

4.0 INFORMATION ON EXCEL FORCE MSC

4.1 History and Principal Activities

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 the Stockbroking Application Solutions.

Further details on the Stockbroking Application Solutions are set out in Section 4.3.1 of this Prospectus.

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.

On 31 December 2001, the MDC granted 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.

4.0 INFORMATION ON EXCEL FORCE MSC (Cont'd)

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.

The existing authorised share capital of Excel Force MSC is RM25,000,000 comprising 250,000,000 ordinary shares of 10 sen each, of which 62,400,000 Excel Force MSC Shares have been issued and fully paid-up. The changes in the issued and paid-up share capital of Excel Force MSC since its incorporation are as follows:

Date of allotment	No. of ordinary shares allotted	Par value RM	Consideration	Total issued and paid-up share capital RM
6.2.2002	2	1.00	Subscription shares	2
22.4.2002	98	1.00	Cash	100
15.8.2003	397,284	1.00	Capitalisation of debts	397,384
29.8.2003	1,000,000	1.00	Capitalisation of debts	1,397,384
23.9.2003	202,616	1.00	Cash	1,600,000
10.10.2003	16,000,000	0.10	Share split (1 : 10)	1,600,000
6.8.2004	19,200,000	0.10	Bonus Issue (1.2 : 1)	3,520,000
19.8.2004	27,200,000	0.10	Rights Issue (0.77 : 1)	6,240,000

As at 17 November 2004 (being the latest practicable date prior to the registration of this Prospectus), there are no options or convertible securities outstanding.

4.2 Listing Scheme

As an integral part of the listing of and quotation for the entire issued and paid-up share capital of the Company on the MESDAQ Market, the Company undertook a listing scheme which was approved by the following:

- (i) SC vide its letter dated 16 July 2004; and
- (ii) Bursa Securities vide its letter dated 19 July 2004.

The listing scheme entails the following:

(i) Bonus Issue

Excel Force MSC implemented a bonus issue of 19,200,000 new Excel Force MSC Shares credited as fully paid-up on the basis of 1.2 new Excel Force MSC Shares for every one (1) Excel Force MSC Share held via the full capitalisation of RM1,920,000 from the audited unappropriated profit of the Company as at 30 June 2004.

The 19,200,000 new Excel Force MSC Shares issued pursuant to the Bonus Issue rank *pari passu* with the then existing shares of the Company in all respects.

4.0 INFORMATION ON EXCEL FORCE MSC (Cont'd)

The Bonus Issue was completed on 6 August 2004. Following the completion of the Bonus Issue, the issued and paid-up share capital of Excel Force MSC increased from RM1,600,000 comprising 16,000,000 Excel Force MSC Shares to RM3,520,000 comprising 35,200,000 Excel Force MSC Shares.

(ii) Rights Issue

Excel Force MSC undertook a renounceable rights issue of 27,200,000 new Excel Force MSC Shares on the basis of approximately 0.77 new Excel Force MSC Shares for every one (1) existing Excel Force MSC Share held after the Bonus Issue at an issue price of 10 sen per new Excel Force MSC Share.

The new Excel Force MSC Shares issued pursuant to the Rights Issue rank *pari passu* with the then existing shares of the Company in all respects.

The Rights Issue was completed on 19 August 2004. Following the completion of the Rights Issue, the issued and paid-up share capital of Excel Force MSC increased from RM3,520,000 comprising 35,200,000 Excel Force MSC Shares to RM6,240,000 comprising 62,400,000 Excel Force MSC Shares.

(iii) Public Issue

Following the completion of the Bonus Issue and the Rights Issue and in conjunction with the listing of Excel Force MSC on the MESDAQ Market, the Company will be implementing a Public Issue of 17,600,000 new Excel Force MSC Shares at an issue price of 43 sen each.

The Public Issue of a total of 17,600,000 new Excel Force MSC Shares representing approximately 22% of the enlarged share capital of Excel Force MSC are to be issued to the following parties:

- 2,000,000 Excel Force MSC Shares representing approximately 2.50% of the enlarged share capital have been reserved for application by the public;
- 11,600,000 Excel Force MSC Shares representing approximately 14.50% of the enlarged share capital by way of private placement; and
- 4,000,000 Excel Force MSC Shares representing 5.00% of the enlarged share capital have been reserved for application by Eligible directors and eligible employees of Excel Force MSC.

