

# P R O S P E C T U S

**Amesin**  
(Incorporated in Malaysia under the Companies Act, 1965)

## OFFER FOR SALE

OF 4,490,000 ORDINARY SHARES OF  
RM1.00 EACH AT AN OFFER PRICE OF  
RM1.90 PER ORDINARY SHARE  
PAYABLE IN FULL ON APPLICATION

AND

## PUBLIC ISSUE

OF 5,000,000 NEW ORDINARY SHARES  
OF RM1.00 EACH AT AN ISSUE PRICE  
OF RM1.90 PER ORDINARY SHARE  
PAYABLE IN FULL ON APPLICATION

Adviser and Underwriter

**AMANAH** MERCHANT BANK BERHAD

An Amanah Capital Group Company  
(21605-D)



**THE APPROVAL OF THE SECURITIES COMMISSION (“SC”) SHALL NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS THE OFFER FOR SALE AND PUBLIC ISSUE. INVESTORS ARE ADVISED TO MAKE THEIR OWN INDEPENDENT ASSESSMENT OF MESINIAGA BERHAD (“MESINIAGA”) AND SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF ANY INVESTMENT.**

**THE OFFER/ ISSUE PRICE OF RM1.90 PER SHARE WAS ENTIRELY DETERMINED AND AGREED UPON BY THE ISSUER AND AMANAH MERCHANT BANK BERHAD AS THE ADVISER AND UNDERWRITER BASED ON VARIOUS RELEVANT FACTORS. INVESTORS SHOULD FORM THEIR OWN VIEWS ON THE VALUATION OF THE SECURITIES AND THE REASONABLENESS OF THE BASIS USED.**

**A COPY OF THIS PROSPECTUS HAS BEEN LODGED WITH AND REGISTERED BY THE REGISTRAR OF COMPANIES, MALAYSIA WHO TAKES NO RESPONSIBILITY FOR ITS CONTENTS.**

**THE KUALA LUMPUR STOCK EXCHANGE (“KLSE”) ASSUMES NO RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENTS MADE OR OPINIONS OR REPORTS EXPRESSED IN THIS PROSPECTUS. ADMISSION TO THE OFFICIAL LIST OF THE MAIN BOARD OF THE KLSE IS NOT TO BE TAKEN AS AN INDICATION OF THE MERITS OF MESINIAGA OR ITS ORDINARY SHARES.**

**THE REPORTING ACCOUNTANTS’ RESPONSIBILITY WITH REGARDS TO THIS PROSPECTUS DOES NOT EXTEND BEYOND THE ACCOUNTANTS’ REPORT. CONSOLIDATED PROFIT FORECAST AND PROFORMA CONSOLIDATED BALANCE SHEETS. APART FROM THE SAID REPORT AND LETTERS, THE REPORTING ACCOUNTANTS HAVE NO INVOLVEMENT IN THE PREPARATION OF THIS PROSPECTUS.**

**THE VALUATION OF THE PROPERTY ACCEPTED BY THE SC SHALL NOT BE UTILISED OTHER THAN FOR THE PURPOSE OF THE LISTING EXERCISE AND SHALL NOT BE CONSTRUED AS AN ENDORSEMENT BY THE SC OF THE VALUE OF THE SUBJECT PROPERTY FOR ANY OTHER PURPOSE.**

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## DEFINITIONS

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Unless the context requires otherwise, the following terms shall apply throughout this Prospectus:

“Mesiniaga” or “Company”	Mesiniaga Berhad (79244-V)		
“Mesiniaga Group” or “Group”	Mesiniaga, its subsidiaries and associated companies		
“Mesiniaga Shares” or “Shares”	Ordinary shares of RM 1 .00 each in Mesiniaga		
“New Mesiniaga Shares” or “New Shares”	New ordinary shares of RM 1 .00 each in Mesiniaga		
“SECTRON”	Secure Online Transactions Sdn Bhd (366913-T)		
“MSCS”	Mesiniaga-SCS Sdn Bhd ( <i>formerly known as Infosolutions Sdn Bhd</i> ) <b>(198717-U)</b>		
“MTSB”	Mesiniaga-Tactics Sdn Bhd (327571-K)		
“MMSC”	Mesiniaga MSC Sdn Bhd (455 144-X)		
“VA Dynamics”	VA Dynamics Sdn Bhd (394185-K)		
“CSSM”	Commercial Software Services (M) Sdn Bhd (119766-T)		
“AXIS”	Axis Systems Sdn Bhd (1994 19-P)		
“Offerors”		<b>No. of Offer Shares</b>	<b>% of enlarged paid-up capital</b>
	PNB	1,112,782	1.85
	Ismail bin Sulaiman	1,597,769	2.66
	Mohd Puzi bin Ahamad	445,113	0.74
	Wan Mohamad Fusil bin Wan Mahmood	445,113	0.74
	Hor Yee	445,113	0.74
	Ramli bin Amat	444,110	0.74
“Offer Shares”	The 4,490,000 Mesiniaga Shares to be offered by the Offerors pursuant to the Offer for Sale		
“Offer for Sale”	Offer for sale of 4,490,000 Mesiniaga Shares at an offer price of RM 1.90 per share payable in full upon application		
“Public Issue Shares”	The 5,000,000 New Mesiniaga Shares to be issued pursuant to the Public Issue		
“Public Issue”	Public issue of 5,000,000 New Mesiniaga Shares at an issue price of RM 1.90 per share payable in full on application		
“Offer and Public Issue	The Offer for Sale and Public Issue, collectively		
“Offer/ Issue Price”	The offer and/ or the issue price of RM 1.90 per share		
“Listing”	Admission to the Official List and the listing of and quotation for the entire enlarged issued and paid-up share capital of <b>RM60,000,000</b> comprising <b>60,000,000</b> Mesiniaga Shares		

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**DEFINITIONS (Cont'd)**

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“ADA”	:	Authorised Depository Agent
“ADA Code”	:	ADA (Broker) Code
“Amanah”	:	Amanah Merchant Bank Berhad (21605-D)
“CDS”	:	Central Depository System
“EPS”	:	Earnings per share
“LPS”	:	Loss per share
“ESOS”	:	Employees’ share option scheme
“FIC”	:	Foreign Investment Committee
“IBM” or “IBM WTC”	:	International Business Machines World Trade Corporation
“IT”	:	Information technology
“LPS”	:	Loss per share
“MSC”	:	Multimedia Super Corridor
“MDC”	:	Multimedia Development Corporation
“PIKOM”	:	Persatuan Industri Komputer Malaysia or Computer Industry Association of Malaysia
“MIDFCCS”	:	MIDF Consultancy and Corporate Services Sendirian Berhad (11324-H)
“MITI”	:	Ministry of International Trade and Industry
“KLSE”	:	Kuala Lumpur Stock Exchange (30632-P)
“MCD”	:	Malaysian Central Depository Sdn Bhd (165570-D), a subsidiary of the KLSE and a company approved by the Ministry of Finance to establish and operate the CDS
“NTA”	:	Net tangible assets
“p.a.”	:	Per annum
“PNB”	:	Permodalan Nasional Berhad (38218-X)
“R&D”	:	Research and development
“RM”	:	Ringgit Malaysia
“ROC”	:	Registrar of Companies, Malaysia
“SC”	:	Securities Commission

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## TABLE OF CONTENTS

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	PAGE
1. CORPORATE INFORMATION .....	1
2. SUMMARY OF INFORMATION .....	.4
2.1 History and Principal Activities .....	4
2.2 Financial Record .....	6
2.3 Principal Statistics Relating to the Offer and Public Issue .....	.7
3. INVESTMENT CONSIDERATIONS .....	9
3.1 No Prior Market for Mesiniaga Shares .....	9
3.2 Business Risks .....	9
3.3 Political and Economic Factors .....	.9
3.4 Dependence on Key Personnel .....	9
3.5 Competition .....	10
3.6 Financial Risks .....	10
3.7 Controlling Shareholders .....	10
3.8 Profit Forecast .....	10
3.9 Year 2000 Compliance .....	.11
4. INTRODUCTION .....	12
5. INFORMATION ON THE MESINIAGA GROUP .....	13
5.1 History and Principal Activities .....	13
5.2 The Public Flotation Scheme .....	14
5.3 Proceeds of the Offer and Public Issue .....	16
5.4 Business Overview .....	18
5.5 Share Capital .....	25
5.6 Summary of Landed Property .....	25
5.7 Information on Subsidiaries and Associated Companies .....	.26
5.8 Directors, Senior Management and Employees .....	34
6. INDUSTRY OVERVIEW .....	.37
6.1 The Malaysian Economy .....	37
6.2 The IT Industry .....	37
6.3 The MSC .....	38
7. PROSPECTS AND FUTURE PLANS .....	39
8. PARTICULARS OF THE OFFER AND PUBLIC ISSUE .....	.41
8.1 Share Capital .....	41
8.2 Basis of Arriving at the Offer/ Issue Price .....	41
8.3 Details of the Offer and Public Issue .....	.42
8.4 Opening and Closing of Application Lists .....	42
8.5 Purposes of the Offer and Public Issue .....	.42
8.6 Brokerage and Underwriting Commission .....	.43
9. MORATORIUM ON THE SALE OF SHARES .....	44

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**TABLE OF CONTENTS (Cont'd)**

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	<b>PAGE</b>
10. INFORMATION ON THE OFFERORS .....	45
11. FINANCIAL INFORMATION .....	46
11.1 Profit and Dividend Records.....	<b>46</b>
11.2 Working Capital, Borrowings and Contingent Liabilities .....	<b>47</b>
11.3 Consolidated Profit Forecast and Assumptions.....	48
11.4 Auditors' Letter on the Consolidated Profit Forecast and Assumptions .....	50
11.5 Dividend Forecast.....	.51
11.6 Proforma Consolidated Balance Sheets .....	.52
11.7 Auditors' Letter on the Proforma Consolidated Balance Sheets .....	.55
12. ACCOUNTANTS' REPORT .....	56
13. DIRECTORS' REPORT .....	94
14. VALUATION CERTIFICATE .....	95
15. MESINIAGA ESOS .....	...57
16. STATUTORY AND GENERAL INFORMATION .....	109
16.1 Share Capital .....	109
16.2 Articles Of Association .....	109
16.3 Directors and Substantial Shareholders .....	119
16.4 General .....	124
16.5 Material Litigation .....	.126
16.6 Material Contracts .....	126
16.7 Public Take-Over Offer.....	.126
16.8 Consents .....	126
16.9 Documents Available For Inspection .....	127
16.10 Responsibility.. .....	127
17. PROCEDURE FOR APPLICATION AND ACCEPTANCE .....	128
17.1 Application Forms .....	128
17.2 Procedure for Application .....	128
17.3 Applications and Acceptances .....	131
17.4 CDS Accounts .....	132
17.5 Notice of Allotment.....	133
17.6 Formalising of CDS Accounts .....	133
17.7 List of ADAs.....	133

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## 1. CORPORATE INFORMATION

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Mesiniaga Berhad  
(79244-V)  
(Incorporated in Malaysia under the Companies Act, 1965)

### 1.0 CORPORATE INFORMATION

#### BOARD OF DIRECTORS

Name	Address	Occupation	Nationality
Ismail bin Sulaiman	B- 1604, Prima 16 Jalan 16/18 46350 Petaling Jaya	Executive Chairman/ Managing Director	Malaysian
Mohd Puzi bin Ahamad	131, Jalan Athinahapan 2 Taman Tun Dr. Ismail 60000 Kuala Lumpur	Finance Director	Malaysian
Ramli bin Amat	2, Jalan Pantai 9/7 46000 Petaling Jaya	Executive Director	Malaysian
Wan Mohamad Fusil bin Wan Mahmood	Penthouse 2603, Summer Villa Wangsa Baiduri 47500 Subang Jaya	Executive Director	Malaysian
Hor Yee	80, Jalan Awan Kecil Overseas Union Garden 58200 Kuala Lumpur	Non-executive Director	Malaysian
Ou Shian Waei	275, Jalan Maarof Bangsar 59000 Kuala Lumpur	Non-executive Director	Malaysian
Jamiah bte. Abd. Hamid	73, Jalan USJ 2/3 Subang Jaya 476 10 Petaling Jaya	Non-executive Director	Malaysian
Dato' Wan Abdullah bin Mohamad	1, Lorong 5/4A 46000 Petaling Jaya	Non-executive Director	Malaysian
Nor Hayati Mohd Kasim	Lot 3024, Jalan Melati Batu 18, Kg Damai 48050 Kuang, Selangor	Independent Non- executive Director	Malaysian
Chung Thian Sinn	11, Jalan 21/5 SEA Park 46300 Petaling Jaya	Independent Non- executive Director	Malaysian
Joseph Tan Jeok Siak	127, Jalan Athinahapan Taman Tun Dr Ismail 60000 Kuala Lumpur	Alternate Director to Ou Shian Wei	Malaysian

