

1.0 INFORMATION SUMMARY

THE INFORMATION SUMMARY IS ONLY A SUMMARY OF THE SALIENT INFORMATION ON EXCEL FORCE MSC. INVESTORS SHOULD READ AND UNDERSTAND THE PROSPECTUS IN ITS ENTIRETY PRIOR TO DECIDING WHETHER TO INVEST.

1.1 History and Business

Excel Force MSC was incorporated on 6 February 2002 in Malaysia under the Companies Act under the name Excel Force MSC Sdn Bhd and commenced business operations on 16 May 2002. On 7 November 2003, the Company was converted into a public limited company and assumed its present name.

Excel Force MSC is a MSC-status company. The Company specialises in the development, maintenance and marketing of STP-enabled application solutions and the provision of IT facility management and outsourcing services via an ASP model for the financial services industry, in particular the stockbroking and banking sector.

Excel Force MSC specialises in proposing and implementing IT solutions for its SBC and commercial bank clients that are in line with their current and future needs. This includes a scalable architecture both from the software, hardware and infrastructure standpoint as well as an enterprise application that allows electronic linkages between SBCs and commercial banks with their customers, remisers, dealers and employees.

Prior to the incorporation of Excel Force MSC, the application solutions business of Excel Force MSC was previously carried out by EFSB. EFSB is a company principally owned by two (2) of the Directors, Jeff Wang and his spouse, Sharon Sun, and has been in operation since 1994. Jeff Wang is a Taiwanese citizen who has extensive experience in the stockbroking and IT industries. From 1994 to 2002, Jeff Wang originated several business application solutions for the financial services industry that was marketed by EFSB, namely:

- (i) StockVision suite of public display galleries;
- (ii) CyberStock Web ECOS and ECOS;
- (iii) CyberStock EDS;
- (iv) My Messenger System;
- (v) Stock Alert System;
- (vi) TIS;
- (vii) Portfolio Management System;
- (viii) WAP Stock System*; and
- (ix) MBMS.

(hereinafter known as the Stockbroking Application Solutions)

Note:

- * *The WAP Stock System has since been discontinued after the development of the CyberStock Mobile Trader*

The Malaysian Government has encouraged foreign-owned companies to set up IT-related activities in Malaysia by offering financial and non-financial benefits. In response to this, Jeff Wang decided to apply to the MDC to incorporate a MSC company to take over the operations of EFSB.

1.0 INFORMATION SUMMARY (Cont'd)

On 31 December 2001, the MDC provided a conditional MSC status approval whereby Excel Force MSC is to be incorporated and commence business operations within six (6) months from the date of the approval. Excel Force MSC was incorporated on 6 February 2002 as a wholly-owned subsidiary company of EFSB. On 30 April 2002, the Company took over the business operations of EFSB by acquiring certain assets and liabilities of EFSB at their audited net book values as at 30 April 2002. EFSB eventually ceased its business by end December 2002 and is currently dormant.

On 1 May 2002, Excel Force MSC entered into a Licencing Agreement with Jeff Wang whereby he licensed the right to use and market the Stockbroking Application Solutions to Excel Force MSC for a cash consideration of RM100.

Under Jeff Wang's leadership, Excel Force MSC commenced development of an integrated end-to-end stockbroking solution covering the front, middle and back office with STP capability called the "CyberBroker" solution in May 2002.

On 18 October 2002, Excel Force MSC entered into a Licencing Agreement with Exacta for the licencing of the Stockbroking Application Solutions by Excel Force MSC from Exacta for a cash consideration of USD100. Exacta is a special purpose vehicle incorporated in the British Virgin Islands beneficially owned by Jeff Wang to own all his copyrights in the Stockbroking Application Solutions.

On 1 July 2003, Excel Force MSC entered into a Deed of Assignment of Copyrights with Exacta, whereby Excel Force MSC acquired the entire copyrights to the Stockbroking Application Solutions owned by Exacta for a cash consideration of RM1.0 million. Further information on the Deed of Assignment of Copyrights and valuation of the copyrights is provided in Section 4.3.3 of this Prospectus.

EFSB disposed of its shares in Excel Force MSC to the two (2) Directors, Jeff Wang and Sharon Sun on 18 August 2003, thereby ceasing to be the holding company of Excel Force MSC.

Excel Force MSC does not have any subsidiary nor associated companies.

Please refer to Section 4 of this Prospectus for more information on Excel Force MSC.

1.2 Promoters, Substantial Shareholders, Directors, Key Management and Technical Personnel

The direct and indirect interests of the Promoters, substantial shareholders, Directors, key management and technical personnel in the issued and paid-up share capital of the Company after the Public Issue are as follows:

Name	Designations	----- After Public Issue' ----->			
		Direct		Indirect	
		No. of Shares	%	No. of Shares	%
Promoters					
Exacta	-	39,000,000	48.75	-	-
Jeff Wang	Chairman and Managing Director	4,774,000	5.97	43,750,000*	54.69
Sharon Sun	Executive Director	4,750,000	5.94	43,774,000^	54.72
Tan Beng Watt	Executive Director	1,101,000	1.38	-	-

1.0 INFORMATION SUMMARY (Cont'd)

Name	Designations	----- After Public Issue* ----->			
		Direct		Indirect	
		No. of Shares	%	No. of Shares	%
Substantial shareholders					
Exacta	-	39,000,000	48.75	-	-
Jeff Wang	Chairman and Managing Director	4,774,000	5.97	43,750,000*	54.69
Sharon Sun	Executive Director	4,750,000	5.94	43,774,000^	54.72
Directors					
Jeff Wang	Chairman and Managing Director	4,774,000	5.97	43,750,000*	54.69
Sharon Sun	Executive Director	4,750,000	5.94	43,774,000^	54.72
Tan Beng Watt	Executive Director	1,101,000	1.38	-	-
Tang Fook Weng	Independent Non-Executive Director	150,000	0.19	-	-
Ng Kim Huat	Independent Non-Executive Director	150,000	0.19	-	-
Key Management / Technical Personnel					
Chua Kok Chuan	Senior System Architect	510,000	0.64	-	-
Chua Hui Cheng, Michelle	Finance and Administration Manager	120,000	0.15	-	-
Gan Teck Ban	System Architect	150,000	0.19	-	-
Wong Chee Long	System Architect	125,000	0.16	-	-
Eng Shao Hon	System Architect	120,000	0.15	-	-
Foo Sooi Chin	System Architect	110,000	0.14	-	-
Wong Guan Boon	System Support Specialist	90,000	0.11	-	-

Notes:

- * Deemed interest by virtue of his shareholding in Exacta and the shareholding of Sharon Sun, his spouse, pursuant to Section 6A of the Companies Act
- ^ Deemed interest by virtue of the shareholding of Jeff Wang, her spouse, and his shareholding in Exacta pursuant to Section 6A of the Companies Act
- * Assuming full subscription of Public Issue Shares reserved for them under the Pink Form share allocation scheme pursuant to the Public Issue

1.0 INFORMATION SUMMARY (Cont'd)

Further information on the Promoters, substantial shareholders, Directors, key management and technical personnel are provided in Section 6 of this Prospectus.

