) small footprint; light weight
(iii) high security, Payment Card Industry (PCI) PIN Entry Device (PED) certified
(iv) multi-lingual (selectable)
(v) large paper roll
(vi) multi-merchant identity

6. BUSINESS OVERVIEW (Cont'd)

Installation process

First, we receive a request for EDCPOS Terminal installation from the Financial Institutions. Next, our customer service team performs internal preparations and final quality checks on the EDCPOS Terminals. If satisfactory, the EDCPOS Terminals are installed at the Merchants' outlet(s) and user acceptance test would be carried out together with on-site user training. Following which, we provide after sales maintenance and support services. The installation process for our Terminal Services is illustrated in the diagram below.

Figure 2: Installation process for our Terminal Services



(c) Loyalty Management Services

Loyalty Programmes are designed to enhance brand loyalty among customers. By offering special rewards and perks, Loyalty Programmes encourage consumers to be 'loyal' to a particular brand/Merchant. Rewards may be based on the monetary value of purchases made or on the frequency of purchases. A good loyalty management program should be able to enhance the customers' experience at Merchants' outlets.

Recognising the benefits of Loyalty Card systems to both consumers and Merchants, our Group has developed a loyalty management system called CLMS. CLMS is a system comprising a single loyalty Card issuer with multiple Merchants. Through our CLMS, Cardholders will be able to earn points and/or bonuses when they spend at selected Merchant outlets. From this, they will be able to redeem gifts and/or rewards at other participating Merchant outlets. In view of this, our CLMS is able to attract new Cardholders while retaining existing ones.

Our CLMS also manages the following key functions:

- (i) sales transactions and Cardholder data collected at the point of sale;
- (ii) loyalty point enquiries;
- (iii) loyalty point accumulation and redemption; and
- (iv) loading and managing Cardholder details.

6. BUSINESS OVERVIEW (Cont'd)

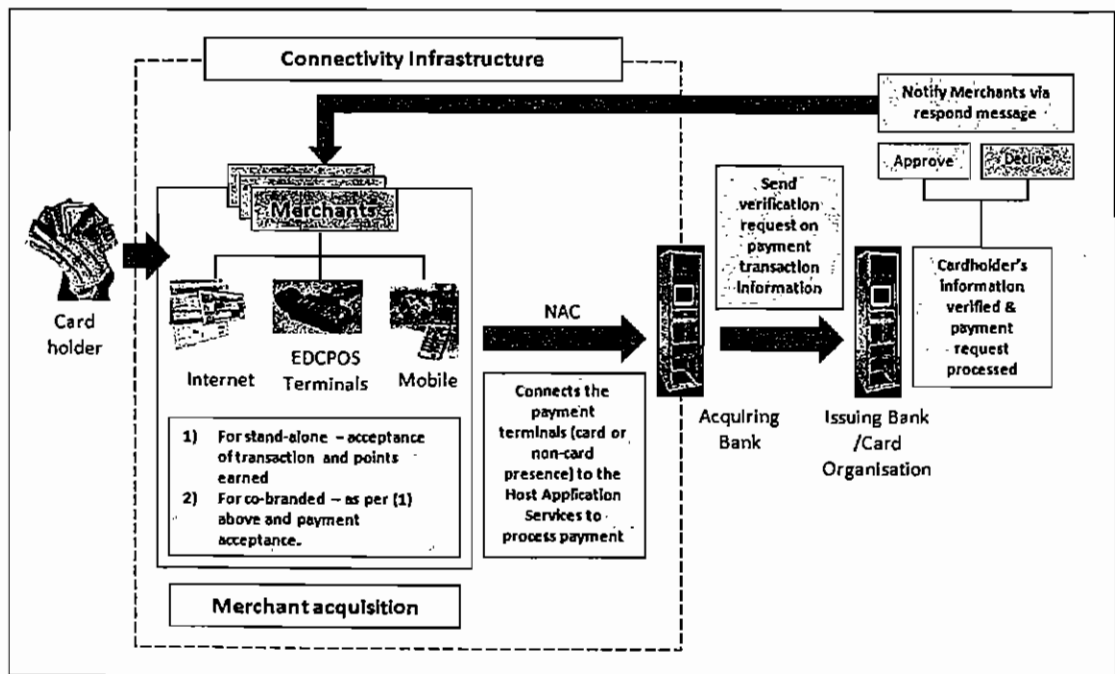
Transaction process

The Loyalty Card-based transaction (includes the co-branded Credit Card-based Loyalty Cards and standalone Loyalty Cards) travels from EDCPOS Terminals or other non-terminals interface through a series of integrated networks for authorisation against the Cardholder's account. These integrated networks include that of the Acquiring Bank (and Issuing Bank if applicable), Card Organisations and CLMS Host Application Server, which will communicate with one another.

The transaction data contains information derived from the Cards (e.g. the account number), the EDCPOS Terminals and other non-terminals interface (e.g. the Merchant number), transaction details (e.g. the amount), together with other data which may be generated dynamically or added by intervening systems. The Issuing Bank's Host Application Server and/or CLMS Host Application Server will either approve or decline the transaction and generates a response message that is delivered back to the EDCPOS Terminals and other non-terminals interface in real time.

When a loyalty Cardholder makes a purchase at participating Merchant outlets, points are earned which are then captured by the EDCPOS Terminals or other non-terminals interface. Once the transaction has been approved, the information is then relayed to the CLMS Host Application Server which will process and update the Cardholder's earned points. Depending on CLMS customers' requirement (e.g. MATTA), the points can be updated in real time or at the end of business day. Our Group's CLMS enables the loyalty Cardholder to redeem points earned either at participating Merchant outlet(s) or via online. The transaction process for our CLMS is illustrated in the diagram below.

Figure 3: Transaction process for our Loyalty Management Services



Notes:

- ¹ The transaction process within the straight lines indicates our standalone Loyalty Management Service, which only facilitate the processing of points earned by Cardholders.
- ² The transaction process within both the straight line and the dashed lines indicate our co-branded Loyalty Management Service, which includes processing of both payment transactions made by Cardholders and the points earned relating to that payment.

6. BUSINESS OVERVIEW (Cont'd)

(d) Business Process Outsourcing

Our Business Process Outsourcing services include personalisation of EMV Cards used as payment medium in the payment services industry. EMV Card personalisation is the process of:

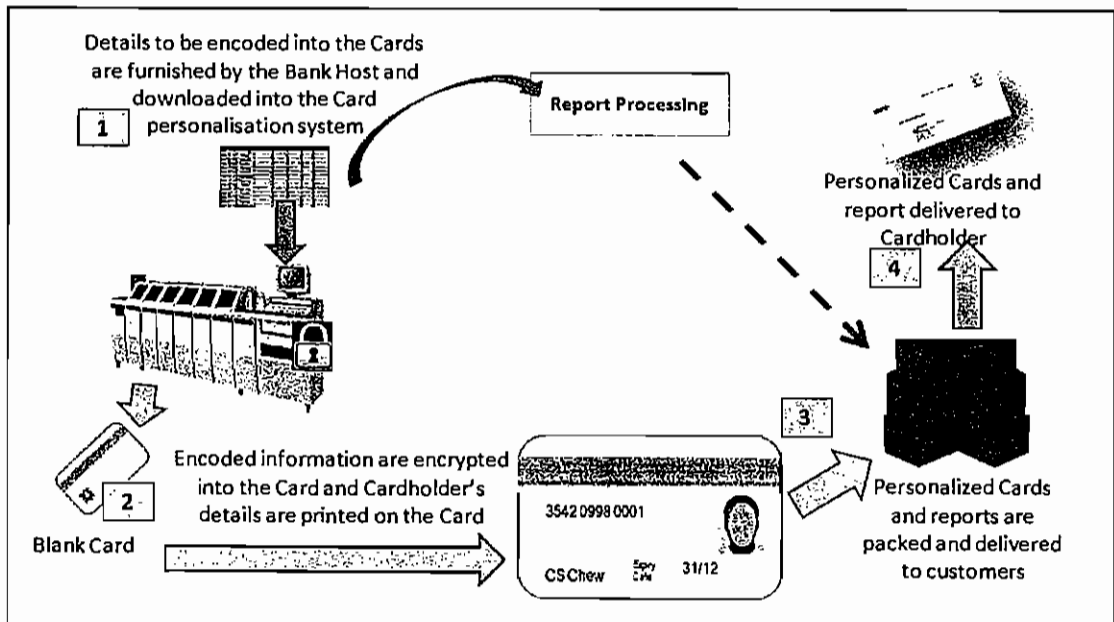
- (i) embossing Cardholders' data onto the EMV Cards (physical personalisation); and/or
- (ii) programming Cardholders' data into the smart chips of the EMV Cards (logical personalisation).

The above processes transform a Card with complete artwork but without personal data (blank Card) into a personalised EMV Card. We offer Card personalisation to both EMV Cards and co-branded Credit Card-based Loyalty Cards.

EMV Card Personalisation process

The steps of transforming a blank Card into a 'personalised card' are as depicted in the diagram below.

Figure 4: Process flow depicting the steps involved in card personalisation



Upon receiving blank Cards and Cardholder applicants' data from the Issuing Banks, we will commence the data processing i.e. to download all the data into the system. For security reasons, the data is transferred in an encrypted format. Our system will convert the encrypted data into the personalisation machine format via the Personalisation Preparation Process System (P3 System). The Card personalisation machine then integrates and incorporates the data into the EMV Card. Personalisation and mailing reports are prepared at this stage and subsequently printed by the Card mailer programme during the final EMV Card mailing process.

6. BUSINESS OVERVIEW (Cont'd)

Following the physical personalisation and logical personalisation, the blank Cards will be personalised into an EMV Card. After the blank Cards are personalised, reports are generated which comprise the following:

- (i) name of the EMV Card-holder;
- (ii) EMV Card number;
- (iii) expiry date of the EMV Card;
- (iv) address of the EMV Card-holder; and
- (v) credit limit of the EMV Card-holder.

(collectively referred to as the "Information")

Thereafter, the EMV Cards will be placed onto a letter printed by the Card mailer programme ("Letter"). Subsequently, the Information together with the Letter will be verified by different employees of our Group to eliminate errors.

In the provision of this service, we assist the Financial Institutions to comply with the processes and security tests as required by Visa International and MasterCard WorldWide in accordance with EMV standards. Our experience in assisting the Financial Institutions to comply with the international financial card issuance standards is a testament of our capability in terms of physical security standards and logical security requirements. As part of our Business Process Outsourcing services, we have assisted EON Bank to obtain the certifications as set out below.

| Certification | Description |
|--|---|
| MasterCard International Global Vendor Certification | Certified compliance to MasterCard Physical Security Standards and MasterCard Logical Security Requirements |
| Visa Payment Security Services (VPSS) Inspection Certification | Certified compliance to Visa International Security Validation Requirements and Logical Security Validation Requirements |
| Bankcard Personalisation Center Certificate (MEPS) | Certified in accordance with Payment Multipurpose Card (PMPC) circuit card personalisation interface specification for ATM/ e-Debit application |

The table below sets out the production capacity and output of our machines:

| Machines | Production output (per annum) | Manufacturer capacity (per annum) | Operating capacity (per annum) | Utilisation rate |
|-------------|----------------------------------|--------------------------------------|-----------------------------------|------------------|
| NBS Horizon | 250,000 | 4,896,000 ¹ | 1,436,160 ³ | 17.41% |
| Matica Z10 | 250,000 | 3,672,000 ² | 1,077,120 ⁴ | 23.21% |

Notes:

¹ Based on manufacturer's specification of 408,000 pieces of personalised EMV Cards per month operating on the assumption of 85% efficiency rate, 25 work days per month, 3 shifts per day and 8 hours per shift.

² Based on manufacturer's specification of 306,000 pieces of personalised EMV Cards per month operating on the assumption of 85% efficiency rate, 25 work days per month, 3 shifts per day and 8 hours per shift.

³ Based on EON Bank's permissible operating hours of 8 hours per day, 800 Cards per hour, 22 work days per month and operating on the assumption of 85% efficiency rate.

⁴ Based on EON Bank's permissible operating hours of 8 hours per day, 600 Cards per hour, 22 work days per month and operating on the assumption of 85% efficiency rate.

6. BUSINESS OVERVIEW (Cont'd)

Our NBS Horizon machine as disclosed above was purchased in 2004 to meet the estimated demand for the magnetic stripe Card migration to EMV compliant Cards as estimated by EON Bank. During the period between September 2004 and December 2004, our NBS Horizon machine produced 360,000 Cards at an utilisation rate of 37.5% based on two operating shifts permitted by EON Bank.

Inevitably, upon the completion of this Card migration exercise, the utilisation rate of the machine reduced to the current utilisation level as the utilisation requirement is subject to new applications for Cards issued by EON Bank.

Our Matica Z10 machine as disclosed above was purchased in 2007 to meet the SLA requirements as a back-up or fail safe machine as required by EON Bank. This machine is a mid-range production machine.

Over the years, we have worked with the following international companies for our Business Process Outsourcing:

| | | |
|---|---|---|
| Giesecke & Devrient GmbH (Germany) | : | A company involves in banknote production and processing, smart card solutions for telecommunications and electronic payment, and security documents and identification systems |
| Oberthur Card Systems SA (Spain) | : | A company involves in the field of secure technologies |
| Sagem Orga Singapore Pte Ltd (Singapore) | : | A company offers an innovative and complex combination of memory and microprocessor-based smart cards, software, hardware, systems and solutions for the sectors |

(Source: Companies' websites)

There is no formal collaboration entered into between our Group and these companies save for technical collaboration required to offer Card personalisation services to our customers. Therefore, our Group is not highly dependent on them in our nature of business.

In addition, we have also worked with Card personalisation companies like Matiea PLC and NBS Technologies Inc. to offer complete card personalisation systems to our customers.

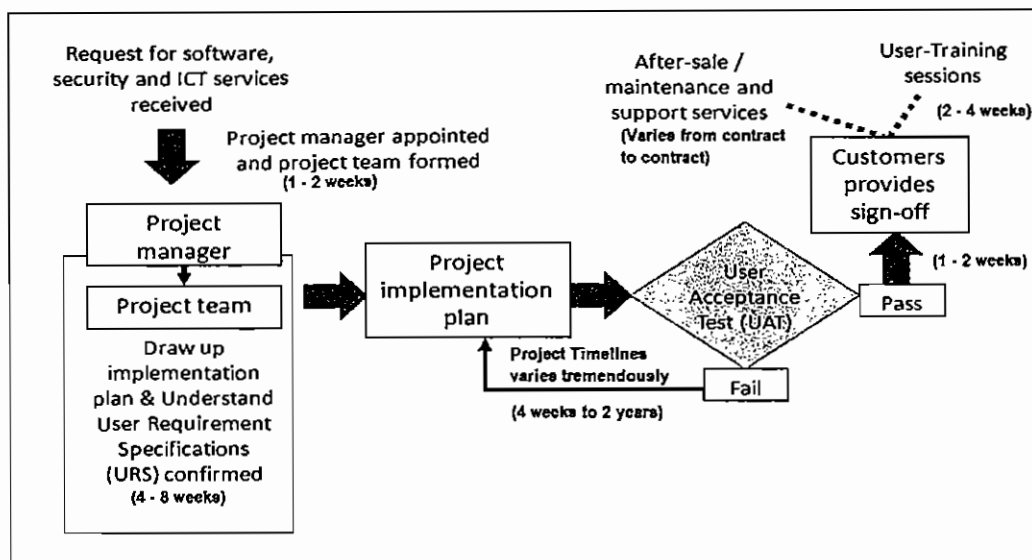
(e) Software, Security and ICT Services

Over the years, there has been increasing utilisation of ICT amongst both large and small businesses aiming to enhance their performance levels. The application of ICT has also opened up avenues for business opportunities, as a result of new business-platforms and information-sharing and networking facilities.

Our Group offers ICT services to assist business enterprises improve their operations by providing them an integrated payment solution. We provide independent consultation services, from the beginning of a project until its successful delivery, with the objective to help our customers identify areas where applying efficient and effective automated payment solutions.

6. BUSINESS OVERVIEW (Cont'd)

Figure 5: General process flow depicting our Software, Security and ICT services development methodology



We have a well-defined and proven application development process, beginning from business requirements analysis to technology implementation and maintenance services. Upon receiving a purchase order from a customer, we form a project team with a designated project manager. The project manager sets a detailed project implementation plan, beginning with an analysis of our customer’s business needs and requirements (“User Requirement Specifications”).

Before implementing the project, the User Requirement Specifications are confirmed with all relevant parties internally and externally: including our Chief Technology Officer and the customer’s technical team. Once confirmed, we commence the project i.e. project roll-out. Upon project completion, a User Acceptance Test (“UAT”) is carried out and once approved by the customer, a sign-off is obtained to indicate acceptance of the completed project.

We provide end-user training for our customer in order to fully familiarise them with the design and features of the completed projects. Following this, we provide after sales maintenance and support services on a contractual basis to the customers. With our experience and expertise, we are able to provide comprehensive application support, code reviews, fault analysis, documentation maintenance and design upgrades.

We have several arrangements with ICT solution providers such as Sage Software Sdn Bhd (Malaysia), Microsoft Corporation (United States) and Dinerware Inc. (United States) for our Software, Security and ICT Services. Such arrangements have enabled our Group to support our customers by providing them the best available solution options to implement the projects smoothly.

6. BUSINESS OVERVIEW (Cont'd)

On 6 January 2010, we have executed the following:

- (i) a teaming agreement with Sage Software Sdn Bhd to collaborate and implement an integrated retail point of sales solution for SMI/SMEs retailers in Malaysia; and
- (ii) a retail agreement with Sage Software Sdn Bhd to have the rights to sell certain of its software products.

On 18 March 2010, Sinatec has entered into a Memorandum of Understanding with POS Partners (Asia Pacific) Pty Ltd in regards to the sale and distribution of:

- (i) Microsoft Dynamics Retail Management System which we have been duly certified by Microsoft; and
- (ii) Dinerware POS Solution which we have been duly certified by Dinerware Inc.

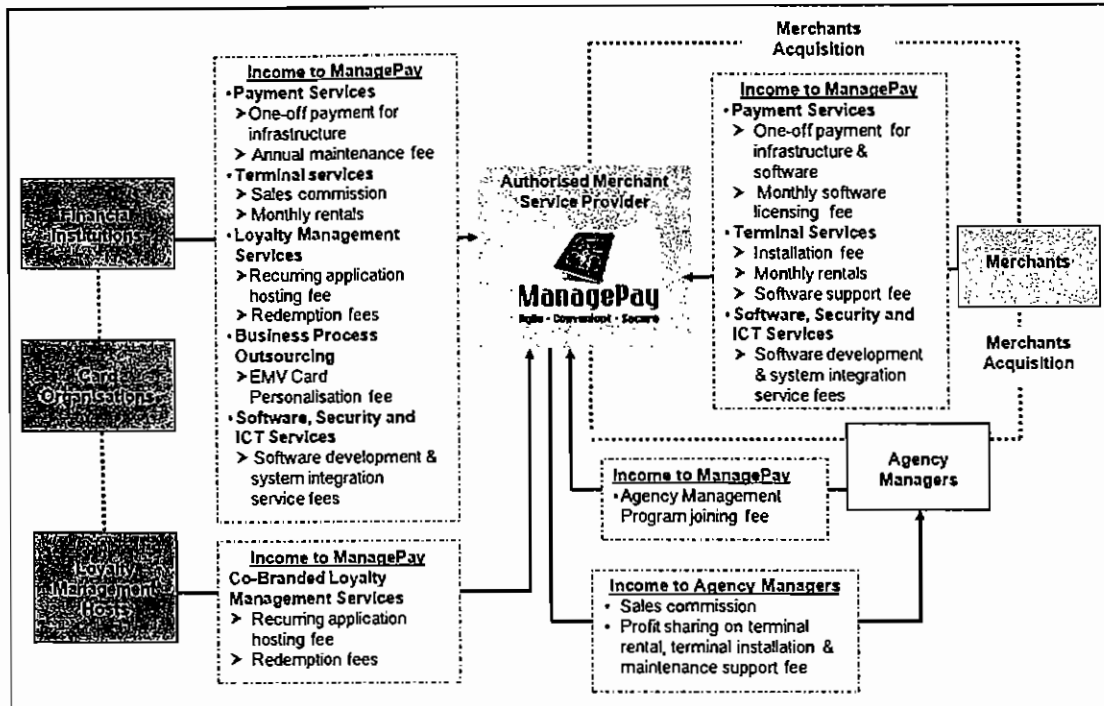
The arrangements mentioned above provided our Group with added advantage to offer addition value-added solution to our existing Merchants and/or customers. As at the LPD, save for the business opportunities arising from these collaborations, there is no dependency with the aforementioned parties.

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6. BUSINESS OVERVIEW (Cont'd)

(iii) Business model

Our business model is depicted from the figure below.



As a Merchant Service Provider accredited by Card Organisations, namely Visa International and MasterCard WorldWide, our business model is to recruit Merchants by way of Merchant Acquisitions. The recruitment of Merchants is made possible with the External Sales Agent Merchant Recruitment agreement entered between MBB and MPSB and as well as the MATTA Co-branded Card – Management of Loyalty Programme agreement entered between EON Bank and Sinatex which allows our Group to:

- (i) source and recruit Merchants on behalf of MBB and EON Bank; and
- (ii) install EDCPOS Terminals pursuant to the recruitment of the Merchants.

The Merchant Acquisition is done directly or through our Agency Managers that have presence nationwide. Through our host of products and services, we provide the Merchants with our Managed Electronic Payment Solutions that will link process payment transactions made by Cardholders with the Financial Institutions. In addition to that, we also provide value-added services to cater for the growing trend of customer loyalty programmes through collection of points.

6. BUSINESS OVERVIEW (Cont'd)

Core revenue streams

Our Group's revenue is generated through various channels namely:

Services rendered:

- (a) Payment Services
 - (i) recurring monthly software licensing fee; and
 - (ii) one-off payment for payment infrastructure and software.
- (b) Terminal Services
 - (i) recurring monthly terminal rental;
 - (ii) recurring monthly terminal software support fee; and
 - (iii) one-off payment for sales commission and installation fee.
- (c) Loyalty Management Services
 - (i) recurring monthly application hosting fee; and
 - (ii) redemption fees earned.
- (d) fees from Business Process Outsourcing services.
- (e) fees from Software, Security and ICT Services.

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6. BUSINESS OVERVIEW (Cont'd)

6.2 PRINCIPAL MARKETS FOR PRODUCTS AND SERVICES

The principal market for our products and services is in Malaysia and our Group services the following customers:

- (i) Financial Institutions
- (ii) Merchants from various industries:
 - retail
 - telecommunications
 - healthcare
 - distributions
 - travel and tourism
 - food and beverages
 - public sectors

With our distribution network, we have successfully rolled-out our products and services nationwide via both in-house sales team and Agency Managers. As at the LPD, our Group has seven (7) full-time in-house sales personnel and twenty-three (23) Agency Managers which contributed approximately 30% and 15% of the newly recruited Merchants respectively for the FPE 2010. The balance of approximately 55% of the newly recruited Merchants was referred by EON Bank and MBB.

6.3 LOCATION OF OUR OPERATIONS

Our head office is located at Wisma MPSB, Subang Jaya, Selangor Darul Ehsan. Our R&D centre is located at Cyberjaya, Selangor Darul Ehsan. We have also placed our EMV Card Personalisation system at EON Bank's card centre at Wisma EON Bank, Jalan Raja Laut, Kuala Lumpur.

As at the LPD, through our Agency Manager Programme, there are twenty-three (23) Agency Managers located in Pulau Pinang, Sungai Petani, Alor Setar, Ipoh, Petaling Jaya, Shah Alam, Melaka, Johor Bahru, Kota Bahru, Kuching and Kota Kinabalu.

Further details regarding our Group's premises are disclosed in Section 6.6 of this Prospectus.

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6. BUSINESS OVERVIEW (Cont'd)

6.4 KEY ACHIEVEMENTS/ MILESTONES/ AWARDS

Our key achievements/milestones/awards are as follows:

| Year | Key Achievements/Milestones/Awards |
|------|---|
| 2001 | <ul style="list-style-type: none"> • MPSB was granted MSC Status by the Government of Malaysia through MDeC • MPSB was appointed Nokia Corporate Solution distributor ~ this distributor agreement is non-exclusive and no longer valid. The last project we benefited from this distributorship arrangement was Celcom Universal Service Provision (USP) project where we secured the supply, installation and maintenance of 3,000 pieces of Nokia N32 wireless cellular terminal to East Malaysia • Sinatec became a Microsoft Certified Partner |
| 2002 | MPSB was appointed Hypercom system integrator * ~ it is a non-exclusive value added reseller agreement to allow us to be the value added reseller in Malaysia |
| 2003 | MPSB was awarded MSC Grant Scheme by MOSTI |
| 2004 | MPSB was appointed as Sierra Wireless distributor ~ it is a non-exclusive value added reseller agreement. The appointment has increased our Group's product portfolio, however, the Sierra Wireless modems were deemed expensive for retail market in Malaysia and thus our Group has not distributed these modems since 2006 |
| 2005 | <ul style="list-style-type: none"> • MPSB was awarded by EON Bank to be the NAC system integrator for Cash Advance Automation System for the entire EON Bank branch network • Whatdevice was awarded in-source EMV Card Personalisation Services Agreement by EON Bank • MPSB received award from MDeC to become the Anchor Project Provider of e-Business Flagship Application for non-ICT SMI/SME companies ~ this project was awarded on non-exclusive basis and has indirectly recognised our Group's e-commerce capability • MPSB was awarded in-source EMV Card Personalisation contract by Southern Bank Berhad (now known as CIMB Bank Berhad) • MPSB was awarded Master Rental Agreement by EON Bank to be the EDCPOS Terminals supplier for EON Bank |
| 2006 | <ul style="list-style-type: none"> • MPSB received award from MDeC to become the Anchor Project Provider of e-Business Flagship Application for non-ICT SMI/SME companies ~ this project was awarded on non-exclusive basis and has indirectly recognised our Group's in e-commerce capability • Sinatec was granted MSC status by the Government of Malaysia through MDeC |
| 2007 | <ul style="list-style-type: none"> • Sinatec was certified as the Microsoft ISV for ERP Business Applications supporting Windows XP, Vista and SQL Server • MPSB was awarded by MBB to be their External Sales Agent for Merchant Acquisition and supply of EDCPOS Terminals |
| 2008 | <ul style="list-style-type: none"> • Sinatec was selected to participate in the MSC Malaysia OneISV Programme organised by MDeC and Microsoft (Malaysia) Sdn Bhd ~ the inclusion of our Group in this programme initiated by MDeC and Microsoft Malaysia has indirectly given recognition to our Group's commitment in developing Microsoft certified business application. Sinatec ERP solution was certified by Microsoft as a business application to 'run on' SQL Server database platform and Windows operating system • Sinatec was appointed to manage and operate MATTA Co-Branded Card by EON Bank |

6. BUSINESS OVERVIEW (Cont'd)

| Year | Key Achievements/Milestones/Awards |
|-------------|--|
| 2009 | <ul style="list-style-type: none">• MPSB launched its Agency Manager Programme and as at 31 December 2009, we have appointed eleven (11) Agency Managers to establish our sales and services centres• Sinatec's MATTA Card loyalty management system was a finalist in the 'Best of Tourism and Hospitality Application' category for the Asia Pacific ICT 2009 Award |
| 2010 | <ul style="list-style-type: none">• MPSB received the letter of award from MDeC dated 15 May 2010 for the Online Service Delivery Platform project, referred to as Malaysia Digital Enterprise Exchange (MDEX) |

Note:

- * *ManagePay was appointed as Hypercom system integrator in 2002 to introduce the Hypercom T7 EDCPOS range of terminals together with our product offering to telecommunication industry in Malaysia. In addition, the appointment by Hypercom has allowed us to utilise our in-house developed MPTUS software together with the EDCPOS Terminals to facilitate online acquisition of digital merchandise, payment transactions (credit, debit, etc.) and printing of coupons and receipts.*

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6. BUSINESS OVERVIEW (Cont'd)

6.5 MATERIAL CAPITAL EXPENDITURES AND DIVESTITURES

Save as disclosed below, there are no other material capital expenditures and divestitures (including interests in other corporations) made by us for the past three (3) FYEs 2007 to 2009 up to the LPD:

| | FYE 2007 | FYE 2008 | FYE 2009 | 1 January 2010 up to the LPD |
|---|--------------|--------------------|--------------------|---------------------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Expenditures | | | | |
| Purchase of plant and equipment | 1,846 | 3,502 ¹ | 4,060 ² | 2,187 ³ |
| Purchase of properties | - | - | - | - |
| Investment properties | - | - | - | - |
| Total expenditures | 1,846 | 3,502 | 4,060 | 2,187 |
| Divestitures | | | | |
| Disposal of leasehold land and building | - | - | - | - |
| Disposal of plant and equipment | - | - | 398 | 193 |
| Disposal of investment | - | - | - | - |
| Disposal of subsidiaries | - | - | - | - |
| Total divestitures | - | - | 398 | 193 |

Notes:

¹ During the FYE 2008, the Group purchased, amongst others, CLMS software amounting to RM1.25 million.

² On 28 December 2009, the Group purchased, amongst others, computer software amounting to RM3.64 million comprising RM2.02 million of SCICAD and RM1.62 million of advanced e-commerce portal system respectively.

³ The plant and equipments purchased during the FPE 2010 include, amongst others, EDCPOS Terminals, motor vehicle and computers and accessories.

The above material capital expenditures were financed by term loans, hire purchase and internally generated funds.