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

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**AUDIT COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Occupation</b>
Nor Hayati Mohd Kasim	Chairman	Independent Non-executive Director
Chung Thian Sinn	Member	Independent Non-executive Director
Ismail bin Sulaiman	Member	Executive Chairman/ Managing Director

**COMPANY SECRETARY**

Lee Loong Fook  
(MAICSA 0767097)  
102, Jalan Bangsar  
59200 Kuala Lumpur

**REGISTERED OFFICE**

11 th Floor, Menara Mesiniaga  
1 A, Jalan SS 16/1, Subang Jaya  
47500 Petaling Jaya  
Selangor Darul Ehsan

**AUDITORS AND REPORTING  
ACCOUNTANTS**

PricewaterhouseCoopers  
Public Accountants  
11 th Floor, Wisma Sime Darby  
Jalan Raja Laut  
P O Box 10192  
50706 Kuala Lumpur

**PRINCIPAL BANKERS**

Citibank Berhad  
28, Medan Pasar  
50050 Kuala Lumpur

Bank Islam Malaysia Berhad  
Menara Tun Razak  
Jalan Raja Laut  
50734 Kuala Lumpur

Standard Chartered Bank (Malaysia) Berhad  
2, Jalan Ampang  
P.O. Box 13570  
506 14 Kuala Lumpur

Maybank Berhad  
30 – 32, Jalan PJS11/28A  
Bandar Sunway  
46 150 Petaling Jaya

**SOLICITORS**

Hisham, Sobri & Kadir  
Advocates & Solicitors  
17th Floor, UBN Tower  
10, Jalan P Ramlee  
Letter Box No 54  
50250 Kuala Lumpur

**VALUERS**

CH Williams Talhar & Wong  
15th Floor, MPPJ  
New Town Centre  
56200 Petaling Jaya

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1. CORPORATE INFORMATION *(Cont'd)*

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SHARE REGISTRAR	Malaysian Share Registration Services Sdn Bhd 7th Floor, Exchange Square Bukit Kewangan 52000 Kuala Lumpur
ISSUING HOUSE	MIDF Consultancy and Corporate Services Sdn Bhd 12th Floor, Bangunan MIDF 195A, Jalan Tun Razak 54050 Kuala Lumpur
ADVISER AND UNDERWRITER	Amanah Merchant Bank Berhad 19th Floor, Bangunan Amanah Capital 82, Jalan Raja Chulan 50200 Kuala Lumpur
LISTING SOUGHT	: The Main Board of the KLSE

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## 2. SUMMARY OF INFORMATION

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The information set out below is in summarised form, and should be read in conjunction with the full text of this prospectus.

### 2.1 History And Principal Activities

Mesiniaga was incorporated in Malaysia on 17 December 1981 under the Companies Act, 1965 as a private limited company under the name of Mesiniaga Sdn Bhd. It was **converted** into a public limited company on 24 December 1996. Mesiniaga is principally involved in sales, lease and services of computer systems. Mesiniaga offers a comprehensive range of IT products and services ranging from: systems integration; design, implementation and maintenance of computer networks; software development and sale of IT products; and maintenance services. As IBM's dealer, Mesiniaga specialises in IBM systems but the Company also represents complementary products from other IT suppliers. In order to expand its market coverage, Mesiniaga as IBM's exclusive agent also appoints business partners to market IBM products and services.

Mesiniaga has five (5) subsidiaries, namely MSCS, SECTRON, MTSB, MMSC and VA Dynamics. The principal activities of its subsidiaries are set out in the table below:

Subsidiary	Principal activities
MSCS	<ul style="list-style-type: none"> <li>• Previously dormant, now the provision of               <ul style="list-style-type: none"> <li>- Management training and consulting services to the public and private sectors in strategic planning and strategic management implementation;</li> <li>- Management training and development;</li> <li>- Organisational development;</li> <li>- Strategic sales and marketing consulting; and</li> <li>- Human resource management consulting</li> </ul> </li> </ul>
MTSB	<ul style="list-style-type: none"> <li>• Consultancy in custom-developed course material and training and development of "Information Mapping®" software</li> </ul>
MMSC	<ul style="list-style-type: none"> <li>• Currently dormant where upon commencing of operations will be the provision of R&amp;D services in the areas of application software, application products and application solutions</li> </ul>
VA Dynamics	<ul style="list-style-type: none"> <li>• Distribution of Lucent SYSTIMAX Structured Connectivity Solutions ("SW") products and peripherals</li> </ul>
SECTRON	<ul style="list-style-type: none"> <li>• Now dormant, previously the provision of secure online access, investment information, sales tools and electronic transaction services for the banking, securities and unit trusts industries</li> </ul>

The principal activities of Mesiniaga's two (2) associated companies, namely AXIS and CSSM are set out below:

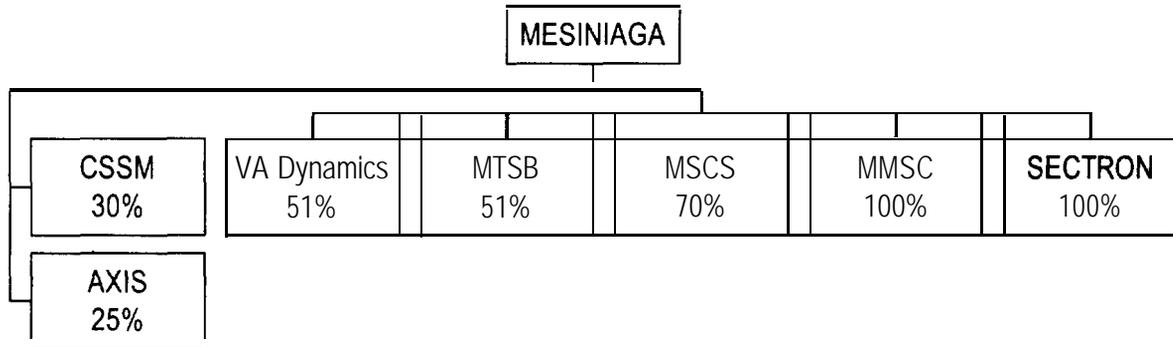
Associated company	Principal activities
CSSM	<ul style="list-style-type: none"> <li>• Development and sales of computer software and equipment, installation and support of computer software systems</li> </ul>
AXIS	<ul style="list-style-type: none"> <li>• Developing and marketing of software and hardware products and the provision of software programming services</li> </ul>

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

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The structure of the Mesiniaga Group is set out below:



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

### 2.2 Financial Record

The following table sets out the summary of the audited consolidated financial results of the Mesiniaga Group for the last five (5) financial years ended 31 December 1998 and the six (6) months ended 30 June 1999 and should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set out in Section 12 of this Prospectus.

	← Financial year ended 31 December →					6 months ended
	1994	1995	1996	1997	1998	30 June 1999
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	102,154	110,831	145,654	191,301	139,258	77,681
Profit before depreciation and interest	9,683	14,472	19,469	20,941	15,074	8,040
Depreciation	(2,235)	(2,414)	(2,781)	(2,718)	(2,683)	(1,340)
Interest	(1,230)	(1,287)	(1,759)	(1,921)	(2,064)	(560)
Profit before taxation	6,218	10,771	14,929	16,302	10,327	6,140
Taxation	(2,735)	(3,936)	(4,476)	(4,393)	(3,555)	
Profit after taxation	3,483	6,835	10,453	11,909	6,772	6,140
Minority interest		(33)	(119)	(254)	99	(325)
Profit attributable to shareholders of the Company	3,483	6,802	10,334	11,655	6,871	5,815
Number of ordinary shares in issue ('000)	10,000	10,000	10,000	10,000	10,000	10,000
Gross EPS (RM)	0.62	1.08	1.49	1.63	1.03	1.23*
Net EPS (RM)	0.35	0.68	1.03	1.17	0.69	1.16*
Gross Dividend Rate (%)	30	50	48	50	43	

Notes:

\* *Annualised*

1. There was no extraordinary item for the **financial** years and period under review.
2. The effective tax rates of the Group for the financial years ended 31 December 1994, 1995 and 1998 were higher than the statutory tax rates due to certain expenses being disallowed for tax purposes. For the six (6) months ended 30 June 1999, all income (except for dividend) derived are exempted from tax in accordance with Section 8 of the income Tax (Amendment) Act, 1999.
3. The gross and net EPS is calculated based on profit before taxation and profit after tax of the Company for the financial years/period under review divided by the number of ordinary shares in issue during each of the respective **financial** years/period under review. For illustrative purposes, the gross and net EPS calculated on the results for the six (6) months ended 30 June 1999 have been reflected on an annualised basis.
4. The increase in profit for the financial years ended 31 December 1994 to 1997 was due to increased productivity resulting in proportionately lower fixed expenses and cost savings as well as the increased emphasis on the provision of IT services.
5. The decrease in profit for the financial year 1998 was due to lower turnover and high fixed operating expenses.

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

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2.3 Principal Statistics Relating to the Offer and Public Issue

**(i) Share Capital**

<b>Authorised:</b>	<b>RM</b>
100,000,000 ordinary shares of RM1.00 each	100,000,000
<b>Issued and fully paid-up:</b>	
55,000,000 ordinary shares of RM1.00 each	55,000,000
<b>To be issued pursuant to the Public Issue:</b>	
5,000,000 ordinary shares of RM1.00 each	5,000,000
Enlarged share capital	<u>60,000,000</u>
<b>To be offered for sale pursuant to this Prospectus:</b>	
4,490,000 ordinary shares of RM1.00 each	4,490,000
<b>Offer/Issue Price</b>	<b>1.90</b>

**(ii) Proforma Consolidated NTA**

Proforma Consolidated NTA as at 30 June 1999 (RM'000) (after providing for estimated listing expenses of RM2.2 million)	82,403
Proforma Consolidated NTA per Share (RM)	1.37

**(iii) Earnings Forecast**

<b>Year Ending 31 December 1999</b>	<b>RM'000</b>	<b>RM'000</b>
Consolidated profit after taxation and minority interests	16,000	16,000
Gross EPS (sen)	<b>26.67*</b>	<b>39.09**</b>
Gross PE multiple on the Offer/ Issue Price of <b>RM1.90</b> per Share (times)	<b>7.12*</b>	<b>4.86**</b>
Net EPS (sen)	<b>26.67*</b>	<b>39.09**</b>
Net PE multiple on the Offer/ Issue Price of <b>RM1.90</b> per Share (times)	<b>7.12*</b>	<b>4.86**</b>

\* Based on the enlarged share capital of 60,000,000 Mesiniaga Shares after the Public Issue

\*\* Based on the weighted average number of shares in issue of 40,933,833 Mesiniaga Shares

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

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**(iv) Dividend Forecast**

**Year ending 31 December 1999**

Forecast tax-exempt dividend per Share 10%

Forecast tax-exempt dividend yield based on the Offer/ Issue Price of RM 1.90 per Share 5.3%

Forecast tax-exempt dividend cover (based on the enlarged share capital of 60,000,000 Mesiniaga Shares after the Public Issue) (times)\* 2.67

Forecast tax-exempt dividend cover (based on the weighted average number of shares in issue of 40,933,833 Mesiniaga Shares) (times)\* 3.91

\* *Based on the Offer/Issue Price of RM1.90*

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### 3. INVESTMENT CONSIDERATIONS

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*Prior to making an investment decision, potential investors should carefully consider, in light of their own financial circumstances and objectives, all of the information in this Prospectus and in particular, the following investment considerations:*

#### 3.1 No Prior Market for Mesiniaga Shares

Prior to the Offer and Public Issue, there was no public market for Mesiniaga Shares. There can be no assurance that an active market for Mesiniaga shares will develop upon its listing on the Main Board of the KLSE, or, if developed, that such a market can be sustained. The Offer/ Issue Price of RM1.90 per Share has been determined after taking into consideration a number of factors, including but not limited to, the Company's financial and operating history, the prospects of Mesiniaga and the prospects of the industry in which the Company operates, the management of the Company and the prevailing market conditions at the time the application for Mesiniaga's listing was submitted to the SC. There can be no assurance that the Offer/ Issue Price will correspond to the price at which Mesiniaga's shares will trade on the Main Board of the KLSE upon or subsequent to its listing or that an active market for Mesiniaga's shares will develop and continue upon or subsequent to its listing.