1.3 Financial Highlights**1.3.1 Historical Financial Information**

The following, as extracted from the Accountants' Report set out in Section 12 of this Prospectus, is a summary of the audited results of Excel Force MSC for the period from 6 February 2002 (date of incorporation) to 31 December 2002, the FYE 31 December 2003 and the six (6) months period ended 30 June 2004:

	Period from 6 February 2002 to 31 December 2002	FYE 31 December 2003	Six (6) months period ended 30 June 2004
	RM	RM	RM
Revenue	2,220,414	3,249,489	1,767,820
EBITDA	1,227,187	1,735,371	930,555
Depreciation	(36,527)	(166,727)	(121,310)
Amortisation	-	(50,500)	(50,500)
PBT	1,190,660	1,518,144	758,745
Taxation ^(c)	(1,887)	(4,830)	(46,897)
PAT	1,188,773	1,513,314	711,848
No. of ordinary shares assumed in issue ^(d)	1,000	5,493,715	16,000,000
Gross EPS ^(e) (RM)	1,190.66	0.28	0.05
Net EPS ^(e) (RM)	1,188.77	0.28	0.04

Notes:

- (a) The analysis of the financial results of the Company is set out in the Accountants' Report in Section 12 of this Prospectus.
- (b) There were no extraordinary and exceptional items, minority interest or share of profit of associated company in respect of the financial periods/year under review.
- (c) There were no provisions for taxation for business profits for the financial periods/year under review as the Company has been granted pioneer status under the Promotion of Investments (Amendment) Act, 1997, by virtue of its MSC status. The tax provisions in respect of financial period from 6 February 2002 (date of incorporation) to 31 December 2002 and the financial year ended 31 December 2003 arose from bank interest earned and the tax provisions for the six (6) months period ended 30 June 2004 comprise foreign tax paid and tax on interest income from fixed deposits.
- (d) Weighted average number of shares in issue.
- (e) The gross and net EPS for the financial periods/year under review have been calculated by dividing the PBT and PAT respectively by the weighted average number of ordinary shares of RM0.10 each in issue for the respective financial periods/year. The par value of the ordinary shares in issue during the financial period of 31 December 2002 of RM1.00 each is deemed to have been subdivided into ordinary shares of RM0.10 each to facilitate comparison as Excel Force MSC had on 10 October 2003 undertaken a subdivision of every one (1) of its ordinary shares of RM1.00 each into ten (10) ordinary shares of RM0.10 each.

1.0 INFORMATION SUMMARY (Cont'd)

1.3.2 Proforma Balance Sheets

The following is a summary of the proforma balance sheets of Excel Force MSC as at 30 June 2004, prepared for illustration purposes only, to show the effects of the Bonus Issue, the Declaration of Interim Dividend, the Rights Issue, the Public Issue, utilisation of proceeds from the Rights Issue and the Public Issue and the full exercise of the ESOS on the assumption that the transactions were completed on 30 June 2004. The detailed proforma balance sheets are set out in Section 9.6 of this Prospectus:

	Audited as at 30 June 2004 RM	I After the Bonus Issue RM	II After I and the Declaration of Interim Dividend RM	III After II and the Rights Issue RM	IV After III, the Public Issue and utilisation of proceeds RM	After IV and the full exercise of ESOS options RM
Property, plant and equipment	1,484,683	1,484,683	1,484,683	1,484,683	1,484,683	1,484,683
Development costs	993,019	993,019	993,019	993,019	2,493,019	2,493,019
Intangible assets	909,000	909,000	909,000	909,000	909,000	909,000
<u>Current Assets</u>						
Inventories	61,241	61,241	61,241	61,241	61,241	61,241
Trade receivables	635,504	635,504	635,504	635,504	635,504	635,504
Other receivables and prepaid expenses	410,624	410,624	410,624	410,624	45,433	45,433
Fixed deposits with a licensed bank	1,018,908	1,018,908	-	-	-	-
Cash and bank balances	48,739	48,739	-	2,487,647	7,820,838	18,140,838
	<u>2,175,016</u>	<u>2,175,016</u>	<u>1,107,369</u>	<u>3,595,016</u>	<u>8,563,016</u>	<u>18,883,016</u>
<u>Less: Current Liabilities</u>						
Trade payables	16,449	16,449	16,449	16,449	16,449	16,449
Other payables and accrued expenses	691,334	691,334	691,334	691,334	691,334	691,334
Dividends payable	-	-	232,353	-	-	-
	<u>707,783</u>	<u>707,783</u>	<u>940,136</u>	<u>707,783</u>	<u>707,783</u>	<u>707,783</u>
Net Current Assets	<u>1,467,233</u>	<u>1,467,233</u>	<u>167,233</u>	<u>2,887,233</u>	<u>7,855,233</u>	<u>18,175,233</u>
	<u>4,853,935</u>	<u>4,853,935</u>	<u>3,553,935</u>	<u>6,273,935</u>	<u>12,741,935</u>	<u>23,061,935</u>
<u>Financed by:</u>						
Share capital	1,600,000	3,520,000	3,520,000	6,240,000	8,000,000	10,400,000
Share premium	-	-	-	-	4,708,000	12,628,000
Unappropriated profit	3,253,935	1,333,935	33,935	33,935	33,935	33,935
	<u>4,853,935</u>	<u>4,853,935</u>	<u>3,553,935</u>	<u>6,273,935</u>	<u>12,741,935</u>	<u>23,061,935</u>
NTA	<u>2,951,916</u>	<u>2,951,916</u>	<u>1,651,916</u>	<u>4,371,916</u>	<u>9,339,916</u>	<u>19,659,916</u>
NTA per share (sen)	<u>18.45</u>	<u>8.39</u>	<u>4.69</u>	<u>7.01</u>	<u>11.67</u>	<u>18.90</u>

1.3.3 Auditors' Qualification

The audited financial statements of the Company for the period from 6 February 2002 (date of incorporation) to 31 December 2002, the FYE 31 December 2003 and for the six (6) months period ended 30 June 2004 have not been subjected to any auditor's qualification.

1.0 INFORMATION SUMMARY *(Cont'd)*

1.4 Risk Factors

There are a number of risk factors (which may not be exhaustive), both specific to Excel Force MSC and relating to the general business environment, which may impact the operating performance and financial position of Excel Force MSC. Investors should carefully consider the following risk factors inherent in and affecting the business of the Company and this offering, prior to making an investment in the Company:

- (i) Limited Operating History
- (ii) Dependence on the Stockbroking Industry in Malaysia
- (iii) Dependence on Key Personnel
- (iv) Establishment of Brandname
- (v) Material Defects Liability
- (vi) Penetration and Opening of New Markets
- (vii) MSC Status
- (viii) Intellectual Property Rights
- (ix) Competition
- (x) Risks Associated with the ASP Model
- (xi) Technology
- (xii) No Prior Market for Excel Force MSC Shares
- (xiii) Control by Promoters
- (xiv) Political, Economic and Legislative Considerations
- (xv) Forward-Looking Statements

To appreciate the risk factors associated with an investment in Excel Force MSC, this Prospectus should be read in its entirety. Details of the risk factors of which investors should be aware of are set out in Section 3 of this Prospectus.