As at the LPD, we do not have any material capital expenditures and divestitures currently in progress, within or outside Malaysia.

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6. BUSINESS OVERVIEW (Cont'd)

6.6 PROPERTY, LAND AND BUILDINGS

As at the LPD, there are no property, land and buildings which are owned by our Group.

As at the LPD, our Group rents the following properties which are material to our Group's operations:

| Location | Owner | Description of building/ Existing Usage | Approximate age of building * | Period of tenancy | Tenants | Yearly rental (RM) | Total occupied area (square feet) |
|---|-----------------------------|--|-------------------------------|--|------------|--------------------|-----------------------------------|
| Wisma MPSB Lot 113 Jalan USJ 21/10 47630 Subang Jaya Selangor | Chew Chee Seng | Three (3) storey shop office/ Head office operations | 11 years | 3 years (26.1.2010 to 25.1.2013) ¹ | ManagePay | 48,000 ^ | 4,600 |
| | | | | 3 years (1.1.2010 to 31.12.2012) ² | MPSB | 24,000 ^ | 2,300 |
| | | | | 3 years (1.1.2010 to 31.12.2012) ³ | Sinatec | 24,000 ^ | 2,300 |
| | | | | 3 years (1.1.2010 to 31.12.2012) ⁴ | Whatdevicc | 24,000 ^ | 2,300 |
| Lot 9-1 Neo Cyber Lingkar Cyber Point Barat 63000 Cyberjaya Selangor Darul Ehsan | Chin Shea Swong | Two (2) storey office block/ R&D centre | 2.5 years | 3 years (1.1.2009 to 31.12.2011) ⁵ | MPSB | 28,800 ^ | 1,755 |
| Lot 11-1 Neo Cyber Lingkar Cyber Point Barat 63000 Cyberjaya Selangor Darul Ehsan | Ng Kim Eng | Two (2) storey office block/ R&D centre | 2.5 years | 3 years (1.4.2008 to 31.3.2011) ⁶ | Sinatec | 28,800 ^ | 1,755 |
| Unit 2B Block 2330 Century Square 63000 Cyberjaya Selangor Darul Ehsan | Setia Haruman Sdn Bhd | Four (4) storey office block/ R&D centre | 10 years | 1 year (1.4.2010 to 31.3.2011) ⁷ | Sinatec | 23,562 | 357 |

Notes:

* *The age of the building was calculated from the year which certificate of fitness of the property was issued.*

^ *The above rental properties form part of the recurring related party transactions as disclosed in Section 10.1.2 of this Prospectus.*

¹ *ManagePay has entered into a renewable tenancy with Chew Chee Seng for a period of three (3) years commencing on 26 January 2010. ManagePay utilises all three (3) floors of the property and is sharing each of the floors with the subsidiaries of ManagePay.*

6. BUSINESS OVERVIEW (Cont'd)

- ² *MPSB has entered into a renewable tenancy with Chew Chee Seng for a period of three (3) years commencing on 1 January 2010. MPSB utilises all three (3) floors of the property and is sharing each of the floors with the other subsidiaries of ManagePay.*
- ³ *Sinatec has entered into a renewable tenancy with Chew Chee Seng for a period of three (3) years commencing on 1 January 2010. Sinatec utilises all three (3) floors of the property and is sharing each of the floors with the other subsidiaries of ManagePay.*
- ⁴ *Whatdevice has entered into a renewable tenancy with Chew Chee Seng for a period of three (3) years commencing on 1 January 2010. Whatdevice utilises all three (3) floors of the property and is sharing each of the floors with the other subsidiaries of ManagePay.*
- ⁵ *MPSB has entered into a renewable tenancy with Chin Shea Swong for a period of three (3) years commencing on 1 January 2009. MPSB utilises the first (1st) floor of the property.*
- ⁶ *Sinatec has entered into a renewable tenancy with Ng Kim Eng for a period of three (3) years commencing on 1 January 2009. Sinatec utilises the first (1st) floor of the property.*
- ⁷ *Sinatec has entered into a renewable tenancy with Setia Haruman Sdn Bhd commencing on 1 April 2010. Sinatec utilises the second (2nd) floor of the property.*

The above properties rented by our Group have been issued with the relevant certificate of fitness. As at the LPD, our Group is not in breach of any law, rules and building regulations in relation to the use of the property.

The abovementioned properties rented by our Group are not subject to any regulatory requirement issues which may materially affect our Group's operations and utilisation of assets.

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6. BUSINESS OVERVIEW (Cont'd)

6.7 PLANT AND EQUIPMENT

The nature of our business does not require any investment in factories, plants and/or machineries. As at 31 October 2010, our Group's material plant and equipment for our business operations are set out below:

| Plant and equipment | Location | Owner | Description | Expected useful life (years) | Capacities/ Units | Utilisation rate (%) | Net book value RM'000 |
|-----------------------------------|--|-------------------|---|------------------------------|-------------------|----------------------|-----------------------|
| EDCPOS Terminals | Wisma MPSB Lot 113 Jalan USJ 21/10 47630 Subang Jaya | MPSB/ Sinattec | Devices for verifying, authenticating, capturing Cardholders' information, capturing amounts entered by the cashiers and relaying those information for payment authorisation | 7.5 | 7,289 | 62.72 ¹ | 3,148 |
| SCICAD | Wisma MPSB Lot 113 Jalan USJ 21/10 47630 Subang Jaya | MPSB | E-business portal comes with internet payment gateway, meta directory, search engine and shopping cart | 20 | Computer software | n.a. | 1,852 |
| advanced e-commerce portal system | Wisma MPSB Lot 113 Jalan USJ 21/10 47630 Subang Jaya | MPSB | Supply chain and demand chain management system for distribution/ whole saler/ retail industry | 20 | Computer software | n.a. | 1,485 |
| CLMS | Wisma MPSB Lot 113 Jalan USJ 21/10 47630 Subang Jaya | Sinattec | Points collection, redemption, gift catalogue and CRM | 20 | Computer software | n.a. | 938 |
| NBS Horizon | EON Bank Wisma EON Bank 288, Jalan Raja Laut 50250 Kuala Lumpur | Whatdevice | EMV Personalisation machine complete with PersoMaster and Ubiq P3 software, key management system and card mailer system | 15 | 1 | 17.41 ² | 795 |
| Matica Z10 | EON Bank Wisma EON Bank 288, Jalan Raja Laut 50250 Kuala Lumpur | Whatdevice | EMV Personalisation machine complete with Oberthur CPS P3 software, key management system and card mailer system | 15 | 1 | 23.21 ² | 247 |

Notes:

n.a. Not applicable.

¹ *Based on Management's representation.*

² *Refer to Section 6.1(d) of this Prospectus for detail computation.*

Save as disclosed above, none of our machineries and equipment are individually material to disclose separately.

Our Board is of the opinion that our Group has sufficient capacity to meet the current demand. As for the anticipated demand, we have proposed to utilise RM1.071 million from the Public Issue proceeds for working capital purposes to ensure that our Group's operations run smoothly.

6. BUSINESS OVERVIEW (Cont'd)

6.8 REGULATORY REQUIREMENT AND ENVIRONMENTAL ISSUE

Save for the approvals/ licenses required for our Group's operations as set out in Section 6.16 of this Prospectus, there are no other regulatory requirements which may affect our Group's operations or utilisation of assets.

As at the LPD, there are no environmental issues which may affect our Group's operations or utilisation of assets.

6.9 MATERIAL PLANS TO CONSTRUCT, EXPAND OR IMPROVE FACILITIES

Save as disclosed in Section 6.23 of this Prospectus in relation to future expansion plan of our office space to cater for training and development of our Agency Manager Programme, as at the LPD, our Group has no immediate plans to construct, expand or improve on existing facilities.

6.10 SEASONALITY

We do not experience any material seasonality in our business which may affect the sales of our products and services, as our business operations are relatively stable throughout the year and we have been proactively widening our customer base nationwide.

6.11 COMPETITIVE STRENGTHS AND ADVANTAGES

Our Group's key competitive strengths and advantages are as follows:

(i) Market reputation

We have been in the Malaysian market for more than a decade. Over the years, we have evolved from a small software systems developer and provider, to become a provider of the Electronic Payment Solutions industry in Malaysia. In the Electronic Payment Solution industry, all vendors that provide solutions (either end-to-end or otherwise) in Electronic Payments are taken into consideration, we held approximately 4.5% of the Electronic Payment Solutions industry in Malaysia in 2009 while all other players combined accounted for the remaining 95.5%. Our products and services benefit any organisation that requires their payment systems to be managed. Such organisations include retail outlets, multinational corporations, Financial Institutions and government agencies.

(ii) End-to-end products and services

As a Managed Electronic Payment Solutions provider, we possess the ability to offer the following solutions which would comprise the following:

- (i) rental of EDCPOS Terminals;
- (ii) Payment Services;
- (iii) Loyalty Management Services;
- (iv) Business Process Outsourcing (i.e. EMV Cards Personalisation); and
- (v) provision of Software, Security and ICT Services.

Ultimately, we have the ability to provide quality products and services from the front-end to the back-end of the Electronic Payment Solutions industry value chain.

6. BUSINESS OVERVIEW (Cont'd)

(iii) Competitive cost structure

Our products and services have the competitive cost structure as we use mostly internally developed products such as POSConnect, ISO Manager, SCICAD, advance e-commerce portal system, MPTUS, CLMS, card mailer program, Sinatec ERP, Sinatec CRM and Sinatec POS and as well as products from our partners (such as the Microsoft Dynamics Retail Management System and Dinerware POS Solution) with minimum royalty fees imposed. As the developer of our in-house products, we are not subjected to any mark-up requirement to accommodate licensing fees charged by third party developer. As such, we have the flexibility to remain competitive in our cost structure.

With regards to the exclusive marketing rights secured with alliances on a minimum licensing fees has provided us with sufficient profit margin as compared to similar solution offered by competitors. If required, we have the capability to customise the solutions using our in-house personnel to remain cost competitive. This augurs well with us as on 18 March 2010, we have executed a Memorandum of Understanding with POS Partners (Asia Pacific) Pty Ltd to market Microsoft Dynamics Retail Management System and Dinerware POS Solution in Malaysia and Brunei.

In addition, our own intellectual property developed as the result of our R&D activities where our Group is the sole beneficiary of the intellectual property would provide our Group with high margin and to be marketed without any restrictions.

(iv) Technology know-how and ICT capabilities

We have a team of capable ICT professionals in our Group that specialises in Software, Security and ICT services. Our skilled professionals are well trained and qualified in programming languages such as C/C++, .NET and Java on various platforms for both software development and maintenance activities.

We have a well-defined and proven application development process, beginning from business requirements analysis to technology implementation and maintenance services. Our products and services facilitate payment processing for the purchase of goods and services offered by our customers in a secure environment.

In addition to providing technological products, we adopt a pro-active and holistic approach and focus on delivering quantifiable results to our customers. Throughout the infrastructure design and application customisation process, we focus on our customers' long term requirements for infrastructure, database, payment transaction requirements and networking facilities as well as identify scalable solutions which can be implemented within the framework of our customers' existing information technology environment.

(v) Emphasis on quality assurance

We believe that product quality is the key for our continued growth and success, and our track record of providing quality products and services have allowed us to build a strong reputation with our customers. We have implemented a stringent quality control program that encompasses our entire operational process, from R&D, sales to after-sales service.

Our Group's quality assurance practices are designed to ensure that our business processes are in line with the stringent terms and conditions set by the Acquiring Bank, Issuing Bank, Card Organisations and regulatory authorities.

6. BUSINESS OVERVIEW (Cont'd)

(vi) Wide user base and established long-term relationships

In the FPE 2010, we have approximately 4,572 EDCPOS Terminal units. We have been intentionally diversifying our user base, in order to establish long-term relationships with a larger group of users. Having a wide base of users allows us to leverage on their continued growth, whilst reducing the risk of our revenue being adversely affected should any of our users discontinue or reduce their orders.

We have enjoyed ongoing relationships with certain Financial Institutions and telecommunication customers since 2004 to meet the estimated demand for the magnetic stripe card migration to EMV compliant. These ongoing relationships have enabled us to develop a good understanding of our customers' business requirements and expectations which serve as a strong foundation for the same over the long-term.

(vii) Alliances with industry players

In our endeavour to provide high-quality products and services to meet our clients' diverse needs and requirements, we have over the years formed various alliances with some of the established companies in the field of EDCPOS Terminals, EMV Card Personalisation and ICT services. For example, we source our EDCPOS Terminals from Hypercom, while our alliances in the area of smart Cards would include companies such as Oberthur Card Systems SA and Sagem Orga Singapore Pte Ltd. We have also an ongoing working relationship with Matica Plc and NBS Technologies Inc. to offer complete EMV Card Personalisation services.

(viii) Experienced management team with proven track record

We are led by an experienced, dedicated and dynamic management team spearheaded by our Managing Director and Chief Executive Officer, Chew Chee Seng. He founded our Group in year 2000 and has over a decade of experience in the field of ICT and in the Electronic Payment Solutions industry. His experience, drive, passion and vision have been instrumental to our Group's success. He is supported by an experienced and committed management team, capable in all critical areas of our business from R&D, sales and marketing to customer support services. We believe that the knowledge and experience of our management team will play a pivotal role in the continued growth and development of our Group in the Electronic Payment Solutions industry in Malaysia.

6.12 TYPES, SOURCES AND AVAILABILITY OF RAW MATERIALS/ INPUTS

As the operations of our Group are mainly derived from services performed, there are no raw materials/inputs purchased by our Group.

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6. BUSINESS OVERVIEW (Cont'd)

6.13 TECHNOLOGY USED

We employ technologies that are essential in establishing safe connectivity environment between the Host Application Server and transaction points. We have a team of skilled ICT professionals in our Group that are well trained and qualified in programming languages such as C/C++, .NET (C#, VB.net, ASP.net) and Java (JSP, Java Servlet Engine, Java Foundation Classes, Java on various platforms).

Our applications are developed on Apache Tomcat Servlet Engine, an open source software platform to implement Java Servlet and Java Server Pages technologies. For web applications we use Java Server Pages technology which provides a simplified, fast way to create dynamic web content. Java Server Pages technology also enables rapid development of web-based applications that are server and platform-independent. For our database, we employ Microsoft SQL Server 2008 which is a relational model database server by Microsoft Corporation. The technologies we used products can be divided into two categories which are as follows:

- (i) technology for security and identification; and
- (ii) technology that allow Host Application Server to communicate amongst themselves and the transaction points.

Technology for security and identification

For our Payment Services, in ensuring secure payment transactions from the Cardholders to the Host Application Server and back to the Merchants, we use EMV Cards. The Cards contain embedded microprocessors encoded with security credentials. These credentials are encrypted by encryption algorithms such as DES, Triple-DES and RSA. These security features prevent Card cloning and impervious to access by unauthorised parties, one of the common ways magnetic stripe Cards are compromised and used for fraudulent activity.

Technology that allow EDCPOS Terminals and Host Application Servers to communicate with each other

We employ the standard ISO8583 as our language format which is a standardised communication language to be used in the financial systems. The ISO8583 messages are encrypted with Triple-DES. It also defines system-to-system messages for secure key exchanges, reconciliation of totals, and other administrative purposes. These applications are among the most commonly used by our Group. However, other proprietary and commercially available software tools and programs are also utilised when needed.

In ensuring smooth communication channelling within the network, we had developed several in-house middleware technology solutions that connects the EDCPOS Terminals and non-terminals interface with the Host Application Server. In the event there are differences in the messaging formats, our middleware application solutions are able to decipher and translate the information transacted. Also, our middleware applications offer interoperability between different operating systems. Examples of our middleware applications are:

- (i) **ISO Manager:** An ISO8583 Payment Gateway Solution which has pluggable components that integrate third party business applications with Financial Institutions' banking applications; and
- (ii) **POS Connect:** A payment solution that is integrated into a third party point of sales system.

6. BUSINESS OVERVIEW (Cont'd)

6.14 QUALITY CONTROL

We believe that product quality is the key for continued growth and success, and our track record of providing quality products and services has allowed us to build strong reputation with our customers. Being a technology solutions provider, we will continue to place great emphasis on quality assurance and control. Our quality assurance team is headed by our Chief Technology Officer who is responsible for formulating and implementing our quality control policies.

In addition to the internal quality control processes below to ensure quality products and services, our Group is also subjected to annual vulnerability scans and onsite review audits by the Financial Institutions' internal auditors. Vulnerability scan is an audit process to test security weaknesses in a computer or network by using known security attacks or exploits in a controlled manner. Although the audits are scheduled annually, special audit exercises will also be conducted where there are material changes to the business process. The focus of the audit exercise is on our Payment Services, Terminal Services, Loyalty Management Services and Business Process Outsourcing.

Our internal quality control policy is embedded in our standard operating methodology which includes the following:

(i) Payment Services/ Software, Security and ICT Services

We have a structured project management process which is as depicted in the diagram below. For our Payment Services and Software, Security and ICT Services related deliverables, we will form a project team that will undertake the execution of the project in fulfilling customers' orders. Our sales managers will submit all purchase orders received from customers to our Chief Technology Officer who will evaluate the requirements. He will then appoint a project manager to oversee the project team. From thereon, the project manager will be accountable in ensuring that the quality control processes are adhered to which include seeking key users' agreements on the design and specifications, product testing, bug testing and quality checking.

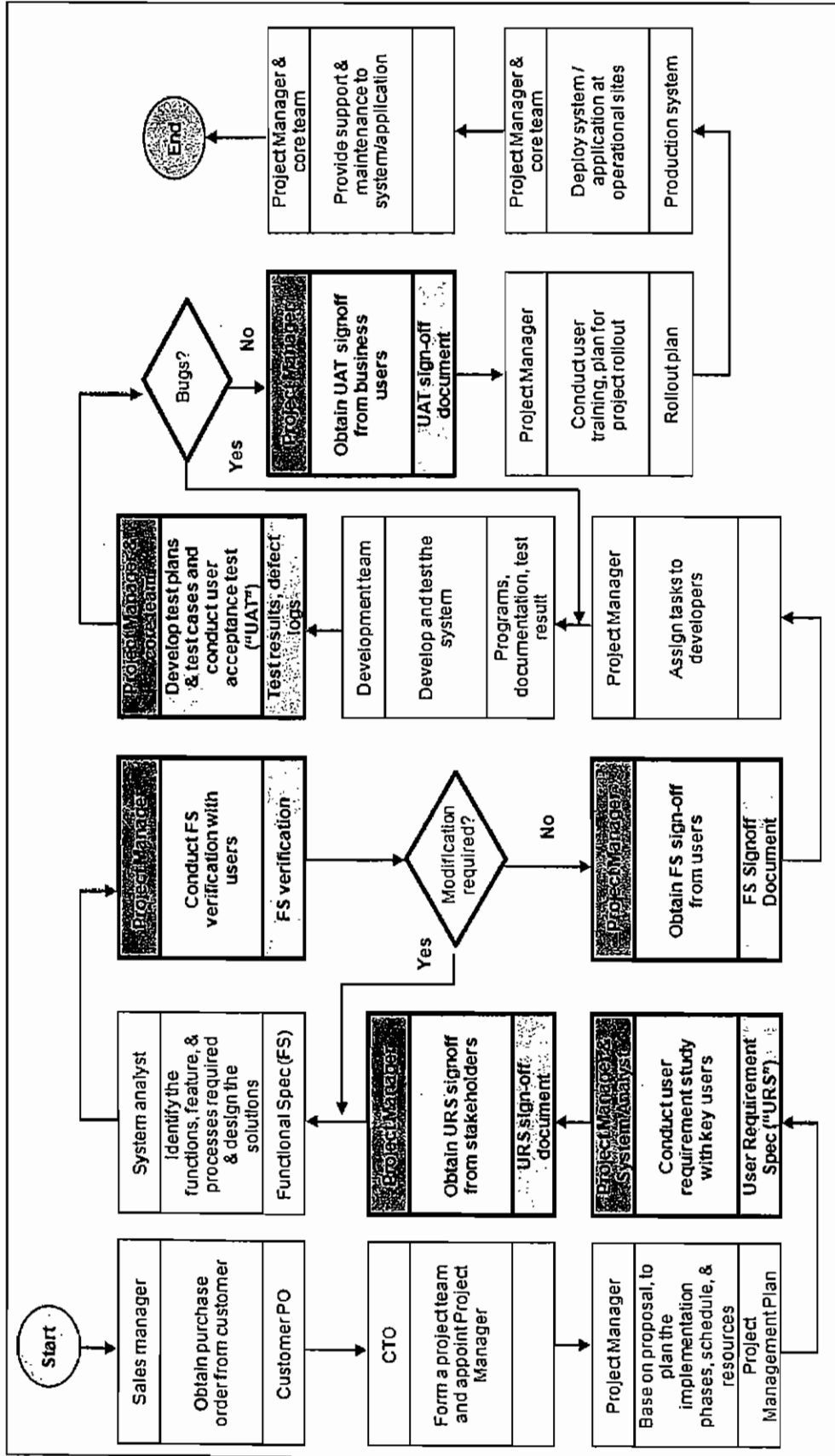
The assigned project managers shall be responsible in delivering high quality products and services. This is as depicted by the darkened boxes in the diagram below. As shown in the diagram, before the project team is able to proceed to the next stage of the process, customers/users will be consulted and their sign-offs will be procured. This is to ensure that both parties will have the same understanding on the deliverables and expectations are met.

The responsibilities towards the products extend beyond final delivery as we also provide after-sales maintenance services.

Our general process flowchart on project management of ICT related product and services deliverables is set out in the diagram below.

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6. BUSINESS OVERVIEW (Cont'd)



6. BUSINESS OVERVIEW (Cont'd)

(ii) Terminal Services

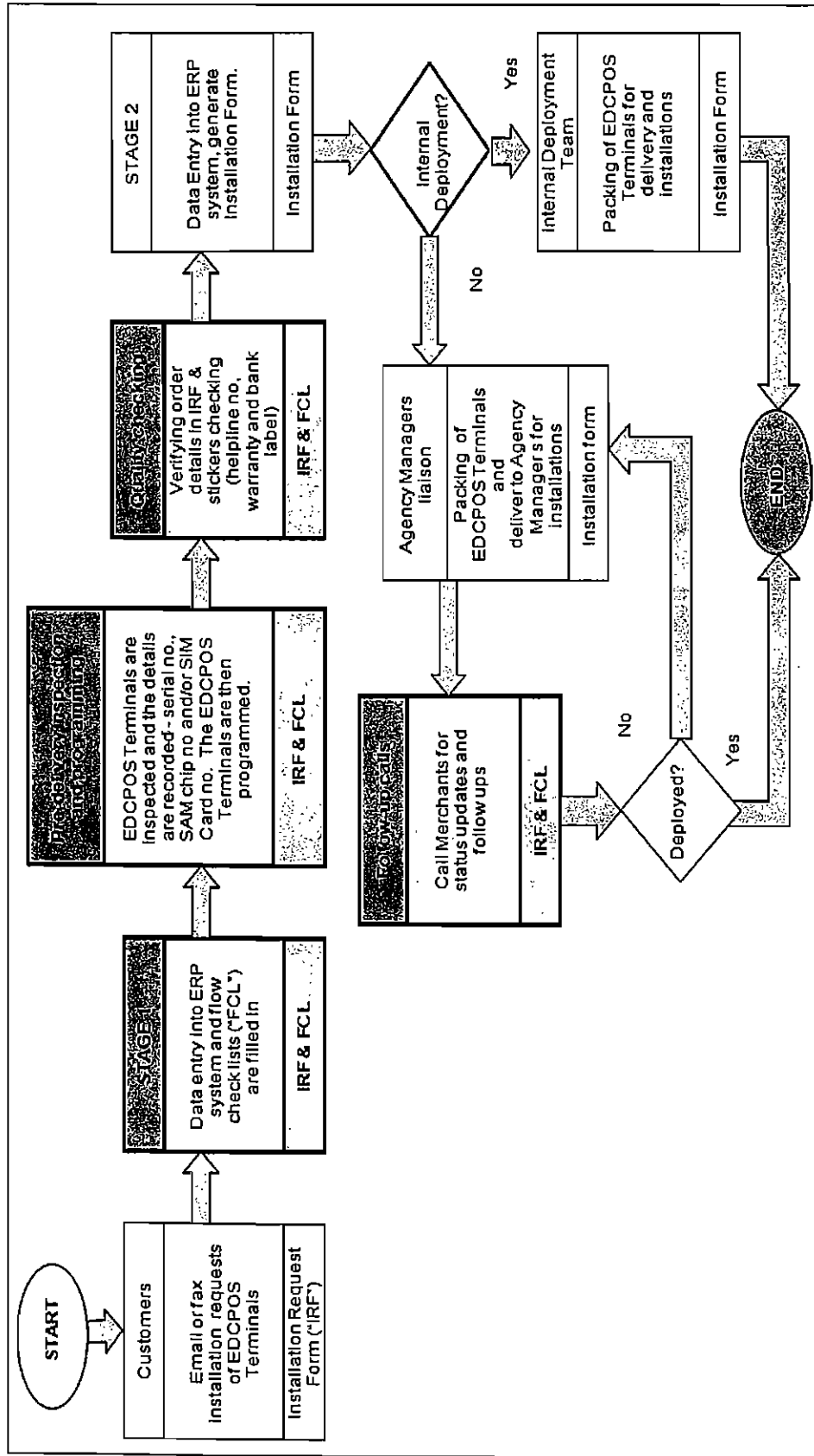
For Terminal Services, we have a well-defined standard operating procedure for deployment of EDCPOS Terminals. We strive to ensure zero error in all terminal profile setups, provide timely delivery and meet customers' expectations.

In order to have all information documented, our employees are required to fill in installation forms and Flow Check Lists ("FCL"). This is to ensure that we systematically adhere to all relevant requirements and information on every process flow is properly documented. The diagram below sets out our EDCPOS Terminals installation standard operating procedure. The darkened boxes in the diagram illustrate our quality control and assurance policies in ensuring that the EDCPOS Terminals are duly delivered as per customers' installation requests.

Our general process flowchart on Terminal Services deliverables is set out in the diagram below.

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6. BUSINESS OVERVIEW (Cont'd)



6. BUSINESS OVERVIEW (Cont'd)

(iii) Business Process Outsourcing

Upon receiving orders from customers, we will request for a written report that will detail out the specifications and number of Cards required. Next, the Cards are sent to the vault controller where they are retrieved, and the Card type is verified and the Cards are counted. Each batch of personalised Cards are visually checked and inspected. The four items to be verified include:

- (a) all Cards and consumables are prepared accordingly to the details logged in the system;
- (b) Card issuer, Card types, number of Cards personalised, and number of Cards rejected;
- (c) balance consumables; and
- (d) blank Card balance in the vault inventory.

When the above items have been checked and satisfied, a quality control report is produced and entered into a quality control audit trail system for record purposes.

After the printing process, the Cards are sent to a system operator, where quality checks take place. Rejected Cards are eliminated from the system and new Cards are personalised as replacements for the rejected Cards. Cards that pass the quality check will be passed on to the mailing process, where a packing team carries out a final check on the personalised Cards to assess the surface quality and Card details. The packing team will also check the numbers and Card type against the quality control report.

6.15 MODES OF MARKETING AND DISTRIBUTIONS

We have adopted a structured sales and marketing strategy to reinforce our vision to be the trusted Managed Electronic Payment Solutions provider. The following sets out our marketing strategy approach:

(i) Sales and distribution

The main objective of our sales team is to source for new customers and strengthen our existing customer relationship. Our sales team comprises three (3) teams mainly in-house sales team and Agency Managers whereas the outsourced teams are engaged on ad-hoc basis and as and when required depending on our Group's installation requirements.

(a) In-house sales team

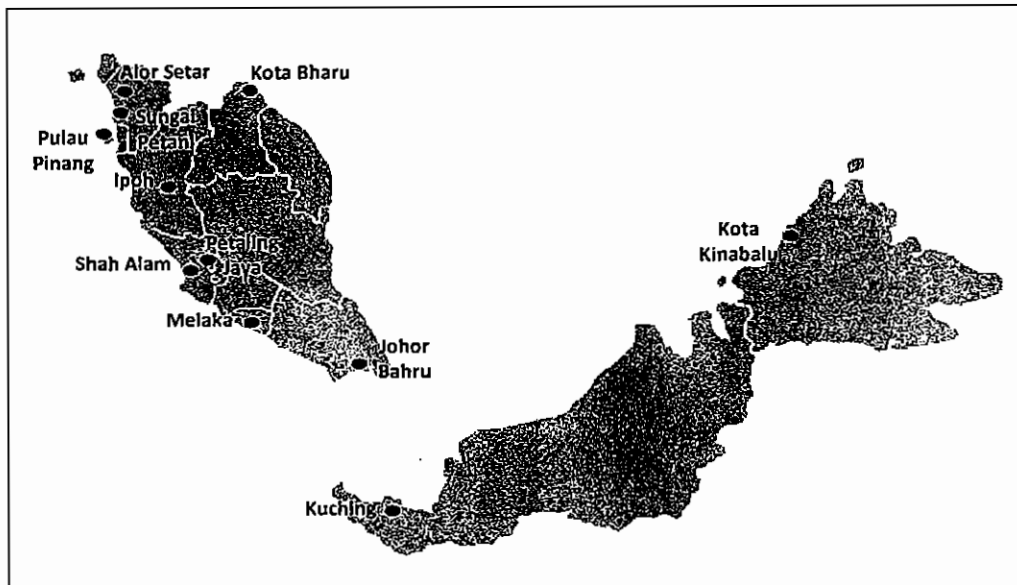
Our in-house sales team comprises corporate sales and direct sales team based at our head office.