#### 3.2 Business Risks

The Mesiniaga Group is subject to certain risks inherent in the IT industry. These include increases in the cost of labour, technology obsolescence, changes in agent and dealership terms, changes in business and credit conditions and fluctuations in foreign exchange rates. Although the Group seeks to limit these risks, no assurance can be given that any changes to these factors will not have a material effect on the Group's business.

#### 3.3 Political and Economic Factors

The Group's future growth and level of profitability are closely linked to the IT industry. Adverse developments in political and economic conditions in the country could materially and adversely affect the financial performance of the Group. These include, though are not limited to, changes in government policies and any unfavourable economic and financial developments in the country, around the region and globally.

#### 3.4 Dependence on Key Personnel

Mesiniaga believes that its continued success will depend to a significant extent upon the abilities and continued efforts of its existing Directors and senior management. The loss of any of the key members of Mesiniaga's Board of Directors and senior management could adversely affect Mesiniaga's continued ability to compete in the IT industry. However, every effort is taken to groom the younger members of the senior management to progressively take over from the senior members to ensure a smooth transition in the management team. Mesiniaga's future success will also depend upon its ability to attract and retain skilled personnel.

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### 3. INVESTMENT CONSIDERATIONS (Cont'd)

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#### 3.5 Competition

The Mesiniaga Group faces competition from other local IT companies such as Computer Systems Advisers (M) Berhad, MCSB Systems (M) Berhad and **Dataprep** Holdings Berhad who hold distributorships for the same IT suppliers that Mesiniaga represents since Mesiniaga is not their sole representative. In addition, more IT companies are entering the Malaysian market as opportunities widen seeing that IT is viewed as the next engine of growth and the initiatives relating to the MSC is expected to attract even more competition. In light of the anticipated increase in competition, Mesiniaga is taking steps to prepare itself and remain competitive, though no assurance can be given that Mesiniaga will be able to maintain its market share. Based on the forecast revenue figures of the IT industry for 1999 as provided by PIKOM, Mesiniaga's market share for the same year is approximately 3.6%.

#### 3.6 Financial Risks

The Group's revenue and cashflow from existing contracts and future contracts are and will be dependent on the Group's ability to procure such contracts and to receive timely payments from debtors as well as the timely supply of products that the Group represents and distributes for the delivery of its contracts.

#### 3.7 Controlling Shareholders

After the Offer and Public Issue, and upon listing of Mesiniaga on the Main Board of the KLSE, 44.9 million ordinary shares representing 74.83% equity interest in Mesiniaga will be owned by the following shareholders ("Controlling Shareholders"):

Shareholders	No. of shares	%
PNB	11,822,349	19.70
Ismail bin Sulaiman	10,762,468	17.94
Mohd Puzi bin Ahamad	4,728,940	7.88
Wan Mohamad Fusil bin Wan Mahmood	4,728,940	7.88
Hor Yee	4,728,940	7.88
Ramli bin Amat	4,614,963	7.69
IBM WTC	3,513,400	5.86
	<b>44,900,000</b>	<b>74.83</b>

These Controlling Shareholders will be able to exercise the voting rights attached to their shares in respect of matters requiring shareholders' approval. This includes the election of directors. Depending on how they choose to vote and because of the size of their shareholdings, the Controlling Shareholders may be in a position to determine the outcome of matters requiring shareholders' approval, except for matters that involve the interests of controlling shareholders.

#### 3.8 Profit Forecast

No assurance can be given that the profit forecast contained herein will be achieved. The profit forecast is based on assumptions that are subject to uncertainties, and because events and circumstances may not occur as expected, there can be no assurance that the profit forecast contained herein will be realised and actual results may be materially different from that shown in the forecast.

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### 3. INVESTMENT CONSIDERATIONS (*Cont'd*)

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#### 3.9 Year 2000 ("Y2K") Compliance ("Y2K Compliant")

Mesiniaga has taken steps towards ensuring that the Company's and the Group's internal information systems are now Y2K Compliant. The work in this area, covering all systems within Mesiniaga, commenced in 1997. To resolve the potential problems arising from the year 2000, Mesiniaga had set up a Y2K Committee comprising, amongst others, the Executive Chairman/Managing Director and certain directors of the Mesiniaga Group to work alongside technical staff, having undertaken the following process:

- identifying all areas that would be sensitive to the year 2000;
- classifying areas according to the extent of the year 2000 impact;
- prioritising areas for action to be taken with regard to being Y2K Compliant; and
- drawing up specific action plans and to implement according to deadlines set.

As of August 1999, all areas considered to be key and critical areas have been tested and certified by the Y2K Committee to be Y2K Compliant. A Y2K simulation exercise will be conducted by Mesiniaga in October 1999 to ensure that all areas are Y2K Compliant. Mesiniaga has also put in place contingency plans in the event of failure of its systems to be Y2K Compliant come year 2000, which includes but is not limited to the following:

- ensuring there will be back-up power supply in the event of power outage;
- printing of journals; and
- backing up of data stored in all systems.

In efforts to ensure that the Company will not be affected by any exposure to third parties with whom the Company has material business relationships, Mesiniaga has taken measures which include obtaining written confirmation from its suppliers that they are Y2K Compliant and identifying other alternative sources for IT products.

In addition, as a provider of IT products and services, Mesiniaga also takes necessary steps to procure for its customers confirmation statements from suppliers of products and services, to the effect that such products and services offered will be Y2K Compliant.

In addressing the Y2K issue, Mesiniaga has, to date incurred expenses amounting to approximately RM 100,000. This amount, however, excludes the expertise and resources provided "in-house" by the Y2K Committee and the Mesiniaga personnel involved in addressing the Y2K issue. Mesiniaga expects to be Y2K Compliant by 31 October 1999.

Premised on the above, Mesiniaga is confident that the year 2000 will have minimal impact on the operations of the Company.

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#### 4. INTRODUCTION

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This Prospectus is dated 30 September 1999.

A copy of this Prospectus has been lodged with and registered by the Registrar of Companies, Malaysia who takes no responsibility for its contents.

Approval has been obtained from the SC for Mesiniaga's flotation scheme detailed in Section 5 of this Prospectus. The approval of the SC shall not be taken to indicate that the SC recommends the Offer and Public Issue. Investors are advised to make their own independent assessment of Mesiniaga and should rely on their own evaluation to assess the merits and risks of any investment.

Approval in principle has been obtained from the KLSE on 25 September 1999 for the admission to the Official List and for permission to deal in and quotation for the entire issued and fully paid-up ordinary shares of RM 1.00 each in Mesiniaga, including the Offer Shares and Public Issue Shares which are the subject of this Prospectus. These ordinary shares will be admitted to the Official List of the Main Board of the KLSE and official quotation will commence **after** the receipt of confirmation from MCD that all CDS Accounts of the successful applicants have been duly credited and notices of allotment have been **despatched** to all successful applicants.

Pursuant to Section 14 (1) of the Securities Industry (Central Depositories) Act, 1991 and Section 39(I)(j) of the Companies Act, 1965, the KLSE has prescribed Mesiniaga as a CDS security. In consequence thereof, the Offer Shares and Public Issue Shares will be deposited directly with MCD and any dealings in these Shares will be carried out in accordance with the aforesaid Acts and the Rules of the MCD.

An applicant should state his CDS account number in the space provided in the Application Form if he presently has such an account. Where an applicant does not presently have a CDS account, he should state in the Application Form his preferred ADA Code.

The SC and KLSE assume no responsibility for the correctness of any of the statements made or opinions or reports expressed in this Prospectus. Admission to the Official List of the KLSE Main Board is not to be taken as an indication of the merits of the Company or of its ordinary shares.

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

The distribution of this Prospectus, the sale of the Offer Shares and the Public Issue Shares may in certain other jurisdictions be restricted by law. Persons into whose possession this Prospectus may come are required to inform themselves of and to observe all such restrictions.

This Prospectus does not constitute and may not be used for the purpose of an offer to sell or invitation of an offer to buy any Offer Shares or Public Issue Shares in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

**If you are in any doubt about this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser.**

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## 5. INFORMATION ON THE MESINIAGA GROUP

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### 5.1 History and Principal Activities

Mesiniaga was incorporated in Malaysia on 17 December 1981 under the Companies Act, 1965 as a private limited company under the name of Mesiniaga Sdn. Bhd. It was converted into a public limited company on 24 December 1996. Mesiniaga is principally involved in sales, lease and services of computer systems. Mesiniaga offers a comprehensive range of IT products and services ranging from: systems integration; design, implementation and maintenance of computer networks; software development and sale of IT products; and maintenance services. As IBM's dealer, Mesiniaga specialises in IBM systems but the Company also represents complementary products from other IT suppliers. In order to expand its market coverage, Mesiniaga as IBM's exclusive agent also appoints business partners to market IBM products and services.

Mesiniaga has five (5) subsidiaries, namely MSCS, SECTRON, MTSB, MMSC and VA Dynamics. The principal activities of its subsidiaries are set out in the table below:

<b>Subsidiary</b>	<b>Principal activities</b>
MSCS	<ul style="list-style-type: none"><li>Previously dormant, now the provision of:<ul style="list-style-type: none"><li>Management training and consulting services to the public and private sectors in strategic planning and strategic management implementation;</li><li>Management training and development;</li><li>Organisational development;</li><li>Strategic sales and marketing consulting; and</li><li>Human resource management consulting</li></ul></li></ul>
MTSB	<ul style="list-style-type: none"><li>Consultancy in custom-developed course material and training and development of "Information Mapping@" software</li></ul>
MMSC	<ul style="list-style-type: none"><li>Currently dormant, where upon commencing of operation will be the provision of R&amp;D services in the areas of application software, application products and application solutions</li></ul>
VA Dynamics	<ul style="list-style-type: none"><li>Distribution of Lucent SYSTIMAX Structured Connectivity Solutions ("SW") products and peripherals</li></ul>
SECTRON	<ul style="list-style-type: none"><li>Now dormant, previously the provision of secure online access, investment information, sales tools and electronic transaction services for the banking, securities and unit trusts industries</li></ul>

The principal activities of Mesiniaga's two (2) associated companies namely AXIS and CSSM are set out below:

<b>Associated company</b>	<b>Principal activities</b>
C S S M	<ul style="list-style-type: none"><li>Development and sales of computer software and equipment, installation and support of computer software systems</li></ul>
AXIS	<ul style="list-style-type: none"><li>Developing and marketing of software and hardware products and the provision of software programming services</li></ul>

## 5. INFORMATION ON THE MESINIAGA GROUP (*Conr'd*)

### 5.2 The Public Flotation Scheme

The flotation of Mesiniaga's 60,000,000 Shares on the Main Board of the KLSE was approved by the SC on 7 October 1997, the FIC on 30 June 1997 and the MITI on 3 July 1997. Following the financial and economic turmoil that plagued Malaysia and the region during the second half of 1997 and through most of 1998, Mesiniaga had sought and the SC had granted extensions of time to 31 December 1999 for the implementation of the flotation exercise vide their letters dated 25 March 1998, 13 October 1998 and 24 June 1999 respectively. In granting the most recent extension of time in their letter dated 24 June 1999, the SC had stipulated that their conditions for Mesiniaga's flotation exercise set out in their approval letter dated 7 October 1997 remains. Subsequently, Mesiniaga had sought and the SC had approved, vide their letter dated 14 September 1999, certain revisions to the flotation scheme which included revisions to the revaluation surplus, Offer/ Issue price, utilisation of proceeds to be raised and the profit forecast of the Group. In addition, approval for an exemption from having to comply with Section 365 of the Companies Act, 1965 in relation to the quantum of the bonus issue was sought and subsequently granted to Mesiniaga by the Minister of Finance vide the Ministry of Finance's letter dated 27 August 1999.

In conjunction with and as an integral part of the Listing of Mesiniaga, the Company undertook a revaluation of its landed property, a bonus issue and rights issue and is now undertaking the Offer for Sale and the Public Issue after which the Company proposes to implement an ESOS, details of which are set out below.