1.5 Technology Used

The R&D team of Excel Force MSC currently utilises the following technological platforms for each application area in the design and development of its business application solutions:

Application Area	Technological Platforms
Messaging	MSMQ
Middleware	COM, COM+, ActiveX Data Objects (ADO), OLE_DB, ODBC, XML
Security	RC2, SSL
Financial Standards	XML, FIX
Business Intelligence	MS OLAP
Operating Systems	Windows, Pocket PC
Packages	Crystal Report
Development Tools	MS Visual Studio.Net, MS Visual Studio for VC and VB, MS Visual InterDev, Photoshop
Database	MS SQL, MS Access
Development Language	VC++, C++, ASP, Java Script, C, C#

Details on the technology used by the Company are set out in Section 4.3.2 of this Prospectus.

1.0 INFORMATION SUMMARY (Cont'd)

1.6 Intellectual Property Rights

The Company currently owns the intellectual property rights to the following application solutions and all new application solutions that it is currently developing as described in Section 4.3.7 of this Prospectus:

- (i) StockVision suite of public display galleries;
- (ii) CyberStock Web ECOS and CyberStock ECOS;
- (iii) CyberStock EDS;
- (iv) CyberStock Mobile Trader;
- (v) My Messenger System;
- (vi) Stock Alert System;
- (vii) TIS;
- (viii) Portfolio Management System;
- (ix) WAP Stock System*;
- (x) StockBanking System; and
- (xi) MBMS.

Note:

* *The WAP Stock System has since been discontinued after the development of the CyberStock Mobile Trader*

In addition, the Company has applied for registration of the “CyberBroker”, “CyberStock”, “StockVision”, “StockBanking” and “ExcelForce” brandnames with the Registrar of Trade Marks of the Intellectual Property Division of the Ministry of Domestic Trade And Consumer Affairs. As at 17 November 2004, the “ExcelForce” service mark has been accepted for registration and will be advertised in the Government Gazette to allow any party to forward their opposition on the registration of the service mark. If there is no opposition received within 2 months after the date of the Government Gazette, the “ExcelForce” service mark will be registered and a registration certificate will be issued. The other trademarks mentioned above are pending acceptance for registration.

Further details on the copyrights and trademarks are set out in Section 4.3.3 of this Prospectus.

1.7 Licences and Permits

The operations of the Company currently do not require any specific operating licences from any authorities.

1.8 Principal Statistics Relating to the Public Issue

(i) Share Capital	RM
<i>Authorised:</i>	
250,000,000 ordinary shares of 10 sen each	<u>25,000,000</u>
<i>Issued and fully paid-up:</i>	
62,400,000 ordinary shares of 10 sen each	6,240,000
<i>To be issued pursuant to the Public Issue:</i>	
17,600,000 new ordinary shares of 10 sen each	1,760,000
	<u>8,000,000</u>
<i>To be issued pursuant to the full exercise of ESOS options*:</i>	
24,000,000 new ordinary shares of 10 sen each	2,400,000
	<u>10,400,000</u>

1.0 INFORMATION SUMMARY (Cont'd)*Note:*

* Please refer to Section 14 for further information on the ESOS.

The Public Issue Shares will rank pari passu in all respects with the other existing issued and paid-up ordinary shares in the Company including voting rights and dividends and all distributions that may be declared, paid or made subsequent to the date of allotment thereof. Each shareholder shall be entitled to vote at any general meeting of the Company in person or by proxy or by attorney. And on a show of hands, every person present who is a shareholder or representative or proxy or attorney of a shareholder shall have one vote, and on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each ordinary share held.

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

(ii) **Issue Price per Share (sen)** 43

(iii) **Proforma NTA**

Proforma NTA as at 30 June 2004 (after taking into account the Public Issue and estimated listing expenses of RM1.1 million) (RM'000) 9,340

Proforma NTA per share (based on the enlarged share capital of 80,000,000 Excel Force MSC Shares) (sen) 12

Proforma NAV as at 30 June 2004 (after taking into account the Public Issue and estimated listing expenses of RM1.1 million) (RM'000) 12,742

Proforma NAV per share (based on the enlarged share capital of 80,000,000 Excel Force MSC Shares) (sen) 16

The proforma balance sheets of Excel Force MSC are set out in detail in Section 9.6 of this Prospectus.

(iv) **Classes of shares and ranking**

There is only one class of shares in Excel Force MSC, namely, ordinary shares of 10 sen each. The Public Issue Shares will rank pari passu in all respects with the existing issued and paid up ordinary shares in the Company including voting rights and dividends and/or distributions that may be declared subsequent to the date of allotment thereof.

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1.0 INFORMATION SUMMARY *(Cont'd)*

1.9 Utilisation of Proceeds

The gross proceeds of approximately RM10.29 million from the Rights Issue and the Public Issue accruing to the Company will be utilised in the following manner:

	RM'000	Timing of utilisation
Working capital	7,688	By June 2006
R&D expenses	1,500	By December 2005
Estimated listing expenses	1,100	By December 2004
	10,288	

Further information on the utilisation of proceeds is provided in Section 2.6 of this Prospectus.

1.10 Working Capital, Borrowings, Material Litigation, Contingent Liabilities and Capital Commitments

(i) Working Capital

The Directors of the Company are of the opinion that after taking into account Excel Force MSC's cashflow position and the proceeds from the Public Issue, Excel Force MSC has adequate working capital for a period of twelve (12) months from the date of this Prospectus.

(ii) Borrowings

As at 17 November 2004 (being the latest practicable date prior to the registration of this Prospectus) Excel Force MSC does not have any borrowings outstanding or created but unissued, mortgages or charges outstanding, convertible debt outstanding, guarantees or other borrowings on that date. Excel Force MSC did not have any borrowings throughout the financial year ended 31 December 2003 and the subsequent financial period immediately preceding the date of this Prospectus.

(iii) Material Litigation

As at 17 November 2004 (being the latest practicable date prior to the registration of this Prospectus), Excel Force MSC is not engaged in any litigation, claims or arbitration either as plaintiff or defendant, which has a material effect on the financial position or performance of the Company and the Directors of the Company have no knowledge of any proceedings pending or threatened against the Company or of any facts likely to give rise to any proceedings which, upon becoming enforceable, might materially and adversely affect the financial position or performance of the Company.

(iv) Contingent Liabilities

As at 17 November 2004 (being the latest practicable date prior to the registration of this Prospectus), the Directors of Excel Force MSC are not aware of any contingent liabilities which, upon becoming enforceable, may have a material impact on the financial position or performance of the Company.

(v) Capital Commitments

As at 17 November 2004 (being the latest practicable date prior to the registration of this Prospectus), Excel Force MSC does not have any capital commitments.

1.0 INFORMATION SUMMARY (Cont'd)

1.11 Exclusion of Profit Forecast and Projections

Excel Force MSC's revenue and operating results are dependent on the delivery schedule of its projects which is subject to many factors, some of which are highlighted in Section 3 of this Prospectus. Excel Force MSC's profit forecast and projections are subject to the vagaries and uncertainty of the business environment in which it operates in and hence are not disclosed in this Prospectus.

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2.0 PARTICULARS OF THE PUBLIC ISSUE

2.1 Introduction

This Prospectus is dated 30 November 2004.