- **Corporate sales**
The corporate sales team focuses on key clients i.e. large retail corporations.
- **Direct sales**
Direct sales team concentrates on door-to-door sales strategy and our target market is the small retailers.

(b) Agency Managers

We have developed a sales programme called Agency Managers Programme. Agency Managers are our agents who are responsible in carrying out marketing and distribution of our products and services throughout Malaysia. They are business owners who have subscribed to the Agency Managers Programme to market our products and services. Currently, our Agency Managers have presence in eleven (11) locations as set out in the map below.

6. BUSINESS OVERVIEW (Cont'd)



In order to ensure our distribution network is successful, each Agency Manager will undergo a formal training and development programme, before receiving certification by our Group. The areas of focus will include understanding of our Group's products and services, knowledge of target markets, development of soft skills, and technical knowledge. This is to ensure that they are well-versed on all sales, support and technical areas.

The salient terms of our Agency Manager Programme agreement are set out below:

- (i) the Agency Manager desires to make use of the name "MPSB" and to enjoy the commercial benefits of the merchandising system and operating services related thereto;
- (ii) the Agency Manager has the right to use MPSB's procedures, methods and techniques in the operation of a "MPSB" sales agency office;
- (iii) the Agency Manager acknowledges that the name, "MPSB", is a valid service and/or trademark owned by MPSB, and that only MPSB and its designated agents have the right to use such trademark;
- (iv) in order to protect the reputation and goodwill associated with the mark, "MPSB", and to maintain the uniform standards of operation there under, the Agency Manager shall conduct its "MPSB" sales agency in strict accordance with MPSB's operating manual;
- (v) the Agency Manager agrees to dispense, sell, or offer for sale to the public, only such services as shall meet the reasonable specifications and standards from time to time designated in writing by MPSB;
- (vi) the Agency Manager, or its designated manager, shall devote all the time, energy and effort reasonably required for the management and operation of the "MPSB" business;
- (vii) the Agency Manager shall not, either directly or indirectly, for itself or on behalf of or in conjunction with any person, persons, partnership or corporation, own, maintain, engage in, participate or have any interest in the operation of other directly competing business; and

6. BUSINESS OVERVIEW (Cont'd)

(viii) the Agency Manager covenants that during the term of the agency agreement, and for a period of two (2) years thereafter, regardless of the cause of termination, the Agency Manager shall not, amongst others:

- (a) divert, or attempt to divert, any business of, or any customer of, the "MPSB" business to any other competitive establishment, by direct or indirect inducement or otherwise; and
- (b) employ, seek to employ, any person employed by MPSB, or other person who is at the time operating or employed by or at any other "MPSB" business, or otherwise directly or indirectly induce such persons to leave their employment therewith.

(c) Outsourced team

Prior to deploying Agency Manager Programme to address regional sales and support service level to Merchants located nationwide, we engaged two (2) outsourced teams to install and support Merchants outside Klang Valley namely EIS Services (M) Sdn Bhd and Nera (Malaysia) Sdn Bhd. As at the LPD, our outsourced team has a total of nineteen (19) support sites nationwide.

(ii) Sales and distribution strategy

Our sales model of having in-house sales team, Agency Managers and outsourced team, enable us to have wide geographical presence. The in-house sales team and Agency Managers work closely with our customers to attain better understanding of their business requirements, which in turn serve as valuable feedback for us to make continuous improvements to our products and services whereas our outsourced team is deployed to install and support Merchants on an ad-hoc basis. Our in-house sales team and Agency Managers will visit our customers' on a regular basis. They are responsible for our business development and are trained to provide technical support to our customers.

Our sales and distribution strategy has enabled us to keep abreast of domestic and international market trends, as our sales and marketing teams are also tasked to monitor key market dynamics, including understanding and analysing our competitors' products and services, and pricing strategies. This serves as market intelligence for our management and R&D team, as we strive to continuously develop new products and services to suit the localised markets.

Through these three (3) teams, we have managed to efficiently and effectively carry out sales and distribution activity as we are able to maintain a reasonable cost structure while achieving high level of customer satisfaction through our marketing activities and reliable technical support.

Ultimately, our in-house sales team and Agency Managers will enable us to achieve the following:

- (a) improve existing customer relationships resulting in an increased customer retention;
- (b) better understanding of our customers' needs; and
- (c) identify new market opportunities and potential customers.

6. BUSINESS OVERVIEW (Cont'd)

(iii) Marketing

Our Group has adopted a structured marketing strategy. The following sets out our marketing approach:

(a) Product differentiation

We view product differentiation as an important aspect of our marketing strategy and we continuously strive to offer tailored products and services to meet our customers' needs and requirements. In order to be different, we ensure an on-going commitment to provide high quality and reliable products and services. Our range of products and services are modular in nature and are easily modified and expanded to be packaged with other complementary products to provide a seamless payment transaction.

Another point of differentiation is our ability to support our diverse customer base. We serve both large corporations and SMI/SMEs. Arising from these experiences and knowledge from servicing our diverse customer base, we are able to assemble our products and services to suit the environment of these customers.

(b) Customer retention strategy

We have a customer relationship strategy where our in-house sales team and Agency Managers will regularly conduct marketing activities such as products and services updates, technical presentations, free consultancy on design and software issues.

We also provide maintenance and after-sales services to our customers as our on-going effort to retain our customers. In addition to that, our R&D staffs are also involved in resolving technical issues and providing technical input as part of our customer retention strategy.

(c) Branding strategy

We strive to develop 'ManagePay' as the brand of our Group. As such, we have instilled in our employees and Agency Managers our commitment towards delivering high quality products and services. Pursuant to our IPO, we aim to communicate to the market and position ManagePay more aggressively in Malaysia by providing training materials, product samples, marketing materials, and advertisement and promotional activities which carries our brand name through/to our in-house sales team and Agency Managers.

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6. BUSINESS OVERVIEW (Cont'd)

(d) Advertisement and promotional activities

Our advertisement and promotional activities are as follows:

- **Above-the-line promotion**

Our promotional activities will be carried out through both printed and electronic media. Advertisement will be placed on banners and billboards at strategic locations. We will embark also on internet based marketing by sending out email broadcasts and place advertising banners on social networking websites, online news portals as well as our own websites such as:

- (i) <http://www.mpsb.net>;
- (ii) <http://www.sinatec.com.my>;
- (iii) <http://www.whatdevice.com>;
- (iv) <http://www.eAsiaMall.com>;
- (v) <http://www.eAsia2u.com>.
- (vi) <http://www.mdex.my>;
- (vii) <http://www.buymalaysia.com>;
- (viii) <http://www.mpay.com.my>; and
- (ix) <http://www.mpay.my>.

In addition to that, we will also use the conventional mode of using leaflet hand-outs brochures and flyers.

- **Below-the-line promotion**

Apart from using media related strategy, we acknowledge that word of mouth strategy is equally important. We have embarked on the following below-the-line promotional strategy:

- (i) direct selling via our in-house sales team and Agency Managers;
- (ii) participating in major industry exhibitions, tradeshow, publicity events and actively execute various public relations campaigns; and
- (iii) collaborating with the industry and professional associations.

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6. BUSINESS OVERVIEW (Cont'd)

6.16 APPROVALS, MAJOR LICENCES AND PERMITS OBTAINED

As at the LPD, save as disclosed below, there is no requirement for our Group to obtain special operating license from any specified legislative or regulatory bodies.

The details of approvals and licences granted to or held by us are as follows:

| Authorities | Company | Date of issuance | Date of expiry | Type of business/ activity approved | Main conditions imposed | Status of compliance |
|--------------------------------|---------|------------------|---|--|-------------------------|----------------------|
| Majlis Perbandaran Subang Jaya | MPSB | 19 January 2011 | 31 December 2011 | Kedai komputer/peralatan komputer | - | - |
| MDeC | MPSB | 30 April 2001 | ▪ Pioneer status (100% tax exemption for up to 10 years i.e. 30 April 2011) | Certification of Pioneer Status for the following qualifying activities: 1. Software services – design, development and implementation of B2B e-commerce products and services. 2. E-commerce service provider via ASP and software rental model – service provider of B2B marketplace, B2B exchanges and portal. 3. R&D of advanced e-commerce solutions – e.g. electronic payment modules via EfPOS (Point of Sales), advertising, loyalty programs and e-coupons into POS terminals. | Note (i) | Complied. Note (ii) |
| MDcC | Sinatec | 7 November 2006 | ▪ Pioneer status (100% tax exemption for the first 5 years) | Certification of Pioneer Status for the following qualifying activities: 1. Research, development and commercialisation of the following products: (i) Sinatec ERP express; and (ii) Sinatec ERP enterprise. 2. Establish and operate a shared services/ outsourcing centre to undertake IT services that entails software customisation and implementation, application hosting, software support and maintenance. | Note (iii) | Complied. Note (iv) |

6. BUSINESS OVERVIEW (Cont'd)

Note (i):

- (a) Locate the MSC status company's headquarters and principal place of business and/or the operation of the MSC qualifying activities to Cyberjaya by October 2001;
- (b) Ensure that at all times at least 15% of the total number of employees (excluding support staff) of the MSC status company shall be "knowledge workers" (as defined by MDeC);
- (c) Continuously comply with the MSC's environmental guidelines as determined by MDeC from time to time;
- (d) Submit to MDeC a copy of the company's annual report and audited statements in parallel with submission to the Registrar of Companies; and
- (e) Comply with all such statutory, regulatory and/or licensing requirements as may be applicable.

Note (ii):

On 4 February 2010, our management has written to MDeC to notify the change of the equity structure arising from our IPO.

Note (iii):

- (a) Locate the implementation and operation of the MSC qualifying activities in a designated zone in Cyberjaya with a minimum office space of 1,800 sq ft, within six (6) months from 7 November 2006. The MSC Malaysia status company shall obtain MDeC's prior written approval in the event of any changes in the location or address of the company;
- (b) Ensure that at all times at least 15% of the total number of employees (excluding support staff) of the MSC Malaysia status company shall be "knowledge workers" (as defined by MDeC);
- (c) Ensure that any products produced pursuant to the MSC qualifying activities are original, and that no part or portion of such product is an infringement or violation of any intellectual property or any proprietary rights of any third party, or constitutes a misappropriation of know-how belonging to any third party;
- (d) Submit to MDeC a copy of the MSC Malaysia status company's annual report and audited statements in parallel with submission to the Companies Commission of Malaysia;
- (e) Ensure that all information and/or documents furnished by the MSC Malaysia status company to MDeC or any other authority or agency do not contain any false, untrue or inaccurate statements or omit to state any facts, the omission of which would make any statements made therein in the light of the circumstances under which they are made, misleading;
- (f) Inform and obtain the prior approval of MDeC for any proposed change in the name of the MSC Malaysia status company;
- (g) Inform MDeC of any change in the equity structure or shareholding structure of the MSC Malaysia status company, or such other changes that may affect the direction or operation of the MSC Malaysia status company. MDeC must be informed of any change before steps are taken to effect such change; and
- (h) Comply with all such statutory, regulatory and/or licensing requirements as may be applicable, including but not limited to the Transfer Pricing Guidelines issued by the Inland Revenue Board of Malaysia on 2 July 2003, and such other amendments as may be applicable from time to time.






Note (iv):

On 4 February 2010, our management has written to MDeC to notify the change of the equity structure arising from our IPO. On 5 April 2010, Sinatex has received a letter from MDeC stating that they have submitted the relevant applications made by Sinatex to MITI for its determination of the effective date for the commencement of pioneer status. On 23 June 2010, MITI vide its letter on even date granted Sinatex the commencement of its effective date for its pioneer status shall be on 7 November 2006.

6. BUSINESS OVERVIEW (Cont'd)

6.17 BRAND NAMES, PATENTS, TRADEMARKS, LICENCES, TECHNICAL ASSISTANCE AGREEMENTS, FRANCHISES AND OTHER INTELLECTUAL PROPERTY RIGHTS

Our products and services are marketed under various brand names. As at the LPD, we have submitted an application to register the following marks and/or device with the Intellectual Property Corporation of Malaysia: The lists of our trademarks and corresponding proprietary technology description, where applicable, are set out below:

| No. | Trademarks | Application date | Application number | Company | Class | Description |
|-----|--|------------------|--------------------|-----------|-------|--|
| 1. |  | 9 February 2010 | 2010002402 | ManagePay | 9 | Company logo |
| 2. |   | 9 February 2010 | 2010002396 | MPSB | 9 | Payment middleware that integrates into third party's point of sales system to expedite transaction time and reduce errors at lower costs |
| 3. |  | 9 February 2010 | 2010002397 | MPSB | 9 | Host-to-host ISO8583 payment gateway solution for integrating non-bank Host Application Server with Credit/Debit Cards Host Application Servers used by Financial Institutions |
| 4. |   | 9 February 2010 | 2010002400 | Sinatec | 9 | A loyalty management system to support cash back, discount, and point accumulation to maintain and enhance customer retention |
| 5. |  | 9 February 2010 | 2010002398 | MPSB | 9 | Business-to-business-to-consumer (B2B2C) selling and buying platform |
| 6. |  | 9 February 2010 | 2010002399 | MPSB | 9 | Company logo |
| 7. |  | 9 February 2010 | 2010002401 | Sinatec | 9 | Company logo |

6. BUSINESS OVERVIEW (Cont'd)

Note:

Class 9: Cards (Encoded-) magnetic, Computer operating programs recorded, Computer peripheral devices, Computer programmes [programs] recorded; Computer programs [downloadable software], Computer software [recorded], Encoded cards magnetic, Encoders (magnetic-); Magnetic data media, Magnetic encoders, Readers [data processing equipment]; all included in Class 9.

The aforesaid applications are still pending registration.

Our Group has also registered the following domain names which we use in connection with our business:

- (i) <http://www.mpsb.net>;
- (ii) <http://www.sinatec.com.my>;
- (iii) <http://www.whatdevice.com>;
- (iv) <http://www.eAsiaMall.com>;
- (v) <http://www.eAsia2u.com>;
- (vi) <http://www.mdex.my>;
- (vii) <http://www.buymalaysia.com>;
- (viii) <http://www.mpay.com.my>; and
- (ix) <http://www.mpay.my>.

Save for the company logos of MPSB and Sinatec as disclosed above, there is no other trademarks used for our Group's business with EON Bank. The trademarks for our products such as POSConnect, ISO Manager, CLMS and eAsia2u are used as marketing tool for identification, branding and product recognition purposes.

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6. BUSINESS OVERVIEW (Cont'd)

6.18 DEPENDENCY ON PATENTS, INTELLECTUAL PROPERTY RIGHTS, LICENCES, INDUSTRIAL, COMMERCIAL OR FINANCIAL CONTRACTS

(i) Dependency on patents and intellectual property rights

Save for the proprietary software and brand names owned by us, our Group is not dependent on any patents or intellectual property rights for our business operations.

(ii) Dependency on major licences

Save as disclosed in Section 6.16 of this Prospectus, our Group is not dependent on any other major licences, permits and registrations for our business operations.

(iii) Dependency on commercial and financial contracts

Save as disclosed below, our Group is not dependent on any material contracts or agreements that are subsisting and which our Group is highly dependent on. All three (3) contracts entered into by our Group with EON Bank are non-exclusive in nature.

| Subsidiaries: | Transacted parties: | Nature contracts/ Scope of work: |
|----------------------|----------------------------|--|
| MPSB | EON Bank | <ul style="list-style-type: none"> ▪ Master Rental Agreement dated 1 April 2005 unless otherwise terminated by either party due to breaches or non-compliance with the agreement <p>MPSB had agreed to rent to EON Bank terminals, computer hardware, software and other products as described in the letter of deployment of each rental agreement ("Equipment"), install the Equipment at the location more specifically specified in each of the rental agreement and to provide maintenance services in relation to the rented Equipment.</p> <p>Each letter of deployment will form a separate rental agreement of the Equipment for the rental term commencing on the date of the acceptance certificate.</p> |
| Whatdevice | EON Bank | <ul style="list-style-type: none"> ▪ EMV Card Personalisation Services Agreement dated 1 August 2009 and expiring on 31 July 2011 <p>Whatdevice has the necessary expertise in various compliant cards technology and card personalisation systems.</p> <p>Pursuant to the EMV Card Personalisation Services Agreement, Whatdevice had agreed to provide outsourced personalisation services to EON Bank namely the loading of a non-personalised EMV Smart Chip Credit Cards for MasterCard and Visa issuance with the cardholder's data and details within the EMV parameters, prior to issuance of the personalised EMV Cards and also the card packaging services.</p> <p>Whatdevice shall also provide or procure the provision of all materials, equipment, facilities, software and expertise, personnel, supervision and other services and all other things required as necessary for the satisfactory performance and completion of the services and issuance of the personalised EMV Cards.</p> |

6. BUSINESS OVERVIEW (Cont'd)

| Subsidiaries: | Transacted parties: | Nature contracts/ Scope of work: |
|---------------|---------------------|---|
| Sinatec | EON Bank | <ul style="list-style-type: none"> MATTA Co-branded card – Management of Loyalty Programme Agreement dated 15 January 2008 unless otherwise terminated by either party due to breaches or non-compliance with the agreement <p>EON Bank has appointed Sinatec to manage and operate the co-branded Card namely a Credit or prepaid Card which allows the Cardholders to earn loyalty points and to obtain discounts, rebates or other privileges offered by EON Bank, any Merchant affiliated to EON Bank and MATTA loyalty programme.</p> |
| MPSB | MBB | <ul style="list-style-type: none"> External Sales Agent Merchant Recruitment Agreement dated 7 August 2007 between Multimedia Prospect Sdn Bhd (“Agent”) and MBB External Sales Agent Merchant Recruitment Agreement dated 15 September 2009 between Multimedia Prospect Sdn Bhd (“Agent”) and MBB expiring on 14 September 2011 <p>MBB has appointed the Agent to source and recruit interested parties to participate in its Card acceptance program in accordance with the selection criteria determined by MBB whereby the Agent shall install the required EDCPOS Terminal(s) at the said parties’ outlets to enable payments by way of a charge, credit and/or debit Card.</p> |
| MPSB | Hypercom | <ul style="list-style-type: none"> Ice Value Added Reseller Agreement dated 14 August 2002 (“Agreement”) between Multimedia Prospect Sdn Bhd and Hypercom U.S.A., Inc. (“Hypercom”) for a term of one year from the date of Hypercom’s authorized signature in the Agreement. The Agreement shall be automatically renewed for successive one-year terms until either party gives the other a termination notice pursuant to the Agreement. <p>Hypercom has agreed to sell and MPSB has agreed to purchase the terminal products as identified in the Agreement (“Products”). Hypercom further grants to MPSB a non-exclusive, non-transferable licence (a) to use and copy (only as necessary) specifications from which MPSB may create software interface drivers to interface Products with other products sold and/or supported by MPSB such as enhanced product; and (b) to sublicense such Interface solely in object code format, and only as incorporated in enhanced product, to end users.</p> |

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6. BUSINESS OVERVIEW (Cont'd)

6.19 R&D

R&D policy

Our R&D policy is to improve overall innovation system performance. As a Managed Electronic Payment Solutions provider, it is our policy to keep abreast of the latest technologies in the market. We believe that R&D is a vital component. Since we first commenced operations in year 2000, R&D has always been an integral part of our business. As payment trends continue to evolve and competition in the market intensifies, there is a constant need for improvement and invention of advanced and innovative technologies to meet the market demand.

R&D objectives

Keeping abreast with the development of market dynamics and regulatory changes is imperative. We strive to further develop and enhance the features our products and services to meet the following R&D objectives to:

- (a) ensure secure payment transactions across the payment network;
- (b) continuously upgrade, comply and be certified by the Card Organisations;
- (c) increase customer satisfaction;
- (d) build competitive advantage to distinguish us from our competitors; and
- (e) sustain and grow our business.

Areas of R&D focus

Our R&D spans a set of tasks including, design, specification, code development, testing, and documentation and conceptualisation. Historically, we focused on software outsourcing projects primarily in the areas of development and customisation based on the specifications set by our customers. Since then, we have evolved from a software house to a build-operate-own business model where our R&D personnel are involved with in all stages of our R&D activities.

Our R&D team is grouped into two (2) primary areas of focus:

(i) Product development

Our product development team focuses on front-end applications, middleware and back office applications. They concentrate on developing new products and improving existing products. Our applied research encompasses research on product design and prototyping of new products or systems, and eventually study on the initial conceptualisation. They are also required to understand and enumerate the relevant requirements, translate those specifications into instructions for the computer, testing to make sure the specifications and their translation are correct, and documenting and maintaining this "program" as the users request for modifications. The team needs to conduct continuous study to modify our products to accommodate different languages, different practices, and choice of hardware adopted by our array of customers.

6. BUSINESS OVERVIEW (Cont'd)

Details of our product development or enhancements are set out below:

| Applications | Products | Timeframe for completion |
|-------------------------|--------------------------------------|---------------------------------|
| Front End Application | (i) Card mailer programme | By 2 nd quarter 2012 |
| | (ii) Sinatec POS | By 2 nd quarter 2012 |
| Middleware Application | (i) POSConnect | By 2 nd quarter 2012 |
| | (ii) ISO Manager | By 2 nd quarter 2011 |
| Back Office Application | (i) Advance e-commerce portal system | By 2 nd quarter 2012 |
| | (ii) MPTUS | By 2 nd quarter 2012 |
| | (iii) CLMS | By 2 nd quarter 2012 |
| | (iv) Sinatec ERP | By 2 nd quarter 2012 |
| | (v) Sinatec CRM | By 2 nd quarter 2011 |
| | (vi) SCICAD | By 2 nd quarter 2012 |

Note:

Save for the development of Sinatec CRM as a new product, the other R&D activities are for the enhancement of our existing products as mentioned in the table above.

(ii) Technology development

The technology development team concentrates on software engineering, system analysis, and software development. They explore and research new payment related ideas and technologies specifically the interoperability between EMV Cards and EDCPOS Terminals. They also need to research and study on possible conversion of existing systems and development to newly developed systems.

R&D capabilities

As at the LPD, we have eleven (11) qualified personnel in our R&D team. They have knowledge and expertise in ICT related subject matters. Apart from having personnel involved in R&D purposes, our sales and distribution team also play a role in R&D activities by way of gathering market intelligence from customers and the industry.

Our R&D centre at Cyberjaya houses our R&D activities and our servers, personal computers and software development tools.

R&D development strategies

Our R&D development strategies are as follows:

- (a) increase R&D manpower and resources;
- (b) collaborating and forming strategic alliance with point-of-sales hardware vendors and software houses; and
- (c) broadening products and services range.

6. BUSINESS OVERVIEW (Cont'd)

R&D expenditures

The table below sets out our R&D expenditures for the past three (3) FYEs 2007 to 2009 and FPE 2010:

| R&D expenditures | FYE 2007 * | FYE 2008 * | FYE 2009 ^ | FPE 2010 ^ |
|------------------|------------|------------|------------|------------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| MPSB | - | - | 340 | 292 |
| Sinatec | - | - | 487 | 360 |
| Whatdevice | - | - | 48 | 9 |
| Group | - | - | 875 | 661 |

Notes:

* For the FYE 2007 and the FYE 2008, we have incurred mainly salary expenses of approximately RM833,000 and RM714,000 respectively as our R&D activities which were recognised as operating expenses. The R&D activities during the FYEs 2007 to 2008 were mainly related to ERP, Micro Payment & Prepaid Top Up Solution (MPTUS) and CLMS. These R&D activities were expensed off during the FYEs 2007 to 2008 as they were ongoing R&D on continuous upgrades, maintenance and customisation of existing software.

^ For the FYE 2009 and the FPE 2010, the expenses were mainly salary expenses which were capitalised as software R&D activities. These software R&D activities were related to agency management software system and card mailer system. Both the card mailer system and partial of agency management software system will be commercialised in the forthcoming FYE.

| Revenue | FYE 2007 | FYE 2008 | FYE 2009 | FPE 2010 |
|---------|----------|----------|----------|----------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Group | 6,074 | 6,771 | 7,843 | 6,610 |

| R&D expenditures proportion to the total revenue of our Group | FYE 2007 | FYE 2008 | FYE 2009 | FPE 2010 |
|---|----------|----------|----------|----------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Group | - | - | 11.16% | 10.00% |

R&D and technical team personnel

As at the LPD, our Group's key R&D personnel are as follows:

| Key personnel | Position held | Years of experience |
|---------------|------------------------------|---------------------|
| Ng Kian Seng | Chief Technology Officer | 10.5 |
| Wong Siew Yee | Project manager | 8.5 |
| Ho Chee Jiun | Project manager | 4.0 |
| Low Cheah Pei | Analyst programmer | 4.5 |
| Yeo Choon Ann | Product development engineer | 4.0 |

6.20 INTERRUPTIONS IN BUSINESS

We have not experienced any interruption in business which had significant effects on our operations for the twelve (12) months preceding the LPD.

6. BUSINESS OVERVIEW (Cont'd)

6.2I MAJOR CUSTOMERS

Save as disclosed below, our Group does not have any major customer (i.e. those individually contributing 10% or more of our Group's revenue) for the past three (3) FYEs 2007 to 2009 and the FPE 2010:

| Name of customer | Country of origin | Year of relation -ship | Services offered | < ----- As a % of total revenue ----- > | | | | | | | |
|--------------------------|-------------------|------------------------|--|---|-------|---------|-------|---------|-------|---------|-------|
| | | | | FYE2007 | | FYE2008 | | FYE2009 | | FPE2010 | |
| | | | | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| EON Bank | Malaysia | 8 | Terminal Services, Loyalty Management Services, Business Process Outsourcing Services and Payment Services | 2,236 | 36.81 | 2,849 | 42.08 | 4,308 | 54.72 | 3,321 | 50.24 |
| Nova Newlook Sdn Bhd * | Malaysia | 5 | Software, Security and ICT Services | 375 | 6.17 | - | - | 1,125 | 14.29 | - | - |
| Celcom (Malaysia) Berhad | Malaysia | 9 | Software, Security and ICT Services | 639 | 10.52 | 1,073 | 15.85 | 117 | 1.48 | - | - |
| E Combi Pte Ltd # | Singapore | 4 | Software, Security and ICT Services | - | - | 1,500 | 22.15 | - | - | - | - |
| MDeC | Malaysia | 10 | Software, Security and ICT Services | 172 | 2.83 | 1 | 0.01 | - | - | 2,177 | 32.93 |

Notes:

The company is related to our Group as Chin Shea Fong is the executive director and a shareholder. He is also our Promoter.

* *The company is related to our Group as Dato' Theng Book, Chan Wah Kiang and Chin Shea Swong are the shareholders. They are also our Promoters.*

Save for our major customer, EON Bank, which has contributed approximately 36.81%, 42.08%, 54.72% and 50.24% of our total revenue for the FYE 2007, 2008, 2009 and FPE 2010 respectively, we are not dependent on other major customers. Please refer to Section 4.1.1 of this Prospectus for mitigating factors of the dependence on these major customers.

Our Directors confirmed that the above related party transactions were carried out at arm's length basis on normal commercial terms which are not favourable to the related parties. For the relevant financial years under review, some of our revenues are derived from customers who are related to our Group as its directors and shareholders who are also part of the Promoters. Please also refer to Section 10 of this Prospectus for further details on related party transactions.

6. BUSINESS OVERVIEW (Cont'd)

6.22 MAJOR SUPPLIERS

Save as disclosed below, our Group does not have any major suppliers (i.e. those individually contributing 10% or more of our Group's purchases) for each of the past three (3) FYE 2007 to 2009 and the FPE 2010:

| Name of supplier | Country of origin | Year of relation-ship | Payments for | As a % of total purchases | | | | | | | |
|-------------------------------------|-------------------|-----------------------|--|---------------------------|-------|---------|-------|---------|-------|---------|-------|
| | | | | FYE2007 | | FYE2008 | | FYE2009 | | FPE2010 | |
| | | | | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| Nera Infocom (M) Sdn Bhd | Malaysia | 9 | Purchase of NAC | 227 | 11.82 | 148 | 12.59 | 65 | 8.41 | - | - |
| Hypercom | Malaysia | 9 | Purchase of EDCPOS Terminals, software and related network equipment | 357 | 18.59 | 212 | 18.03 | 351 | 45.41 | 6 | 2.48 |
| Sierra Wireless (Asia Pacific) Ltd | Singapore | 6 | Broadband data products | 394 | 20.52 | 10 | 0.85 | 6 | 0.78 | 6 | 2.48 |
| Creative Century Management Sdn Bhd | Malaysia | 6 | Installation services of Nokia Wireless Cellular Terminal and Payphone System of Celcom USP project in East Malaysia | 9 | 0.47 | 630 | 53.57 | - | - | - | - |
| Giesecke and Devrient Asia Pte Ltd | Singapore | 5 | Purchase of software upgrade | 382 | 19.90 | - | - | - | - | - | - |
| RX Telecommunication Sdn Bhd | Malaysia | 2 | Installation services of Nokia Wireless Cellular Terminal and Payphone System of Celcom USP project in East Malaysia | 278 | 14.48 | - | - | - | - | - | - |
| Nova Newlook Sdn Bhd * | Malaysia | 5 | Purchase of EDCPOS Terminals | - | - | - | - | 151 | 19.53 | - | - |
| AEON Co. (M) Bhd | Malaysia | 2 | Purchase of vouchers | - | - | - | - | 4 | 0.52 | 26 | 10.74 |

6. BUSINESS OVERVIEW (Cont'd)

Note:

- * *The company is related to our Group as Dato' Theng Book, Chan Wah Kiang and Chin Shea Swong are the shareholders. They are also our Promoters.*

Save for Hypercom, we are not dependent on other major suppliers as disclosed above. Please refer to Section 4.1.6 of this Prospectus for mitigating factors of the dependence on this major supplier.