#### (i) Revaluation of Landed Property

The revaluation of a landed property known as Menara Mesiniaga was undertaken by CH Williams, Talhar and Wong, a firm of independent and professional valuers, using the Comparison and Investment Methods of Valuation on 18 October 1996, giving an open market value of RM50,000,000. Subsequently, after the latest extension of time granted by the SC on 24 June 1999, another revaluation of the same property was undertaken by the Valuers on 23 August 1999 giving rise to a revaluation surplus of RM13,582,000 based on the net book value ("NBV") of the property of RM26,418,000 as per the 30 June 1999 audited accounts of the Company. However, the SC had, vide their letter dated 14 September 1999 approved a revaluation amount of RM34,000,000 resulting in a revaluation surplus of RM7,582,000. The revaluation surplus of RM7,582,000 will be capitalised for the bonus issue as set out in (ii) below and the capitalisation will be reflected in the audited accounts for the financial year ending 31 December 1999,

Menara Mesiniaga is a seven (7) year old 15-storey office building located on a piece of freehold land measuring 6,503 square metres in Subang Jaya. The building has a built-up area of approximately 11,364 square metres, and currently, the building houses the operations of the Company and its subsidiaries, save for Mesiniaga's branch in Penang and one (1) floor of the building which has been rented out to a company not within the Mesiniaga Group.

The following table provides details of the property, the valuation report and the computation of the revaluation surplus.

Date of Valuation / Valuation Report Reference No.	Registered Proprietor	Property Lot No. and Mukim	Open market value		NBV As at 30 June 1999 RM'000	Revaluation surplus	
			As per valuation report RM'000	As approved by the SC RM'000		As per valuation report RM'000	As approved by the SC RM'000
23 August 1999 (PJ/437/96/193/99 ZAI)	Mesiniaga	HS(D) 65056  PT 12204  Mukim of Damansara, District of Petaling, Selangor	40,000	34,000	26,418	13,582	7,582

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**5. INFORMATION ON THE MESINIAGA GROUP (Cont'd)**

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**(ii) Bonus Issue**

A bonus issue of **25,134,000** New Mesiniaga Shares on the basis of approximately three (3) New Shares for each existing Mesiniaga Share held which was capitalised from reserves based on the audited accounts for the financial year ended 31 December 1998 and the revaluation surplus as approved by the SC of **RM7,582,000**.

The bonus issue of **RM25,134,000** comprising **25,134,000** Mesiniaga Shares is credited as fully paid-up and is capitalised from the retained earnings account as at 31 December 1998 and the revaluation surplus account in the following manner:

	<b>RM'000</b>
Retained earnings	24,352
Revaluation surplus	782
	<u>25,134</u>

The bonus issue was completed on 17 September 1999.

**(iii) Rights Issue**

A rights issue of **19,866,000** New Mesiniaga Shares on the basis of approximately two (2) New Shares for each existing share held before the abovementioned bonus issue issued at par ("Rights Issue"). IBM WTC, one of the major shareholders of Mesiniaga, had, vide their letter dated 7 September 1999 renounced their entitlements to the rights issue amounting to **1,986,600** New Mesiniaga Shares. In their letter, the company had stated that the reason for the renunciation was the demonstration of good faith and commitment, where Mesiniaga, as a matured and a successful partner of IBM in Malaysia, is now in a position to increase its local equity ownership, which is consistent with IBM's position at the inception of Mesiniaga in 1981.

The said shares were subsequently taken up by certain major shareholders of Mesiniaga, as follows:

	No. of shares
PNB	560,131
Ismail bin Sulaiman	535,237
Mohd Puzi bin Ahamad	224,053
Wan Mohamad Fusil bin Wan Mahmood	224,053
Hor Yee	224,053
Ramli bin Amat	2 19,073
	<u>1,986,600</u>

The Rights Issue was completed on 17 September 1999.

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## 5. INFORMATION ON THE MESINIAGA GROUP *(Cont'd)*

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### (iv) Offer and Public Issue

The Offer for Sale of 4,490,000 Mesiniaga Shares and Public Issue of 5,000,000 New Mesiniaga Shares at an Offer/ Issue Price of RM1.90 per share payable in full upon application which shall be allocated in the following manner:

#### (a) Eligible Directors and Employees

1,850,000 Offer Shares to be reserved for all eligible directors and employees of Mesiniaga Group; and

#### (b) Malaysian Public

7,640,000 Offer and Public Issue Shares to be made available for application by Malaysian citizens, companies, co-operatives, societies and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, co-operatives, societies and institutions.

All the New Shares issued pursuant to (ii), (iii) and (iv) of the above proposals will rank *pari passu* in all respects with Mesiniaga Shares including voting rights and the rights to all dividends that may be declared subsequent to the completion of the restructuring exercise and any surplus in the event of liquidation of the Company.

### (v) Listing

Admission to the Official List and listing of and quotation for the entire issued and paid-up share capital of RM60,000,000 comprising 60,000,000 Mesiniaga Shares after the Offer and Public Issue on the Main Board of the KLSE.

In addition, Mesiniaga proposes to implement an ESOS for the benefit of its full-time Executive Directors and employees not earlier than one (1) year from the date of listing of Mesiniaga Shares on the Main of the KLSE. The Bye-laws of the ESOS, which was approved by the KLSE on 24 September 1999, is set out in Section 15 of this Prospectus.

### 5.3 Proceeds of the Offer and Public Issue

The entire proceeds of the Offer for Sale of RM8.531 million will accrue to the Offerors and no part will be receivable by the Company. The Offerors shall bear all expenses such as brokerage and underwriting commission relating to the Offer which are estimated at RM1 80,000.

The proceeds of the Rights Issue and Public Issue of RM29.366 million will accrue to Mesiniaga which will be utilised in the following manner:

Utilisation	RM'000
Joint Venture in Privatisation Project	5,000
R&D	5,000
Purchase of Building/Shoplot	7,000
Working Capital	10,166
Estimated listing expenses	2,200
	<hr/>
	29,366
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## 5. INFORMATION ON THE MESINIAGA GROUP (*Cont'd*)

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The estimated expenses and fees incidental to the listing of and quotation for the ordinary shares of Mesiniaga on the Main Board of the KLSE, estimated at approximately RM2.2 million, shall be borne by the Company.

- Details of the privatisation project

The privatisation project, known as “Penswastan Sistem Rujukan Maklumat Undang-Undang dan Pengurusan Kes” involves a proposed system that provides a solution that integrates the functions of case management, case accounting, case file tracking and central registration database for the Department of Justice and the Courts in Malaysia.

The Government of Malaysia had issued an invitation for tenders for the project in October 1995 and subsequently Mesiniaga had submitted a proposal on behalf of its joint venture partners, Amtech Solutions Sdn Bhd (formerly known as Ayer Molek Technologies Sdn Bhd) (“Amtech”) and HeiTech Padu Sdn Berhad (formerly known as PNB-Information Technologies Sdn Bhd) (“HPSB”). The Economic Planning Unit of the Prime Minister’s Department had, on 19 September 1997 issued a letter of intent to Mesiniaga and its joint venture partners to enable negotiations to proceed. Currently, the privatisation project has not been awarded and Mesiniaga is still negotiating with the relevant departments of the Government.

The privatisation project, if approved by the Government, will be undertaken by a joint venture company to be jointly set up by Mesiniaga, Amtech and HPSB under the name of MIJS Lawnet Services Sdn Bhd of which 51% will be held by Mesiniaga while 35% and 14% will be held by Amtech and HPSB respectively. After the privatisation project is awarded, Mesiniaga will proceed with its capital investment in the company which shall amount to RM5.1 million (where the remaining RM0.1 million will be financed from internally generated funds). The capital investment of Amtech and HPSB is expected to be RM3.5 million and RM1.4 million respectively.

- Details of R&D

In efforts to continuously expand R&D activities, MMSC, being Mesiniaga’s vehicle for R&D, intends to set up a commercially sensitive R&D laboratory specialising in the areas of IT and information systems. It is MMSC’s plan to achieve effective and efficient R&D processes and procedures which is anticipated to stimulate creative and innovative ideas in order to create new products that are competitive and marketable not only locally but globally.

- Details of purchase of building/ shoptlot

The building/ shoptlot will be purchased for the purposes of housing the operations of Mesiniaga’s branch in Penang, which are currently being carried on rented premises. Details of the building/ shoptlot to be purchased are not available as at 20 September 1999 (being the latest practical date before the printing of this Prospectus) as the Company has yet to enter into any agreement for the purchase of any building/ shoptlot. The Company has, however, identified a potential building/ shoptlot to be purchased, but has neither finalised the negotiations nor entered into any agreement for the said acquisition. In view of the above, the details of the building/ shoptlot, particulars of the vendor(s), the amount of consideration payable including any goodwill (if any) and the nature of payment are not available as at 20 September 1999 (being the latest practicable date prior to the printing of this Prospectus).

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## 5. INFORMATION ON THE MESINIAGA GROUP *(Cont'd)*

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### 5.4 Business Overview

#### 5.4.1 History

Mesiniaga was conceived in line with the then New Economic Policy's ("NEP") vision to increase the participation of bumiputeras in the growth of the Malaysian economy. It was the brainchild of a team of IBM officials which includes the current Executive Chairman/ Managing Director where after careful thought and deliberation towards the challenge for IBM to meet the objectives of the NEP both internally and with the Government, Mesiniaga was formed as a bumiputera company with the objectives of building entrepreneurial talent and business acumen in the IT industry and to act as IBM's sole agent and dealer. The investors behind Mesiniaga, namely IBM and PNB saw the Company in its role as providers of IT, a role which was to become increasingly prominent with the impending IT era.

#### 5.4.2 Principal activities

Mesiniaga's business activities can be broadly categorised into two (2), i.e. the provision of IT products, and the provision of IT and IT-related services. The combination of Mesiniaga as both the providers of IT products and IT services places Mesiniaga as a one-stop IT provider for the integration of IT for its customers' business solutions which encompasses:

- End-to-end data/ voice infrastructure and networking solutions;
- Systems integration;
- Software development;
- Education and training;
- Support and maintenance of hardware and software;
- Installation, roll-out deployment and implementation of hardware and software;
- Project management, relocation and migration of IT products;
- Systems, operation and facilities management; and
- E-business (electronic commerce solutions).

#### 5.4.3 Products Offered by Mesiniaga

The Mesiniaga Group, through its dealership with various IT suppliers representing major brandnames such as IBM, Lotus, Microsoft, Novell, 3Com, Cisco, Tivoli and Lucent Technologies, offers an extensive range of IT products, which include:

- Servers, desktops, workstations and peripherals;
- Systems software, database and application software packages;
- Network, Helpdesk and System Management software;
- Workgroup, Imaging and Document Management packages;
- Network and Structured Cabling products; and
- E-business software suite.

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## 5. INFORMATION ON THE' MESINIAGA GROUP *(Cont'd)*

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### 5.4.4 Services Offered by Mesiniaga

The Mesiniaga Group offers IT services and IT support services to provide total IT solutions and IT support to its customers. The range of services offered by Mesiniaga are as follows:

- System installation, implementation and deployment;
- Network and system management;
- Systems integration;
- Industry-specific application development;
- Workgroup application development;
- Executive end-user education;
- Project management, relocation and migration;
- Business process analysis and study;
- Systems support and maintenance;
- Systems, operation and facilities management.

*Note: The definition of a “system” or “systems” as referred to above is “all hardware, including desktops, servers and workstations; all software including the operating systems, network operating systems, custom and standard productivity applications; and infrastructure including Structured Cabling Systems and Network hardware”.*

Mesiniaga also provides a range of customised software for several domestic sectors as follows:

Sector	Customised Software Product
Government and Public Sector	<ul style="list-style-type: none"><li>• “Sistem Kerajaan Tempatan”(SKT2000) application software (application software for the local council revenue collection and accounting)</li><li>• State Government accounting application software (“<b>Integra</b>”)</li><li>• Electronic Government application <b>workflow</b> template (Interwave Suite)</li></ul>
Healthcare	<ul style="list-style-type: none"><li>• <b>InfoMED</b> Hospital management system application software</li></ul>

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## 5. INFORMATION ON THE MESINIAGA GROUP (*Cont'd*)

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The IT services offered by Mesiniaga's subsidiaries are as follows:

Subsidiary	Services
MSCS	<ul style="list-style-type: none"><li>• Previously dormant, now the provision of<ul style="list-style-type: none"><li>- Management training and consulting services to the public and private sectors in strategic planning and strategic management implementation;</li><li>- Management training and development;</li><li>- Organisational development;</li><li>- Strategic sales and marketing consulting; and</li><li>- Human resource management consulting</li></ul></li></ul>
MTSB	<ul style="list-style-type: none"><li>• <b>Consultancy</b> in custom-developed course material and training and development of "<b>Information Mapping@</b>"* software</li></ul>
MMSC	<ul style="list-style-type: none"><li>• Currently dormant, where upon, commencing operations will be the provision of R&amp;D services in the areas of application software, application products and application solutions</li></ul>
VA Dynamics	<ul style="list-style-type: none"><li>• Distribution of Lucent SYSTIMAX Structured Connectivity Solutions ("<b>SCS</b>")** products and peripherals</li></ul>
Sectron	<ul style="list-style-type: none"><li>• <i>Now</i> dormant, previously the provision of secure online access, investment information, sales tools and electronic transaction services for the banking, securities and unit trusts industries</li></ul>

\* "*Information Mapping@*" is a communications **methodology** that has **evolved** from years of research into how people retrieve, process and act on given information. it has wide ranging business **applications**, from memos to operations manuals, proposals and training materials.