A copy of this Prospectus has been registered with the SC. A copy of this Prospectus, together with the form of application, has also been lodged with the ROC who takes no responsibility for its contents.

Approval has been obtained from the SC on 16 July 2004 for the Public Issue. Approval has also been obtained from Bursa Securities on 19 July 2004 for the listing of Excel Force MSC and the admission to the Official List of the MESDAQ Market. These Shares will be admitted to the Official List of the MESDAQ Market and official quotation will commence upon receipt of confirmation from Bursa Depository that all the CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all the successful applicants. Bursa Securities and the SC assume no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus. Admission to the MESDAQ Market is not to be taken as an indication of the merits of the Company or of its shares.

The approval of the SC and Bursa Securities shall not be taken to indicate that the SC and Bursa Securities recommend the Public Issue and that investors should rely on their own evaluation to assess the merits and risks of the Public Issue.

No shares will be issued on the basis of this Prospectus later than twelve (12) months after the date of this Prospectus.

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

Applicants of the Public Issue Shares must have a CDS account. In the case of an application by way of Application Form, an applicant should state his/her CDS account number in the space provided in the Application Form. In the case of an application by way of Electronic Share Application ("ESA"), the applicant shall furnish his/her CDS account number to the participating financial institution in the ESA by keying in his/her CDS account number if the instructions on the ATM screen at which he/she enters his/her ESA requires him/her to do so. A corporation or institution cannot apply for the Public Issue Shares by way of ESA.

No person is authorised to give any information or to make any representation not contained herein in connection with the Public Issue and, if given or made, such information or representation must not be relied upon as having been authorised by Excel Force MSC. 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 Excel Force MSC since the date hereof.

The distribution of this Prospectus and the making of the Public Issue in certain other jurisdictions outside Malaysia may be restricted by law. Persons who may come into possession of this Prospectus 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 invitation to subscribe for the Public Issue Shares in any jurisdiction in which such 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 any information contained in this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser.

2.0 PARTICULARS OF THE PUBLIC ISSUE *(Cont'd)*

2.2 Indicative Timetable

The indicative timing of events leading up to the listing of and quotation for the Company's entire enlarged issued and paid-up share capital on the MESDAQ Market is set out below:

Event	Tentative Date
Opening date of the Application	30 November 2004
Closing date of the Application	*7 December 2004
Target date for balloting of applications	9 December 2004
Target date for despatch of Notice of Allotment	16 December 2004
Target date for listing of the Company's entire enlarged issued and paid-up share capital on the MESDAQ Market	21 December 2004

* *The Directors of Excel Force MSC and the Underwriter may in their absolute discretion mutually decide to extend the closing date of the application to a further date(s). Should the closing date of the application be extended, the date(s) for the balloting, allotment and listing of and quotation for the Company's entire enlarged issued and paid-up share capital on the MESDAQ Market would be extended accordingly.*

Where the closing date of application for the Public Issue Shares is extended from the original closing date, the notice of such extension(s) will be advertised in a widely circulated Bahasa Malaysia and English newspaper in Malaysia not less than one (1) market day from the original closing date.

2.3 Purpose of the Public Issue

The purposes of the Public Issue are as follows:

- (i) To enable the Company to gain access to the capital market to raise funds for future expansion and continued growth of Excel Force MSC;
- (ii) To provide an opportunity for the Eligible Directors and eligible employees of Excel Force MSC and the public to participate in the continuing growth of Excel Force MSC by way of equity participation;
- (iii) To obtain listing of and quotation for the entire enlarged issued and paid-up ordinary share capital of Excel Force MSC on the MESDAQ Market; and
- (iv) To enhance the stature of Excel Force MSC in marketing its products and services, to retain its existing staff and to attract new skilled IT professionals.

2.4 Details of the Public Issue

The Public Issue Shares will rank *pari passu* in all respects with the other existing issued and paid-up ordinary shares in the Company including voting rights and dividends and all dividends that may be declared subsequent to the date of allotment of the Public Issue Shares.

Each shareholder shall be entitled to vote at any general meeting of the Company in person or by proxy or by attorney, and, on a show of hands, every person present who is a shareholder or representative or proxy or attorney of a shareholder shall have one vote, and, on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each ordinary share held.

2.0 PARTICULARS OF THE PUBLIC ISSUE *(Cont'd)*

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

The 17,600,000 Public Issue Shares shall be allocated in the following manner:

(i) Public

2,000,000 Public Issue Shares are available for application by the public;

(ii) Private Placement

11,600,000 Public Issue Shares have been reserved for placement with institutional investors and/or individual investors by the Placement Agent; and

(iii) Eligible Directors and Eligible Employees

4,000,000 Public Issue Shares have been reserved for the Eligible Directors and eligible employees of Excel Force MSC totalling twenty-five (25) persons.

The abovementioned Public Issue Shares were allocated to the Eligible Directors and eligible employees of Excel Force MSC, based on the following criteria as approved by the Board of Excel Force MSC:

(a) Directors

A total of 2,425,000 Public Issue Shares has been allocated to five (5) Eligible Directors of Excel Force MSC as follows:

Name of Eligible Director	No. of Public Issue Shares reserved
Jeff Wang	774,000
Sharon Sun	750,000
Tan Beng Watt	601,000
Tang Fook Weng	150,000
Ng Kim Huat	150,000
Total	2,425,000

(b) Employees

A total of 1,575,000 Public Issue Shares has been allocated to twenty (20) eligible employees of Excel Force MSC.

Eligible employees must be at least 18 years of age and must be confirmed in service, with a serving period of at least three (3) months on the date of allocation. Allocation for eligible employees is based on job grades, length of service and performance.

2.0 PARTICULARS OF THE PUBLIC ISSUE *(Cont'd)*

The Public Issue Shares under paragraph (i) above has been fully underwritten. In the event any of the Public Issue Shares under paragraph (iii) above are not taken up by the Eligible Directors and eligible employees of Excel Force MSC, such Public Issue Shares will be made available for application by members of the investing public and will be underwritten. The Public Issue Shares under paragraph (ii) above will not be underwritten as the said shares will be placed with institutional and/or individual investors by the Placement Agent.

2.5 Pricing of the Public Issue Shares

The issue price of 43 sen per Public Issue Share was determined and agreed upon by the Company and Alliance as the Adviser and Underwriter, after taking into consideration the following factors:

- (i) Excel Force MSC's financial and operating history and conditions as described in Section 4 of this Prospectus;
- (ii) the qualitative factors including the industry review, future plans and strategies and outlook of the Company as described in Section 4 of this Prospectus; and
- (iii) Excel Force MSC's proforma audited NTA and NAV per Excel Force MSC Share as at 30 June 2004 (after adjustment for the Public Issue and utilisation of proceeds thereof) of RM0.12 and RM0.16 respectively.