Our Directors confirmed that the above related party transactions were carried out at arm's length basis on normal commercial terms which are not favourable to the related parties. For the relevant financial years under review, some of our revenues are derived from customers who are related to our Group as its directors and shareholders who are also part of the Promoters. Please also refer to Section 10 of this Prospectus for further details on the related party transactions.

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6. BUSINESS OVERVIEW (Cont'd)

6.23 STRATEGIES, FUTURE PLANS AND PROSPECTS

(i) Vision and mission statements

- (a) Our vision is to be the trusted provider of Managed Electronic Payment Solutions and its related systems and technologies that ensure the security and freedom of our corporate enterprises and its customers.
- (b) Our mission is to revolutionise the way business work and function by integrating new internet enabled technology and traditional business applications that will effectively eliminate the constraints of distance and time.

(ii) Future plans

(a) Business expansion and increase in distribution network

As part of our business expansion plan, we plan to expand our business and broaden our customer base. Currently, we have presence in eleven (11) locations by having sales and support centres at the major towns. We aim to increase this number and increase our presence nationwide by widening our sales and support network through our in-house sales team and Agency Managers in Malaysia.

We shall continue to look for ways to enhance our Agency Manager Programme by increasing the number of our Agency Managers, as this will give us exclusive market coverage to offer our products and services. Moving forward, our Group intends to secure more Agency Managers for the distribution network.

To achieve this, we will facilitate and provide each Agency Manager and our in-house sales team with, amongst others, the following:

- (i) understanding of our Group's products and services, knowledge of target markets, development of soft skills and technical knowledge. This is to ensure that they are well-versed on all sales, support and technical areas. A certificate will be issued by our Group for the Agency Manager who has undergone this training;
- (ii) purchasing approximately 4,000 units EDCPOS Terminals, 150 set of point-of-sales system and peripherals and 5 sets of computer hardware and software system required to set up Host Application Server for our Payment Services and Loyalty Management System utilising the IPO proceeds; and
- (iii) expand our office space and/or to set-up branches at various locations within Malaysia to cater for our Agency Manager programme's training and development and our sales and support network centre with the objective to provide tools and technical knowledge to our Agency Managers.

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6. BUSINESS OVERVIEW (Cont'd)

(b) New products and services

Part of our Group's strategy is to offer new products and services to which includes but not limited to the following:

- (i) integrate our EDCPOS Terminal solutions with point of sales software vendors. With such alliances or collaborations, we will be able to secure more leads and opportunities in the market. Our payment middleware (referred to as POSConnect) is able to facilitate easier end-of-month reporting, daily transaction reconciliation and reduce data re-entry by integrating the EDCPOS Terminals directly into the third party POS system such as the Microsoft Dynamics Retail Management System, Spartan POS System, Dinerware POS Solution and SAGE UBS POS Solution. Our POSConnect connects these third party POS systems via the EDCPOS Terminals to Financial Institutions;
- (ii) we also intend to integrate our EDCPOS Terminals solutions with accounting and human resources management software vendors. This will widen our customer base by expanding our target market and clientele base;
- (iii) we aim to expand our business by securing additional in-source EMV Card Personalisation centres and Loyalty Management Services projects;
- (iv) we intend to launch our own co-branded Credit Card-based Loyalty Cards as this create brand awareness that will be linked to our brands;
- (v) the implementation of the SMI/SMEs online service delivery system for Malaysian SMI/SMEs to enable their business processes, such as quotations, purchase orders, invoices and payments, electronically. The MDEX project is anticipated to offer business exposure to our Group with various business communities via different channels such as SME CORP, SMI Association of Malaysia, Kuala Lumpur Malay Chamber of Commerce and KL Selangor Chinese Chamber of Commerce and Industry.

In summary, the MDEX project offers the opportunity to cross-sell our Group's Payment Services and Terminal Services; and

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6. BUSINESS OVERVIEW (Cont'd)

- (vi) we have secured contracts with the following customers for our Payment Services and Terminal Services segments:

| <u>Project secured</u> | <u>Description of project</u> |
|--------------------------------|---|
| Easy Pha-max Marketing Sdn Bhd | Provision of redemption of Easy Pha-max's bonus points services |
| Institut Kimia Malaysia | Membership and payment system |
| Broadway Access Sdn Bhd | Internet protocol based EDCPOS Terminal rollout in Megalong shopping complex, Sabah |
| MRewards International Sdn Bhd | Provision of Loyalty Management Services |
| EON Bank | <ul style="list-style-type: none"> ▪ TM utility payment via standing instruction ▪ Wave3 Reader rollout services ▪ RCG (Malaysia) Sdn Bhd EDCPOS Terminal rollout for Acer dealers |
| MDeC | SME Online Service Delivery Platform |
| Dynasun Sdn Bhd | EDCPOS Terminal rollout for Johnny's Restaurant outlets |
| MBB | <ul style="list-style-type: none"> ▪ Aussino Malaysia Sdn Bhd EDCPOS Terminal rollout ▪ Cellini Design Center Sdn Bhd EDCPOS Terminal rollout ▪ POSConnect solution for Kuala Lumpur International Airport's express rail link |

As at the LPD, the above projects have been completed.

To achieve this goal, we intend to strengthen our R&D capabilities by expanding the R&D team and focusing on enhancing our existing products, application, and middleware to meet our customers' requirement.

We believe that keeping our products and services up-to-date is essential to increasing our market share and to compete with other players in the Electronic Payment Solutions industry. As such, we intend to continue developing our products and solutions on an on-going basis by adding new features such as security features and upgrading of requirements to comply with the evolving EMV standards set by Europay, MasterCard and Visa.

- (c) **Promotion of our products and services**

As a service provider, we intend to market our products and solutions to Financial Institutions, large retail chain outlets and other sizeable business entities that uses our in-house products and the integrated point-of-sales system in collaboration with third party point-of-sales vendors in the short to mid-term. We intend to achieve this goal by conducting product awareness campaigns such as the provision of training materials, marketing materials, advertisement and promotional activities to target this group of potential customers.

6. BUSINESS OVERVIEW (Cont'd)

(iii) Our prospects

Our current main focus is in smart card technology based electronic payment products and solutions, which include our core services comprising Payment Services, Terminal Services, and value added services comprising Loyalty Management Services, Business Process Outsourcing and Software, Security and ICT Services. The bulk of shared resources that enable such solutions are the middleware and back-end services which consist of network nodes, encryption algorithms, software development as well as database management and switch routing capabilities. Our equipment and expertise to execute middleware and back-end services are versatile and can be easily adapted to accommodate solutions for mobile and internet payments.

With growth anticipated for the Electronic Payment Solutions industry, in the smart card-based segment as well as internet and mobile payments, the prospects for our Group are promising. The CAGR for the Electronic Payment Solutions industry in Malaysia is anticipated to be about 8.3% in the period 2010 to 2015, while the smart card personalisation market in Malaysia is expected to grow at a CAGR of 9.6% during the same period (*Source: Independent Market Research Report compiled and prepared by Frost & Sullivan*).

Additionally, the value of internet banking and mobile banking in Malaysia registered CAGR of 32.6% and 42.9% in 2005 to 2009 respectively. The loyalty management market in Malaysia recorded growth rates of between 15.0% and 18.1% in 2005 to 2008. Although the growth rate of this market is lower at 6.1% in 2009 as a result of reduced consumer spending due to the global financial crisis in 2008/09, the market is expected to return to normal growth rates as the economy of the nation improves in 2010 onwards (*Source: Independent Market Research Report compiled and prepared by Frost & Sullivan*). All of the above demonstrates that the market segments that our Group participates in are growth markets, with potential for further growth as both retailers and consumers continue to adopt electronic payment methods. Our Group is in a prime position, not just as an experienced player in the industry but also as an end-to-end solution provider, to leverage on its internal capabilities and external reach to capture the growing demand for electronic payment products and services.

Premised on the growth anticipated, our Group is of the view that we will be able to grow our sales in the following manner:

- (i) **Terminal Services:** To work with other Financial Institutions as the Acquiring Banks, to increase our pool of Merchants and to expand and diversify our products and services to different industries. As at the LPD, we have EON Bank and MBB as our Acquiring Banks and we have submitted proposals to two (2) other Financial Institutions for our Terminal Services;
- (ii) **Payment Services:** Our Group has collaborated with POS Partners (Asia Pacific) Pty Ltd to market and distribute the Microsoft Dynamics Retail Management System and Dinerware POS Solution in Malaysia and Brunei. In addition, our Group has secured a contract with MDeC to deploy SME Online Delivery Platform to facilitate SMI/SMEs e-commerce, online ordering and payment transactions utilising our SCICAD and advanced e-commerce portal system; and

6. BUSINESS OVERVIEW (Cont'd)

- (iii) Loyalty Management Services: Our Group has for the past two and a half (2.5) years recruited and managed the MATTA cardholders on behalf of EON Bank and MATTA by providing points capturing and gift redemption services to MATTA cardholders. In addition, our Group has secured two (2) other loyalty projects for a duration of three (3) years each using our CLMS to maintain and enhance their customers retention.

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7. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

The following terms in this section bear the same meanings as set out in the Independent Market Research report dated January 2011 unless the term is defined otherwise or the context requires otherwise.

7.1 OVERVIEW OF THE MALAYSIAN ECONOMY

The Malaysian economy registered a growth of 5.3% in the third quarter of 2010, driven by domestic demand amid slowing external demand. The expansion in domestic demand was supported by private sector spending. The slowdown in the global economy has led to the moderation in external demand. On the supply side, all major economic sectors, except mining, continued to expand during the quarter, but at a more moderate pace.

Domestic demand expanded by 5% in the third quarter (2nd quarter ("2Q") 10: 9%) led by a sustained expansion in both private consumption and capital spending. Private consumption recorded a growth of 7.1% (2Q 10: 7.9%) supported by favourable labour market conditions and positive consumer confidence. Public consumption declined by 10.2% (2Q 10: 6.9%) as a result of lower government spending on supplies and services. Gross fixed capital formation expansion by 9.8% (2Q 10: 12.9%) driven by capital expenditure from the private sector. Private sector capital spending was supported by the expansion in the domestic production amidst high levels of capacity utilisation and positive business sentiments.

On the supply side, major economic sectors, except mining, expanded further but at a more moderate pace. Growth in the manufacturing sector moderated to 7.5% (2Q 10: 16.0%), reflecting mainly the slower growth in external demand. The services sector remained resilient, growing at 5.4% (2Q 10: 7.3%), benefiting from favourable domestic demand conditions. The construction sector expanded by 2.8% (2Q 10: 4.1%), supported by growth in the non-residential and civil engineering sub-sectors. Growth in the agriculture sector increased to 2.7% (2Q 10: 2.4%), following higher production of crude palm oil and rubber. However, the mining sector recorded a contraction of 1.0% (2Q 10: 1.1%), as the lower production of natural gas.

The headline inflation rate, measured by the change in the Consumer Price Index, increased to 1.9% on an annual basis in the third quarter (2Q 10: 1.6%). The increase in consumer prices was attributable mainly to the rise of food and non-alcoholic beverages (third quarter 2010: 2.9%, 2Q 10: 2.4%).

In the external sector, the trade surplus narrowed further to RM22.3 billion (2Q 10: RM23.4 million) in the third quarter. Both gross exports and imports increased at a more moderate pace of 10.4% and 16.5% respectively (2Q 10: 21.7% and 30.3% respectively), in line with the weaker external environment. The slower growth in gross export was due mainly to the lower exports of manufactured products, reflecting the softening global demand for electronic and electrical products, particularly semiconductors. The moderation in gross imports was reflected in the intermediate imports, which increased at a slower pace, in tandem with the moderation in manufactured exports. Capital imports expanded strongly, supported by continued public and business investment spending, while consumption imports expanded at a modest pace. The imports of primary food and beverage as well as motor vehicles, however, remained strong, reflecting positive consumer sentiments.

On the cash basis, gross inflows of foreign direct investment ("FDI") (excluding retained earnings) were higher at RM8.9 billion in the third quarter, reflecting mainly larger inflows of equity capital and the drawdown of intercompany loans. After adjusting for gross outflows due to repayment of intercompany loans, net FDI more than doubled to RM5.0 billion (2Q 10: +RM2.4 billion).

7. INDUSTRY OVERVIEW AND FUTURE PROSPECTS (Cont'd)

The international reserve of Bank Negara Malaysia amounted to RM310.8 billion (equivalent to USD100.7 billion) as at 30 September 2010. This level of reserve has taken into account the quarterly adjustment for foreign exchange revaluation loss, following the strengthening of the RM against most major currencies during the quarter. As at 15 November 2010, the reserve position amounted to RM326.5 billion (equivalent to USD105.8 billion), sufficient to finance 8.8 months of retained imports and is 4.0 times the short-term external debt.

The Overnight Policy Rate ("OPR") was raised by 25 basis points in July 2010, bringing the cumulative OPR adjustments for the year-to-date to 75 basis points. The OPR was raised to normalise monetary conditions, in line with the improved economic outlook. In September and November, the OPR was left unchanged at 2.75% at the prevailing level of the OPR, monetary policy remains accommodative and the overall level of interest rates is appropriate and consistent with assessments of the growth and inflation prospects.

Following the increase in OPR on 8 July 2010, the average overnight interbank rate traded higher and interbank rate of other maturities also increased accordingly. In terms of the commercial banks' lending rates, both the average base lending rate and the average lending rate adjusted upwards. The average fixed deposit rates rose in tandem.

(Source: Quarterly Bulletin, Third Quarter 2010, Developments in the Malaysian Economy, Bank Negara Malaysia)

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7. INDUSTRY OVERVIEW AND FUTURE PROSPECTS (Cont'd)

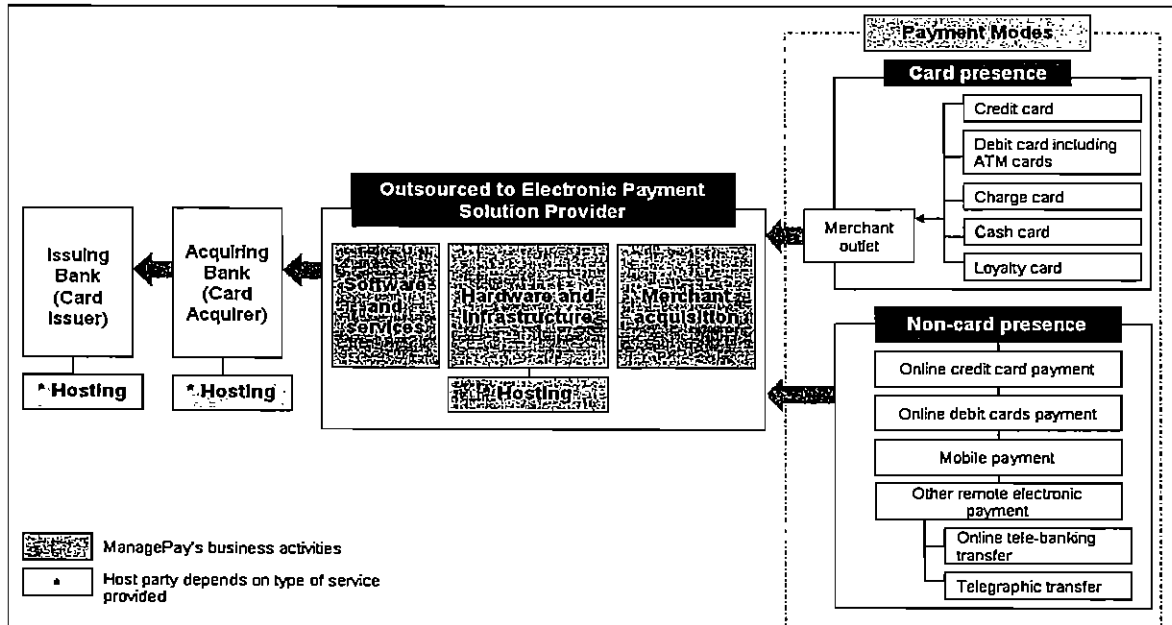
7.2 OVERVIEW OF THE STRUCTURE OF THE ELECTRONIC PAYMENT SOLUTIONS INDUSTRY

The advent of technology has made possible the use of Electronic Payment solutions covering all forms of payment transactions made by means of wire or wireless medium aside from ATM machines. ATM machines are defined as all cash withdrawal machines, cash deposit machines and cheque deposit machines typically available within the premises of retail banking institutions.

Electronic Payment solutions can be further divided into payments which are Card presence and non-Card presence (“Electronic Payment Solutions”). Card presence payments are defined as payments and/or transactions made with a smart card which include payments made by Credit Card and Debit Card, and these transactions are typically carried out at a retail outlet or Merchant outlet.

Non-Card presence payments are defined as Electronic Payments that are made remotely, i.e. without being physically present when a payment is made. These include payments made via Credit Cards through an internet payment gateway, payments made through a banking account via an internet banking or tele-banking facility, and payments made through a banking account via mobile phone (i.e. via short messaging system, or SMS), among others.

Key segments for the Electronic Payment industry



Notes:

The term “hosting” refers to a server where software applications and programmes reside, or are “hosted”. A host party is the organisation where the server is located.

The phrase “Host party depends on type of service provided” denotes that the location of a server is dependent on the type of service provided

(Source: Independent Market Assessment on the Electronic Payment Solutions Industry in Malaysia prepared by Frost & Sullivan)

7. INDUSTRY OVERVIEW AND FUTURE PROSPECTS (Cont'd)

The following is a list of common Electronic Payment solutions available.

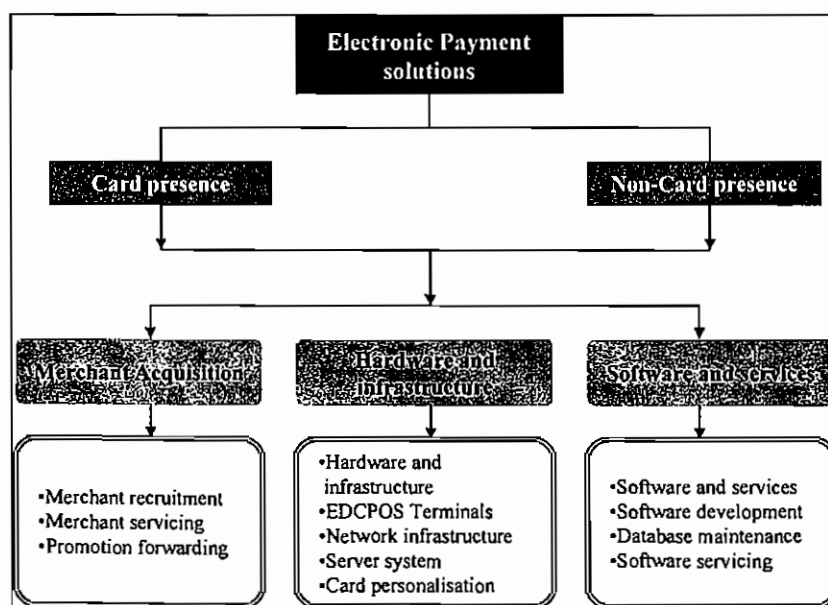
- (i) Card presence
 - (a) retail credit/charge card payment solution
 - (b) retail debit/ATM card payment solution
 - (c) retail cash card payment solution
 - (d) loyalty card transaction
- (ii) Non-Card presence
 - (a) online Credit Card payment solution
 - (b) online Debit Card payment solution
 - (c) mobile payment solution
 - (d) other remote Electronic Payment solutions
 - tele-banking solutions
 - telegraphic transfer (inter-banking payment)

Currently, Electronic Payments in Malaysia are largely dominated by smart card dependent technology, with the wide-scale migration of all magnetic stripe Credit Cards, Debit Cards and ATM cards to smart card technology between 2003 and 2006. Retailers or Merchants accept payment through physical Cards. Payments are also accepted by some Merchants without the presence of a physical Card, largely through the internet, telephone and mobile devices, in these instances, details of a Card used to make a payment is sent via the internet or telephone. These virtual retail payments are still in their infancy stages in Malaysia.

This industry overview will focus largely on the card presence Electronic Payments solutions industry in Malaysia, with a brief discussion of the growing demand for Electronic Payment made through non-Card, or virtual platform.

Most industry players, including our Group, currently operate predominantly in the smart card space in Malaysia. Our Group however, has also ventured into non-card presence Electronic Payments solutions, given the rising potential of this market in Malaysia.

Value Chain for the Electronic Payment Solutions Industry



(Source: Independent Market Assessment on the Electronic Payment Solutions Industry in Malaysia prepared by Frost & Sullivan)

7. INDUSTRY OVERVIEW AND FUTURE PROSPECTS (Cont'd)

While Electronic Payments are defined as payments made through an electronic medium, the components and services that are required to make these payments possible are known as Electronic Payment solutions. Electronic Payment solutions typically consist of the following three components, which will be discussed in the next section:

- (i) Merchant Acquisition;
- (ii) hardware and infrastructure; and
- (iii) software and services.

Electronic payment solutions are classified as above to reflect the industry as a whole and not meant to represent the business activities of any company in particular.

Merchant Acquisition

This refers to acquisition and recruitment services. Merchant Acquisition takes place when an Electronic Payment solution provider approaches retailers, or Merchants, with the objective of having the latter adopt the payment solution system to accept payment (i.e. non-cash payment in electronic form) from their customers.

Merchant Acquisition is a key service for the payment solution provider as most banks do not conduct this service and will require an external party to achieve greater reach into the retail market. Merchant Acquisition activities may also include recruiting Merchants to participate in promotions. (promotions typically initiated by banks) as well as providing retailers with servicing and maintenance of hardware and software infrastructure.

Hardware and infrastructure

Hardware and infrastructure refers to the interface by which end-users and retail vendors typically transact, which include Card acceptance terminals or EDCPOS Terminals, PIN, Credit/Debit/ATM Cards and networks involved in data transfer; server systems that are connected to client systems, encryption, transmission and reception hardware as well as network nodes and switchboard routing. It also refers to Card personalisation, the process in which personalised cardholder information is printed on the surface of the smart card (Credit Card, Debit Card or ATM card) as well as embedded on the smart card chip.

Software and services

This mainly refers to software development, systems integration, as well as database processing and maintenance needed for the processing of payments. Software is often developed or customized according to the needs of individual clients, providing value proposition for an electronic payment solution. Software applications are developed for both the front and back ends. Front-end software typically includes the user interface, while the back-end systems are generally the software that processes the transactions. Middleware software is also typically utilised to link or connect the front and back ends, as well as to create a seamless integration for payment processing to Merchant networks.

(Source: Independent Market Assessment on the Electronic Payment Solutions Industry in Malaysia prepared by Frost & Sullivan)

Our Group is an Electronic Payment Solution provider offering merchant acquisition, hardware and infrastructure, and software and services to our customers as a third party solution provider. Our Group's payment services, terminal services and software, security and ICT services are all part of Electronic Payment Solutions, and can be mapped to the Electronic Payment Solution industry value chain as follows:

- (i) Payment services is part of "Merchant Acquisition" and "Hardware and Infrastructure";
- (ii) Terminal services is part of "Hardware and Infrastructure"; and
- (iii) Software, security and ICT services fall under "Software and Services".

7. INDUSTRY OVERVIEW AND FUTURE PROSPECTS (Cont'd)

The Electronic Payment Solution industry is covered in detail in the industry overview as it is the core industry that our Group operates in. Loyalty management and smart card personalization are value-added services that complement Electronic Payment Solutions, and hence are covered as brief overviews in the industry overview.

(Source: Independent Market Assessment on the Electronic Payment Solutions Industry in Malaysia prepared by Frost & Sullivan)

7.3 FUTURE GROWTH

(i) Industry outlook in Malaysia

The Electronic Payment Solutions industry in Malaysia is expected to reach RM280.4 million by year 2015 with CAGR of 8.3% (2010 to 2015). Industry sizing and forecast are based on the smart card presence payment platform of the Electronic Payment Solutions industry in Malaysia.

Industry forecast for the Electronic Payment Solutions industry (Malaysia), 2010 – 2015

| Year | Revenue (RM Million) | Growth Rate (%) |
|----------------|----------------------|-----------------|
| 2010 | 188.6 | |
| 2011 | 205.2 | 8.8 |
| 2012 | 223.6 | 9.0 |
| 2013 | 242.0 | 8.2 |
| 2014 | 260.8 | 7.8 |
| 2015 | 280.4 | 7.5 |
| CAGR-2010-2015 | | 8.3 |

Note:

These figures include software and services for selected key players. Software and services related to Electronic Payment Solutions commonly include indirect fees, such as profit-sharing, and are thus difficult to measure.

(Source: Independent Market Assessment on the Electronic Payment Solutions Industry in Malaysia prepared by Frost & Sullivan)

Between 2010 to 2015, the growth rate of Electronic Payment Solutions industry in Malaysia is expected to experience a continuous positive growth due to the potential adoption of PIN entry device (PED) security requirements for terminals and the growing trend towards multiple applications within a Card (i.e. credit, debit and loyalty application on a Card) as well as cross compatibility across different Cards and platforms.

7. INDUSTRY OVERVIEW AND FUTURE PROSPECTS (Cont'd)

(ii) Areas of growth and opportunities and Prospects for the Group

Our Group, as an Electronic Payment Solutions provider, is currently mainly focused in smart card technology based Electronic Payment products and solutions, which include payment services, EDCPOS Terminals services, and value added services such as loyalty management programs, smart card personalisation and software and related services. The bulk of shared resources that enable such solutions are the middleware and back-end services which consist of network nodes, encryption algorithms, software development as well as database management and switch routing capabilities. The equipment and expertise available at our Group, in order to execute middleware and back-end services, are versatile and can be easily adapted to accommodate solutions for non-Card presence electronic payment as well, such as for mobile and internet payments, which has strong potential within the Malaysian market.

With strong growth anticipated for the Electronic Payment Solutions industry, in the smart card-based segment as well as internet and mobile payments, the prospects for our Group are promising. The CAGR for the Electronic Payment Solutions industry in Malaysia is anticipated to be about 8.3% between 2010 and 2015.

Additionally, the value of internet banking and mobile banking in Malaysia registered CAGR of 32.6% and 42.9% in 2005 to 2009 respectively. The loyalty management market in Malaysia recorded growth rates of between 15.0% and 18.1% in 2005 to 2008. Although, the growth rate of this market was lower at 6.1% in 2009 as a result of reduced consumer spending due to the global financial crisis in 2008/09, the market is expected to return to normal growth rates as the economy of the nation improves in 2010 onwards. All of the above demonstrates that the market segments that our Group participates in are growth markets, with significant potential for further growth as both retailers and consumers continue to adopt Electronic Payment methods. Our Group is in a position, not just as an experienced player in the industry but also as an end-to-end solution provider, to leverage on our internal capabilities and external reach to capture the growing demand for Electronic Payment products and services.

(Source: Independent Market Assessment on the Electronic Payment Solutions Industry in Malaysia prepared by Frost & Sullivan)

7.4 INDUSTRY PLAYERS AND COMPETITION

(i) Nature and factors of competition in the industry

The competitive landscape of Electronic Payment solutions industry in Malaysia is fragmented with many small players within the industry. As the industry is growing and shows strong potential, many small upstarts have stepped into the playing field in recent years. Some industry players provide a multitude of services, while others focus on a particular segment within the industry. Such segments include front end (for example: EDCPOS Terminals and website interfaces), middle ware (for example: network provision and encryption technology) as well as back end services (for example: switchboard routing, maintenance services and software application development). Some of the firms that offer products and services only in one segment are focused in their particular competencies and cater to that particular segment across many industries. An example would be a digital security technology provider who would focus on digital security and cater to the payment solutions industry, national identification industry and mobile data transfer industry – however only providing digital security technology.

7. INDUSTRY OVERVIEW AND FUTURE PROSPECTS (Cont'd)

The factors of competition within the industry are typically centred on the following:

- (i) range of products and services offered;
- (ii) industries and/or sectors served;
- (iii) distribution channels and coverage;
- (iv) speed of deployment of products and services; and
- (v) formal certifications by the Card Organisations.

There are, at present, approximately 15 to 20 organisations in Malaysia which offer Electronic Payment Solutions to a wide range of customers in the market. These include, in alphabetical order:

- Asia Smart Cards Centre (M) Sdn Bhd
- Cassis Services Sdn Bhd
- Dataprep Payment Solutions Sdn Bhd
- Datasonic Corporation Sdn Bhd
- Gemalto Sdn Bhd
- GHL Systems Berhad
- IRIS Corporation Berhad
- IT Bizflow Sdn Bhd
- ManagePay Group Berhad
- Nera (Malaysia) Sdn Bhd
- Paysys (M) Sdn Bhd

(Source: Independent Market Assessment on the Electronic Payment Solutions Industry in Malaysia prepared by Frost & Sullivan)

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7. INDUSTRY OVERVIEW AND FUTURE PROSPECTS (Cont'd)

7.5 DEMAND CONDITIONS

- (i) Demand (please refer to Section 7.7(i) of this Prospectus)
- (ii) Demand dependencies

Growth drivers for Electronic Payment Solutions

Growth drivers are factors that encourage positive growth of the Electronic Payment Solutions industry. They are of significant importance to industry participants and have a different degree of impact on the industry.