Upon completion of the Public Issue, the issued and paid-up share capital of Excel Force MSC will increase from RM6,240,000 comprising 62,400,000 Excel Force MSC Shares to RM8,000,000 comprising 80,000,000 Excel Force MSC Shares.

All the Public Issue Shares shall rank *pari passu* in all respects with the existing issued and paid-up ordinary shares of Excel Force MSC including voting rights and dividends and/or distribution that may be declared subsequent to the completion of the Public Issue and any surplus in the event of the liquidation of the Company.

(iv) ESOS

In conjunction with the IPO, Excel Force MSC has established an ESOS in order to retain and motivate the Eligible Directors and eligible employees of Excel Force MSC who have contributed to the success of the Company. The salient features of the ESOS are set out in Section 14 of this Prospectus.

4.0 INFORMATION ON EXCEL FORCE MSC (Cont'd)

	PRODUCTS	DEVELOPMENT STATUS	APPLICATION
	<u>CyberBroker Middle Office</u> a. TIS b. MIRS c. ORMS d. CRMS	(a) Completed (b) to (d) Development in progress	System that provide on-line business information, customer relationship management, risk management and decision-making tools to dealers and management.
	<u>CyberBroker Back Office</u> a. Master File Maintenance b. Trade Processing c. Settlement Processing d. Front Desk Management e. Margin Financing f. Collateral Management g. Bad Debt Management h. BFE-BOS Interface i. Accounting System j. HRMS	(a) to (i) Completed (j) Development in progress	Application that form the core of the back office operations.
2	StockBanking System	Completed	System that enables commercial banks (as exempt dealers) to execute stock trading transactions through their branch networks and management of share margin financing services.
3	MBMS	Completed	Middleware that links the back office system to WinSCORE.

The description of the application solutions which have been fully developed is as follows:

CYBERBROKER:**(i) Cyberbroker Front Office**

Traditionally, the interaction between clients and SBCs for trading and information purposes is done by phone or fax. However, the Internet and new communication technologies such as wireless applications have dramatically changed the way clients contact or interface with SBCs. This communication shift has a great impact on the business and IT strategies of SBCs.

Using the Internet and client server and wireless technologies, the magnitude of the trading or front office operations is no longer determined by the number of dealers or remisiers physically working in a SBC. With these technological advancements, there is a growing trend for customers to execute trades independently and interface directly with the SBCs without going through intermediaries.

The Company has developed front office solutions that can enable SBCs to provide new electronic channels for customers to obtain information, make enquiries, and execute and track trade orders.

4.0 INFORMATION ON EXCEL FORCE MSC (Cont'd)

The CyberBroker Front Office suite of solutions comprises the following:

(a) Public Display System

The “CyberBroker” Public Display System is a system that provides, among others, real-time stock quotations, market news and market indices for public viewing. A public display gallery enables customers to gain access to market information and is relatively more effective than computer terminals as information can be visually broadcast to a mass audience instantaneously. There is a continuing demand for public display systems as more branches are being opened by UBs throughout Malaysia.

The “CyberBroker” Public Display System comprises the following range of products:

- Excel TV Wall System
- ILD System
- StockVision TV Wall System
- StockVision BillBoard System
- StockVision Display Board System
- StockVision LCD System
- StockVision Projector System

Differentiation of the above products is mainly in terms of display medium, product features and pricing. The above products use various display mediums that include plasma TVs, high resolution monitors, LCD monitors, projection TVs and LED boards. Audio systems creating multimedia effects can be incorporated into the systems to provide special audio and visual features.

The “CyberBroker” Public Display System is modular in design and can be customised depending on requirements and budget. With the wide range in terms of product designs, features and format configurations, SBC clients will have the flexibility to choose, change or upgrade their systems conveniently.

The Public Display System uses a software engine that manages real-time data feeds from multiple information sources such as Bursa Securities, MASA, SET and Bursa Derivatives. The software also enables publishing of other information via the Internet or WAN within a centrally controlled environment.