2.6 Proceeds of the Rights Issue and Public Issue and Utilisation of Proceeds

The total gross proceeds from the Rights Issue and the Public Issue are as follows:

	RM'000
Rights Issue	2,720
Public Issue	7,568
	<u>10,288</u>

The minimum subscription to be raised from the Public Issue is RM7,568,000. The total gross proceeds from the Rights Issue and the Public Issue accruing to the Company will be utilised in the following manner:

	Note	RM'000	Timing of utilisation
Working capital	(i)	7,688	By June 2006
R&D expenses	(ii)	1,500	By December 2005
Estimated listing expenses	(iii)	1,100	By December 2004
		<u>10,288</u>	

(i) Working capital

The Company proposes to allocate RM7.69 million to meet Excel Force MSC's working capital requirements in Malaysia such as staff salaries, marketing and promotions, travelling, rental of remises, data centre expenses, purchase of hardware, computers and related peripherals, etc. This will result in substantial interest savings compared to having to obtain credit facilities from financial institutions to fund the Company's working capital requirements.

2.0 PARTICULARS OF THE PUBLIC ISSUE *(Cont'd)*

(ii) R&D expenses

Excel Force MSC plans to utilise RM1.5 million for software development expenditure to be incurred in FYE 31 December 2004 and 2005. The software development expenditure entails staff salaries, hardware and development tools.

(iii) Estimated listing expenses

The estimated listing expenses incidental to the listing of and quotation for the entire enlarged issued and paid-up share capital of Excel Force MSC on the MESDAQ Market, to be borne by the Company, are as follows:

	RM
Professional fees	650,000
Bursa Securities processing and listing fee	32,500
Lodgment of Prospectus with ROC	500
Registration of Prospectus with SC	5,000
Underwriting commission, placement fee and brokerage	134,160
Advertisement and printing	130,000
Issuing house	50,000
Contingencies	97,840
Total estimated listing expenses	1,100,000

2.7 Brokerage and Underwriting Commission

Brokerage relating to the Public Issue Shares made available for application by the public will be paid by the Company at the rate of 1% of the issue price of 43 sen per Public Issue Share in respect of successful applications bearing the stamp of either Alliance, a member company of Bursa Securities, a member of the Association of Banks in Malaysia, a member of the Association of Merchant Banks in Malaysia or MIH. No brokerage is payable by the Company on the Public Issue Shares made available for application by Eligible Directors and eligible employees and the Public Issue Shares to be placed out by the Placement Agent.

A placement fee is payable by the Company to the Placement Agent in respect of the Public Issue Shares to be placed out by the Placement Agent at the rate of 2% of the issue price of 43 sen per Public Issue Share.

According to the underwriting agreement dated 8 September 2004, the Public Issue Shares made available to the public are underwritten. Any Public Issue Shares not subscribed for by Eligible Directors and eligible employees of Excel Force MSC shall also be underwritten by the Underwriter. Underwriting commission is payable by the Company at the rate of 2.5% of the issue price of 43 sen per Public Issue Share for the Public Issue Shares which are underwritten.

2.0 PARTICULARS OF THE PUBLIC ISSUE *(Cont'd)*

2.8 Salient Terms of the Underwriting Agreement

The underwriting agreement dated 8 September 2004 ("Underwriting Agreement") entered into between Excel Force MSC and Alliance ("Underwriter") contain certain clauses as set out below which may allow the Underwriter to withdraw from its obligations under the Underwriting Agreement after the opening of the offer:

Clause 6.1 – Conditions Precedent

The obligation of the Underwriter under the Underwriting Agreement is conditional on the performance by the Company of its obligations under this agreement and on:

- 6.1.1 the issue of the Prospectus not later than the date of issue of the Prospectus ("Issue Date");
- 6.1.2 the registration of the Prospectus with the SC and its lodgement with the ROC;
- 6.1.3 the approvals of the Bursa Securities and the SC referred to in clause 2.2 (Approvals) remain in full force and effect and that all conditions precedent to the approvals (except for any which can only be complied with after the Public Issue has been completed) have been complied with;
- 6.1.4 the Underwriter being satisfied that the Company will, following completion of the Public Issue be admitted to the Official List and its entire enlarged ordinary share capital listed and quoted on the MESDAQ Market without undue delay;
- 6.1.5 the Underwriter being satisfied with the arrangements of the Company to pay the expenses referred to in clause 10 (Fees and Commission);
- 6.1.6 the Underwriter receiving a copy certified by a director or secretary of the Company to be a true and accurate copy and in full force and effect of a resolution of the Directors:
 - (a) approving the Prospectus, the Underwriting Agreement and the transactions contemplated therein and herein;
 - (b) authorising the issuance of the Prospectus; and
 - (c) authorising a person to sign and deliver the Underwriting Agreement on behalf of the Company;
- 6.1.7 the Underwriting Agreement being signed by all parties and stamped; and
- 6.1.8 the Public Issue being approved by the shareholders of the Company in a General Meeting.

Clause 6.2 – Waiver

The Underwriter may waive all or any of the conditions set out in clause 6.1 (Conditions Precedent) except for those required by a mandatory rule of law or a mandatory requirement of governmental, public or regulatory authorities in connection with the Underwriting Agreement. Any waiver granted shall not preclude the Underwriter from insisting that such condition waived be subsequently complied with at a later date.

Clause 6.3 – Non-satisfaction

If:

- 6.3.1 Pre-Issue Date
any of the conditions in clauses 6.1.1, 6.1.6 and 6.1.7 above (to the extent not waived) are not satisfied by the Issue Date;
- 6.3.2 Closing Date
any of the conditions other than those referred to in clause 6.3.1 (Pre-Issue Date) (to the extent not waived) are not satisfied by the Closing Date,

the Underwriter after consultation with the Company shall be entitled to terminate the Underwriting Agreement and in such event the provisions of clause 14 (Termination) shall apply.

2.0 PARTICULARS OF THE PUBLIC ISSUE *(Cont'd)*

Clause 14 – Termination

14.1 Notwithstanding anything contained in the Underwriting Agreement, the Underwriter may after consultation with the Company in such manner as the Underwriter shall reasonably determine by notice in writing to the Company given at any time before the Closing Date, terminate and withdraw their Underwriting Commitment if:

14.1.1 In the reasonable opinion of the Underwriter there shall have occurred, happened or come into effect any of the following circumstances:

- (a) Any material breach by the Company of any of the representations, warranties or undertakings contained in clause 11 (Representations, Warranties and Undertakings) (which, if capable of remedy, is not remedied within 3 Market Days after notice of such breach shall have been given to the Company by the Underwriter or by the Closing Date, whichever is the earlier);
- (b) Any change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the abovementioned events or occurrences;
- (c) Any change in any law, regulation, directive, policy or ruling in any jurisdiction;
- (d) Any events or series of events beyond the reasonable control of the Underwriter including (without limitation) acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, sabotage, acts of God, acts of terrorism or accidents which has or is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance with its terms or which prevents the processing of applications and/or payments pursuant to the Public Issue or pursuant to the underwriting of the Underwritten Shares (as defined in the Underwriting Agreement);
- (e) There is failure on the part of the Company to perform any of its obligations contained in the Underwriting Agreement; or
- (f) There is withholding of information of a material nature from the Company which is required to be disclosed pursuant to the Underwriting Agreement,

which, in the reasonable opinion of the Underwriter, would have or can reasonably be expected to have a material adverse effect on the business or operations of the Company or the success of the Public Issue and the distribution or sale of the Public Issue Shares (whether in the primary market or in respect of dealings in the secondary market) or the listing of the Company on the MESDAQ Market or market conditions generally or which has or is likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms.