Electronic Payment Solutions: Drivers ranked in order of impact (Malaysia), 2010 to 2015

| Rank | Driver | 2010 to 2012 | 2013 to 2015 |
|------|--|--------------|--------------|
| 1 | Reduction in fraud increases trust on electronic payment solutions | High | High |
| 2 | Full EMV potential which consists of PED security, that is yet to be fully tapped. | High | High |
| 3 | Convenience of and cost savings achieved through electronic payment transactions | Medium | High |
| 4 | Card convergence by means of consolidated services and cross compatibility | Medium | High |
| 5 | Technology advancement reduces cost per unit leading to increased adoption among merchants/retailers | Low | Medium |

(Source: Independent Market Assessment on the Electronic Payment Solutions Industry in Malaysia prepared by Frost & Sullivan)

Industry restraints

Restraints have a direct negative impact on industry growth. The restraining factors are often beyond the control of individual companies, if not the entire industry.

Electronic Payment Solutions: Restraints ranked in order of impact (Malaysia), 2010 to 2015

| Rank | Restraint | 2010 to 2012 | 2013 to 2015 |
|------|---|--------------|--------------|
| 1 | Complexity due to legacy systems that are incompatible with new technology | Medium | Medium |
| 2 | Varying security standards and certification processes across different payment methods | Medium | Medium |

(Source: Independent Market Assessment on the Electronic Payment Solutions Industry in Malaysia prepared by Frost & Sullivan)

7. INDUSTRY OVERVIEW AND FUTURE PROSPECTS (Cont'd)

7.6 SUPPLY CONDITIONS

(i) Supply conditions and dependencies

Reliance on skilled labour

Skilled employees within the field of payment solutions, software and hardware development and deployment remain slightly constrained at this point. The shortage of skilled professionals in this area will drive some companies to outsource the provision and management of their payment solutions to vendors that are able to provide not just issuance of the terminals and interface but also the relevant hardware, infrastructure and software required for a full electronic payment solution. On the other hand, due to a shortage of these skills in the market the cost of implementing such services increases, thereby acting as a deterrent to companies who feel that they are able to delay the deployment of such solutions.

Intellectual property

In any technology-related industry, the intellectual property owned by the industry players is key to their existence. Intellectual property is typically created by a combination of the knowledge and expertise of the professionals within the organisation, and the development tools available to these skilled developers. In any case, intellectual property acts as a restraint if there is strong demand for technology patented by the competition, which will then involve payment of licensing fees. Intellectual property remains as a driver to the holder of the patent.

Third party vendors

Most Electronic Payment Solution providers, especially hardware vendors in Malaysia, are dependant on third party suppliers to supply EDCPOS Terminals. GHJ Systems Berhad is currently the only local player which manufactures its own EDCPOS Terminals. The supply of EDCPOS Terminals, however, is readily available from a host of international manufacturers and equipment providers. Among the key manufacturers globally include Hypercom Corporation, VeriFone Holdings, Inc and Gemalto N.V.

(Source: Independent Market Assessment on the Electronic Payment Solutions Industry in Malaysia prepared by Frost & Sullivan)

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7. INDUSTRY OVERVIEW AND FUTURE PROSPECTS (Cont'd)

7.7 ESTIMATED MARKET COVERAGE AND MARKET SHARE

The top-down industry approach is used to assess the market share where industry size is determined based on information and data extracted from publicly available sources such as publications from government agencies, trade agencies, industry associations and Frost & Sullivan's database. The data was collated and verified by conducting primary research, which involves interviewing industry participants.

(i) Industry size for Electronic Payment Solutions

The estimated industry size of the Electronic Payment Solutions industry in Malaysia in 2009 stood at approximately RM173.8 million, up from approximately RM160.9 million in 2008. Industry sizing is based on the smart card presence platform Electronic Payment Solutions industry in Malaysia.

Industry size for Electronic Payment Solutions industry (Malaysia), 2006 – 2009

| Year | Revenue (RM Million) | Growth Rate (%) |
|----------------|----------------------|-----------------|
| 2006 | 141.7 | - |
| 2007 | 147.2 | 3.9 |
| 2008 | 160.9 | 9.3 |
| 2009 | 173.8 | 8.0 |
| CAGR 2006-2009 | | 7.0 |

Note:

These figures include software and services for selected key players. Software and services related to Electronic Payment Solutions commonly include indirect fees, such as profit-sharing, and are thus difficult to measure; All figures are rounded.

(Source: Independent Market Assessment on the Electronic Payment Solutions Industry in Malaysia prepared by Frost & Sullivan)

As the industry size for Electronic Payment Solutions above is quantified based on the prevailing platform (i.e. Card presence based, particularly smart cards) for organisations that offer products and services for this industry, this industry size reflects industry players' revenues from providing such services and solutions to this industry.

In 2004 to 2005, there was a significant growth in the total smart cards market in Malaysia. This was mainly due to the nationwide migration for EMV standard smart card. By 2005 Malaysia saw an almost complete migration, with approximately 95.0% of its 12 million magnetic stripe ATM cards in circulation nationwide migrated to smart card based EMV standard ATM cards. In addition, approximately 5 million Credit Cards migrated to EMV standards from 2005 to 2006. The shift to smart card based ATM card and Credit Cards thus required nationwide installations of smart card-based EDCPOS Terminals to accept such Cards.

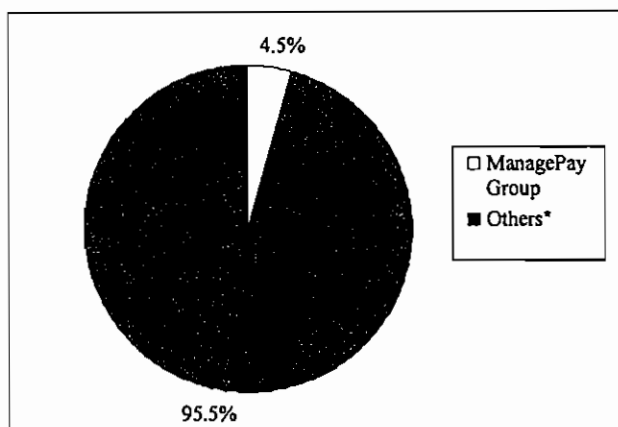
With the completion of these major projects, the hardware and infrastructure portion of the Electronics Payment Solutions industry slowed down in 2007. However with complete hardware and infrastructure migration, this has resulted in greater trust and reliance on Electronic Payment Solutions. This in turn has increased the demand and opportunities for electronic payment implementations and related products and services including merchant acquisition, EDCPOS terminal rentals and network infrastructure, and these have contributed to the higher growth rates from 2008 onwards.

7. INDUSTRY OVERVIEW AND FUTURE PROSPECTS (Cont'd)

(ii) Market share

With regards to the market share in the Electronic Payment Solutions industry, all vendors that provide solutions in Electronic Payments are taken into consideration. We held approximately 4.5% of the Electronic Payment Solutions industry in Malaysia in 2009 while all other players combined accounted for the remaining 95.5 %.

Estimated market share in the Electronic Payment Solutions industry (Malaysia), 2009[#]



Notes:

The computation of the estimated market share of an industry player is based on the following parameters:

- (i) industry size; and
- (ii) revenue of the industry player.

For the above, the size of the industry has been determined based on the various components that made up the Electronic Payment Solution industry, namely the value of hardware and provision of services.

The formula used for computing the market share is:

$$\text{market share} = \frac{\text{company revenue}}{\text{industry size}}$$

- where, (i) company revenue consists of provision of services and the revenue generated from Terminal Services
- (ii) industry size (in this case) is equal to value of hardware** and provision of services.

* Others include but are not limited to GHL Systems Berhad, Dataprep Payment Solutions Sdn Bhd, Datasonic Corporation Sdn Bhd, Gemalto Sdn Bhd, IRIS Corporation Berhad, Paysys (M) Sdn Bhd, UDS Direct (M) Sdn Bhd, Nera (Malaysia) Sdn Bhd, IT Bizflow Sdn Bhd, Cassis Services Sdn Bhd and Asia Smart Cards Centre (M) Sdn Bhd.

** ManagePay is involved in the provision of hardware, through its terminal rentals (i.e. ManagePay generates revenue from terminal rentals therefore is considered to be involved in the provision of hardware).

The market share of our Group was derived based on its revenues in FYE2009 from Electronic Payment Solution services. These revenues were computed against the overall industry size of the Electronic Payment Solutions industry in 2009.

7. INDUSTRY OVERVIEW AND FUTURE PROSPECTS (Cont'd)

The market share of other industry players in the Electronic Payment Solution industry cannot be determined as the revenue of these players solely derived from Electronic Payment Solution services (i.e. segmental revenue by product) is not publicly available. Most industry players offer other ICT-related products and services in addition to Electronic Payment Solutions, hence their reported revenues include these other products and services as well. Without revenue figures from Electronic Payment Solutions, their market share in the industry cannot be ascertained.

(Source: Independent Market Assessment on the Electronic Payment Solutions Industry in Malaysia prepared by Frost & Sullivan)

7.8 GOVERNMENT LAWS AND REGULATIONS

With regards to the Electronic Payment industry, the Banking and Financial Institutions Act, 1989, also known as the BAFIA Act, and the Payment Systems Act (PSA) 2003 contain provisions that enable BNM to effectively perform its role as regulator for the industry.

The objective of the BAFIA Act is to provide laws for the licensing and regulation of the institutions carrying on banking, finance, Merchant banking, discount house and securities brokerage in order to regulate such activities. It would also enable BNM to perform an integrated supervision of such systems and to enable speedy investigations if necessary. The PSA covers both the operators of payment systems and issuers of designated payment instruments (DPis). While these legislations are meant to regulate the operators and issuers of payment systems, which typically include Financial Institutions and Card Organisations, Electronic Payment Solution vendors are generally bound by the guidelines set by these organisations, and these guidelines are largely based on the above legislations.

With regards to smart card personalisation, among the key requirements set out by the Government with respect to a personalisation centre include:

- provide a secure environment for personalisation of the Card;
- provide a secure storage facility for consumables;
- ensure that the facility meets current and future needs;
- ensure that data integrity is maintained at all times;
- manage and control the inventory required for the personalisation process;
- guarantee that the personalisation of the Card is within a 7-Business-Day timeframe;
- ensure that the centre meets the Government security standards at all times;
- manage and control the logistics for delivery of the completed personalised Cards; and
- initialise Card with e-cash application.

For Credit and Debit Cards, an important mandate, although not government-regulated, is the EMV migration. EMV refers to a set of global specifications laid down by Europay, MasterCard and Visa for Cards, terminals and applications to enable global smart card transactions. These specifications include physical characteristics (Card size, shape, and thickness), electrical characteristics (signals to be fed to each contact), command set (access controls on Card) and overall Card security. EMV guidelines require all magnetic stripe Cards to be replaced by chip-based cards as per the deadlines set for each geographic region, failing which the liability of fraud would shift from Card issuers (such as MasterCard and Visa) to banks and financial institutions if it can be proved that such fraud could have been prevented by using chip-based smart cards. With government impetus and mandate, Malaysia completed the EMV migration exercise in 2005.

7. INDUSTRY OVERVIEW AND FUTURE PROSPECTS (Cont'd)

Furthermore, EMV regulations extend to the approval of EDCPOS Terminals that accept EMV Cards. Testing is required for terminals that are rolled out, and any major modifications made to such terminals are scrutinised by EMV to ensure that security remains at the required level mandated by EMV. This is a fraud prevention measure which complements the stringent rules imposed on Cards to further ensure a reduction of fraud occurrences. Thus, the main purpose of the EMV regulation is to reduce fraud and promote global interoperability by promoting a common standard.

(Source: Independent Market Assessment on the Electronic Payment Solutions Industry in Malaysia prepared by Frost & Sullivan)

7.9 SUBSTITUTE PRODUCTS

The Electronic Payment market was born on the principle of replacing or complementing certain traditional payment methods which may include physical cash transfers, cheques and bank drafts. Hence in this sense, Electronic Payment is considered the replacement for traditional payment methods. In addition, the Electronic Payment industry in Malaysia is currently predominantly based on smart card technology, there is presently no effective substitute for smart card technology. This is because smart cards, or more specifically smart card chips, are designed to be intelligent devices due to its function of storing confidential information, ability to process information, has embedded security features and possess multi-application capabilities. At present, there is no cost-effective substitute for smart cards.

However there is growing opportunity in the non-smart card alternative platforms such as mobile and internet (e-commerce) in the future. With this increasing positive uptake our Group is expected to be able to participate in this segment too.

(Source: Independent Market Assessment on the Electronic Payment Solutions Industry in Malaysia prepared by Frost & Sullivan)

7.10 VULNERABILITY AND RELIANCE ON IMPORTS

The Electronic Payment industry in Malaysia remains reliant on imports of hardware (for example, EDCPOS Terminals as well as personalisation equipment and consumables such as printing ribbons). Personalisation refers to the process of embossing and storing relevant information on a Credit Card, Debit Card or ATM card.

However, in most cases the software that runs these processes are developed locally to cater to the domestic market. Apart from hardware and software, the other major component in this industry is in services (including technical support and maintenance) which are fully provided by local industry players. Merchant Acquisition and personalisation services are also carried out by local vendors. Therefore, save for certain hardware and equipment, the industry's reliance and vulnerability to imports is low.

(Source: Independent Market Assessment on the Electronic Payment Solutions Industry in Malaysia prepared by Frost & Sullivan)

7. INDUSTRY OVERVIEW AND FUTURE PROSPECTS (Cont'd)

7.11 CARD PERSONALISATION MARKET IN MALAYSIA

Smart card personalisation is the process whereby a smart card, be it a Credit Card, Debit Card or ATM card is personalised by printing the holders information on the surface of the Card as well as into the smart card chip. Personalisation is provided by physical and logical/digital printing. Smart card personalisation consists of physical printing before information specific to a cardholder is loaded onto the smart card (this phase involves physical printing, photo/biometric capture, logical printing-digitisation of data for storage on the card etc).

Examples of Card personalisation service providers are Datasonic Corporation Sdn Bhd, Gemalto Sdn Bhd, DZ Card (M) Sdn Bhd, Cassis Services Sdn Bhd, IRIS Corporation Berhad, GHL Systems Berhad and our Group.

The market drivers for card personalisation market in Malaysia are:

- continuous fraud reduction effort and EMV Migration;
- increasing penetration rate for Credit Card, Debit Card and/or ATM Card;
- increasing population growth and replacement cards in Government applications (i.e., MyKad); and
- large untapped market due to the relatively low penetration rate of Credit Cards in Malaysia.

The estimated size of the smart card personalisation industry in Malaysia in 2009 stood at approximately 2.7 million units with a CAGR from 2003 to 2009 at 15.0%. In 2010, the smart card personalisation industry experienced a decline of approximately 22.2% as a result of the decrease in the issuance of new and renewal credit cards, due to the imposition of the RM50 annual service tax on each principal credit card and RM25 on each supplementary card by the Government effective 1 January 2010, and expected to also decline by a further 3.9% in 2011. This service tax has caused many cardholders to reconsider their ownership of credit cards. However, since the enforcement of this service tax, selected banks have chosen to absorb the service tax or to offer rebates to their customers to encourage them to retain their credit cards. In addition, consumer spending is expected to increase as the economy recovers, and this is expected to eventually boost the number of credit card users. Therefore, the industry is expected to grow at a CAGR of 9.6% from 2010 to 2015.

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7. INDUSTRY OVERVIEW AND FUTURE PROSPECTS (Cont'd)

7.12 LOYALTY MANAGEMENT MARKET IN MALAYSIA

Loyalty Card programs are among the most typical forms of loyalty management methods. Retailers are able to gather information on their customers based on their shopping patterns. Retailers typically offer rewards such as product discounts, coupons and points towards products in exchange for voluntary participation. Loyalty Cards also promote repeat purchases by offering their customers incentives that are not available to other non-participating customers.

The objective of a typical Loyalty Program is to maintain and enhance customer retention and thus increase profits for the retailer by the following factors:

- increasing the perception of switching costs – a customer is more likely to remain loyal to a particular retail outlet if he perceives that he stands to lose more by patronising another retail outlet;
- reducing the cost of the marketing campaign and increasing its effectiveness; and
- increasing the expenditure and share of wallet of customers.

Examples of loyalty management service providers excluding the brand owners (i.e. Bonuslink, RealRewards, etc.) are GHM Systems Berhad, Cassis Services Sdn Bhd, IRIS Corporation Berhad and our Group.

The market drivers for loyalty management market in Malaysia are:

- ability to tap into the emotional need of Malaysians to save and spend wisely. By offering higher perceived values to customers, Loyalty Programs have managed to retain customers;
- increasing Credit Card programs by Financial Institutions. MasterCard, Visa and American Express are widely used by Malaysians and each Financial Institution offering these Cards ties Cardholders to a loyalty program; and
- non-Credit Card programs including BonusLink and RealRewards offer loyalty benefits from spending using all forms of payment methods.

The growth rates in this market have been consistently high from 2005 to 2008, at over 15.0% annually, and peaking at 18.1% in 2007. However, the growth rate of this market is lower at 6.1% in 2009 as a result of reduced consumer spending due to the global financial crisis in 2008/09.

(Source: Independent Market Assessment on the Electronic Payment Solutions Industry in Malaysia prepared by Frost & Sullivan)

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8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL

8.1 PROMOTERS

The profiles of our Promoters, all of whom are Malaysians, and their respective shareholdings in our Company before our IPO and after our IPO are set out below.

8.1.1 Shareholdings

Based on our Register of Members as at the LPD, the table below sets out the direct and indirect interest of our Promoters before our IPO and after our IPO:

| Name | Designation | ← Before IPO → | | | | ← After IPO → | | | |
|------------------|---|--------------------|-------|--------------------|-------|--------------------|-------|--------------------|-------|
| | | ← Direct → | | ← Indirect → | | ← Direct → | | ← Indirect → | |
| | | No. of Shares held | % | No. of Shares held | % | No. of Shares held | % | No. of Shares held | % |
| Dato' Theng Book | Non-Independent Non-Executive Chairman | 21,963,710 | 16.00 | - | - | 21,963,710 | 12.00 | - | - |
| Chew Chee Seng | Managing Director / Chief Executive Officer | 54,332,728 | 39.58 | - | - | 54,332,728 | 29.68 | - | - |
| Chan Wah Kiang | Non-Independent Non-Executive Director | 27,454,638 | 20.00 | - | - | 27,454,638 | 15.00 | - | - |
| Chin Shea Swong | Chief Operating Officer | - | - | 54,332,728* | 39.58 | - | - | 54,332,728* | 29.68 |
| Chin Shea Fong | Shareholder | 22,540,258 | 16.42 | - | - | 22,540,258 | 12.31 | - | - |

Note:

* Deemed interested by virtue of the interest of her spouse, Chew Chee Seng pursuant to Section 6A of the Act.

Saved as disclosed above, our Directors are not aware of any person who, directly or indirectly, jointly or severally, exercises control over our Company.

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8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

8.1.2 Profile

(i) Dato' Theng Book

Dato' Theng Book, a Malaysian, aged 51, is the Non-Independent Non-Executive Chairman of our Group and was appointed to our Board on 5 April 2010. In 1984, he graduated with a Bachelor of Science in Chemistry and Statistic from Campbell University North Carolina, USA and Diploma in Science from Tunku Abdul Rahman College. In 1986, he obtained his Diploma in Business Studies from Institute of Commercial Management, United Kingdom. In 1989, Dato' Theng obtained his Bachelor of Law from University of London, United Kingdom. He began his career in the chemical business serving in various capacities managing dealers for sales of industrial chemical products from 1984 to 1994 prior to commencing legal practice as an advocate and solicitor under the partnership known as Messrs Ling & Theng Book. Dato' experiences in managing dealers have provided our Group with pertinent knowledge in managing our Agency Manager Programme and his business network with Chinese ethnic-based associations provides our Group with new business opportunities. Currently, he is an independent non-executive director of Ajiya Berhad group of companies and Samchem Holdings Berhad. He also sits on the board of several private companies.

(ii) Chew Chee Seng

Chew Chee Seng, a Malaysian, aged 44, is our Managing Director and Chief Executive Officer. He was appointed to our Board on 5 April 2010. In 1992, he graduated with an honours degree in Bachelor of Science in Computer Science and a general study degree in Business Management from Universiti Sains Malaysia.

As the founder of our Group, he has been instrumental in our development, growth and success. He is responsible for the formulation and implementation of the overall business strategies and policies of our Group. In June 2000, he founded MPSB and assumed the role of Chief Executive Officer.

In 1992, Mr. Chew began his career as an instrument engineer cum observer in Schlumberger Limited, a company incorporated in United States and listed on the New York Stock Exchange. Thereafter, he was employed by Dataprep Holdings Berhad as the Account Manager of the Government and Education Division in 1994 and subsequently promoted to Business Manager in 1995 and Senior Manager for the Managed Telecommunication Network Division in 1997 where he played important role in marketing and strategic planning. He was then appointed as the alternate director of Asia IP Malaysia Sdn Bhd, a joint venture of Dataprep Holdings Berhad and Hong Kong based Millennium Group Ltd.

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8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

(iii) Chan Wah Kiang

Chan Wah Kiang, a Malaysian, aged 52, is the Non-Independent Non-Executive Director of our Group and was appointed to our Board on 5 April 2010. In 1983, he graduated with a Bachelor of Science degree in Chemistry and Biology from Campbell University, North Carolina, USA and Diploma in Science from Tunku Abdul Rahman College. Mr Chan is one of the founding members and the group Managing Director of Ajiya group of companies. He also sits on the board of several private limited companies. In 1984, he started his career as Plant Chemist in Nippon Paint Malaysia. From 1986 to 1989, he joined Malaysian Roofing Industries Sdn Bhd as Plant Chemist before being promoted to Assistant Plant Manager. Thereafter, he founded Ajiya group in 1990. With his extensive experience garnered from the manufacturing industry, he decided to venture into the roofing, and subsequently glass business. Ajiya Berhad is currently listed in Main Board of Bursa Malaysia. His experiences in commercial dealings have provided our Group with pertinent knowledge in negotiating contracts and his business networks with SME Association of South Johore as well as a member of Institut Kimia Malaysia provides our Group with new business opportunities.

(iv) Chin Shea Swong

Chin Shea Swong, a Malaysian, aged 44, is the Chief Operating Officer of our Group. In 1992, she graduated with a Bachelor of Science majoring in Computer Science and a general study degree in Business Management from Universiti Sains Malaysia. In the same year, she started her career in banking application development department in HSBC, holding IT project manager position. She has approximately 16 years of experience in banking industry and has provided guidance particularly in the areas of banking and EMV compliances to our Group. She is responsible for the day-to-day operations of our Group.

(v) Chin Shea Fong

Chin Shea Fong, a Malaysian, aged 49, is one of the shareholders of our Group. In 1983, he graduated with a Bachelor of Commerce from University of Windsor, Ontario, Canada. In the same year, he started his career as Sales Executive with Mulpha Trading Sdn Bhd. Thereafter, he joined Ericsson Telecommunication Sdn Bhd as Sales Executive in 1987. In 1990, he joined Facit Malaysia Sdn Bhd as Sales Manager. In 1992, he founded Imagetech Marketing Sdn Bhd and became the sole distributor of Muratec facsimile machine for Murata Machinery Ltd, Japan. In 2006, he founded E Combi Pte Ltd in Singapore and was appointed by Murata Machinery Ltd as a system integrator for its automated material transport systems that are typically used for transporting goods between processes and executing automatic replenishment. His experience in channel sales management and distribution network particularly the office automation products and services will be an added advantage to our Group in selecting and recruiting Agency Managers. Currently, he is a Director in Imagetech Marketing Sdn Bhd, E Combi Pte Ltd, E Combi Services Pte Ltd, E Combi Malaysia Sdn Bhd, Seong Wee Properties Sdn Bhd, Euro Landmark Sdn Bhd and Exquisite Landmarks Sdn Bhd.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

8.1.3 Changes in shareholdings

Save as disclosed below, there are no other significant changes in our Promoters' shareholding in our Company since incorporation up to the LPD:

| Name | Designation | ←----- As at 26 January 2010 -----> | | | | ←----- As at the LPD -----> | | | |
|------------------|---|-------------------------------------|---|--------------------|---|-----------------------------|-------|--------------------|-------|
| | | ←- Direct -> | | ←- Indirect -> | | ←- Direct -> | | ←- Indirect -> | |
| | | No. of Shares held | % | No. of Shares held | % | No. of Shares held | % | No. of Shares held | % |
| Dato' Theng Book | Non-Independent Non-Executive Chairman | - | - | - | - | 21,963,710 | 16.00 | - | - |
| Chew Chee Seng | Managing Director / Chief Executive Officer | - | - | - | - | 54,332,728 | 39.58 | - | - |
| Chan Wah Kiang | Non-Independent Non-Executive Director | - | - | - | - | 27,454,638 | 20.00 | - | - |
| Chin Shea Swong | Chief Operating Officer | - | - | - | - | - | - | 54,332,728* | 39.58 |
| Chin Shea Fong | Shareholder | - | - | - | - | 22,540,258 | 16.42 | - | - |

Note:

* Deemed interested by virtue of the interest of her spouse, Chew Chee Seng pursuant to Section 6A of the Act.

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8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

8.2 SUBSTANTIAL SHAREHOLDERS

The profiles of our substantial shareholders, all of whom are Malaysians, and their respective shareholdings in our Company before our IPO and after our IPO are set out below.

8.2.1 Shareholdings

Based on our Register of Substantial Shareholders as at the LPD, the table below sets out the direct and indirect interest of our substantial shareholders before our IPO and after our IPO:

| Name | Designation | ← Before IPO → | | | | ← After IPO → | | | |
|------------------|---|--------------------|-------|--------------------|-------|--------------------|-------|--------------------|-------|
| | | ← Direct → | | ← Indirect → | | ← Direct → | | ← Indirect → | |
| | | No. of Shares held | % | No. of Shares held | % | No. of Shares held | % | No. of Shares held | % |
| Dato' Theng Book | Non-Independent Non-Executive Chairman | 21,963,710 | 16.00 | - | - | 21,963,710 | 12.00 | - | - |
| Chew Chee Seng | Managing Director / Chief Executive Officer | 54,332,728 | 39.58 | - | - | 54,332,728 | 29.68 | - | - |
| Chan Wah Kiang | Non-Independent Non-Executive Director | 27,454,638 | 20.00 | - | - | 27,454,638 | 15.00 | - | - |
| Chin Shea Swong | Chief Operating Officer | - | - | 54,332,728* | 39.58 | - | - | 54,332,728* | 29.68 |
| Chin Shea Fong | Shareholder | 22,540,258 | 16.42 | - | - | 22,540,258 | 12.31 | - | - |

Note:

* Deemed interested by virtue of the interest of her spouse, Chew Chee Seng pursuant to Section 6A of the Act.

8.2.2 Profile

The profile of Dato' Theng Book, Chew Chee Seng, Chan Wah Kiang, Chin Shea Swong and Chin Shea Fong as set out in Section 8.1.2 of this Prospectus.

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8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

8.2.3 Changes in Shareholdings

Save as disclosed below, there are no other significant changes in our substantial shareholders' shareholding in our Company since incorporation up to the LPD:

| Name | Designation | ← As at 26 January 2010 → | | | | ← As at the LPD → | | | |
|------------------|---|---------------------------|---|--------------------|---|--------------------|-------|--------------------|-------|
| | | ← Direct → | | ← Indirect → | | ← Direct → | | ← Indirect → | |
| | | No. of Shares held | % | No. of Shares held | % | No. of Shares held | % | No. of Shares held | % |
| Dato' Theng Book | Non-Independent Non-Executive Chairman | - | - | - | - | 21,963,710 | 16.00 | - | - |
| Chew Chee Seng | Managing Director / Chief Executive Officer | - | - | - | - | 54,332,728 | 39.58 | - | - |
| Chan Wah Kiang | Non-Independent Non-Executive Director | - | - | - | - | 27,454,638 | 20.00 | - | - |
| Chin Shea Swong | Chief Operating Officer | - | - | - | - | - | - | 54,332,728* | 39.58 |
| Chin Shea Fong | Shareholder | - | - | - | - | 22,540,258 | 16.42 | - | - |

Note:

* Deemed interested by virtue of the interest of her spouse, Chew Chee Seng pursuant to Section 6A of the Act.

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8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

8.3 DIRECTORS

The profiles of our Directors, all of whom are Malaysians, and their respective shareholdings in our Company before our IPO and after our IPO are set out below.

8.3.1 Shareholdings

As at the LPD, based on our Register of Members, the table below sets out the direct and indirect interest of our Directors before our IPO and after our IPO:

| Name | Designation | ← Before IPO → | | | | ← After IPO → | | | |
|------------------|--|--------------------|-------|--------------------|---|--------------------|-------|--------------------|---|
| | | ← Direct → | | ← Indirect → | | ← Direct → | | ← Indirect → | |
| | | No. of Shares held | % | No. of Shares held | % | No. of Shares held | % | No. of Shares held | % |
| Dato' Theng Book | Non-Independent Non-Executive Chairman | 21,963,710 | 16.00 | - | - | 21,963,710 | 12.00 | - | - |
| Chew Chee Seng | Managing Director/ Chief Executive Officer | 54,332,728 | 39.58 | - | - | 54,332,728 | 29.68 | - | - |
| Chan Wah Kiang | Non-Independent Non-Executive Director | 27,454,638 | 20.00 | - | - | 27,454,638 | 15.00 | - | - |
| Cheong Chee Yun | Independent Non-Executive Director | - | - | - | - | - | - | - | - |
| Soon Kian Heng | Independent Non-Executive Director | - | - | - | - | - | - | - | - |

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8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

8.3.2 Profile

Save for the profile of Dato' Theng Book, Chew Chee Seng and Chan Wah Kiang which has been set out in Section 8.1.2 of this Prospectus, the profiles of our other Directors are as follows:

(i) **Cheong Chee Yun**

Cheong Chee Yun, a Malaysian, aged 50, is the Independent Non-Executive Director of our Group. He was appointed to our Board on 5 April 2010. Currently, he is a member of Malaysian Institute of Accountants, a member of Certified Practising Accountant Australia and also a member of Institute Bank-Bank Malaysia. In 1985, he graduated with a Bachelor of Accounting (Hons) from Universiti Malaya. In the same year, he started his career as an executive officer with RHB Bank Bhd (then known as D&C Bank). He was in managerial position involved in all branch operational aspects, corporate banking, trade financing and international banking matters. Thereafter, he joined KT Technology Sdn Bhd as financial controller in 1998. He was a director in a software development and system integration company known as Object Solutions Sdn Bhd in 1999. In 2001, he joined Saferay (M) Sdn Bhd as an executive director. In 2003, he was appointed as non-executive director in CS Opto Semiconductors Sdn Bhd. His experiences in the banking sector as well as being a qualified accountant shall provide both business opportunities and knowledge in accounting related matters to our Group. Currently, he is an operational director in Eastmont Sdn Bhd, a building construction services company.