Data and information that can be displayed include the following:

- Real-time data on stocks availability, price quotes, trade done statistics and analyses, etc.
- Market summary
- Market Indices (in figures)
- Indices chart
- Historical trade data
- News, announcements, research reports, etc.

4.0 INFORMATION ON EXCEL FORCE MSC (Cont'd)

(b) Electronic Trading System

The "CyberBroker" Electronic Trading System provides customers of SBCs with intelligent information and decision making tools for the purpose of trade order execution. This system comprises the following application solutions - CyberStock ECOS, CyberStock Web ECOS, CyberStock EDS and CyberStock Mobile Trader.

CyberStock ECOS and CyberStock Web ECOS

CyberStock ECOS and CyberStock Web ECOS are two variations of the front-end electronic client ordering system that were developed using different technologies. These applications enable customers of SBCs to obtain real-time market information and to execute and track trade orders through the Internet or via telephone line connections to the SBCs.

Unique features of the above systems include customisable screens, search capabilities, stock analyses, decision making tools and alert functions.

CyberStock EDS

CyberStock EDS is a share trading system that caters for investment and commercial banks that operate as exempt dealers. This system enables the banks to provide electronic share trading services to their customers in collaboration with SBCs. By using this system, a SBC that is part of a banking group can cross-sell its services to the customers of the banking unit. Customers can open stock trading accounts via the bank and trade on the stocks inside the bank premises.

With the CyberStock EDS, customers can access information provided by SBCs through banks.

CyberStock EDS links up the bank branches to its head office which in turn connects to the SBC. CyberStock EDS can also enable a SBC to link up to multiple banks. Likewise, a bank can use the system to link up with multiple SBCs to enhance its stock trading services to its customers.

CyberStock Mobile Trader

CyberStock Mobile Trader is a system that enables the use of PDAs and mobile phones to access to stock market information and to carry out share trading. This system has similar features contained in the CyberStock ECOS System described above.

To operate this system, a customer has to connect his or her PDA or mobile phone to the SBC via the Internet using wireless technologies such as WiFi or GPRS.

This wireless solution provides SBCs and their customers a secure automated platform for conducting real-time stock trading activities. The customers are able to remotely access real-time stock market information and conduct trading activities from their PDAs or mobile phones.

4.0 INFORMATION ON EXCEL FORCE MSC (Cont'd)

(c) Client Information System

The Client Information System comprises a suite of software modules that enable SBCs to disseminate critical market information and to enhance interaction with their clients. The Client Information System comprises the following modules:

StockAlert System

The Stock Alert System provides automatic alert information in various forms – stock quotes, order status, stock order match confirmation, stock index level, settlement due dates, etc. This intelligent alert system supports a trigger-response dialogue based on business rules defined by the customer, dealer or the management of the SBC. The information can be programmed and sent automatically to the party as and when the set parameters are achieved. These critical information can be sent through various channels.

The system would reduce the burden of dealing with client enquiries and enable dealers to spend their time on other value-added services such as provision of investment advice.

News Reader

The News Reader System enables information such as news, research reports and announcements to be searched, read and forwarded to clients. The system provides a user friendly search engine and enables the user to search for information by using key words. News feeds can be procured from news agencies such as Dow Jones, Bernama, Reuters and Standard & Poor.

The application would enable SBCs to send the latest updates on market developments to their customers. This system can be integrated with the CyberStock Web ECOS and CyberStock ECOS to enable the customers of the SBCs to gain access to the news agencies via their PCs. Presently, the News Reader System has been successfully configured to link to Dow Jones, AFX, Bursa Securities and Bernama.

Portfolio Management System

The Portfolio Management System is a system tool that enables an investor or SBCs' client to monitor and manage his or her portfolio of share investments. With this system, the user can view information and analyses of his or her share portfolio that include stock balances, purchase prices, mark-to-market valuations, past trading history, outstanding balances due to/from SBCs and settlement due dates.

MyMessenger

MyMessenger is a communication tool that provides instant messaging (i.e. online chat) via PCs through the Internet. This tool works on a similar concept that is used by public applications such as MSN Messenger and Yahoo! Messenger. This system enables a defined group or community to interact with one another or on a group basis online. In a stockbroking environment, this system enables dealers to communicate with their clients on their PCs through the Internet. Similarly, it can also enable the management and employees of an SBC to communicate using text via an Intranet facility. This tool can be upgraded to facilitate discussion group forums in the form of chatrooms thereby enabling different users to communicate simultaneously.