2.0 PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

- 14.2 Upon such notice being given, the Underwriter shall be released and discharged of their obligations without prejudice to their rights under the Underwriting Agreement, and where the Underwriter have terminated or withdrawn their Underwriting Commitments (as defined in the Underwriting Agreement) pursuant to clause 14.1, the Underwriting Agreement shall be of no further force or effect and no party shall be under any liability to any other parties in respect of the Underwriting Agreement, except that the Company shall remain liable in respect of any of their obligations and liabilities under clause 11 (Representations, Warranties and Undertakings) and under clause 12 (Costs And Expenses) for the payment of the costs and expenses already incurred up to the date on which such notice was given and under clause 8.3.2 for the payment of any taxes, duties or levies.

Clause 22 – Withdrawal of Approval for Listing by Bursa Malaysia

Either or both of the Underwriter and the Company shall have the right to terminate the Underwriting Agreement by notice in writing served by the Underwriter on the Company in the event that the approval-in-principle of the Bursa Securities for the admission of the Company to the Official List and the listing of and quotation for the entire issued and paid-up shares capital of the Company on the MESDAQ Market is withdrawn and upon such termination the liabilities and obligations of the Company and the Underwriter shall become null and void and none of the parties shall have a claim against each other save that the Underwriter shall be entitled to the return of the payment consideration for those Underwritten Shares within 3 Market Days from the date of notice given by the Underwriter to the Company and the Company shall, on receipt by the Underwriter of the payment consideration, be entitled to the return of those Underwritten Shares underwritten by the Underwriter.

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3.0 RISK FACTORS

There are a number of risk factors, both specific to Excel Force MSC and relating to the general business environment, which may impact on the operating performance and financial position of the Company. Investors should carefully consider the following factors (which may not be exhaustive) which may have a significant impact on the future performance of the Company before applying for the Public Issue Shares.

BUSINESS RISKS

3.1 Limited Operating History

Excel Force MSC commenced business on 16 May 2002. As the Company has a limited operating history, it may encounter risks and difficulties normally encountered by any new company.

However, prior to the commencement of business of Excel Force MSC, the application solutions business of Excel Force MSC was previously carried out by EFSB, which has been in operations since 1994. EFSB is a company owned by Jeff Wang and Sharon Sun, who are currently Directors of Excel Force MSC. As further described in Section 4.1 herein, Excel Force MSC took over the business operations of EFSB by acquiring certain assets and liabilities of EFSB on 30 April 2002.

Although Excel Force MSC has a limited operating history, the viability and prospects of the Company's business must also be evaluated based on its track record. As at 17 November 2004, a total of twenty-five (25) SBCs and six (6) banks are using the Company's public display galleries, and a total of twelve (12) SBCs and four (4) banks are using its electronic client ordering solutions, i.e. internet stock trading systems.

The Company has also successfully penetrated into new overseas markets with SBC customers in Thailand and Singapore, in addition to its market presence in Malaysia.

3.2 Dependence on the Stockbroking Industry in Malaysia

Excel Force MSC serves the financial services industry, in particular the stockbroking sector. The Company also provides stockbroking solutions to banks working in collaboration with SBCs to provide electronic share trading services to the banks' customers.

The Company's performance is currently dependent on the performance of the stockbroking industry which in turn is closely tied to the performance of the capital markets. Given the current competitive climate in the stockbroking industry, most of the SBCs are embarking on cost cutting measures to insulate them from any economic slowdown and adverse capital market performance. The IT spending of these SBCs are currently made to reduce operational costs and to enable them to operate more efficiently. Should the stockbroking industry in Malaysia be affected by any adverse economic factors, the future revenue growth of the Company may be affected adversely.

The Company attempts to mitigate this risk with the following strategies:

- (i) The Company provides its existing and potential customers flexibility in the method of purchasing its application solutions, depending on their budgets. Firstly, the Company's solutions are designed on a modular and scalable basis, enabling its customers to choose the modules and the extensiveness of the features required based on their budget and requirements. Secondly, the Company allows the customer the option of purchasing the solutions on a lump sum basis or to outsource their IT requirements to the Company via the ASP model.

With these product and service strategies, the Directors believe that the Company's customers would be encouraged to invest in technologies which could improve efficiency and reduce their costs per transaction.

3.0 RISK FACTORS (Cont'd)

(ii) Excel Force MSC's value proposition is to continuously develop new product and service offerings to enable SBCs to achieve their business objectives. In light of the continuous changes and intensified competition in the financial services industry, SBCs would need to meet the following objectives:

- Concentrate on core business activities to achieve competitive advantage;
- Focus on customer retention and new customer acquisition strategies;
- Improve the management and delivery of services;
- Ensure clear definition of service delivery targets and responsibilities;
- Achieve long term cost control; and
- Overcome a lack of facilities or suitably skilled technical staff.

The CyberBroker suite of solutions has been designed specifically to enable the SBCs to be efficient and to reduce overhead costs, which is one of the main objectives of SBCs.

The Company has also embarked on R&D initiatives to develop application solutions that would assist SBCs to be more efficient in their operations.

(iii) The Company intends to penetrate the overseas markets to reduce its reliance on the Malaysian stockbroking industry. The Directors believe that upon completion of the Company's development of a suite of stockbroking solutions with STP capabilities, the Company stands in good stead to penetrate the overseas markets, especially in the South East Asian region. The Company has successfully secured customers in Thailand and Singapore. To the best knowledge and belief of the Directors of the Company, there are few competitors capable of developing integrated stockbroking solutions with STP capabilities in South East Asia as it requires a comprehensive understanding of stockbroking operations and industry regulations, and extensive R&D.

3.3 Dependence on Key Personnel

The success of Excel Force MSC depends on its ability to hire, train and retain qualified and competent IT personnel. The Company's success also depends on the continued employment of Excel Force MSC's Executive Directors, senior management team and technical personnel. Whilst Excel Force MSC has made efforts to nurture and maintain a good relationship with its senior management team and technical personnel, there can be no assurance that the loss of any key employees can be avoided.

Excel Force MSC mitigates this by hiring personnel as and when necessary to accommodate any increase in the size of its operations and by offering competitive salary packages and a conducive working environment. The Company also has a structured employee training programme whereby all R&D employees are sent for external certifications in IT technical and engineering skills for their individual development. Efforts have been taken to groom younger members of the senior management team to ensure smooth transition in the management team.

Notwithstanding that Jeff Wang has played a significant role in the growth of Excel Force MSC as a founding member and will continue to do so as the Managing Director and a substantial shareholder of the Company, Jeff Wang has initiated steps to reduce the dependency of the business operations of Excel Force MSC on himself. Jeff Wang has been grooming and training the existing senior management team and technical personnel as a key measure of succession planning for the Company. The steps include, among others, mapping out career paths for key executives, delegation of responsibilities and introducing key staff to clients. An example of his efforts in this respect is the progression of Tan Beng Watt from employee status to his current position as Executive Director with Excel Force MSC.