(ii) **Soon Kian Heng**

Soon Kian Heng, a Malaysian, aged 44, is the Independent Non-Executive Director of our Group. He was appointed to our Board on 5 April 2010. In 1992, he graduated with a Bachelor of Science (Hons) from Universiti Kebangsaan Malaysia. In the same year, he started his career as technical sales executive with Jamanis Sdn Bhd. Thereafter, he joined Hyosung Corporation Kuala Lumpur branch office as sales executive in 1994 and was promoted to assistant manager in 1997. In 1999, he set up a company named Kai Shen Marketing Sdn Bhd and has since grew to include Kai Shen Marketing (EM) Sdn Bhd, Tire Town (USJ) Sdn Bhd, Mercury-MF Battery Sdn Bhd, Win Lubricants Sdn Bhd and Lenso Marketing Sdn Bhd. He has 19 years of experience dealing with resellers and has over the years built up a dealer base of more than 1,000 workshops nationwide for his automotive parts business which are helpful in providing our Group with new business opportunities. He is currently the executive director of the abovementioned companies.

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8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

8.3.3 Directors' Remuneration and Benefits

The aggregate remuneration and material benefits in-kind paid or payable to our Directors on an individual basis for services rendered in all capacities to our Group for the FYE 2009 and proposed for the FYE 2010 are as follows:

| Directors | Remuneration Band | |
|------------------|-------------------|---------------------------|
| | FYE 2009 | Proposed for the FYE 2010 |
| Dato' Theng Book | - | 50,000 – 100,000 |
| Chew Chee Seng | 200,000 – 250,000 | 200,000 – 250,000 |
| Chan Wah Kiang | - | 0 – 50,000 |
| Cheong Chee Yun | - | 0 – 50,000 |
| Soon Kian Heng | - | 0 – 50,000 |

The remunerations which includes our Directors' salaries, bonus, fees and allowances as well as other benefits to our Directors, must be considered and recommended by our Remuneration Committee and subsequently, be approved by our Board. Our Directors' fees must be further approved by our shareholders at a general meeting.

8.3.4 Benefits paid or intended to be paid or given to Promoters, Directors or substantial shareholders

Save as disclosed in Section 8.3.3, no amounts or benefits were paid to any Promoters, Directors or substantial shareholders within the past two (2) years preceding the date of this Prospectus.

8.3.5 Board Practices/Directors' Terms of office

As at the LPD, the current term of office for each of our Directors is set out below:

| Name of Director | No. of years served in office | Expiration of current term of office |
|---|-------------------------------|--------------------------------------|
| Dato' Theng Book <i>(Non-Independent Non-Executive Chairman)</i> | < 1 | * |
| Chew Chee Seng <i>(Managing Director/ Chief Executive Officer)</i> | < 1 | * |
| Chan Wah Kiang <i>(Non-Independent Non-Executive Director)</i> | < 1 | * |
| Cheong Chee Yun <i>(Independent Non-Executive Director)</i> | < 1 | * |
| Soon Kian Heng <i>(Independent Non-Executive Director)</i> | < 1 | * |

Note:

- * Subject to Article 77 of the Articles of Association of our Company, all our Directors will retire from office at the forthcoming first annual general meeting.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

In accordance with our Articles of Association, one third (1/3) of our Board will retire by rotation at every annual general meeting of our Company. Each Director shall retire at least once in every three (3) years and shall be eligible for re-election. Any Director appointed within the year shall hold office only until the next general meeting and shall then be eligible for re-election. None of the Directors has been appointed for a fixed term.

8.4 RELEVANT COMMITTEES

8.4.1 Audit Committee

The main functions of the Audit Committee of our Company fall within the ambit of the Listing Requirements, which include the followings:

- (i) to review the audit plan with our external auditor;
- (ii) to review the external auditor's audit report and evaluation of our system of internal controls with our external auditors;
- (iii) to review the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its works;
- (iv) to review the assistance given by our employees to the external auditors;
- (v) to review the internal audit programme, processes, results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
- (vi) to review the financial statements, related-party transactions and conflict-of-interest situations;
- (vii) to review any resignation letter and reasons for non-suitability of re-appointment of our external auditors; and
- (viii) to review and provide recommendation of the nomination of external auditors.

The members of the Audit Committee are set out below:

| Name | Designation | Directorship |
|-----------------|---------------------------|--|
| Cheong Chee Yun | Chairman of the committee | Independent Non-Executive Director |
| Soon Kian Heng | Member of the committee | Independent Non-Executive Director |
| Chan Wah Kiang | Member of the committee | Non-Independent Non-Executive Director |

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8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

8.4.2 Remuneration Committee

The Remuneration Committee of our Company is principally responsible for reviewing and recommending to our Board the remuneration package and the terms of employment of our Directors. The Director does not participate in any way in determining his individual remuneration.

The policy adopted by our Remuneration Committee is to provide the necessary package to attract, retain and motivate the Directors of the quality required to manage our business and to align the interest of our Directors with those of shareholders.

The members of the Remuneration Committee are set out below:

| Name | Designation | Directorship |
|-----------------|---------------------------|--|
| Soon Kian Heng | Chairman of the committee | Independent Non-Executive Director |
| Chew Chee Seng | Member of the committee | Managing Director/ Chief Executive Officer |
| Cheong Chee Yun | Member of the committee | Independent Non-Executive Director |

8.4.3 Nomination Committee

The Nomination Committee of our Company is principally responsible for recommending to our Board, the appointment of new Directors and committee members, with regard to the Director's contribution and performance, as well as reviewing on an annual basis the appropriate balance and size of non-executive participation.

This requires a review of the mix of skills and experience, including core competencies and qualities that Non-Executive Directors should bring to our Board in order for our Board to function effectively. Our Board makes all decisions on appointments after considering the recommendations of the Nomination Committee.

The members of the Nomination Committee are set out below:

| Name | Designation | Directorship |
|------------------|---------------------------|--|
| Cheong Chee Yun | Chairman of the committee | Independent Non-Executive Director |
| Dato' Theng Book | Member of the committee | Non-Independent Non-Executive Chairman |
| Soon Kian Heng | Member of the committee | Independent Non-Executive Director |

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8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

8.5 KEY MANAGEMENT PERSONNEL

The profiles of our key management personnel, all of whom are Malaysians and their respective shareholdings in our Company before our IPO and after our IPO are set out below.

8.5.1 Shareholdings

The table below set out the direct and indirect interest of our key management before our IPO and after our IPO:

| Name | Designation | ← Before IPO → | | | | ← After IPO → | | | |
|-----------------|--|--------------------|---|--------------------|---|--------------------|------|--------------------|---|
| | | ← Direct → | | < Indirect > | | ← Direct → | | < Indirect > | |
| | | No. of Shares held | % | No. of Shares held | % | No. of Shares held | % | No. of Shares held | % |
| Ng Kian Seng | Chief Technology Officer | - | - | - | - | 880,000 | 0.48 | - | - |
| Chew Lai Kian | Accountant | - | - | - | - | - | - | - | - |
| Chan Shi Yih | Software Implementation (Microsoft), Senior Manager | - | - | - | - | 150,000 | 0.08 | - | - |
| Ho Chee Jiun | Software Implementation (Java), Project Manager | - | - | - | - | 300,000 | 0.16 | - | - |
| Wong Siew Yee | Software Implementation (Java), Project Manager | - | - | - | - | 25,000 | 0.01 | - | - |
| Teh Thian Siong | Network and Payment System, Senior Manager | - | - | - | - | 30,000 | 0.02 | - | - |
| Lim Boon Huat | Channel Sales, Manager | - | - | - | - | 690,000 | 0.37 | - | - |
| Chew Lean Mei | Office Administration and Human Resource cum Accounts, Manager | - | - | - | - | 250,000 | 0.14 | - | - |
| Lim Wooi Peng | Corporate Sales, Manager | - | - | - | - | 1,000,000 | 0.55 | - | - |
| Ng Mei Sie | Customer Service, Manager | - | - | - | - | 100,000 | 0.05 | - | - |

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

8.5.2 Profile

(i) **Ng Kian Seng**

Ng Kian Seng, a Malaysian, aged 37, is our Chief Technology Officer. He graduated with a Bachelor Degree of Computer Science from Universiti Sains Malaysia in 1999. In the same year, he began his working career as a research analyst cum Software Engineer in the field of natural language processing, with Unit Terjemahan Melalui Komputer at Universiti Sains Malaysia where he worked for one and half (1 ½) years. Subsequently, he joined MPSB as a project manager on 16 November 2000. He was later promoted to the position of senior manager in 2004, and subsequently assumed the role of Chief Technology Officer in year 2009.

(ii) **Chew Lai Kian**

Chew Lai Kian, a Malaysian, aged 42, is our Accountant. He is a member of Malaysian Institute of Accountants and Australian Society of Certified Practising Accountants as well as a Certified Financial Planner. In 1994, he graduated with a Bachelor of Commerce major in accounting and economics from Deakin University, Australia. He commenced his career in 1994 with Monteiro & Heng for about two (2) years. Subsequently he joined RHB Insurance Berhad as an accountant. His responsibility includes the preparation of various financial reports to authorities and management of the RHB Insurance Berhad. In 1998, he joined HPL Marketing Sdn Bhd as finance manager. In 2007, he joined INS Bioscience Berhad as a finance manager. In 2009, he started his own business operating an education centre and joined our Group on February 2010 as our Accountant.

(iii) **Chan Shi Yih**

Chan Shi Yih, a Malaysian, aged 40, is our Software Implementation (Microsoft) Manager. She obtained her Bachelor of Science in Information Technology from University of Wales, United Kingdom in 1997. After graduation, she was employed as a software engineer in Data Resort Sdn Bhd in 1997. After two and half (2 ½) years, she left to join Asia Pacific Card & System Sdn Bhd as a software engineer. In 2001, she began her career in our Group as a system analyst and was subsequently promoted to the position of software senior manager in 2004. She assumed her current position in 2007.

(iv) **Ho Chee Jiun**

Ho Chee Jiun, a Malaysian, aged 33, is our Senior Software Engineer. He obtained his advanced diploma in Network-Centered Computing from Penang Skill Development Centre in 2001. After graduation, he was employed by Mario Electronics Sdn Bhd as a sales executive marketing computer electronic components. In 2005, he joined Sentral College, Penang as a tutor. In 2006, he pursued his studies and obtained his Bachelor of Science in Computing Studies from Northumbria University, United Kingdom in 2007. Thereafter, he joined CMS I-Systems Berhad as a senior application developer in 2007. In 2009, he joined ICT-Interactive Sdn Bhd as a senior application developer. In 2010, he joined our Group and assumed his current position.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

(v) Wong Siew Yee

Wong Siew Yee, a Malaysian, aged 34, is our Software Implementation (Java) project manager. She graduated with a Bachelor of Computer Science from Universiti Sains Malaysia in 2001. In the same year, she joined our Group in 2001 as a software engineer. She later assumed the position of system analyst in 2005 and was promoted to her current position in 2009.

(vi) Teh Thian Siong

Teh Thian Siong, a Malaysian, aged 44, is our senior manager of network and payment system. He obtained his Diploma in Computer Engineering from Damansara Utama College, and Electrical Engineering from the City and Guilds of London Institute, United Kingdom in 1991. In the same year, he started his working career as a technical support executive/section head in MBF Information Services Sdn Bhd. In 1996, he joined Magnate Computers Sdn Bhd as a consultant. In 1997, he assumed a position as a network engineer in Anixter Communication (M) Sdn Bhd. Prior to joining our Group, he was employed as a project leader at England Optical Group (M) Sdn Bhd in 1999 and as an area manager at Emtelle Asia Pacific (M) Sdn Bhd in 2001. Thereafter, in 2007, he was appointed as senior manager in our Group.

(vii) Lim Boon Huat

Lim Boon Huat, a Malaysian, aged 44, is our manager of channel sales. He obtained his Diploma in Graphic Design from Malaysian Institute of Art, Malaysia in 1989. In the same year, he started his working career as an assistant photographer at Studio 55 Sdn Bhd. Thereafter, in 1991, he joined Frank House of Photography for 16 years and his last position there was a director. Prior to joining our Group, he was also the marketing sales agent on the part-time basis for our Group between 2005 and 2007. In 2008, he was promoted to his current position on a full time basis.

(viii) Chew Lean Mei

Chew Lean Mei, a Malaysian, aged 36, is our manager of office administration and human resource cum accounts department. In 1996, she obtained her Diploma II in Business Administration from Association Business of Executives, United Kingdom. In 1997, she began her working career as an accounts executive at TBS Solutions Sdn Bhd for two years. Thereafter, in 1999, she was employed at IDI Driving Institute Sdn Bhd as an accounts executive. In 2002, she joined our Group as an accounts executive. In 2008, she was promoted to her current position.

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8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

(ix) Lim Wooi Peng

Lim Wooi Peng, a Malaysian, aged 42, is our manager of corporate sales. She obtained her Diploma in Business Study (London Chamber of Commerce and Industry Examinations Board) from Institute Perkim-Goon College, Malaysia in 1989. In 1990, she began her working career as a teacher at Methodist Kindergarten. Thereafter, in 1992, she joined WyWy Pacific Sdn Bhd as a retail supervisor. She was later promoted to the position of area supervisor in 1993 and district manager in 1994. In 1995, she was employed as a marketing executive at Telekom Equipment Sdn Bhd and was promoted to senior marketing executive in 1997. In 2001, she joined Orbit Telecommunications Sdn Bhd as a sales consultant before she was promoted to the position of branch manager. In 2006, she joined Viewqwest Technologies Sdn Bhd as a branch manager. In 2007, she joined Sunflower Paper Passion & Tradings Sdn Bhd as sales manager. She assumed her current position in 2009, the year which she joined our Group.

(x) Ng Mei Sie

Ng Mei Sie, a Malaysian, aged 30, is our customer service manager. She graduated with a Bachelor Degree in Mass Communication majoring Public Relations from University Tunku Abdul Rahman, Malaysia in 2005. In the same year, she was employed by MPSB as a business and marketing Executive. In 2008, she joined Nova Newlook Sdn Bhd as unit head of business operation support. She assumed her current position in 2009, the year which she joined our Group.

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8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

8.6 OTHER DIRECTORSHIPS AND SUBSTANTIAL SHAREHOLDINGS

Save as disclosed below, none of our Promoters, substantial shareholders and Directors have any directorship or substantial shareholding in all other corporations in Malaysia for the past five (5) years:

| Company | Principal activities | Directorship | Date appointed/ (resigned) | Direct | No. of Shares held as at the LPD | | |
|---------------------------------|--|------------------------------------|-------------------------------------|---------|----------------------------------|----------|---|
| | | | | | % | Indirect | % |
| Dato' Theng Book | | | | | | | |
| Samchem Holdings Berhad | Supply of industrial chemical products | Independent non-executive director | 27 February 2009 | - | - | - | - |
| Ajiya Berhad | Investment holdings | Independent non-executive director | 2 May 2000 | - | - | - | - |
| Taipan Bersatu Sdn Bhd | Property development | Director | 11 October 2004 | 25,000 | 25.00 | - | - |
| Casa Tropika Sdn Bhd | Property development | Director | 30 August 2007 | 250,000 | 50.00 | - | - |
| Rampai Galaksi Sdn Bhd | Property development | Director | 10 June 2002 | 31 | 31.00 | - | - |
| Cotac Optronics Sdn Bhd | Dormant | Director | 30 November 2005 | 1 | * | - | - |
| Cosmotac Technology (M) Sdn Bhd | Property holdings | Director | 10 November 2005 | 250,000 | 25.00 | - | - |
| Anting Properties Sdn Bhd | Property holdings | Director | 11 January 2008 | 1 | 25.00 | - | - |
| Anting Developemnt Sdn Bhd | Property holdings | Director | 29 June 2007 | 1 | 25.00 | - | - |
| Eminent Ideas Sdn Bhd | Property holdings | Director | 12 March 2010 | 3,000 | 31.00 | - | - |
| Nova Newlook Sdn Bhd | Insurance agency services and also involved in general trading, internet based business, information communication technology system integration and software application development services | Director | 14 August 2007/ (8 January 2010) | 500,000 | 20.00 | - | - |
| Wisma MCA Sdn Bhd | Property management | Director | 14 May 2010 | - | - | - | - |

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

| Company | Principal activities | Directorship | Date appointed/ (resigned) | No. of Shares held as at the LPD | | | |
|---|--|-------------------|-------------------------------------|----------------------------------|-------|-------------|-------|
| | | | | Direct | % | Indirect | % |
| Chan Wah Kiang | | | | | | | |
| Ajiya Berhad | Investment holdings | Managing director | 27 September 1996 | 12,382,305 | 17.89 | 7,698,913 ^ | 11.12 |
| Asia Roofing Industries Sdn Bhd | Manufacturing and trading of roll forming products | Managing director | 24 August 1990 | - | - | - | - |
| Ajiya Safety Glass Sdn Bhd | Manufacturing and trading of safety glass | Managing director | 8 November 1995 | - | - | - | - |
| ASG Marketing Sdn Bhd | Marketing and sales of safety glass | Director | 21 February 1997 | - | - | - | - |
| ASG Project Services Sdn Bhd | Dormant | Managing director | 1 March 2004 | - | - | - | - |
| Ajiya Marketing Sdn Bhd | Trading of building materials | Director | 28 November 1991 | - | - | - | - |
| Ajiya STI Sdn Bhd | Manufacturers, agents, sub-contractors in all types of metal products & building materials | Managing director | 15 May 2002 | - | - | - | - |
| ABM Industries Sdn Bhd | Investment holdings | Director | 22 November 1999 | - | - | - | - |
| Ajiya Metal Industries Sdn Bhd | Manufacturer of metal and aluminium products for roof building, window door frame and other similar products | Managing director | 27 May 1994 | - | - | - | - |
| Thai Ajiya Company Limited | Provide, design and install metal sheet roofing and insulator materials | Director | 23 November 2007 | 100 | * | - | - |
| Thai Ajiya Safety Glass Company Limited | Processing and trading of safety glass and other glass related products | Director | 4 October 2010 | - | - | - | - |
| Villaland Development Sdn Bhd | Housing development | Director | 28 June 1996 | 70,200 | 27.00 | - | - |
| Nova Newlook Sdn Bhd | Insurance agency services and also involved in general trading, internet based business, information communication technology system integration and software application development services | Director | 14 August 2007/ (8 January 2010) | 500,000 | 20.00 | - | - |

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

| Company | Principal activities | Directorship | Date appointed/ (resigned) | No. of Shares held as at the LPD | | | |
|---------------------------------|--|------------------------|--|----------------------------------|-------|----------|---|
| | | | | Direct | % | Indirect | % |
| Chan Wah Kiang (cont'd) | | | | | | | |
| Ajiya Holding Sdn Bhd | Investment holding | Director | 6 August 1997 | 30,000 | 30.00 | - | - |
| Chew Chee Seng | | | | | | | |
| Mitah Manufacturing Sdn Bhd | Dormant | Director | 20 Sept 2001/ (21 June 2006) | - | - | - | - |
| Sina Consulting Sdn Bhd | Software development, programming, analysis and design, sales and installation of hardware and software and the commissioning of systems | Director | 24 July 2002/ (1 July 2009) | - | - | - | - |
| Chin Shea Swong | | | | | | | |
| Nova Newlook Sdn Bhd | Insurance agency services and also involved in general trading, internet based business, information communication technology system integration and software application development services | Director | 14 August 2007/ (8 January 2010) | 1,500,000 | 60.00 | - | - |
| E Combi Malaysia Sdn Bhd | Engineering service for automated material handling system | Director | 9 December 2008 | 334 | 33.40 | - | - |
| Sina Consulting Sdn Bhd | Software development, programming, analysis and design, sales and installation of hardware and software and the commissioning of systems | Director | 24 July 2002/ (15 December 2004) reappoint: 17 April 2008/ (1 July 2009) | - | - | - | - |
| Cheong Chee Yun | | | | | | | |
| CS Opto Semi-conductors Sdn Bhd | Subcontract manufacturing for all downstream semiconductor assembly and manufacturing | Non-executive director | 28 January 2003 | - | - | - | - |

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

| Company | Principal activities | Directorship | Date appointed/ (resigned) | No. of Shares held as at the LPD | | | |
|---------------------------------|---|--------------|-------------------------------|----------------------------------|-------|----------|-------|
| | | | | Direct | % | Indirect | % |
| Chin Shea Fong | | | | | | | |
| E Combi Pte Ltd | Electrical and mechanical engineering | Director | 22 May 2006 | 10,000 | 66.60 | - | - |
| E Combi Services Pte Ltd | AMHS logistic maintenance services | Director | 7 June 2008 | 67 | 67.00 | - | - |
| Maxistech Pte Ltd | Electrical engineering | - | - | 10 | 10.00 | - | - |
| Comta Engincering Pte Ltd | Mechanical engineering | - | - | 25 | 25.00 | - | - |
| E Combi Malaysia Sdn Bhd | Engineering service for automated material handling system | Director | 9 December 2008 | 222 | 22.20 | - | - |
| Imagetech Marketing Sdn Bhd | Office equipment trading | Director | 4 May 1992 | 240,000 | 30.00 | - | - |
| Seong Wee Properties Sdn Bhd | Investment | Director | 23 December 2003 | 224,000 | 33.40 | - | - |
| Euro Landmark Sdn Bhd | Investment | Director | 10 July 2009 | 167,500 | 67.00 | - | - |
| Exquisite Landmarks Sdn Bhd | Investment | Director | 17 December 2010 | 1 | 50.00 | - | - |
| Soon Kian Heng | | | | | | | |
| Kai Shen Marketing Sdn Bhd | Distributor of Hankook tyres and Delkor maintenance free batteries | Director | 8 December 1999 | 700,000 | 35.00 | - | - |
| Kai Shen Marketing (EM) Sdn Bhd | Sub-Distribution of Hankook tyres and Delkor maintenance free batteries | Director | 22 April 2004 | - | - | 225,000 | 51.00 |
| Tire Town (USJ) Sdn Bhd | Workshop for Hankook tyres and Lenso Alloy Rim | Director | 18 May 2004 | 1 | 50.00 | - | - |
| Mercury-MF Battery Sdn Bhd | Distributor of Mercury maintenance free batteries | Director | 17 September 1997 | 20,000 | 50.00 | - | - |
| Win Lubricants Sdn Bhd | Distributor of Win Lubricants for automobile | Director | 2 July 2004 | - | - | 204,000 | 51.00 |
| Lenso Marketing Sdn Bhd | Distributor of Lenso Alloy Rim | Director | 2 July 2004 | - | - | 100,000 | 50.00 |

Notes:

* *Negligible.*

^ *Deemed interested by virtue of his substantial interest in Avia Kapital Sdn Bhd, the registered shareholder in Ajiya Berhad.*

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

8.7 RELATIONSHIPS OR ASSOCIATIONS

Save as disclosed below, there are no other family relationships/associations between our substantial shareholders, Promoters, Directors and key management personnel:

| Name | Relationships / Associations |
|-----------------|--|
| Chew Chee Seng | Spouse of Chin Shea Swong, sibling of Chew Lean Mei and brother in-law of Chin Shea Fong |
| Chin Shea Swong | Spouse of Chew Chee Seng, sibling of Chin Shea Fong and sister in-law of Chew Lean Mei |
| Chin Shea Fong | Brother in-law of Chew Chee Seng and sibling of Chin Shea Swong |
| Chew Lean Mei | Sibling of Chew Chee Seng and sister in-law of Chin Shea Swong |

8.8 SERVICE AGREEMENTS

There are no existing or proposed service agreements between the companies within our Group and our Directors or key management personnel.

8.9 DECLARATIONS FROM OUR PROMOTERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL

As at the LPD, none of our Promoters, Directors or key management personnel are or have been involved in any of the following events (whether in or outside Malaysia):

- (a) a petition under any bankruptcy or insolvency law filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a director or key personnel;
- (b) disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (c) charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;
- (d) any judgment that was entered against such person involving a breach of any law or regulatory requirement that relates to the securities or futures industry; or
- (e) the subject of any order, judgment or ruling of any court, government, or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity.

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8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

8.10 INVOLVEMENT OF EXECUTIVE DIRECTORS/ KEY MANAGEMENT IN OTHER BUSINESS/ CORPORATIONS

As at the LPD, save as disclosed below, none of our Executive Directors and key management are involved in the activities or operations of other business or corporations:

| Name | Company | Principal activities |
|-----------------|--|--|
| Chin Shea Swong | E Combi Malaysia Sdn Bhd | Engineering service for automated material handling system |
| Chew Lai Kian | Pusat Perkembangan Intelek Pintar Bidadari | Child care and tuition centre |

Chin Shea Swong and Chew Lai Kian devote almost all of their time and effort to their executive functions in our Group. As such, their involvements in other businesses and corporations are not expected to have any material effect on their capacity within our Group. Besides, our Board is of the view that their involvements in other business activities outside our Group does not affect their contributions to our Group and would not be expected to affect the operations of our Group.

8.11 MANAGEMENT AND EMPLOYEES

Our management team is spearheaded by our Managing Director/ Chief Executive Officer, Chew Chee Seng, who has had over seventeen (17) years of experience in the field of ICT out of which the recent eleven (11) years are in the Electronic Payment Solutions industry. He is supported by a team of experienced management personnel who have contributed significantly to our progress in the Electronic Payment Solutions industry.

As at the LPD, we have a total workforce of 42 permanent employees and no contractual/temporary employees. As our operation is located in Malaysia, therefore all our employees are located in Malaysia. There is no significant change in the number of employees as at the LPD. The breakdown of the total number of our employees by category for the past three (3) years and as at the LPD is as follows:

FYE 2007

| Category of employees | Number of employees | | | |
|---------------------------|---------------------|--------------|-------------------|-----------------|
| | Less than 1 year | 1 to 5 years | More than 5 years | Total employees |
| Management Staff | 2 | 1 | 5 | 8 * |
| Finance, HR & Admin Staff | 2 | 1 | - | 3 |
| Sales & Marketing Staff | - | 1 | - | 1 |
| Technical Staff | - | 9 | 1 | 10 * |
| Software Programmer | 3 | 4 | 2 | 9 * |
| Grand Total | 7 | 16 | 8 | 31 |

Note:

* 13 staff involve in R&D activities.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

FYE 2008

| Category of employees | Number of employees | | | |
|---------------------------|---------------------|--------------|-------------------|-----------------|
| | Less than 1 year | 1 to 5 years | More than 5 years | Total employees |
| Management Staff | 1 | 3 | 4 | 8 * |
| Finance, HR & Admin Staff | 2 | 1 | - | 3 |
| Sales & Marketing Staff | 3 | - | - | 3 |
| Technical Staff | 7 | 8 | - | 15 * |
| Software Programmer | 1 | 3 | 1 | 5 * |
| Grand Total | 14 | 15 | 5 | 34 |

Note:

* 14 staff involve in R&D activities.

FYE 2009

| Category of employees | Number of employees | | | |
|---------------------------|---------------------|--------------|-------------------|-----------------|
| | Less than 1 year | 1 to 5 years | More than 5 years | Total employees |
| Management Staff | - | 3 | 5 | 8 * |
| Finance, HR & Admin Staff | 6 | 1 | - | 7 |
| Sales & Marketing Staff | 4 | 2 | - | 6 |
| Technical Staff | 3 | 12 | - | 15 * |
| Software Programmer | 3 | 3 | 1 | 7 * |
| Grand Total | 16 | 21 | 6 | 43 |

Note:

* 14 staff involve in R&D activities.

As at the LPD

| Category of employees | Number of employees | | | |
|---------------------------|---------------------|--------------|-------------------|-----------------|
| | Less than 1 year | 1 to 5 years | More than 5 years | Total employees |
| Management Staff | - | 3 | 5 | 8 * |
| Finance, HR & Admin Staff | 4 | 1 | 1 | 6 |
| Sales & Marketing Staff | 5 | 2 | - | 7 |
| Technical Staff | 3 | 6 | 3 | 12 * |
| Software Programmer | 5 | 3 | 1 | 9 * |
| Grand Total | 17 | 15 | 10 | 42 |

Note:

* 11 staff involve in R&D activities.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

None of our Group's employees are members of any union and there have not been any major disputes between the management and our employees in the past. We have always enjoyed cordial relationships with our employees.

8.12 TRAINING AND DEVELOPMENT PROGRAMMES

We place a high priority on the training and development of our employees. In 2009, all our employees participated in training and development programme, including both in-house workshops and external training programmes to update our employees on the latest developments within our Group and the industries that we are involved in.