\*\* Lucent **SYSTIMAX SCS** comprises end-to-end products that connect computers together to form computer networks, e.g. cabling products such as the "**gigaspeed**" unshielded twisted pair (UTP) cables, connectors, patch **panels and fibre** optic cables.

### 5.4.5 Dealer/Reseller and Exclusive Agent of IBM and Representative of Other IT Suppliers

In its role as providers of IT, Mesiniaga is the appointed representative of IBM. As the exclusive agent of IBM in Malaysia, Mesiniaga and IBM jointly undertakes all the marketing and distribution of IBM's products and services in the country. Mesiniaga also enters into contracts for IBM's products and services on IBM's behalf. As a dealer/reseller of IBM, Mesiniaga also independently markets other IBM products on standard dealer terms available to other IBM business partners.

Mesiniaga's relationship with IBM is dated back to the inception of Mesiniaga, and since then the appointment of Mesiniaga as the dealer/reseller and exclusive agent of IBM has been renewed **consistently after** each expiry date. The current agreement for its appointment is due to expire in July 2000, and based on its past relationship with IBM Mesiniaga expects another renewal of its appointment.

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5. INFORMATION ON THE MESINIAGA GROUP (*Cont'd*)

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The salient terms of the agency and dealership agreement between Mesiniaga and IBM are summarised below:

- (i) Pursuant to the agreement commencing on 3 April 1997 and which expires on 31 July 2000, Mesiniaga is IBM's appointed exclusive agent where Mesiniaga is to undertake the vigorous marketing of IBM data processing products as well as the marketing of IBM reseller products;
- (ii) Mesiniaga shall appoint resellers, distributors, dealers, and business partners for IBM products in Malaysia, in consultation with IBM;
- (iii) All of Mesiniaga's marketing for IBM products is to be conducted within Malaysia;
- (iv) Mesiniaga's marketing activities for IBM products is to be similar in quality to marketing activities performed by related IBM companies throughout the world which shall be partly determined by IBM's approved customer satisfaction surveys;
- (v) As the agent and on behalf of IBM, Mesiniaga shall execute IBM agreements, the terms of which shall be determined by IBM;
- (vi) Certain directors of Mesiniaga are accorded with power of attorney to execute, on behalf of IBM standard IBM agreements for lease, rental, financing, sale, consulting services, maintenance, licensing or resale of data processing products in Malaysia at IBM's then current established prices for Malaysia and any other agreement requested by IBM, between IBM customers and Mesiniaga, which shall include but is not limited to business partner agreements, systems integration agreements, agreements for professional services and specified government contracts;
- (vii) Mesiniaga shall endeavour to secure prompt payments of all invoices or other monies due and owing from IBM customers;
- (viii) IBM shall compensate Mesiniaga for its services as agent in accordance with an annual compensation plan which is the total compensation IBM will pay to Mesiniaga for services performed by Mesiniaga as agent under the agreement;
- (ix) At IBM's request, Mesiniaga shall provide IBM customers for IBM's reseller products the warranty, repair and maintenance services, and product support. In doing so, Mesiniaga shall:
  - (a) maintain at its own expense an adequate stock of parts, save that the costs of parts required for warranty services shall be borne by IBM;
  - (b) maintain at all times an adequate number of technicians selected and trained at the highest level to provide such services and support; and
  - (c) acquire and maintain at Mesiniaga's expense such tools, test equipment and miscellaneous items as shall be advised by IBM as required to provide such services and support; and
- (x) On the expiry of the current agreement, extensions for periods up to two (2) years in duration shall be by mutual agreement of the parties and both parties agree to negotiate in good faith the terms and conditions of such extensions or by written notice from IBM to Mesiniaga issued not less than sixty (60) days from the date of expiry of the agreement.

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## 5. INFORMATION ON THE MESINIAGA GROUP (*Cont'd*)

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Other than IBM, Mesiniaga also represents other suppliers of IT hardware and software, namely Lotus International, Microsoft Inc., Novell Inc., 3Com Corp., Cisco Systems Inc., Lucent Technologies, Tivoli Systems, Supernova and Lexmark International. The dealerships with these suppliers run on a twelve (12)-month basis, and is renewable at every end of the twelve (12)-month period. The date on which the dealership commenced and the expiry date of the most recent renewal are set out below:

<b>Supplier</b>	<b>Date dealership first commenced</b>	<b>Next expiry date</b>
Lotus International	June 1994	None*
Microsoft Inc.	November 1995	November 1999
Novell Inc.	November 1994	November 1999
3Com Corp.	September 1994	September 2000
Cisco Systems Inc.	November 1995	January 2000
Lucent Technologies	November 1992	August 2002
Tivoli Systems	January 1998	None*
Supernova	May 1998	None*
Lexmark International	February 1993	None*

\* Note: These dealerships have no contractual expiry dates

As representative of these companies, including IBM, Mesiniaga receives training support from the suppliers who conduct classes and seminars which Mesiniaga enjoys access to. The relationship also means that Mesiniaga experiences technology transfer, access to emerging technologies, and the ability to draw upon the expertise of its suppliers, all advantages of its well-established relationships with the suppliers.

### 5.4.6 Customer Base and Principal Markets

Mesiniaga has principally been serving the finance and banking sector (where the use of IBM products is prominent), government sector (again the prominence of IBM in certain state governments), education and research sector, and the manufacturing sector. These sectors, where Mesiniaga's relationship with its customers in these markets are already well-established, are considered to be the Company's traditional markets for its products and services. However, the Mesiniaga Group is now moving towards focusing on the electronic government, healthcare and education sectors in order to provide users in the said sectors with the best possible customised solutions in view of the Mesiniaga Group's special competencies and experience in serving the said sectors. As such, the customer base and principal markets of Mesiniaga is expected to expand in the near future to include these sectors.

Among the major customers of the Mesiniaga Group are HPSB, Bank Islam Malaysia Berhad, Bank Bumiputra Malaysia Berhad, ABN Amro Bank, Bank Negara Malaysia, Bank of Nova Scotia, Maybank Berhad, Multi-Purpose Bank Berhad, Hospital Universiti Kebangsaan Malaysia, Subang Jaya Medical Centre, Sentosa Medical Centre, Pejabat Setiausaha Kerajaan Negeri Selangor, Jabatan Pengangkutan Jalan (JPJ), Lembaga Kemajuan Perindustrian Malaysia (MIDA), Lembaga Pemasaran Pertanian Persekutuan (FAMA), Kumpulan Wang Simpanan Pekerja (EPF), Malaysia External Trade Development Corporation (MATRADE), KLSE, Lembaga Tabung Haji, Telekom Malaysia Berhad, Malaysia Airlines Berhad, Universiti Sains Malaysia, Universiti Tun Abdul Razak, Universiti Teknologi MARA, Edaran Otomobil Nasional Berhad, the Matsushita group of companies, and National Panasonic (M) Sdn Bhd.

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## 5. INFORMATION ON THE MESINIAGA GROUP (*Cont'd*)

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### 5.4.7 R&D

Mesiniaga, in providing a range of customised applications software such as InfoMED, Sistem Kerajaan Tempatan and Integra (State Government accounting application software package), continuously undertakes R&D which was initially through the R&D Division of the Company which was set up on 1 January 1997. Subsequently, MMSC was set up to take over the R&D activities of the R&D Division to further expand the R&D activities of the Mesiniaga Group. Mesiniaga is currently in the process of transferring the R&D activities to MMSC where after completion, MMSC will house a specialised R&D team of seventeen (17) personnel with a focus to continually develop and enhance its customised applications software. The Company's R&D policy runs parallel with its marketing strategy to ensure its relationship with its customers are continuously nurtured by providing product enhancement, product upgrading and related services.

Other than undertaking R&D for development and enhancement of its existing range of customised applications software, MMSC will also be conducting R&D to expand its range of customised applications software. For instance, in its efforts to actively participate in the provision of solutions for the electronic government, a team specialising in the development of solutions for the electronic government has been put in place. As at 20 September 1999, expenditure incurred by the R&D Division for R&D purposes amounts to approximately RM3.2 million.

### 5.4.8 Marketing and Distribution Network

Having established good customer relationships, Mesiniaga's existing customers are a good source of recurring business as the Company has client service plans where opportunities to improve, upgrade and enhance products and services previously delivered to the customers are continuously sought to assure its customers of high quality IT solutions and services.

Other than the direct delivery of its products and services through its own network of distribution and service centres nationwide, to gain access to new customers, Mesiniaga enrolls resellers with wider distribution networks to take advantage of their dealer and retail networks.

### 5.4.9 Competition in the IT Industry

The IT industry is competitive and providers of IT have to be updated with advancing and changing IT trends. New technologies are constantly emerging and IT companies would need to keep abreast of the latest and most advanced products, be it hardware or software in order to stay ahead of the competition. Notwithstanding this, the expected increase in the use of IT in, inter-alia, the business environment is anticipated to widen the market for IT providers.

In facing competition in the IT industry, Mesiniaga continuously:

- maintains high standards of quality in the provision of its customer services;
- surveys the needs of its customers and undertakes the development of new IT services;
- provides IT products that are top of the range for niche markets; and
- trains and develops its staff and encourages employees to pursue professionally certified qualifications in IT.

5. INFORMATION ON THE MESINIAGA GROUP *(Cont'd)*

The analysis of the Group's revenue between the government and non-government sectors for the past two (2) financial years ended 31 December 1997 and 1998 and the six (6) months period ended 30 June 1999 are as follows:

Sector:	1997		1998		6 months ended 30.06.99	
	RM'000	%	RM'000	%	RM'000	%
Government	45,554	23.8	31,379	22.5	20,624	26.5
Non-Government	145,747	76.2	107,879	77.5	57,057	73.5
<b>Total</b>	<b>191,301</b>	<b>100.0</b>	<b>139,258</b>	<b>100.0</b>	<b>77,681</b>	<b>100.0</b>

For the three (3) financial years ended 31 December 1994 to 1996, sales to the government sectors have been within a range of 20% to 25% of the Group's total revenue.

The analysis of the Group's turnover between the products and services that the Group offers are set out in the tables below:

	1994		1995		1996		1997		1998		6 months ended 30 June 1999	
	RM'000	%	RM'000	%								
Hardware, software and supplies	67,357	66.0	68,604	61.9	79,863	54.8	102,221	53.4	73,499	52.8	35,834	46.1
Networking & cabling	6,458	6.3	6,088	5.5	19,105	13.1	30,667	16.0	26,336	18.9	17,862	23.0
Systems integration	12,942	12.7	20,315	18.3	24,117	16.6	33,788	17.7	16,816	12.1	13,039	16.8
Services/ others	5,452	5.3	6,716	6.1	13,810	9.5	16,377	8.6	12,376	8.9	5,810	7.5
Maintenance	9,945	9.7	9,108	8.2	8,759	6.0	8,248	4.3	10,231	7.3	5,136	6.6
<b>Total</b>	<b>102,154</b>	<b>100.0</b>	<b>110,831</b>	<b>100.0</b>	<b>145,654</b>	<b>100.0</b>	<b>191,301</b>	<b>100.0</b>	<b>139,258</b>	<b>100.0</b>	<b>77,681</b>	<b>100.0</b>

The analysis of the Group's profit before tax between the products and services that the Group offers are set out in the tables below:

	1994		1995		1996		1997		1998		6 months ended 30 June 1999	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Hardware, software and supplies	5,357	86.2	5,746	53.4	3,063	28.5	3,592	22.0	1,843	17.9	743	12.1
Networking & cabling	218	3.5	629	5.8	2,342	15.7	2,126	13.0	732	7.1	757	12.3
Systems integration	127	2.0	2,016	18.7	3,312	22.2	(609)	(3.6)	(1,831)	(17.8)	635	10.3
Services/ others	(851)	(13.7)	547	5.1	3,648	24.4	8,386	51.4	6,621	64.1	2,832	46.2
Maintenance	1,367	22.0	1,833	17.0	2,564	17.2	2,807	17.2	2,962	28.7	1,173	19.1
<b>Total</b>	<b>6,218</b>	<b>100.0</b>	<b>10,771</b>	<b>100.0</b>	<b>14,929</b>	<b>100.0</b>	<b>16,302</b>	<b>100.0</b>	<b>10,327</b>	<b>100.0</b>	<b>6,140</b>	<b>100.0</b>

## 5. INFORMATION ON THE MESINIAGA GROUP (Cont'd)

### 5.5 Share Capital

#### (a) Authorised Share Capital

The present authorised share capital of Mesiniaga is RM100,000,000 comprising 100,000,000 ordinary shares of RM 1.00 each.