3.0 RISK FACTORS (Cont'd)

In addition to the above, pursuant to the Deed of Assignment of Copyrights between Exacta and Excel Force MSC dated 1 July 2003 ("Deed of Assignment"), Jeff Wang has provided an undertaking to Excel Force MSC dated 27 August 2004 that he, as the sole shareholder of Exacta, irrevocably and unconditionally undertakes not to compete directly or indirectly with any business of Excel Force MSC in any territory in which Excel Force MSC operates in for a period of four (4) years from the date of the Deed of Assignment. Messrs Cheong Wai Meng & Van Buerle, the corporate and due diligence solicitors for the Public Issue, has provided a legal opinion dated 30 August 2004 that the undertaking provided by Jeff Wang is valid and enforceable.

3.4 Establishment of Brandname

An important element of Excel Force MSC's business strategy is to establish and maintain recognition of the "CyberBroker", "CyberStock", "StockVision", "StockBanking" and "ExcelForce" brandnames in the local and overseas stockbroking industries in relation to its application solutions. The Company would be required to undertake extensive marketing efforts to penetrate the overseas markets and to create market acceptance of its products as it currently has a limited presence overseas.

The Board of Excel Force MSC believes that establishing and maintaining a good brand reputation and recognition is important for expanding Excel Force MSC's targeted client base. The Board of Excel Force MSC also believes that the importance of brand reputation and recognition will increase due to competition. The success of the "CyberBroker", "CyberStock", "StockVision", "StockBanking" and "ExcelForce" brandnames will depend largely on the Company's ability to provide reliable and technologically advanced application solutions and services to the satisfaction of its customers. If customers do not perceive Excel Force MSC's application solutions as meeting their needs, or if the application solutions are not marketed effectively, Excel Force MSC will be unsuccessful in maintaining and strengthening its brandnames. Failure to do so may affect the operations, financial conditions and prospects of Excel Force MSC.

The Company believes that it will be able to develop its brandnames effectively with sufficient financial resources, effective marketing strategies and continuous investments in R&D to develop new solutions for the stockbroking industry. Furthermore, the Company continuously strives to enhance the quality of its application solutions which would strengthen its reputation as a reliable supplier.

3.5 Material Defects Liability

Excel Force MSC's solutions and services are important to ensure the smooth operations of its customers' business as its solutions are mission critical. Without these stockbroking solutions that computerise its operations, a SBC would not be able to function effectively and efficiently.

However, any defect or error in Excel Force MSC's application solutions may result in lost client revenues, adverse customer reaction towards Excel Force MSC and its products, negative publicity, additional expenditures to remedy the problems and claims against Excel Force MSC. Excel Force MSC does not maintain any product liability insurance, nor has it taken out any third party liability insurance.

In order to mitigate this risk, Excel Force MSC's contracts with its SBC customers normally specify that a User Acceptance Test must be completed at each implementation milestone. Extensive testing and parallel runs are also conducted using the Company's application solutions before conducting a full system conversion. This is to ensure that the system is free of bugs and errors prior to actual usage.

Although Excel Force MSC has not experienced any claims against it, any significant claim against Excel Force MSC in future may have a material adverse effect on Excel Force MSC's results and prospects.

3.0 RISK FACTORS *(Cont'd)*

3.6 Penetration and Opening of New Markets

It is part of Excel Force MSC's strategy to establish its presence in new locations outside Malaysia to market its products overseas. Excel Force MSC intends to devote adequate financial and management resources to penetrate the overseas markets and to create market awareness of its range of application solutions. Nonetheless, Excel Force MSC cannot provide an assurance that it can succeed in penetrating overseas markets.

Excel Force MSC intends to adopt a prudent approach in surveying the market opportunities overseas prior to setting up of any branches or subsidiaries. Excel Force MSC intends to send its own marketing and technical personnel to carry out market research and identify potential technological partners. The management believes that this strategy minimises the risks of opening new branch offices or subsidiaries, as such a move would require substantial cashflows and expose Excel Force MSC to overseas market risks. Local partners may be local software developers of that particular country, who would have intimate knowledge about the local industry and regulatory requirements, working culture and competition.

3.7 MSC Status

Excel Force MSC was granted MSC status on 31 December 2001 by the MDC which carries financial and non-financial incentives. Amongst the incentives that the Company enjoys is pioneer status which entitles it to a five (5) year exemption from Malaysian income tax (only on income derived from MSC related activities) commencing from 16 May 2002. The pioneer status is renewable for a further period of five (5) years upon expiry of the first five (5) years.

There can be no assurance that the Company will continue to retain its MSC status, renew its pioneer status, or that the Company will continue to enjoy or not experience delays in enjoying the MSC incentives as stated above and in Section 4.6 of this Prospectus, all of which could materially and adversely affect the Company's business, operating results and financial condition. There can also be no assurance that the MSC incentives will not be changed or modified in any way in the future.

3.8 Intellectual Property Rights

Excel Force MSC's commercial success is dependent to a degree on its ability to protect its intellectual property. Apart from existing laws in Malaysia and those countries in which Excel Force MSC carries on and intend to carry on business and the enforcement of those laws by the relevant authorities, there can be no assurance that Excel Force MSC's intellectual property will be adequately protected or that the Company will be able to enforce such rights effectively. Accordingly, failure to protect or enforce its intellectual property rights may result in an adverse impact on Excel Force MSC's business.

Excel Force MSC's products require high level of proprietary customisation and industry knowledge and they are unique per the specific requirements of its customers. Since only Excel Force MSC has access to the source code and effective customisation requires the expertise and knowledge of Excel Force MSC, the products may be less affected by risks of widespread unauthorised use, copying and exploitation.

The Company further protects its intellectual property rights by incorporating confidentiality and copyright ownership clauses in the letters of employment with its employees whereby all copyrights pertaining to the development of application solutions in the course of employment shall be deemed transferred to the ownership of the Company. Furthermore, the Company enters into contractual agreements with its customers whereby the intellectual property of the Company's application solutions licensed by its customers remain vested with the Company.

3.0 RISK FACTORS *(Cont'd)*

RISKS RELATING TO INDUSTRY

3.9 Competition

The Company faces competition from existing competitors and new entrants. However, the Board of Excel Force MSC believes that new players will find it difficult to compete against the more established players like Excel Force MSC in the Malaysian market. Excel Force MSC believes it is able to compete effectively against new competitors in the market due to the following barriers to entry:

(i) Established Track Record and User Base

A company's track record is crucial as customers would prefer a reliable and reputable solutions provider with an established working knowledge. New entrants to the market face difficulty in establishing their credentials as they do not have a track record in the market.

In an oligopoly market such as Malaysia, established players like Excel Force MSC and Bass Consulting Sdn Bhd would continue to raise the barriers by enhancing their competitiveness vis-à-vis their competitors. Overseas players would face higher risks, as they would need to invest in setting up local support operations in order to compete with local players.

(ii) Technology and R&D

The barriers to entry are relatively high due to the cost of research and development of IT systems. R&D costs are based on the costs and availability of intellectual capital, as well as the access to IT.

(iii) User Support and Maintenance

A critical component of an IT outsourcing project would be the after sales support and maintenance. A competitor must build a credible support and maintenance team which is able to service its customers efficiently with a quick turnaround time.