In addition, our employees also received technical, production and safety training internally from 'in-house' experts within our Group. Moving forward, we will continue to send our employees for relevant training and development to enhance their skills and knowledge, as we believe strongly in developing a culture of growth and learning within our Group. The list of training and development programmes attended by our employees (2005 to 2010) are as set out below:

| Year | Training and development programmes |
|------|--|
| 2005 | <ul style="list-style-type: none"> • Analysing requirements and defining Microsoft.Net solution • Mastering information technology projects |
| 2006 | <ul style="list-style-type: none"> • Ethical hacking and countermeasures • Programming with Microsoft Visual Basic.Net |
| 2007 | <ul style="list-style-type: none"> • Hypercom T42 optimum development tools training |
| 2008 | <ul style="list-style-type: none"> • Building a positive team culture in workplace • Microsoft professional developer conference 2008 |
| 2009 | <ul style="list-style-type: none"> • Maintaining and troubleshooting Windows Vista computers • Core foundations of Microsoft.net 2.0 development • Customer services with a heart |
| 2010 | <ul style="list-style-type: none"> • Managing and configuring Window Server 2008 • Cisco Certified Network Associate certification • Hacker halted conference and workshop 2010 • Dinerware POS system • Microsoft retail management system • Microsoft Dynamics AX 2009 for retail industry |

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9. APPROVALS AND CONDITIONS

9.1 APPROVALS FROM RELEVANT AUTHORITIES

Our IPO is an exempt transaction under Section 213 of the CMSA and is therefore not subject to the approval of the SC.

The approval of Bursa Securities for our admission to the Official List of the ACE Market and the listing of and quotation for our entire issued and paid-up share capital on the ACE Market was obtained vide its letter dated 16 June 2010. Further, on 26 January 2011, Bursa Securities has approved the extension of time for ManagePay to complete the Listing. The conditions imposed by Bursa Securities for the approval and status of compliance are set out below:

| Conditions | Status of compliance |
|---|---|
| 1. Submission of the following information in respect of the moratorium on the shareholdings of Promoters to Bursa Depository: <ul style="list-style-type: none"> (i) Name of shareholders (ii) Number of shares; and (iii) Date of expiry of the moratorium for each block of shares. | To be complied. The information will be submitted to Bursa Depository upon allotment of Shares. |
| 2. Approvals from other relevant authorities have been obtained for implementation of the listing proposal; | Complied. |
| 3. Make the relevant announcements pursuant to rules 8.1 and 8.2 of GN15 of the Listing Requirements; and | Announcement pursuant to rule 8.1 of GN15 of the Listing Requirements had been made on 22 February 2011, being the date of Prospectus. Relevant announcement pursuant to rule 8.2 of GN15 of the Listing Requirements will be made one day before the listing date. |
| 4. Furnish Bursa Securities with a copy of the schedule of distribution showing compliance to the share spread requirements based on the entire issued and paid up share capital of ManagePay on the first day of listing. | A copy of the schedule of distribution will be submitted to Bursa Securities on the first day of listing. |

The approval of the SC (under the equity requirement for public companies) was obtained vide its letter dated 13 July 2010. ManagePay is required to notify the SC (Equity Compliance Unit) upon completion of the Listing.

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9. APPROVALS AND CONDITIONS (Cont'd)

9.2 MORATORIUM ON OUR SHARES

In compliance with paragraph 3.19 of the ACE Market Listing Requirements and pursuant to the conditions imposed under the approval letter by Bursa Securities, a moratorium will be imposed on the sale, transfer or assignment of shares held by our Promoters as follows:

- (i) the moratorium applies to the entire shareholdings held by our Promoters for a period of six (6) months from the date of admission to the ACE Market of Bursa Securities ("6-Month Moratorium");
- (ii) upon the expiry of the 6-Month Moratorium, our Promoters shall hold at least 45% of the nominal issued and paid-up ordinary share capital of our Company for another period of six (6) months under moratorium; and
- (iii) thereafter, our Promoters may sell, transfer or assign up to a maximum of 1/3 per annum (on a straight-line basis) of the Shares held under moratorium.

Details of the Promoters of our Company whom Shares are subjected to moratorium are as follows:

| Promoters | During the 6-Month Moratorium | |
|------------------|----------------------------------|--------------|
| | No. of Shares | % |
| Chew Chee Seng | 35,434,440 | 19.36 |
| Dato' Theng Book | 14,324,180 | 7.83 |
| Chan Wah Kiang | 17,905,225 | 9.78 |
| Chin Shea Fong | 14,700,190 | 8.03 |
| Total | 82,364,035 | 45.00 |

The moratorium, which has been fully accepted by the aforesaid Promoters, is specifically endorsed on the share certificate representing the shareholdings of the aforesaid Promoters to ensure that our registrars do not register any transfer not in compliance with the moratorium restrictions. In compliance with the restrictions, Bursa Depository will, on our registrars' instructions in the prescribed forms, ensure that trading of these Shares are not permitted during the moratorium period.

The endorsement affixed on the share certificates is as follows:

"The shares comprised herein are not capable of being sold, transferred or assigned for a period determined by Bursa Securities ("Moratorium Period"). Accordingly, the shares comprised herein will not constitute good delivery pursuant to the Rules of Bursa Securities during the Moratorium Period. No share certificate or certificates will be issued to replace this certificate during the Moratorium Period unless the same shall be endorsed with this restriction."

In addition, Dato' Theng Book, Chew Chee Seng, Chan Wah Kiang and Chin Shea Fong have given their respective undertakings that they will comply with the moratorium conditions as set out in paragraph 3.19(I) of the Listing Requirements.

9.3 BUMIPUTERA EQUITY REQUIREMENT

For listing on the ACE Market of Bursa Securities, companies are required to allocate 12.5% of their enlarged issued and paid-up share capital to MITI recognised Bumiputera investors within one (1) year after achieving the profit record required for a listing on the Main Market of Bursa Securities, or five (5) years after being listed on ACE Market of Bursa Securities, whichever is the earlier. However, ManagePay is not required to comply with the 12.5% Bumiputera equity requirement as more than 50% of our Group's total profits were derived from MSC qualifying activities pursuant to the MSC status granted by MDeC to two (2) of our wholly-owned subsidiaries.

10. RELATED PARTY TRANSACTIONS / CONFLICT OF INTEREST

10.1 RELATED PARTY TRANSACTIONS

Save as disclosed below, there are no transactions, existing or potential, entered or to be entered into by our Group which involve the interests, direct or indirect, of our Directors, substantial shareholders, key management personnel and/or persons connected with them during the past three (3) FYEs 2007 to 2009 and the FPE 2010.

10.1.1 Non-recurrent related party transactions

Save as disclosed below, we have not entered into any non-recurrent related party transactions with our Directors, substantial shareholders, key management personnel and/or persons connected with them during the past three (3) FYEs 2007 to 2009 and the FPE 2010 which is significant in relation to the business within our Group.

| Directors/ Substantial shareholders of our Group | Nature of relationship | Nature of transaction | Value of transaction | | | |
|---|---------------------------|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | | | ← Audited → | | | |
| | | | FYE 2007 RM'000 | FYE 2008 RM'000 | FYE 2009 RM'000 | FPE 2010 RM'000 |
| Nova Newlook Sdn Bhd # | | | | | | |
| Dato' Theng Book | Shareholder | • Purchase of EDCPOS Terminals by MPSB | - | - | 151 [@] | - |
| Chan Wah Kiang | Shareholder | • Purchase of EDCPOS Terminals and related software as plant and equipment by MPSB | - | 1,599 * | 209 * | - |
| Chin Shea Swong | Shareholder | • Sale, design and customisation of e- commerce business solution from MPSB | 250 | - | - | - |
| | | • Sale of www.jutawan.com electronic magazine module, business process and technical rights, content management source code for advertisement banner management module, advertorial publishing management module; and e- commerce module from MPSB | - | - | 675 | - |
| | | • Provision of professional services (outsourced staff) for the final user acceptance test and commissioning of the www.jutawan.com from MPSB | - | - | 450 | - |
| | | • Purchase of electrical equipment for promotional activity by Sinatee | - | - | 15 | - |
| | | • Provision of service charge for CLMS software to MPSB | - | 78 | - | - |

10. RELATED PARTY TRANSACTIONS / CONFLICT OF INTEREST (Cont'd)

| Directors/ Substantial shareholders of our Group | Nature of relationship | Nature of transaction | Value of transaction | | | | | | | |
|---|---------------------------|---|----------------------|-------------|-------------|-------------|--|--|--|--|
| | | | ← Audited → | | | | | | | |
| | | | FYE 2007 | FYE 2008 | FYE 2009 | FPE 2010 | | | | |
| | | | | | | | | | | |
| | | | RM'000 | RM'000 | RM'000 | RM'000 | | | | |
| Nova Newlook Sdn Bhd # (cont'd) | | | | | | | | | | |
| | | • Purchase of electrical equipment for promotional activity by MPSB | - | 10 | - | - | | | | |
| | | • Sale of ERP solution from Sinatec | 125 | - | - | - | | | | |
| | | • Purchase of CLMS Host Application Server as plant and equipment by Sinatec | - | 62 | - | - | | | | |
| | | • Purchase of Matica Z10 EMV Personalisation machine as plant and equipment by Whatdevice | - | 308 | - | - | | | | |
| | | • Renovation works for MPSB | - | 100 | - | - | | | | |
| E Combi Pte Ltd | | | | | | | | | | |
| Chin Shea Fong | Director and shareholder | • Sale of ERP system (warehouse management module) from MPSB | - | 1,500 | - | - | | | | |
| Kai Shen Marketing Sdn Bhd | | | | | | | | | | |
| Soon Kian Heng | Director and shareholder | • Sale of ERP system from MPSB | 95 | - | - | - | | | | |
| | | • Sale of ERP system from Sinatec | 68 | 97 | 49 | 5 | | | | |

Notes:

Save for the non-recurrent sales of EDCPOS Terminals to MPSB only for the financial year ended 30 June 2008 and 2009, we note the revenue activities of Nova Newlook Sdn Bhd for the past three (3) financial years from the financial year ended 30 June 2007 to 2009 were limited to electronic magazine via its jutawan.com portal, sales of health products via its e-commerce site bioniaga.com and the provision of general insurance services. In accordance to the Promoters, moving forward, Nova Newlook Sdn Bhd will continue to focus on its electronic magazine, retailing of health products and the provision of general insurance services. Based on the above and the representation made by the Promoters, Nova Newlook Sdn Bhd's principal activities are not considered similar and related to ManagePay.

@ Purchases of EDCPOS Terminals of RM151,000 in the FYE 2009 were classified as cost of sales as these terminals were purchased for trading purposes.

* Purchases of EDCPOS Terminals of RM1,599,000 and RM209,000 in the FYE 2008 and FYE 2009 respectively are capitalised as fixed assets as they are not intended for trading purposes but for rental to Merchants (Terminal Services).

Our Directors are of the opinion that such non-recurrent transactions were negotiated on and agreed at arm's length basis, normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of our minority shareholders.

10. RELATED PARTY TRANSACTIONS / CONFLICT OF INTEREST (Cont'd)

10.1.2 Recurrent related party transactions

Save as disclosed below, we have not entered into any other recurrent related party transaction of a revenue or trading in nature which are necessary for our day-to-day operations and in our ordinary course of business with certain related parties which involves the interests, direct or indirect, of our Directors, substantial shareholders, key management personnel and/or persons connected with them ("Recurrent Transactions") during the past three (3) FYEs 2007 to 2009, the FPE 2010 and the estimates for the FYE 2011. Our Directors are of the opinion that such Recurrent Transactions were negotiated on and agreed at arm's length basis, normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of our minority shareholders.

| Transacting parties | Nature of relationship | Nature of transaction | Value of transaction | | | | |
|---------------------|--|---|----------------------|----------|----------|----------|------------|
| | | | Actual | | | | Estimate |
| | | | FYE 2007 | FYE 2008 | FYE 2009 | FPE 2010 | FYE 2011 * |
| | | | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Chew Chee Seng | Promoter/ substantial shareholder/ Managing Director/ Chief Executive Officer of ManagePay | • Rental of premise to ManagePay ¹ | - | - | - | 40 | 48 |
| | | • Rental of premise to MPSB ¹ | 72 | 72 | 72 | 20 | 24 |
| | | • Rental of premise to Sinatec ¹ | - | 24 | 24 | 20 | 24 |
| | | • Rental of premise to Whatdevice ¹ | 48 | 24 | 24 | 20 | 24 |
| Chin Shea Swong | Promoter of ManagePay/ Spouse of Chew Chee Seng/ Sibling of Chin Shea Fong | • Rental of premise at Cyberjaya to MPSB ² | - | 6.4 | 28.8 | 24 | 28.8 |
| Ng Kim Eng | Mother of Chew Chee Seng | • Rental of premise at Cyberjaya to Sinatec ³ | - | - | 35.2 | 24 | 28.8 |
| MPSB | Dato' Theng Book, Chan Wah Kiang and Chin Shea Swong are shareholders of Nova Newlook Sdn Bhd | Purchase of fire, theft, hospitalisation and surgical, personal accident, motor, public liability, fidelity insurance from Nova Newlook Sdn Bhd | 8 | 12 | 2 | 14 | 15 |

10. RELATED PARTY TRANSACTIONS / CONFLICT OF INTEREST (Cont'd)

Notes:

- * *The value of these transactions are estimates and is therefore provisional in nature and subject to change.*
- ¹ *Chew Chee Seng has entered into four (4) three (3)-year tenancy agreements with an extension for additional three (3) years with ManagePay, MPSB, Sinatec and Whatdevice respectively expiring on 31 December 2013 for our head office Wisma MPSB, Jalan USJ21/10, 47630 Subang Jaya, Selangor Darul Ehsan.*
- ² *MPSB has entered into a three (3)-year tenancy agreement with an extension for additional three (3) years with Chin Shea Swong expiring on 31 December 2011 for its R&D centre located at No. Lot 9-1, Neo Cyber, Lingkaran Cyber Point Barat, 63000 Cyberjaya, Selangor Darul Ehsan.*
- ³ *Sinatec has entered into a three (3)-year tenancy agreement with an extension for additional three (3) years with Ng Kim Eng expiring on 31 December 2011 for its R&D centre located at No. Lot 11-1, Neo Cyber, Lingkaran Cyber Point Barat, 63000 Cyberjaya, Selangor Darul Ehsan.*

In our ordinary course of business, we would enter into Recurrent Transactions, including but not limited to the above, with persons which are considered related party as defined in Chapter 10 of the Listing Requirements. Our Directors would ensure that any future Recurrent Transactions will be negotiated on and agreed to at arm's length basis on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of our minority shareholders.

As provided under Chapter 10 of the Listing Requirements, in order to mitigate any potential conflict of interests arising from such Recurrent Transactions, our Board may seek the approval from our non-interested shareholders for a mandate in relation to the Recurrent Transactions at the next general meeting of our Company. Due to its time-sensitive nature, the shareholders' mandate will enable us to enter into such Recurrent Transactions in our ordinary course of business without the need to convene numerous general meetings to approve such Recurrent Transactions as and when they are entered into.

In addition, to safeguard the interest of our Group and our minority shareholders, and to mitigate any potential conflict of interest situation, our Audit Committee will, amongst others, monitor any Recurrent Transaction and the terms thereof and report to our Board for further action. Where necessary, our Board would make appropriate disclosures in our annual report with regard to any Recurrent Transaction entered into by us.

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10. RELATED PARTY TRANSACTIONS / CONFLICT OF INTEREST (Cont'd)

10.2 INTERESTS IN SIMILAR TRADE AND INTERESTS IN BUSINESS OF OUR CUSTOMERS OR SUPPLIERS

10.2.1 As at the LPD, none of our Directors or substantial shareholders have any interest, direct or indirect, in other businesses or corporations carrying on a similar or related trade as our Group.

10.2.2 As at the LPD, save as disclosed in Section 10.1 of this Prospectus, none of our Directors or substantial shareholders have any interest, direct or indirect, in other businesses or corporations which are our customers or suppliers.

10.2.3 Our Board does not foresee any material conflict of interest or business competition that may arise from the customer and supplier relationship as disclosed in Section 10.1. Premised on the above, our Board is of the opinion that the transactions above have been entered into in the normal course of business and have been established on terms that are no more favourable than those generally available to other non-related customers and are conducted on arm's length basis.

10.3 TRANSACTIONS UNUSUAL IN NATURE OR CONDITIONS

As at the LPD, there were no transactions, existing or potential, that were unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which we were a party in respect of the past three (3) FYEs 2007 to 2009 and the FPE 2010.

10.4 OUTSTANDING LOANS MADE BY OUR COMPANY OR ANY OF OUR SUBSIDIARIES TO/ FOR THE BENEFITS OF RELATED PARTIES

As at the LPD, there were no outstanding loans (including guarantees of any kind) made by us to or for the benefit of a related party in respect of the past three (3) FYEs 2007 to 2009 and the FPE 2010.

10.5 DECLARATION BY ADVISERS

- (i) OSK has given its written confirmation that, as at the LPD, there is no existing or potential conflict of interest in its capacity as the Adviser, Sponsor, Underwriter and Placement Agent for the IPO.
- (ii) Messrs Naqiz & Partners has given its written confirmation that, as at the LPD, there is no existing or potential conflict of interest in its capacity as the Solicitors for the IPO.
- (iii) Messrs Leou & Associates has given its written confirmation that, as at the LPD, there is no existing or potential conflict of interest in its capacity as the Reporting Accountants for the IPO.
- (iv) Messrs Frost & Sullivan has given its written confirmation that, as at the LPD, there is no existing or potential conflict of interest in its capacity as the Independent Market Researcher for the IPO.

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11. FINANCIAL INFORMATION

11.1 HISTORICAL FINANCIAL INFORMATION

11.1.1 Proforma Consolidated Statements of Comprehensive Income

The following table is a summary of the proforma consolidated statements of comprehensive income of our Group for the past three (3) FYEs 2007 to 2009 and the FPE 2010 which are prepared on the assumption that our Group had been in existence during the financial years under review. The proforma consolidated statements of comprehensive income are prepared for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions set out in Section 11.4 of this Prospectus.

| | | FYE 2007 | FYE 2008 | FYE 2009 | FPE 2009 # | FPE 2010 |
|--|--------|----------|------------------------|----------|------------|----------|
| | | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | | 6,074 | 6,771 | 7,873 | 6,540 | 6,610 |
| Less: Cost of sales | | (2,291) | (1,388) | (780) | (587) | (255) |
| GP | | 3,783 | 5,383 | 7,093 | 5,953 | 6,355 |
| Other operating income | | 31 | 32 | 47 | 23 | 84 |
| EBITDA | | 1,861 | 2,639 | 5,449 | 4,678 | 4,549 |
| Finance costs | | (207) | (223) | (43) | (31) | (91) |
| Depreciation and amortisation | | (1,083) | (1,394) | (1,680) | (1,471) | (1,705) |
| PBT | | 571 | 1,022 | 3,726 | 3,176 | 2,753 |
| Tax expense | | (162) | 114 | (310) | (197) | (349) |
| PAT | | 409 | 1,136 | 3,416 | 2,979 | 2,404 |
| Extraordinary items ⁽¹⁾ | | - | - | - | - | - |
| MI | | - | - | - | - | - |
| PAT and MI | | 409 | 1,136 | 3,416 | 2,979 | 2,404 |
| No. of Shares in issue immediately prior to the IPO ⁽²⁾ | ('000) | 137,273 | 137,273 | 137,273 | 137,273 | 137,273 |
| GP margin | (%) | 62.28 | 79.50 | 90.09 | 91.02 | 96.14 |
| PBT margin | (%) | 9.40 | 15.09 | 47.33 | 48.56 | 41.65 |
| PAT margin | (%) | 6.73 | 16.78 | 43.39 | 45.55 | 36.37 |
| Effective tax rate | (%) | 28.37 | (11.15) ⁽³⁾ | 8.32 | 6.20 | 12.68 |
| Gross EPS ⁽⁴⁾ | (sen) | 0.42 | 0.74 | 2.71 | 2.31 | 2.01 |
| Basic EPS ⁽⁵⁾ | (sen) | 0.30 | 0.83 | 2.49 | 2.17 | 1.75 |
| Diluted EPS ⁽⁶⁾ | (sen) | n.a. | n.a. | n.a. | n.a. | n.a. |

Notes:

- # FPE 2009 represents unaudited management accounts and is included for comparative purposes only.
- n.a. Not applicable
- (1) There were no exceptional and extraordinary items for the financial years/period under review.
- (2) Being the issued and paid-up share capital of RM0.10 per ManagePay Share immediately prior to the IPO.
- (3) Arose from deferred tax assets recognised for the FYE 2008.
- (4) The gross EPS was calculated based on the PBT attributable to the shareholders of ManagePay for the respective financial years/period divided by the number of ManagePay Shares in issue.
- (5) The basic EPS was calculated based on the PAT attributable to the shareholders of ManagePay for the respective financial years/period divided by the number of ManagePay Shares in issue.
- (6) Diluted EPS was not provided as there were no potential ordinary shares to be issued throughout the financial years/period under review.

11. FINANCIAL INFORMATION (Cont'd)

11.1.2 Proforma Consolidated Statements of Financial Position

The proforma consolidated statements of financial position as at 31 October 2010 set out below are prepared to show the effects of the Listing Scheme on the assumption that our Group has been in existence throughout the financial year under review. The proforma consolidated statements of financial position are prepared for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions set out in the ensuing pages and in Section 11.4 of this Prospectus.

| | ←----- Proforma -----> | | |
|---|---------------------------|--------------------------|--|
| | 31 October 2010 RM'000 | I After IPO RM'000 | II After Proforma I and utilisation of proceeds RM'000 |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 9,296 | 9,296 | 13,046 |
| Software development | 2,215 | 2,215 | 3,215 |
| Goodwill | - | - | - |
| Total non-current assets | 11,511 | 11,511 | 16,261 |
| Current assets | | | |
| Inventories | 76 | 76 | 76 |
| Trade receivables | 4,779 | 4,779 | 4,779 |
| Other receivables, deposits and prepayments | 711 | 711 | 291 |
| Tax recoverable | 27 | 27 | 27 |
| Deposits with licensed bank | 104 | 104 | 104 |
| Cash and bank balances | 122 | 7,443 | 1,613 |
| Total current assets | 5,819 | 13,140 | 6,890 |
| TOTAL ASSETS | 17,330 | 24,651 | 23,151 |
| EQUITY AND LIABILITIES | | | |
| Share capital | 13,727 | 18,303 | 18,303 |
| Share premium | - | 2,745 | 1,245 |
| Unappropriate profit | 2,404 | 2,404 | 2,404 |
| SHAREHOLDERS' EQUITY | 16,131 | 23,452 | 21,952 |
| Non-current and deferred liabilities | | | |
| Term loan | 131 | 131 | 131 |
| Deferred tax liabilities | 316 | 316 | 316 |
| | 447 | 447 | 447 |

11. FINANCIAL INFORMATION (Cont'd)

11.1.2 Proforma Consolidated Statements of Financial Position (cont'd)

| | ←----- Proforma -----> | | |
|-------------------------------------|---------------------------|--------------------------|--|
| | 31 October 2010 RM'000 | I After IPO RM'000 | II After Proforma I and utilisation of proceeds RM'000 |
| Current liabilities | | | |
| Trade payables | 134 | 134 | 134 |
| Other payables and accruals | 523 | 523 | 523 |
| Provision for taxation | 3 | 3 | 3 |
| Amounts owing to Director ^ | 9 | 9 | 9 |
| Term loan | 36 | 36 | 36 |
| Bank overdraft | 47 | 47 | 47 |
| Total current liabilities | <u>752</u> | <u>752</u> | <u>752</u> |
| TOTAL LIABILITIES | <u>1,199</u> | <u>1,199</u> | <u>1,199</u> |
| TOTAL EQUITY AND LIABILITIES | <u>17,330</u> | <u>24,651</u> | <u>23,151</u> |
| Number of Shares in issue ('000) | 137,273 | 183,031 | 183,031 |
| NA | 16,131 | 23,452 | 21,952 |
| NA per Share (RM) | 0.12 | 0.13 | 0.12 |
| NTA | 13,916 | 21,237 | 18,737 |
| NTA per Share (RM) | 0.10 | 0.12 | 0.10 |

Note:

^ The amount owing to a Director is unsecured, repayable on demand and interest free with no specific tenure of repayment.

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11. FINANCIAL INFORMATION (Cont'd)

11.1.3 Proforma Consolidated Statement of Cash Flow

The proforma consolidated statement of cash flow for the FPE 2010 as set out below is prepared on the assumption that our Group has been in existence throughout the financial year under review, after adjusting for the Listing Scheme. The proforma consolidated statement of cash flow is prepared for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions set out in Section 11.4 of this Prospectus.

| | FPE 2010 RM'000 |
|---|--------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | |
| PBT | 2,753 |
| Adjustments for: | |
| Gain on disposal of plant and equipment | (20) |
| Plant and equipment written off | 2 |
| Interest received | (2) |
| Amortisation | 270 |
| Depreciation | 1,435 |
| Interest paid | 23 |
| Operating profit before working capital changes | 4,461 |
| Receivables | (1,912) |
| Payables | (131) |
| Director | (244) |
| Cash generated from operations | 2,174 |
| Tax paid | (10) |
| Net cash from operating activities | 2,164 |
| CASH FLOW FROM INVESTING ACTIVITIES | |
| Proceeds from disposal of plant and equipment | 64 |
| Purchase of plant and equipment | (1,582) |
| Research and development | (660) |
| Net cash used in investing activities | (2,178) |
| CASH FLOW FROM FINANCING ACTIVITIES | |
| Interest paid | (23) |
| Repayment of term loan | (28) |
| Proceeds from issuance of share capital | ^ |
| Net cash used in financing activities | (51) |
| Net decrease in cash and cash equivalents | (65) |
| Cash and cash equivalents at beginning of financial year | 140 |
| Cash and cash equivalents at end of financial year | 75 |
| <i>Cash and cash equivalents at end of financial year comprise:</i> | |
| Cash and bank balances | 122 |
| Bank overdraft | (47) |
| | 75 |

Note:

The above have been prepared before taking into account the proceeds from the IPO and the proposed utilisation of proceeds.

11. FINANCIAL INFORMATION (Cont'd)

11.2 CAPITALISATION AND INDEBTEDNESS

The capitalisation and indebtedness of our Group as at 31 October 2010 based on our proforma consolidated statements of financial position as at 31 October 2010, adjusted for the net proceeds arising from the IPO and the utilisation of proceeds as set out in Section 3.8 of this Prospectus are as follows:

| | Proforma as at 31 October 2010 RM'000 | After adjustments for the IPO and utilisation of proceeds RM'000 |
|--|---|---|
| Cash and bank balances | 122 | 1,448 |
| <u>Indebtedness Secured and guaranteed:</u> | | |
| Term loan | 167 | 167 |
| Bank overdraft | 47 | 47 |
| Total indebtedness | <u>214</u> | <u>214</u> |
| <u>Capitalisation:</u> | | |
| Total shareholders' equity | <u>16,131</u> | <u>21,952</u> |
| Total capitalisation | <u>16,131</u> | <u>21,952</u> |
| Total capitalisation and indebtedness | <u>16,345</u> | <u>22,166</u> |

11.3 DIVIDEND POLICY

We have not declared or paid any dividends since our incorporation on 26 January 2010. Going forward, our ability to pay dividends or make other distributions to our shareholders is subject to various factors such as having profit and excess funds, which are not required to be retained to fund our operations. As we are an investment holding company, our ability to pay dividends is also subject to receipt of funds from our subsidiaries.

Our Directors have considered the general principles that they currently intend to apply when recommending dividends for approval by our shareholders or when declaring any interim dividends. In considering the level of dividend payments, if any, upon recommendation by our Directors, we intend to take into account various factors including:

- (i) the level of our cash, marketable financial assets and level of indebtedness;
- (ii) required and expected interest expense, cash flows, our profits and return on equity and retained earnings;
- (iii) our expected results from operations; and
- (iv) our projected levels of capital expenditure and other investment plans.

11. FINANCIAL INFORMATION (Cont'd)

11.4 REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION

(Prepared for inclusion in the Prospectus)

LEOU & ASSOCIATES

Chartered Accountants (AF 0659)

107-B, Jalan Aminuddin Baki,
Taman Tun Dr. Ismail,
60000 Kuala Lumpur.
Tel: (+6)-03-7727 5573 Fax: (+6)-03-7727 0771
E-mail: leouassociates.la@gmail.com



A Member Firm Of The
Malaysian Institute of Accountants
(Established under the Accountants Act 1967)
Institut Akauntan Malaysia
(Diperibadikan di bawah Akta Akauntan 1967)

Date: 28 January 2011

The Board of Directors
ManagePay Systems Berhad
Wisma MPSB
Lot 113, Jalan USJ 21/10
47630 Subang Jaya
Selangor Darul Ehsan

Dear Sirs/Madam,

MANAGEPAY SYSTEMS BERHAD ("ManagePay" or the "Company") PROFORMA CONSOLIDATED FINANCIAL INFORMATION

1. We have reviewed the proforma consolidated financial information of ManagePay and its subsidiaries ("ManagePay Group" or "Group") for the financial years ended ("FYE") 31 December 2007 to 31 December 2009, unaudited ten (10)-months financial period ended 31 October 2009 ("FPE 2009") and audited ten (10)-months FPE 31 October 2010 ("FPE 2010"), together with the notes thereon (collectively known as "Proforma Consolidated Financial Information"), as set out in the Appendix to this letter for which the Directors of ManagePay are solely responsible.
2. The Proforma Consolidated Financial Information has been prepared for illustrative purposes only, for inclusion in the Prospectus of ManagePay to be dated 22 February 2011 in connection with the listing of and quotation for the entire enlarged issued and paid-up share capital of ManagePay on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). The following financial statements are based on certain assumptions and after making adjustments to show: -
 - i) the financial results of ManagePay Group for the FYE 31 December 2007 to 31 December 2009, unaudited FPE 2009 and FPE 2010 if the group structure as at the date of the Prospectus had been in existence since the beginning of the earliest financial year being presented;
 - ii) the financial position of ManagePay Group as at 31 October 2010 if the group structure as at the date of the Prospectus had been in existence since the beginning of the FPE 2010; and
 - iii) the cash flow of ManagePay Group for the FPE 2010 if the group structure as at the date of the Prospectus had been in existence the beginning of the FPE 2010.