#### (b) Issued and Paid-up Share Capital

The present issued and paid-up share capital of Mesiniaga is RM55,000,000 comprising 55,000,000 ordinary shares of RM 1.00 each. Details of changes in its paid-up share capital since incorporation are as follows:

Date of allotment	No. of shares	Par value	Consideration	Total issued and paid-up capital
		RM		RM
17.12.81	100	5,000	Cash	500,000
18.12.83	100	5,000	Bonus issue	1,000,000
10.03.86	200	5,000	Bonus issue	2,000,000
29.09.89	600	5,000	Bonus issue	5,000,000
27.08.91	5,000,000	1	Conversion of par value to RM 1.00	5,000,000
27.09.91	5,000,000	1	Bonus issue	10,000,000
17.09.99	25,134,000	1	Bonus issue	35,134,000
17.09.99	19,866,000	1	Rights issue	55,000,000

### 5.6 Summary of Landed Property

Details of the Mesiniaga Group's property as at the date of this Prospectus is as follows:

Property /Owner	Title No./ Location/ Postal address	Land area (square metres)/ built-up area (square metres)/ no. of storeys (floors)	Age of Building (years)	Tenure	Existing Use	Open market value RM'000		NBV as at 30.06.99 RM'000	Revaluation Surplus RM'000
						As per valuation report	AS approved by the SC		
Menara Mesiniaga/ Mesiniaga	HS(D) 65056 PT 12204 Mukim of Damansara, District of Petaling, Selangor  IA, JalanSS16/1 Subang Jaya 47500 Petaling Jaya	6,503 / 11,364/ 15	seven (7)	Freehold	Office building	40,000	34,000	26,418	7,582

## 5. INFORMATION ON THE MESINIAGA GROUP *(Cont'd)*

### 5.7 Information on Subsidiaries and Associated Companies

As at the date of this Prospectus, Mesiniaga has the following subsidiaries and associated companies:

Name of company	Date/ (Country) of incorporation	Issued and paid-up share capital RM	Equity interest %	Principal activities
<b>Subsidiaries</b>				
MSCS	0 1.06.90 (Malaysia)	100,000	70	Previously dormant, now the provision of management training and consulting services to the public and private sectors in strategic planning and strategic management implementation; organisational development; strategic sales and marketing consulting; and human resource management consulting
SECTRON	13.11.95 (Malaysia)	250,000	100	Now dormant, previously the provision of secure online access, investment information, sales tools and electronic transaction services for the banking, finance, insurance, securities and unit trusts industry
MTSB	16.12.94 (Malaysia)	50,000	51	Consultancy in custom-developed course material and training and development of "Information Mapping@" software
VA Dynamics	15.06.96 (Malaysia)	2,000,000	51	Distribution of Lucent SYSTIMAX SCS products and peripherals
MMSC	12.12.97 (Malaysia)	500,000	100	Currently dormant, where upon commencing operations will be the provision of R&D services in the areas of application software, application products and application solutions
<b>Associated companies</b>				
CSSM	16.05.84 (Malaysia)	500,000	30	Development and sales of computer software and equipment, installation and support of computer software systems
AXIS	15.06.90 (Malaysia)	500,000	25	Developing and marketing of software products and the provision of software programming services

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## 5. INFORMATION ON THE MESINIAGA GROUP *(Cont'd)*

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### 5.7.1 Information on MSCS

#### (a) History and Business

MSCS was incorporated on 1 June 1990 in Malaysia under the Companies Act, 1965 under the name of Jaguh **Asas** Sdn. Bhd. It subsequently changed its name to Infosolutions Sdn Bhd and later assumed its present name on 16 July 1999. It has an authorised share capital of **RM1 00,000** comprising 100,000 ordinary shares of **RM1 .00** each of which **RM 100,000** comprising 100,000 ordinary shares of **RM 1 .00** each is issued and fully paid-up. It commenced business operations on 1 January 1991. Up until 31 December 1996, its principal activities were the sale of computer **software** and provision of programming and maintenance services to Mesiniaga. The company subsequently became dormant and was reactivated on 1 July 1999 pursuant to its most recent change of name to the present one, where the company changed its principal activities to the provision of management training and consulting services to the public and private sectors in strategic planning and strategic management implementation, management training and development, organisational development, strategic sales and marketing consulting and human resource management consulting. It currently has two (2) employees.

#### (b) Changes in Share Capital

Details of the changes in the issued and paid-up share capital of MSCS since incorporation are as follows:

<b>Date of allotment</b>	<b>No. of shares</b>	<b>Par value RM</b>	<b>Consideration</b>	<b>Total issued and paid-up capital RM</b>
01.06.90	2	1.00	Cash	2
30.07.90	998	<b>1.00</b>	Cash	1,000
30.04.91	50,000	1.00	Cash	51,000
19.08.99	19,000	1.00	Bonus issue	70,000
19.08.99	30,000	1.00	Cash	<b>100,000</b>

## 5. INFORMATION ON THE MESINIAGA GROUP (Cont'd)

### (c) Profit and Dividend Record

The audited profit and dividend record of MSCS for the past five (5) financial years ended 31 December 1998 and six (6) months ended 30 June 1999 are summarised as follows:

	← Financial year ended 31 December →					6 months ended
	1994	1995	1996	1997	1998	30 June 1999
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	1,983	1,777	1,283			
Profit/(loss) before depreciation and interest	(165)	85	73	(7)	(17)	(9)
Depreciation						
Interest						
Profit/(loss) before tax	(165)	85	73	(7)	(17)	(9)
Taxation			10			
Profit/(loss) after tax	(165)	85	83	(7)	(17)	(9)
Number of ordinary shares in issue ('000)	51	51	51	51	51	51
Gross EPS/ (LPS) (RM)	(3.24)	1.67	1.43	(0.14)	(0.33)	(0.35)*
Net EPS/ (LPS) (RM)	(3.24)	1.67	1.63	(0.14)	(0.33)	(0.35)*
Gross dividend rate (%)						

Notes.

- \* Annualised
1. There was no extraordinary item for the financial years or period under review.
  2. The decrease in turnover for the years 1994 to 1996 was due to lack of focus in the business where it was set up to service only Mesiniaga cabling and accessories.
  3. There was no turnover from 1997 to the period ended 30 June 1999 as the entire operations of the company was taken over by Mesiniaga.
  4. The loss for the year 1994 was due to the writing off of obsolete inventories.
  5. The losses for the years 1997 and 1998 and the period ended 30 June 1999 was due to **fixed** operating expenses incurred.

### (d) Subsidiaries and Associated Companies

MSCS does not have any subsidiary or associated companies as at the date of this Prospectus.

5. INFORMATION ON THE MESINIAGA GROUP (Cont'd)

5.7.2 Information on SECTRON

(a) History and Business

SECTRON was incorporated on 13 November 1995 in Malaysia under the Companies Act, 1965 under the name of Red Surf Sdn Bhd. It subsequently changed its name to the present name on 15 March 1996. It has an authorised share capital of RM500,000 comprising 500,000 ordinary shares of RM1.00 each of which RM250,000 comprising 250,000 ordinary shares of RM1.00 each is issued and fully paid-up. It commenced operations on 15 March 1996 and later ceased operations on 28 May 1999. Its principal activities were the provision of secure online access, investment information, sales tools and electronic transaction services for the banking, finance, insurance, securities and unit trusts industry, in anticipation of the then projected growth of the said industries. Following the economic and financial turmoil from the second half of 1997 and throughout 1998 that adversely affected companies within these industries, SECTRON suffered losses as it was directly affected by the downturn in its customers' business.

(b) Changes in Capital

Details of the changes in the issued and paid-up share capital of SECTRON since incorporation are as follows:

Date of allotment	No. of shares	Par value RM	Consideration	Total issued and paid-up capital RM
13.11.95	2	1.00	Cash	2
07.10.96	249,998	1.00	Cash	250,000

(c) Profit and Dividend Record

The audited profit and dividend record of SECTRON for the fourteen (14) months ended 31 December 1996, the two (2) financial years ended 31 December 1998 and the six (6) months ended 30 June 1999 are summarised as follows:

	14 months ended 31 December 1996 RM'000	Financial year ended 31 December		6 months ended 30 June 1999 RM'000
		1997 RM'000	1998 RM'000	
Turnover	557	43	8	
Profit/(loss) before depreciation and interest	(257)	(508)	(10)	229
Depreciation	(14)	(18)	(15)	
Interest				
Profit/(loss) before tax	(271)	(526)	(25)	222
Taxation				
Profit/(loss) after tax	(271)	(526)	(25)	222
Number of ordinary shares of RM 1.00 each in issue ('000)	250	250	250	250
Gross EPS/ (LPS) (RM)	(1.08)	(2.10)	(0.10)	1.78*
Net EPS/ (LPS) (RM)	(1.08)	(2.10)	(0.10)	1.78'
Gross dividend rate (%)				

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## 5. INFORMATION ON THE MESINIAGA GROUP (Cont'd)

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Notes:

- \* *Annualised*
1. *There was no **extraordinary** item for the financial periods and years under review.*
  2. *The declining turnover and losses between 1996 to 1998 were due to the unexpected downturn of the securities and unit trusts industry and the heavy investment in the setting up of **software** applications to serve the said industry.*
  3. *The **profit** for the financial period ended 30 June 1999 was due to the writing back of amounts due to a previous shareholder which was in respect of the provision of development software services.*

### (d) Subsidiaries and Associated Companies

SECTRON did not have any subsidiary or associated companies up to the date it became dormant.

### 5.7.3 Information on MTSB

#### (a) History and Business

MTSB was incorporated on 16 December 1994 in Malaysia under the Companies Act 1965 under the name of Data Tips Sdn Bhd. It assumed its present name on 7 February 1995. It has an authorised share capital of RM100,000 comprising 100,000 ordinary shares of RM1.00 each of which RM50,000 comprising 50,000 ordinary shares of RM1.00 each is issued and fully paid-up. It commenced operations on 7 February 1995. Its principal activities consist of consultancy in custom-developed course material and training and development of "Information Mapping@" software. Its major customers are HPSB, Bank Islam Malaysia Berhad and Bank Bumiputra Malaysia Berhad. MTSB currently has fifteen (15) employees.

#### (b) Changes in Share Capital

Details of the changes in the issued and paid-up share capital of MTSB since incorporation are as follows:

Date of allotment	No. of shares	Par value RM	Consideration	Total issued and paid-up capital RM
16.12.94	2	1.00	Cash	2
17.07.95	49,998	1.00	Cash	50,000

## 5. INFORMATION ON THE MESINIAGA GROUP (Cont'd)

### (c) Profit and Dividend Record

The audited profit and dividend record of MTSB for the past four (4) financial years ended 31 December 1998 and six (6) months ended 30 June 1999 are summarised as follows:

	← Financial year ended 31 December+				6 months ended 30 June
	1995	1996	1997	1998	1999
	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	706	2,695	3,296	1,059	611
Profit/ (Loss) before depreciation and interest	117	720	746	(515)	(107)
Depreciation	(2)	(22)	(87)	(99)	(50)
Interest			1	2	
Profit/ (Loss) before tax	115	698	660	(612)	(157)
Taxation	(46)	(236)			
Profit/ (Loss) after tax	69	462	660	(612)	(157)
Number of ordinary shares of RM1.00 each in issue ('000)	50	50	50	50	50
Gross EPS/ (LPS) (RM)	2.30	13.96	13.20	(12.24)	(6.28)*
Net EPS/ (LPS) (RM)	1.38	9.24	13.20	(12.24)	(6.28)*
Gross dividend rate (%)		180	1,200		

Notes:

- \* Annualised
1. There was no extraordinary item for the financial years and period under review.
  2. The increase in turnover in 1996 was due to increased contracts-in-hand.
  3. The decrease in turnover for 1998 was due to the significant decline in contracts-in-hand which was a direct result of the economic downturn experienced throughout 1998.
  4. The losses for 1998 and the period ended 30 June 1999 was due to the lower turnover and high fixed operating expenses.