For foreign competitors, they normally would rely on local dealers to provide such a function. Hence, they must have sufficiently trained dealers to provide the end-users with after sales support and maintenance for the software. Failure to have adequate support resources would cause customers to switch software as stockbroking solutions are mission critical. A SBC could not afford to have software failures which may in turn affect its business operations.

(iv) Understanding of Local Market Requirements and Regulations

Regulation also plays a part, as risks of regulation changes will cause some amount of risk to new entrants who are not able to keep up.

As stockbroking solutions are highly technical in nature, not any software developer could venture into the development of such software solutions. A competitor needs a thorough understanding of how a local stock market functions, government regulations, SBCs' requirements and operational workflow and latest technological requirements of a stockbroking industry prior to the development of a business solution. Furthermore, the competitor needs to keep abreast with the technological and regulatory changes affecting the industry with the global trend for trade settlements of the industry moving towards T+1.

3.0 RISK FACTORS (Cont'd)

(v) Strong and Knowledgeable Management Team

As stockbroking solutions are required to be technically stable, efficient and industry specific, the technical expertise and knowledge of the management team would be crucial to the success of the stockbroking solutions provider. A competitor would need a strong technical team with a thorough understanding of industry requirements, expertise and experience to develop such business solutions. Furthermore, the industry does not offer tolerance for product failure as the industry relies on the stockbroking solution to run their business, which demands accuracy and speedy processing prowess. Hence, without an experienced and knowledgeable management team, software developers would not venture into developing such solutions.

(Certain paragraphs in Section 3.8 above are extracted from IDC's research report titled "Stock Broking IT Spending Market and Structural Analysis", 2003 of which certain sections in the said report were prepared for inclusion in this Prospectus.)

3.10 Risks Associated with the ASP Model

Excel Force MSC has embarked on using the ASP model to market its application solutions. An ASP is a company that offers individuals or enterprises access over the Internet to applications and related services that would otherwise have to be located in their own personal or enterprise computers. Instead of a lump sum payment for an outright purchase of an application solution, the Company offers SBCs an alternative whereby the Company would bear the entire set-up and maintenance costs of the solution in addition to the provision of a licence to use the solution, for a fixed monthly ASP service fee and variable usage fees.

The Company's current ASP service receives and routes trade orders between investors and SBCs through the Internet. This process is heavily dependent on the integrity of the network and telecommunication systems supporting it. Any significant degradation or failure of the Company's online trading system or any other system in the trading process such as the hardware, servers, network or communication line and application could result in delays or cessation in trading. This may cause dissatisfaction amongst the Company's SBC customers. Should the ASP services provided by the Company fail to meet the SBC customers' expectations, the reputation of the Company as an ASP would be materially affected or the services of the Company may be terminated and, as a result, the Company's revenue growth and future profitability may be adversely affected.

In order to mitigate this risk, the Company enters into ASP agreements with its SBC customers which specify mutually agreed service level commitments and define the extent of the Company's liability. Examples of service level commitments are network and system availability, bug fixing, bandwidth upgrade and upgrading of application with regulatory changes. Should the Company fail to provide services within the agreed parameters of the service level commitments, "service credits", i.e. a monetary value ascribed depending on the severity of the failure of the services, shall be credited to the SBC's account. The service credits shall be accumulated on a monthly basis and set-off against the Company's billings to the SBC. In addition, the Company has established several control procedures such as server, network and application monitoring, change management and bandwidth utilisation to monitor the quality of its ASP services. These controls enable the Company to manage its ASP service level commitments and to advise its clients to upgrade their network and system requirements should its customers' usage exceed the agreed parameters.

3.0 RISK FACTORS *(Cont'd)*

3.11 Technology

The IT industry is dynamic, characterised by rapid changes in technology and frequent introduction of new and more advanced IT products, changes in customer demands and evolving industry standards. A significant part of the Company's strategy to compete with its competitors is to continuously conduct research, develop new application solutions and to improve its existing products. Excel Force MSC will be subject to the risks, uncertainties and problems frequently encountered by software companies in the IT industry which include, amongst others, the following:

- (i) failure to keep abreast with changing technological standards and requirements;
- (ii) failure to anticipate and adapt to developing market trends and requirements;
- (iii) failure to develop commercially viable software packages and services; and
- (iv) inability to maintain, upgrade and develop its systems and infrastructure to cater to rapidly expanding operations.

Excel Force MSC would need to keep abreast with new technologies and developments in the IT industry in order to compete successfully with its competitors. Failure to do so may materially and adversely affect the Company's business, operating results and financial condition.

Recognising this, Excel Force MSC's R&D team constantly keeps abreast with new technologies and market trends. Excel Force MSC also focuses on human resource development by investing in external and in-house training sessions to update and educate its employees. Excel Force MSC regularly sends its system analysts and programmers for further IT certifications for their individual development. To date, five (5) of its R&D team members have obtained the MCSD certification.

OTHER RISKS

3.12 No Prior Market for Excel Force MSC Shares

Prior to the Public Issue, there was no public market for the Excel Force MSC Shares. There can be no assurance that an active market can develop for Excel Force MSC Shares upon the Company's listing on the MESDAQ Market or if developed, that such a market can be sustained. The issue price of 43 sen per Public Issue Share has been determined after taking into consideration a number of factors, including but not limited to, Excel Force MSC's financial and operating history and conditions, R&D capability and technology, its management team, the prospects of the industry in which it operates and prevailing economic and market conditions. No assessment is made nor implied herein as to the price at which the shares will trade on the said exchange upon or subsequent to the Company's listing or that an active trading market for the shares will develop upon the Company's listing and if developed, that it will be sustained.

3.13 Control by Promoters

The Company will be controlled by Jeff Wang, Sharon Sun, Mr Tan Beng Watt and Exacta, who will collectively control 62.04% of the Company's issued and paid-up share capital after the Public Issue. As a result, these Promoters will be able to effectively influence the outcome of certain matters requiring the vote of the Company's shareholders.

However, they would be required to abstain from voting on any related-party transactions, which may pose as a conflict to the interest of the Company. In addition, the Company has established an audit committee which comprises one (1) executive director and two (2) independent non-executive directors. The functions of the Audit Committee of the Company are to ensure good corporate governance and to protect the interests of minority shareholders of Excel Force MSC.

3.0 RISK FACTORS (Cont'd)

3.14 Political, Economic and Legislative Considerations

Development in political and economic conditions in Malaysia and other countries where the Company is currently operating or where the Company may market its products in the future may materially affect the financial prospects of the Company. Political and economic uncertainties include but are not limited to the risks of war, riots, expropriation, nationalisation, renegotiations or nullification of existing contracts, fluctuations in foreign exchange rates, inflation, changes in interest rates and methods of taxation.

3.15 Forward-Looking Statements

This Prospectus includes forward-looking statements, which are statements other than statements of historical facts that are based on assumptions that are subject to uncertainties and contingencies. The word "believe", "intends", "plans", "expects", "forecast" and similar expressions as they relate to Excel Force MSC or its business are intended to identify such forward-looking statements. Excel Force MSC believes that the expectations reflected in such forward-looking statements are reasonable at this point of time. There can be no assurance that such expectations will prove to have been correct. Any deviation from the expectations may have adverse effect on Excel Force MSC's financial and business performance.

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