Responsibilities

3. It is the sole responsibility of the Directors of ManagePay to prepare the Proforma Consolidated Financial Information in accordance with the requirements of the Securities Commission's Prospectus Guidelines – Equity and Debt ("Prospectus Guidelines").
4. It is our responsibility to form an opinion as required by the Prospectus Guidelines on the Proforma Consolidated Financial Information and our report is given to you solely for this, and for no other purpose.

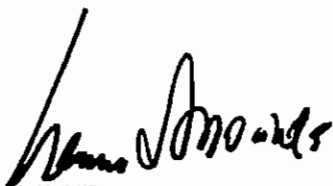


11. FINANCIAL INFORMATION (Cont'd)

Basis of opinion

5. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the audited financial statements, considering the evidence supporting the adjustments, and discussing the proforma consolidated financial information with the Directors of the Company.
6. As the Proforma Consolidated Financial Information is prepared for illustrative purposes only, such information, because of its nature, may not reflect the actual financial position, results and cash flows of ManagePay Group. Furthermore, such information does not purport to predict the future financial position, results and cash flows of ManagePay Group.
7. In our opinion: -
 - a) the Proforma Consolidated Financial Information has been properly prepared on the bases set out in the notes thereon and such bases are consistent with the accounting policies adopted by ManagePay Group in the preparation of the audited financial statements of ManagePay Group.
 - b) the audited financial statements used in the preparation of the Proforma Consolidated Financial Information were prepared in accordance with the Financial Reporting Standards ("FRS"), the Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards in Malaysia for Entities Other than Private Entities; and
 - c) each material adjustment made to the information used in the preparation of the Proforma Consolidated Financial Information is appropriate for the purpose of preparing such financial information.
8. This letter is not to be reproduced, referred to in any other document, or used or relied upon for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully,



LEOU & ASSOCIATES
CHARTERED ACCOUNTANTS
FIRM NO: AF-0659



LEOU THIAM LAI
APPROVED COMPANY AUDITOR
TREASURY APPROVAL NO. 1269/6/12 (J)



11. FINANCIAL INFORMATION (Cont'd)

MANAGEPAY SYSTEMS BERHAD AND ITS SUBSIDIARIES

PROFORMA CONSOLIDATED FINANCIAL INFORMATION

1. PROFORMA GROUP AND BASIS OF PREPARATION

The Proforma Consolidated Financial Information of ManagePay Group, comprising the audited financial information of ManagePay, Multimedia Prospects Sdn. Bhd. ("MPSB"), Sina Technologies Sdn. Bhd. ("Sinatec") and Whatdevice (Malaysia) Sdn. Bhd. ("Whatdevice"), is presented for the purpose of illustration only.

The relevant financial years/period for the purpose of this report are as follows: -

| Company | Relevant Financial Years/Period |
|------------|---|
| ManagePay | Period from 26 January 2010 (date of incorporation) to 31 October 2010 |
| MPSB | FYE 31 December 2007 to FYE 31 December 2009, unaudited FPE 2009 and FPE 2010 |
| Sinatec | FYE 31 December 2007 to FYE 31 December 2009, unaudited FPE 2009 and FPE 2010 |
| Whatdevice | FYE 31 December 2007 to FYE 31 December 2009, unaudited FPE 2009 and FPE 2010 |

Note: -

The financial statements for the relevant financial years/period stated above are audited unless otherwise stated

The Proforma Consolidated Financial Information of ManagePay Group is prepared on the assumption that ManagePay Group had been in existence throughout the FYE 31 December 2007, 2008, 2009, unaudited FPE 2009 and FPE 2010. The Proforma Consolidated Financial Information comprises the following: -

Section 2 - Proforma consolidated statements of comprehensive income for the FYE 31 December 2007 to 31 December 2009, unaudited FPE 2009 and audited FPE 2010;

Section 3 - Proforma consolidated statements of financial position as at 31 October 2010; and

Section 4 - Proforma consolidated statement of cash flow for FPE 31 October 2010.

The audited reports of ManagePay, MPSB, Sinatec and Whatdevice on all the abovementioned audited financial statements were reported without any qualification and the reports did not include any emphasis of matter.

The Proforma Consolidated Financial Information has been prepared in accordance with the FRS, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities, which is consistent with the accounting policies previously adopted by ManagePay, MPSB, Sinatec and Whatdevice in the preparation of their audited financial statements, and after incorporating adjustments that are appropriate for the preparation of the Proforma Consolidated Financial Information.

The proforma consolidated statements of financial position and statement of cash flow, together with the notes thereon, have been prepared solely for illustrative purposes, to show the effect of the following Listing Scheme had the Listing Scheme been implemented and completed on 31 October 2010: -

Listing Scheme

In conjunction with and as an integral part of the listing of ManagePay on the ACE Market of Bursa Securities ("Listing"), the Company undertook a Listing Scheme which involves the following: -

a) Acquisitions

Pursuant to the Share Sale Agreements dated 10 March 2010 entered into by the Company and the vendors of MPSB, Sinatec and Whatdevice, the details of which are set out below: -



11. FINANCIAL INFORMATION (Cont'd)

MANAGEPAY SYSTEMS BERHAD AND ITS SUBSIDIARIES

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

1. PROFORMA GROUP AND BASIS OF PREPARATION (CONT'D)

(i) Acquisition of MPSB

The Company entered into a share sale agreement to acquire the entire equity interest in MPSB comprising of 3,017,738 MPSB Shares from the vendors of MPSB, namely Chew Chee Seng, Dato' Theng Book, Chan Wah Kiang, Chin Shea Fong, Dato' Yap Kuak Fong and Chee Sau Ying @ Chee Shioh Lian for a total purchase consideration of RM11,586,047 fully satisfied via the issuance of 115,860,470 ordinary shares of RM0.10 each in ManagePay ("ManagePay Shares") at par, as follows: -

| Vendors | Equity interest in MPSB | | Purchase Consideration | |
|---------------------------------|-------------------------|---------------|------------------------|-------------------------------------|
| | No. MPSB Shares | % | RM | Number of ManagePay Shares allotted |
| Chew Chee Seng | 1,194,421 | 39.58 | 4,585,756.80 | 45,857,568 |
| Dato' Theng Book | 482,838 | 16.00 | 1,853,766.30 | 18,537,663 |
| Chan Wah Kiang | 603,547 | 20.00 | 2,317,210.20 | 23,172,102 |
| Chin Shea Fong | 495,512 | 16.42 | 1,902,429.70 | 19,024,297 |
| Dato' Yap Kuak Fong | 120,710 | 4.00 | 463,442.00 | 4,634,420 |
| Chee Sau Ying @ Chee Shioh Lian | 120,710 | 4.00 | 463,442.00 | 4,634,420 |
| Total | 3,017,738 | 100.00 | 11,586,047.00 | 115,860,470 |

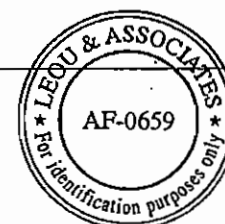
The purchase consideration for the acquisition of MPSB was arrived at on a willing buyer willing seller basis after taking into account the audited net assets ("NA") of MPSB as at 31 December 2009.

(ii) Acquisition of Sinatec

The Company entered into a share sale agreement to acquire the entire equity interest in Sinatec comprising of 1,013,475 Sinatec Shares from the vendors of Sinatec, namely Chew Chee Seng, Dato' Theng Book, Chan Wah Kiang, Chin Shea Fong, Dato' Yap Kuak Fong and Chee Sau Ying @ Chee Shioh Lian for a total purchase consideration of RM1,209,783 fully satisfied via the issuance of 12,097,830 ManagePay Shares at par, as follows: -

| Vendors | Equity interest in Sinatec | | Purchase Consideration | |
|---------------------------------|----------------------------|---------------|------------------------|-------------------------------------|
| | No. Sinatec Shares | % | RM | Number of ManagePay Shares allotted |
| Chew Chee Seng | 401,133 | 39.58 | 478,831.80 | 4,788,318 |
| Dato' Theng Book | 162,156 | 16.00 | 193,564.20 | 1,935,642 |
| Chan Wah Kiang | 202,695 | 20.00 | 241,957.30 | 2,419,573 |
| Chin Shea Fong | 166,413 | 16.42 | 198,646.90 | 1,986,469 |
| Dato' Yap Kuak Fong | 40,539 | 4.00 | 48,391.40 | 483,914 |
| Chee Sau Ying @ Chee Shioh Lian | 40,539 | 4.00 | 48,391.40 | 483,914 |
| Total | 1,013,475 | 100.00 | 1,209,783.00 | 12,097,830 |

The purchase consideration for the acquisition of Sinatec was arrived at on a willing buyer willing seller basis after taking into account the audited NA of Sinatec as at 31 December 2009.



11. FINANCIAL INFORMATION (Cont'd)

MANAGEPAY SYSTEMS BERHAD AND ITS SUBSIDIARIES

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

1. PROFORMA GROUP AND BASIS OF PREPARATION (CONT'D)

(iii) Acquisition of Whatdevice

The Company entered into a share sale agreement to acquire the entire equity interest in Whatdevice comprising of 968,786 Whatdevice Shares from the vendors of Whatdevice, namely Chew Chee Seng, Dato' Theng Book, Chan Wah Kiang, Chin Shea Fong, Dato' Yap Kuak Fong and Chee Sau Ying @ Chee Shioh Lian for a total purchase consideration of RM931,479 fully satisfied via the issuance of 9,314,790 ManagePay Shares at par, as follows: -

| Vendors | Equity interest in Whatdevice | | Purchase Consideration | |
|---------------------------------|-------------------------------|---------------|------------------------|-------------------------------------|
| | No. Whatdevice Shares | % | RM | Number of ManagePay Shares allotted |
| Chew Chee Seng | 383,445 | 39.58 | 368,679.20 | 3,686,792 |
| Dato' Theng Book | 155,006 | 16.00 | 149,035.50 | 1,490,355 |
| Chan Wah Kiang | 193,758 | 20.00 | 186,296.40 | 1,862,963 |
| Chin Shea Fong | 159,075 | 16.42 | 152,949.30 | 1,529,492 |
| Dato' Yap Kuak Fong | 38,751 | 4.00 | 37,259.30 | 372,594 |
| Chee Sau Ying @ Chee Shioh Lian | 38,751 | 4.00 | 37,259.30 | 372,594 |
| Total | 968,786 | 100.00 | 931,479.00 | 9,314,790 |

The purchase consideration for the acquisition of Whatdevice was arrived at on a willing-buyer willing-seller basis after taking into account the audited NA of Whatdevice as at 31 December 2009.

The abovementioned acquisitions of MPSB, Sinatec and Whatdevice is collectively known as "Acquisitions".

The 137,273,090 Shares issued pursuant to the Acquisitions rank pari passu in all respects with all then existing Shares and carry all rights to receive in full all dividends and other distributions declared and paid subsequent to the allotment thereof.

Upon completion of the Acquisitions, the issued and paid-up share capital has increased from RM10.00 comprising 100 Shares to RM13,727,319 comprising 137,273,190 Shares.

b) Public Issue

Upon completion of the Acquisitions, ManagePay will undertake a public issue of 45,758,000 new ManagePay Shares ("Issue Shares"), representing approximately 25.00% of the enlarged issued and paid-up share capital of ManagePay, at an issue price of RM0.16 per Issue Share to be allocated in the following manner: -

- 32,946,000 ManagePay Shares, representing 18% of the enlarged issued and paid-up share capital of ManagePay made available for application by way of private placement to identified investors;
- 3,660,000 ManagePay Shares, representing 2% of the enlarged issued and paid-up share capital of ManagePay made available for application by eligible employees; and
- 9,152,000 ManagePay Shares, representing 5% of the enlarged issued and paid-up share capital of ManagePay made available for application by the Malaysian Public.



11. FINANCIAL INFORMATION (Cont'd)

MANAGEPAY SYSTEMS BERHAD AND ITS SUBSIDIARIES

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

1. PROFORMA GROUP AND BASIS OF PREPARATION (CONT'D)

b) Public Issue (cont'd)

The Issue Shares will rank *pari passu* in all aspects with the existing ManagePay Shares, except that the new ManagePay Shares will not be entitled to any dividends, rights, allotment or other distribution, the entitlements of which is prior to the date of allotment of the said ManagePay Shares.

Upon completion of the Public Issue, the issued and paid-up share capital of ManagePay will increase from RM13,727,319 comprising 137,273,190 ManagePay Shares to RM18,303,119 comprising 183,031,190 ManagePay Shares.

c) Listing and Quotation

Upon completion of the Acquisitions and Public Issue, ManagePay will seek the permission of Bursa Securities for the listing of and quotation for the entire enlarged issued and paid up share capital of RM18,303,119 comprising 183,031,190 Shares on the ACE Market of Bursa Securities.



11. FINANCIAL INFORMATION (Cont'd)

MANAGEPAY SYSTEMS BERHAD AND ITS SUBSIDIARIES

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

2. PROFORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FYE 31 DECEMBER 2007 TO 31 DECEMBER 2009, UNAUDITED FPE 2009 AND FPE 2010

| | ←FYE 31 December→ | | | ←FPE 31 October→ | |
|--|---------------------|----------------------|--------------------|--------------------|--------------------|
| | 2007 RM'000 | 2008 RM'000 | 2009 RM'000 | 2009* RM'000 | 2010 RM'000 |
| Revenue | 6,074 | 6,771 | 7,873 | 6,540 | 6,610 |
| Less: Cost of sales | (2,291) | (1,388) | (780) | (587) | (255) |
| Gross profit | 3,783 | 5,383 | 7,093 | 5,953 | 6,355 |
| Other operating income | 31 | 32 | 47 | 23 | 84 |
| Earnings before interest, taxation, depreciation and amortisation | 1,861 | 2,639 | 5,449 | 4,678 | 4,549 |
| Finance cost | (207) | (223) | (43) | (31) | (91) |
| Depreciation and amortisation | (1,083) | (1,394) | (1,680) | (1,471) | (1,705) |
| PBT | 571 | 1,022 | 3,726 | 3,176 | 2,753 |
| Taxation | (162) | 114 | (310) | (197) | (349) |
| PAT | 409 | 1,136 | 3,416 | 2,979 | 2,404 |
| Extraordinary items ⁽¹⁾ | - | - | - | - | - |
| MI | - | - | - | - | - |
| PAT and MI | 409 | 1,136 | 3,416 | 2,979 | 2,404 |
| Gross profit margin (%) | 62.28 | 79.50 | 90.09 | 91.02 | 96.14 |
| PBT margin (%) | 9.40 | 15.09 | 47.33 | 48.56 | 41.65 |
| PAT margin (%) | 6.73 | 16.78 ⁽²⁾ | 43.39 | 45.55 | 36.37 |
| Effective tax rate (%) | 28.37 | (11.15) | 8.32 | 6.20 | 12.68 |
| Interest coverage (times) | 3.76 ⁽³⁾ | 5.58 | 87.65 | 103.45 | 31.25 |
| Trade receivables turnover period (days) | 191 | 74 | 148 ⁽⁴⁾ | 159 ⁽⁴⁾ | 220 ⁽⁵⁾ |
| Trade payables turnover period (days) | 71 | 90 | 157 ⁽⁶⁾ | 215 ⁽⁶⁾ | 153 ⁽⁶⁾ |
| Gearing ratio (times) | 0.25 | 0.04 | 0.03 | 0.03 | 0.01 |
| No of ordinary shares of RM0.10 each in issue ('000) ⁽⁷⁾ | 137,273 | 137,273 | 137,273 | 137,273 | 137,273 |
| Gross EPS (Sen) ⁽⁸⁾ | 0.42 | 0.74 | 2.71 | 2.31 | 2.01 |
| Basic EPS (Sen) ⁽⁹⁾ | 0.30 | 0.83 | 2.49 | 2.17 | 1.75 |
| Diluted EPS (Sen) ⁽¹⁰⁾ | n.a | n.a | n.a | n.a | n.a |

Notes:

* Unaudited and presented for comparative purposes only

Additional notes are located on page 8.

The proforma consolidated statements of comprehensive income of ManagePay Group for the past three (3) FYEs 31 December 2009, unaudited FPE 2009 and FPE 2010 are provided for illustrative purpose based on the audited financial statements ManagePay, MPSB, Sintec and Whatdevice, and with the assumption that ManagePay Group had been in existence throughout the financial years/period under review.



11. FINANCIAL INFORMATION (Cont'd)

2. PROFORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FYE 31 DECEMBER 2007 TO 31 DECEMBER 2009, UNAUDITED FPE 2009 AND FPE 2010 (CONT'D)

Notes: -

| | | | |
|------|--------------------------|-----|-------------------------|
| PBT | : Profit before taxation | PAT | : Profit after taxation |
| MI | : Minority interest | EPS | : Earnings per share |
| n.a. | : Not applicable | | |

- (1) There were no exceptional and extraordinary items for the financial years/period under review.
- (2) Arose from deferred tax assets recognised for the FYE 2008.
- (3) The trade receivables turnover period for the FYE 2007 is caused mainly by long outstanding trade receivables of RM658,815 as at 31 December 2007. This amount was written-off as bad debts in the FYE 2008 as it was deemed non-collectable by the management due to, amongst others, cessation of debtors' business operations.
- (4) For the FPE 2009 and FYE 2009, the trade receivables turnover period exceeded the normal credit period due to the amount owed by UDS Direct (M) Sdn Bhd, Mediscreen Sdn Bhd and EON Bank Berhad. As at the LPD, the balances exceeding 180 days have been fully settled.
- (5) For the FPE 2010, the trade receivables turnover period exceeded the normal credit period due to an amount of approximately RM2.18 million owing from Multimedia Development Corporation Sdn. Bhd. which was invoiced towards the end of the financial period and balances of approximately RM1.52 million owing from Agency Managers who have been given extended credit periods. As at the LPD, approximately RM1.60 million and RM1.07 million have been collected from Multimedia Development Corporation Sdn. Bhd. and the Agency Managers respectively.
- (6) The trade payables turnover period for the FYE 2009, unaudited FPE 2009 and FPE 2010 were due to the invoices received for the non-delivery of two (2) out of nine (9) card applications software by Giesecke & Devrient Asia Pte Ltd and the retention sum of 10% held back by the Group arising from the non-completion and unsatisfactory performance of RX Telecommunication Sdn Bhd.
- (7) Being the issued and paid-up share capital of RM0.10 per ManagePay share immediately prior to the public issue.
- (8) The gross EPS is calculated based on the PBT attributable to the shareholders of ManagePay for the respective financial years/period divided by the number of ManagePay Shares in issue.
- (9) The basic EPS was calculated based on the PAT attributable to the shareholders of ManagePay for the respective financial years/period divided by the number of ManagePay Shares in issue.
- (10) Diluted EPS is not provided as there were no potential ordinary shares to be issued throughout the financial years/period under review.

Inter-company transactions between companies within ManagePay Group for each of the years/period under review have been eliminated on consolidation.



11. FINANCIAL INFORMATION (Cont'd)

MANAGEPAY SYSTEMS BERHAD AND ITS SUBSIDIARIES

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

3. PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The proforma consolidated statements of financial position of ManagePay Group as at 31 October 2010 as set out below are provided for illustrative purpose only to show the effects of the transactions as mentioned in the notes to the proforma consolidated statements of financial position below and with the assumption that the said transactions were completed as at 31 October 2010.

| | NOTE | ← Proforma → | | |
|---|------|---|---|--|
| | | I | II | |
| | | Audited as at 31 October 2010 RM'000 | After Initial Public Offer RM'000 | After utilisation of proceeds RM'000 |
| Non-current assets | | | | |
| Property, plant and equipment | 3.3 | 9,296 | 9,296 | 13,046 |
| Software development | 3.4 | 2,215 | 2,215 | 3,215 |
| Goodwill | 3.5 | - | - | - |
| Total non-current assets | | 11,511 | 11,511 | 16,261 |
| Current assets | | | | |
| Inventories | 3.6 | 76 | 76 | 76 |
| Trade receivables | 3.7 | 4,779 | 4,779 | 4,779 |
| Other receivables, deposits and prepayments | 3.8 | 711 | 711 | 291 |
| Tax recoverable | | 27 | 27 | 27 |
| Deposits with licensed bank | 3.9 | 104 | 104 | 104 |
| Cash and bank balances | 3.10 | 122 | 7,443 | 1,613 |
| Total current assets | | 5,819 | 13,140 | 6,890 |
| Total assets | | 17,330 | 24,651 | 23,151 |
| EQUITY AND LIABILITIES | | | | |
| Capital and reserves | | | | |
| Financed by: - | | | | |
| Share capital | 3.11 | 13,727 | 18,303 | 18,303 |
| Share premium | 3.12 | - | 2,745 | 1,245 |
| Unappropriated profit | | 2,404 | 2,404 | 2,404 |
| Shareholders' equity | | 16,131 | 23,452 | 21,952 |



11. FINANCIAL INFORMATION (Cont'd)

MANAGEPAY SYSTEMS BERHAD AND ITS SUBSIDIARIES

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

3. PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

| | | ← Proforma → | | |
|--------------------------------------|---|---|--|---------------|
| | | I | II | |
| | Audited as at 31 October 2010 RM'000 | After Initial Public Offer RM'000 | After utilisation of proceeds RM'000 | |
| Non-current liabilities | | | | |
| Term loan | 3.13 | 131 | 131 | 131 |
| Deferred tax liabilities | 3.14 | 316 | 316 | 316 |
| Total non-current liabilities | | 447 | 447 | 447 |
| Current liabilities | | | | |
| Trade payables | 3.15 | 128 | 128 | 128 |
| Other payables and accruals | 3.16 | 523 | 523 | 523 |
| Provision for taxation | 3.17 | 3 | 3 | 3 |
| Amount owing to director | 3.18 | 15 | 15 | 15 |
| Term loan | 3.13 | 36 | 36 | 36 |
| Bank overdraft | 3.19 | 47 | 47 | 47 |
| Total current liabilities | | 752 | 752 | 752 |
| Total liabilities | | 1,199 | 1,199 | 1,199 |
| Total equity and liabilities | | 17,330 | 24,651 | 23,151 |
| No. of Shares in issue ('000) | | 137,273 | 183,031 | 183,031 |
| Net assets ("NA") (RM '000) | | 16,131 | 23,452 | 21,952 |
| NA per Share (RM) | | 0.12 | 0.13 | 0.12 |
| Net tangible assets ("NTA") | | 13,916 | 21,237 | 18,737 |
| NTA per Share (RM) | | 0.10 | 0.12 | 0.10 |



11. FINANCIAL INFORMATION (Cont'd)

MANAGEPAY SYSTEMS BERHAD AND ITS SUBSIDIARIES

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

3. PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 OCTOBER 2010

The proforma consolidated statements of financial position have been prepared solely for illustrative purposes, to show the effects of the following Listing Scheme on the assumption that the Listing Scheme had been implemented and completed on 31 October 2010: -

3.1 Proforma I

Proforma I incorporates the effect of public issue of 45,758,000 Issue Shares at an issue price of RM0.16 per Issue Share, giving rise to a share premium of RM2,745,480.

3.2 Proforma II

Proforma II incorporates the effects of Proforma I, and the utilisation of proceeds arising from the Public Issue as set out in the table below.

| Utilisation | Amount | Approximate percentage of gross proceeds |
|------------------------------|--------------|--|
| | RM'000 | % |
| Purchase of equipment | 3,750 | 51 |
| Working capital | 1,071 | 15 |
| Research and development | 1,000 | 14 |
| Estimated listing expenses * | 1,500 | 20 |
| TOTAL | 7,321 | 100 |

Note: -

* The estimated listing expenses will be set off against the share premium account under Section 60 of the Companies Act, 1965.

Thereafter, the entire issued and paid-up share capital of ManagePay of RM18,303,119 comprising 183,031,190 ManagePayShares shall be listed on the ACE Market of Bursa Securities. The total gross proceeds from the Public Issue is RM7,321,280.



11. FINANCIAL INFORMATION (Cont'd)

MANAGEPAY SYSTEMS BERHAD AND ITS SUBSIDIARIES
 PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

3.3 PROPERTY, PLANT AND EQUIPMENT

The movement of the property, plant and equipment is as follows: -

| Cost | Furniture and | | | | | | | | | | | Total RM'000 | |
|--|---------------------|---------------------------|-----------------------------|-------------------------------|---------------------|----------------------------------|----------------------|-------------------------------|--|--------------------------------|----------------------------|-----------------|-----------------------|
| | Furniture RM'000 | and Fittings RM'000 | Demo Equipment RM'000 | Office Equipment RM'000 | Signboard RM'000 | Electrical Fittings RM'000 | Renovation RM'000 | Air Conditioners RM'000 | Computers and accessories RM'000 | Computer Software RM'000 | Motor vehicle RM'000 | | Machineries RM'000 |
| As at 31 October 2010 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Acquisitions of Subsidiary Companies | 138 | 6 | 166 | 4 | 62 | 185 | 69 | 868 | 3,640 | 369 | 6,032 | 3,249 | 14,788 |
| Proforma I | 138 | 6 | 166 | 4 | 62 | 185 | 69 | 868 | 3,640 | 369 | 6,032 | 3,249 | 14,788 |
| Utilisation of Proceeds from Public Issue | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Proforma II | 138 | 6 | 166 | 4 | 62 | 185 | 69 | 868 | 3,640 | 369 | 9,782 | 3,249 | 18,538 |
| Accumulated depreciation | - | - | - | - | - | - | - | - | - | - | - | - | - |
| As at 31 October 2010 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Acquisitions of Subsidiary Companies | 125 | 6 | 96 | 4 | 47 | 105 | 47 | 538 | 303 | 66 | 2,884 | 1,271 | 5,492 |
| Proforma I and II | 125 | 6 | 96 | 4 | 47 | 105 | 47 | 538 | 303 | 66 | 2,884 | 1,271 | 5,492 |
| Net book value | - | - | - | - | - | - | - | - | - | - | - | - | - |
| As at 31 October 2010 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Acquisitions of Subsidiary Companies | 13 | - | 70 | - | 15 | 80 | 22 | 330 | 3,337 | 303 | 3,148 | 1,978 | 9,296 |
| Proforma I | 13 | - | 70 | - | 15 | 80 | 22 | 330 | 3,337 | 303 | 3,148 | 1,978 | 9,296 |
| Utilisation of Proceeds from Public Issue | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Proforma II | 13 | - | 70 | - | 15 | 80 | 22 | 330 | 3,337 | 303 | 6,898 | 1,978 | 13,046 |



11. FINANCIAL INFORMATION (Cont'd)

MANAGEPAY SYSTEMS BERHAD AND ITS SUBSIDIARIES

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

3.4 SOFTWARE DEVELOPMENT

The movement of the software development is as follows: -

| | RM'000 |
|---|--------------|
| Cost | |
| At 31 October 2010 and Proforma I | 2,215 |
| Utilisation of proceeds from public issue | 1,000 |
| Proforma II | <u>3,215</u> |

3.5 GOODWILL ON CONSOLIDATION

The movement of goodwill on consolidation is as follows: -

| | RM'000 |
|---------------------------------------|----------|
| Acquisitions of subsidiary companies | 68 |
| Less: Impairment loss | (68) |
| At 31 October 2010, Proforma I and II | <u>-</u> |

3.6 INVENTORIES

Inventories are stated at cost and consist of credit card terminals and related peripherals.

The movement of the inventories is as follows: -

| | RM'000 |
|---------------------------------------|-----------|
| Cost | |
| At 31 October 2010, Proforma I and II | <u>76</u> |

3.7 TRADE RECEIVABLES

The movement of the trade receivables is as follows: -

| | RM'000 |
|---------------------------------------|--------------|
| At 31 October 2010, Proforma I and II | <u>4,779</u> |



11. FINANCIAL INFORMATION (Cont'd)

MANAGEPAY SYSTEMS BERHAD AND ITS SUBSIDIARIES

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

3.8 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENT

The movement of the other receivables, deposits and prepayment is as follows: -

| | RM'000 |
|--|--------|
| Other receivables | 210 |
| Deposits | 58 |
| Prepayments | 443 |
| Audited as at 31 October 2010 and Proforma I | 711 |
| Less: Prepaid listing expenses set off against share premium (Note 3.10) | (420) |
| Proforma II | 291 |

3.9 DEPOSITS WITH LICENSED BANK

The movement of the deposits with licensed bank is as follows: -

| | RM'000 |
|---------------------------------------|--------|
| At 31 October 2010, Proforma I and II | 104 |

3.10 CASH AND BANK BALANCES

The movement of the cash and bank balances is as follows: -

| | RM'000 |
|---|---------|
| At 31 October 2010 | 122 |
| Public Issue | 7,321 |
| Proforma I | 7,443 |
| Utilisation of Proceeds from Public Issue | |
| - Research and development | (1,000) |
| - Purchase of equipment | (3,750) |
| - Estimated listing expenses | 1,500 |
| Less: Prepaid listing expenses (Note 3.8) | (420) |
| Proforma II | 1,613 |