### (d) Subsidiaries and Associated Companies

MTSB does not have any subsidiary or associated companies as at the date of this Prospectus.

#### 5.7.4 Information on VA Dynamics

##### (a) History and Business

VA Dynamics was incorporated in Malaysia on 15 July 1996 under the Companies Act, 1965 under the name of Digiwang Development Sdn Bhd. It has an authorised share capital of RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each of which RM2,000,000 comprising 2,000,000 ordinary shares of RM1.00 each is issued and fully paid-up. It assumed its present name on 9 July 1997 and subsequently commenced business operations on 15 July 1997 after which Mesiniaga subscribed for shares in the company resulting in the company becoming a 51 %-owned subsidiary of Mesiniaga. The principal activities of VA Dynamics is the distribution of Lucent SYSTIMAX Structured Connectivity Solutions (SCS) products and peripherals through Mesiniaga, Cablenet Sdn Bhd, Symmetrix Technology (Malaysia) Sdn Bhd, SLW Communication Sdn Bhd, Cabnet Systems (Malaysia) Sdn Bhd and Advantage Systems Sdn Bhd, being the distribution channels for the said products and peripherals. The company currently has seven (7) employees.

## 5. INFORMATION ON THE MESINIAGA GROUP (Cont'd)

### (b) Changes in Share Capital

Details of the changes in the issued and paid-up share capital of VA Dynamics since incorporation are as follows:

Date of allotment	No. of shares	Par value RM	Consideration	Total issued and paid-up capital RM
15.07.96	2	1.00	Cash	2
28.11.97	1,999,998	1.00	Cash	2,000,000

### (c) Profit and Dividend Record

The audited profit and dividend record of VA Dynamics for the financial year ended 30 June 1998, the six (6) month period ended 31 December 1998 and the six (6) month period ended 30 June 1999 are summarised below:

	Financial year ended 30 June 1998 RM'000	6 months ended 31 December 1998 RM'000	6 months ended 30 June 1999 RM'000
Turnover	9,872	2,478	2,749
Profit before depreciation and interest	1,214	165	259
Depreciation	(20)	(19)	(18)
Interest	(62)	(83)	(23)
Profit before tax	1,132	63	218
Taxation	(325)	(38)	
Profit after tax	807	25	218
Number of ordinary shares of RM1.00 each in issue ('000)	2,000	2,000	2,000
Gross EPS (RM)	0.57	0.03	0.22*
Net EPS (RM)	0.40	0.01	0.22*
Gross dividend rate (%)			

Notes.

- \* Annualised
1. There was no extraordinary item for the financial year **and** periods under review.
  2. The decrease in turnover for the period ended 1998 was due to the deferment and scaling down of IT projects by customers following the economic downturn.
  3. The decrease in profit before tax for the period ended 31 December 1998 was due to lower turnover and foreign exchange losses.
  4. The increase in turnover and profit for the period ended 30 June 1999 was due to increase in contracts-in-hand.

### (d) Subsidiaries and Associated Companies

VA Dynamics does not have any subsidiary or associated companies as at the date of this Prospectus.

## 5. INFORMATION ON THE MESINIAGA GROUP (Cont'd)

### 5.7.5 Information on MMSC

#### (a) History and Business

MMSC was incorporated in Malaysia on 12 December 1997 under the Companies Act, 1965 as a wholly-owned subsidiary of Mesiniaga upon the approval of MMSC's MSC status by the Government on 14 November 1997. It has an authorised share capital of RM2,000,000 comprising 2,000,000 ordinary shares of RM1.00 each of which RM500,000 comprising 500,000 ordinary shares of RM1.00 each is issued and fully paid-up. MMSC was set up to take over the R&D activities of the R&D Division of Mesiniaga, and Mesiniaga is currently in the process of transferring the activities of the R&D Division to MMSC, including the relevant personnel. Upon commencement of operations which is expected to be by end of September 1999, its principal activities will be the provision of services in the areas of research and prototyping of application software, research and development of application products, maintenance, customisation and enhancement for selected application products and consultancy in the area of application solution architecture and emerging technical and technology concepts. Upon commencement of operations, MMSC will have a total workforce of seventeen (17).

#### (b) Changes in Share Capital

Details of the changes in the issued and paid-up share capital of MMSC since incorporation are as follows:

Date of allotment	No. of shares	Par value RM	Consideration	Total issued and paid-up capital RM
12.12.97	2	1.00	Cash	2
27.08.99	499,998	1.00	Cash	500,000

#### (c) Profit and Dividend Record

The audited profit and dividend record of MMSC for the thirteen (13) months ended 31 December 1998 and the six (6) months ended 30 June 1999 are summarised below:

	13 months Ended 31 December 1998 RM'000	6 months ended 30 June 1999 RM'000
Turnover	-	-
Loss before depreciation and interest	(18)	(6)
Depreciation	(2)	(3)
Interest	-	-
Loss before tax	(20)	(9)
Taxation	-	-
Loss after tax	(20)	(9)
Number of ordinary shares of RM1.00 each in issue	2	2
Gross EPS/ (LPS) (RM)	(10,000)	(9,000)*
Net EPS/ (LPS) (RM)	(10,000)	(9,000)*
Gross dividend rate (%)	-	-

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## 5. INFORMATION ON THE MESINIAGA GROUP *(Cont'd)*

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Notes:

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*Annualised*

1. *There were no extraordinary items for the financial periods under review.*
2. *There was no turnover for the financial periods under review as operations commenced only in September 1999.*
3. *The loss for the financial periods under review was due to administrative expenses.*

### (d) Subsidiaries and Associated Companies

As at the date of this Prospectus, MMSC has no subsidiary or associated company.

## 5.8 Directors, Senior Management and Employees

### 5.8.1 Board of Directors

Presented below are the profiles of the members of the Board of Directors of Mesiniaga:

**Encik Ismail bin Sulaiman, aged 73**, is the Executive Chairman/ Managing Director of Mesiniaga. He was appointed to the Board in 1982. He graduated with a Bachelor of Engineering (Mechanical Branch) from the University of Madras in 1953. He has 40 years of experience in the IT industry, having joined IBM World Trade Corporation Syarikat **Mesin** Pemiagaan in Malaysia (which is a branch of IBM WTC and hereinafter referred to as “IBM Malaysia”) in 1953, serving in various capacities, including Special Assistant to the Vice President of IBM WTC Headquarters in New York and as District Manager of IBM South East Asia. His last position at IBM Malaysia was General Manager from 1972 to 1981. Being one of the then IBM officials who conceived Mesiniaga, upon retiring from IBM, he took the helm of Mesiniaga. He is a member of the Malaysian Business Council and the Institute of Strategic and International Studies, a Founding Fellow of the Academy of Sciences Malaysia and was recently conferred with an honorary Doctorate in Science from Universiti Teknologi Malaysia. He has also served as the President of the Malaysian Mensa. He is also on the Board of Directors of AXIS and CSSM.

**Encik Mohd Puzi bin Ahamad, RA(M)**, (ACCA), aged 47, was appointed to the Board in 1982 as the Finance & Administration Director. He is an associate of the Chartered Association of Certified Accountants, and a member of the Malaysian Institute of Accountants. He has 24 years of experience in the IT industry, where prior to joining Mesiniaga, he served in IBM Malaysia in various capacities over a period of 7 years up until 1981, the last being the Sales and Administration Manager. He is a member of the Board of Directors of MMSC, MTSB, VA Dynamics, SECTRON and CSSM.

**Encik Ramli bin Amat, aged 48**, was appointed to the Board in 1982 as the Marketing Director of Mesiniaga. Subsequently he was appointed as Executive Director for the Systems Integration and Services Division of Mesiniaga. He graduated with a Diploma in Business Studies from Mara Institute of Technology (“ITM”) in 1971. He has 27 years experience in the IT industry and has served in IBM Malaysia over a period of 10 years holding several positions, the last being Marketing Manager prior to joining Mesiniaga. He is also a member of the Board of Directors of MSCS and MMSC.

**Encik Wan Mohamad Fusil bin Wan Mahmood**, aged 49, was appointed to the Board in 1982 as Executive Director. He graduated with a Diploma in Accountancy from ITM in 1972. He is one of the founder members of PIKOM. He served PIKOM in several capacities as councillor (1987), Deputy Chairman (1989- 1991) and Chairman (1991/92). He was in IBM Malaysia for nine (9) years in various capacities. Prior to joining Mesiniaga, he was Country Manager – Information Products Division, IBM Malaysia. He was a Board member of MDC in 1997/1998. He is a member of the Board of Directors of MSCS, MTSB, VA Dynamics, SECTRON and Trexcel Sdn Bhd.

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## 5. INFORMATION ON THE MESINIAGA GROUP (*Cont'd*)

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**Mr Hor Yee**, aged 60, was first appointed to the Board in 1982 as the Technical Services Director. He retired from that position in 1998 and was subsequently re-appointed to the Board as a Non-executive Director in the same year. He studied Mechanical Engineering in the Singapore Polytechnic. He has more than 30 years of working experience in the IT industry where, prior to joining Mesiniaga in 1982, he served IBM Malaysia for a total of 17 years holding various positions, the last being its Customer Engineering Manager for the South East Asia region where he was responsible for countries within the region as well as South Korea, Taiwan and Hong Kong.

**Puan Jamiah hinte Abdul Hamid**, aged 44, was appointed to the Board in 1992. She holds a Masters in Business Administration from University Kebangsaan Malaysia and Bachelor of Science (Finance) from Northern Illinois University. She also holds a Diploma in Public Administration from MARA Institute of Technology. She has served in various positions in the Investment Operation Department of PNB from 1982 to 1995. In early 1995, she was promoted to Head, Corporate Services Division of PNB. She is also on the Board of Malaysia Mining Corporation Berhad, Unilever (Malaysia) Holdings Sdn Bhd, Malaysian Sheet Glass Berhad and UMW Holdings (M) Berhad.

**Dato' Wan Abdullah bin Mohamad**, aged 59, was appointed to the Board in 1995. He graduated from The College of Agriculture Serdang (now known as University Putra Malaysia) in 1962, with a Diploma in Agriculture. He started his career with the Terengganu State Agriculture Department as an Agricultural Assistant. He later joined Rothmans of Pall Mall (M) Berhad as a pioneer and was Leaf Advisor. He has served as Director of the Leaf Growing Scheme and Director of the Leaf Tobacco Development Corporation since 1970. He was promoted to Director, Rothmans of Pall Mall (Malaysia) Berhad in 1973. He was the Regional leaf Director Asia-Pacific until his retirement in 1997.

**Ou Shian Waei**, aged 48, was appointed to the Board of Mesiniaga on 16 May 1995. He graduated with a Bachelor of Science and started his career as a Corporate Planning Executive with Malayan Banking. He joined IBM Malaysia in 1981 as a Systems Engineer. He has served IBM Malaysia in various capacities as Marketing Manager, Branch Manager and Director of Operations over the last 13 years. He was appointed as Director of Marketing, IBM Association of South East Asia Nations ("ASEAN") in 1994, General Manager of Banking and Finance, IBM ASEAN in 1995 and Country General Manager, IBM Malaysia in 1996.

**Joseph Tan Jeok Siak**, aged 49, was appointed to the Board of Mesiniaga as alternate director to Ou Shian Wei on 27 August 1999. He holds a Masters from the University of Bath and a Diploma in Management from the Malaysian Institute of Management. He joined IBM Malaysia in 1969 as an Administrative Assistant and now holds the position of Chief Financial Officer of IBM Malaysia.

**Chung Thian Sinn**, aged 56, was appointed to the Board on 17 September 1999. He graduated with Bachelor of Science (Hons) in 1964 and subsequently joined Mobil (Malaysia) as a Technical Sales Executive. He later joined IBM Malaysia in 1967 as a Systems Engineer and served the company for a number of years, with his last position there being IBM Malaysia's Country Systems Engineering Manager. He subsequently left IBM Malaysia in 1981 and in the same year joined Time Engineering Sdn Bhd, and was subsequently appointed as a Company Secretary and Director, a position from which he later retired in 1998.

**Nor Hayati Mohd Kasim**, aged 53, was appointed to the Board of Directors on 17 September 1999. She obtained a Bachelor of Arts from Universiti Malaya in 1970, and a Masters in Organisation Behaviour from the University of Lancaster in 1981. She joined Bank Negara Malaysia in 1971 as a human resource officer, and subsequently joined IBM Malaysia as Personnel Assistant in 1974. Her last position in IBM Malaysia was Human Resource Manager, after which she was appointed as Management Development Manager of IBM ASEAN in 1997, a position she later retired from in June 1999.

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## 5. INFORMATION ON THE MESINIAGA GROUP *(Cont'd)*

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### 5.8.2 Management

Presented below are the profiles of the senior management of Mesiniaga.

**Noorizan bin Ali**, aged 42, is the Senior Services Manager. He commenced his career with Mesiniaga in 1982 as a Customer Engineer. He was promoted to Field Manager in 1988, supervising Mesiniaga's Field Operations. He was appointed Senior Services Manager in 1995. He is responsible for the Field Operations and assists the Technical Director in all operations matters. Prior to joining Mesiniaga, he served IBM Malaysia as Customer Engineer for 3 years, from 1979 – 1981. He has been involved in the IT industry for the last 21 years.

**Uji Sberina Abdullab**, aged 38, is the Human Resources Manager. She graduated from the Central Business Institute, New York with a Diploma in Business Administration. She commenced her career with Mesiniaga in 1982 as a Product Support Representative. In 1984, she assumed the role of Trainer for the Marketing Unit, providing technical and skills training. From 1988 – 1990 she was Systems Engineer with the Marketing Unit. She was promoted to Systems Engineering Manager in 1991 and subsequently to Business Unit Manager (Midrange Marketing) in 1993. She was appointed the Human Resource Manager in 1995. She has a total of 17 years experience in the IT industry.

**Yeow Daw Swee**, aged 38, is the General Manager – Services. He commenced his career in Mesiniaga in 1982 as a Product Support Representative. He became a Product Analyst in 1984. After spending 5 years in the technical support area, he was promoted to Advisory Systems Engineer in 1988. In 1989, he was promoted to Technical Support Manager with the responsibility of managing the technical support unit and subsequently, to Country Support Manager in 1993. He was appointed General Manager – Services in 1997, responsible for the Technical Support and Services Business Unit. He has a total of 17 years experience in the IT industry.

### 5.8.3 Family Relationship

There is no family relationship between the Directors and the management team.

### 5.8.4 Employees

The current workforce structure of the Mesiniaga Group as at 20 September 1999 is as follows:

Company	No. of employees
Mesiniaga	339
MSCS	2
MTSB	15
VA Dynamics	4
	<u>360</u>

The employees of the Mesiniaga Group do not belong to any union, and the management and employees of the Group have a good working relationship.

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## 6. INDUSTRY OVERVIEW

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### 6.1 THE MALAYSIAN ECONOMY

The Malaysian economy is back on track after experiencing a 6.7% decline in growth in 1998. The official estimate for 1999 was a growth of 1% as released by Bank Negara Malaysia earlier in the year. Based on positive economic indicators since then however, the growth of the Malaysian economy for 1999 is now expected to be in the region of 2% to 3%, provided that economic activities continue at the current levels, if not increase. Measures taken by the government to stimulate domestic demand to spur economic growth have proven not to be futile, as evidenced by the gradual improvement in economic fundamentals, and the consumer and investor confidence which is regaining strength.

*(Source: Investors Digest, Mid-July 1999)*

The continued implementation of policies set out under the National Economic Recovery Plan, the credit relaxation guidelines and selected capital controls still enforced by the Government, the mopping up of over RM40 billion of bad loans by Pengurusan Danaharta Nasional Bhd from the financial system and the injection of over RM6 billion into ten (10) banking institutions by Danamodal Nasional Bhd, all with the same purpose to aid economic recovery efforts, is anticipated to support the revised economic growth of 2% to 3%.

*(Source: Business Times, 15 July 1999)*

### 6.2 THE IT INDUSTRY

The IT industry is recognised as a priority industry in Malaysia achieving its Vision 2020 agenda, and this was evident from the Government's commitment to the MSC even during the financial and economic uncertainties faced by the country. For instance, the MSC was and still is exempted from the currency control measures introduced to stabilise the economy.

*(Source: The Star, 14 September 1998)*

Prior to 1998, the IT industry was enjoying an average annual growth of about 20% between 1995 and 1997, where the IT industry's value increased from RM2.5 billion in 1995 to RM5.9 billion in 1997. IT spending decreased by RM0.9 billion to RM5 billion in tandem with the economic downturn recorded in 1998, but which is still considered considerable in view of the conditions at the time. After this hiccup, IT spending is expected to increase to RM5.24 billion for 1999. The revived growth is expected to be supported by the following factors:

- the rise in electronic commerce ("e-commerce") and electronic business ("e-business") opportunities;
- ramifications of the Y2K problem;
- the reorganisation of companies through mergers, acquisitions and consolidations; and
- the stronger ringgit factor.

The value of e-commerce alone is expected to reach RM175 million in 1999, compared to RM15 million in the previous year, while the 20,000 small to medium-size enterprises ("SMEs") in recognising that the Internet is an avenue for them to achieve regional and global competitiveness, is expected to contribute significantly to the growth of e-business. On the Internet alone, local companies have spent up to RM475 million, in tandem with the growing number of Internet users among Malaysians. The number of Internet users in Malaysia is expected to reach 3 billion by the year 2003, with a growth of 100% recorded between 1997 and 1998 where Jaring and TmNet Internet accounts increased from 205,000 to 405,000.

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## 6. INDUSTRY OVERVIEW (*Cont'd*)

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*The* growth of the IT industry over the next few years, in particular 1999 seems positive due to factors such as the high investment in systems among companies to ensure Y2K readiness as the critical date draws nearer and new investment in solutions to enhance companies' information systems infrastructure for applications. In addition, there is the need for companies to establish a firm IT infrastructure before entering into e-commerce, and the changing of business models by companies in order to serve the demands of the market more efficiently to remain competitive.

(Source: *The Sun*, 24 March 1999)

Though the high annual growth rates of 20% is unlikely to be experienced again, a more reasonable long term average growth of 10% to 15% is fairly expected.

(Source: *Dynaquest Sdn Bhd*, 13 March 1998)

### 6.3 THE MSC

The MSC is the thrust to Malaysia's IT industry. In line with Malaysia's aspirations to become a fully developed country, the MSC was conceived to facilitate the implementation of the use of IT in the living and business environments, and was set to be the vehicle to leapfrog Malaysia into the Information Age. The MSC was aimed at spearheading the country's Vision 2020, physically encompassing an area 15 kilometres wide by 40 kilometres long, flanked by the Kuala Lumpur City Centre on its north, the Kuala Lumpur International Airport on its south and Putrajaya on its east.

The MSC houses the Multimedia Development Corporation ("MDC") which is the high-powered, responsive one-stop IT shop. MDC was created to ensure the success of the MSC given its implementation powers which will also drive the rapid development of the MSC and the MSC's "Flagship Applications" which are: electronic government; multi-purpose card; smart schools; telemedicine; R&D cluster; worldwide manufacturing webs; and borderless marketing.

Putrajaya is an example of the implementation of the Flagship Application. It is the high-tech intelligent administrative capital, and this "intelligent city" houses the electronic government administrative centre which is the framework for the multi-media-networked paperless administration to link Putrajaya to the country's other government centres in the government's efforts to facilitate inter-governmental collaboration and citizen access to government services.

The "IT City" which was, at the MSC's launch in 1996, merely a blueprint, is now a reality ahead of schedule with the opening of Cyberjaya on 8 July 1999, and it is home to the smart school Flagship Application. After surviving two (2) years of economic downturn, the nucleus of the MSC is now pulsating, as it is set to become the role model for other IT and multimedia development zones in the country. Cyberjaya currently houses the MDC's MSC Central Incubation Centre and NTT research laboratory, and the Multimedia University, the first smart school in the MSC.

The Government has committed RM2.2 billion to the development of Cyberjaya over the next twenty (20) years. As part of the development, Cyberjaya will see all of the companies awarded the MSC status within its boundaries by June 2000 of which thirty (30) start-up IT and multimedia companies will be housed in the MSC Central Incubation Centre to help them mature. The awarding of the MSC Status ensures the awarded company of certain privileges in order for the company to contribute positively towards the success of the MSC. At least 205 companies have been granted the MSC Status and the special incentives accorded with it, which shows the attractiveness of the MSC and its importance. This year alone has seen RM1.193 billion being invested by 139 operational companies within the MSC, with revenue growing from RM2.9 billion last year to **RM4.0** billion this year.

(Source: *Investing in Malaysia's MSC: Policies, Incentives and Facilities*; *The Sun*, 17 March 1999; *The New Straits Times*, 8 July 1999; *MDC Website* 27 July 1999)

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## 7. PROSPECTS AND FUTURE PLANS

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As the growth of the IT industry continues with the MSC as its catalyst, the factors supporting both are broad indicators of Mesiniaga's bright prospects as businesses across the majority of economic sectors in Malaysia respond to the vision behind the MSC by implementing, enhancing, upgrading and expanding their IT infrastructure.

With the Company's inherent strength and capabilities drawn from its team of experienced and knowledgeable management and personnel, the technological expertise which it is able to draw from its suppliers and who provide Mesiniaga with access to emerging technologies together with its R&D on customised applications software, Mesiniaga intends to not only maintain and expand its business relationships in its existing markets, but to also emphasise on providing its products and services in the growth markets, in particular the Internet, electronic government, healthcare and education. The Company also intends to increase its provision of high value-added IT services by undertaking outsourcing and the privatisation of IT projects.

The prospects of the Mesiniaga Group premised on its future plans are further enhanced due to the following:

- the use of the Internet is expected to pervade and this is anticipated to increase the need for higher capacity networks and increasingly sophisticated equipment in order to provide reliable and predictable end-to-end communications;
- the transformation from traditional business applications to a highly connected electronic community is expected to increase the need for e-commerce software suites provided by Mesiniaga;
- the rise of e-commerce which will require increased facilitation of everyday business fundamentals is expected to increase the need for applications and systems, where Mesiniaga has identified partners to form strategic alliances to serve the market more efficiently;
- Mesiniaga's focus on the electronic government, healthcare and education sectors should augur well for the Company as these markets are considered to be growth markets in terms of the implementation of IT for the following reasons, amongst others:
  - (a) the development of Putrajaya which is home to the electronic government administrative centre which is the framework for the multi-media-networked paperless administration;
  - (b) the current lack of investment in IT infrastructure and usage in healthcare and the anticipated future development of paperless hospitals\* as well as telemedicine as a Flagship Application of the MSC;
  - (c) the Ministry of Education's plans to implement the smart school concept in all 9,000 schools by the year 2002 together with the necessary courseware, with the emphasis on teaching and learning using IT (*Source: The Star, 29 July 1999*);
  - (d) the development of IT infrastructure in universities for the enrichment of network functionalities, applications for distance learning/ virtual university and the required provision of multimedia-based courseware for on-campus and distance learning instructions\*;
- Mesiniaga has the capabilities to form strategic business alliances to provide the Company with the access it needs to penetrate certain growth markets; and
- in preparing itself to service the growth markets, Mesiniaga has a R&D team focusing and specialising in customised applications software specifically for these markets.

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## 7. PROSPECTS AND FUTURE PLANS *(Cont'd)*

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As a further commitment to the healthcare market, Mesiniaga is one of the local IT companies that can readily provide hospital management solutions\*. The Company is at the same time working on the more sophisticated IT solutions for healthcare such as proposals for paperless hospitals and telemedicine.

In addition, in its goal to provide high value-added IT services, Mesiniaga is looking to undertake outsourcing (where an organisation subcontracts all its IT needs to an IT specialised firm and therefore does not have to have its own IT resources\*) and the privatisation of IT projects. International Data Corp (IDC) has quoted that outsourcing activities in Malaysia is still at low levels and thus is forecast to be the fastest growing segment of IT services\*.

*(\*Source: Computer Industry in Malaysia, Frank Small & Associates, 28 January 1997)*