4.0 INFORMATION ON EXCEL FORCE MSC (Cont'd)

(ii) CyberBroker Middle Office

The CyberBroker Middle Office comprises a suite of information access and decision support systems ("DSS") that empower users with the ability to query and analyse information.

The CyberBroker Middle Office comprises the following modules:

- Trader Information System (TIS)
- Management Information Reporting System (MIRS)
- Online Risk Management System (ORMS)
- Client Relationship Management System (CRMS)

The Company has completed the development of the TIS. The MIRS, ORMS and CRMS solutions are targeted to be developed by 2005. Each module in the CyberBroker Middle Office can be implemented individually.

TIS

The TIS is an information system that provides news, announcements, research reports and trading and accounting reports to dealers and remisiers in a SBC. The TIS together with the Front Office Systems such as News Reader, MyMessenger and StockAlert system provide the electronic information infrastructure that enable dealers and remisiers to interface with their clients and manage their trading positions and trade settlement effectively.

The following information is readily available to traders through their PCs (via a browser interface):

- (i) Document Publishing - This includes internal memos, Bursa Securities related documents such as Bursa Securities circulars, or any documents that management want the remisiers and dealers to have access to;
- (ii) Research Reports – This feature enables remisiers and dealers to have access to the research teams' reports, enabling remisiers and dealers to have updated analysis of the listed companies, industry performance and general economy;
- (iii) Trader Reports - These are reports based on the data files uploaded from the Back Office System such as Business Done by Remisier report, Clients' Outstanding Position report, Daily Contra Balance by Remisier report, Daily Contra Financing report, Daily Outstanding Purchase Contract Due for Settlement report, Selling Out Listing report; and
- (iv) Trader Information Enquiry – Various types of reports that can be customised are available to help the remisiers and dealers to manage client's portfolio more effectively. This system provides reports which feature user-defined sort, search and retrieval functionality.

A summary description of other modules in the CyberBroker Middle Office is available under Section 4.3.7 of this Prospectus.

4.0 INFORMATION ON EXCEL FORCE MSC (Cont'd)

(iii) CyberBroker Back Office

The CyberBroker Back Office System comprises modules that support the entire back office operations of a SBC. The modules include the following:

- Master File Maintenance
- Trade Processing
- Settlement Processing
- Front Desk Management
- Margin Financing
- Collateral Management
- Bad Debt Management
- BFE-BOS Interface
- Accounting System
- HRMS

The modules form the backbone of the back office operations encompassing trade processing, credit control, settlement, finance and accounting and margin financing. The system is interlinked with the middle and front office systems as a key component of the straight through processing ("STP") capability of the SBC.

StockBanking System

The StockBanking System is a share trading system designed for banks to enable their clients to conduct stock trading transactions at their branches. The system comprises two (2) modules - CyberStock Web EDS and Share Margin Financing System. The CyberStock Web EDS is used at the bank branches where they can place orders via SBCs for their customers. The system also enables a bank branch to interface with its retail system for credit management purposes. The Share Margin Financing System enables the bank to operate and manage its margin financing services.

Message Based Middleware System (MBMS)

MBMS is a middleware that connects the WinSCORE server to the back office system of a SBC. It helps SBCs to integrate diverse applications, technologies and platforms and facilitates application development.

MBMS enables the back office system to interact with the WinSCORE server using TCP/IP as a communication method and also supports connection with multiple WinSCORE servers.

The benefits of MBMS include the following:

- Effective connection medium between a WinSCORE server and back office systems;
- Reduction of data exchange time and data loading;
- Ability to log all communications; and
- Facilitates connections of applications other than back office systems to WinSCORE servers.

4.0 INFORMATION ON EXCEL FORCE MSC (Cont'd)

4.3.1.2 Excel Force MSC's Services

Excel Force MSC provides the following services:

(i) Software design, development, customisation and implementation

The Company builds on its proprietary software products and expertise in the provision of design and development services to SBC clients. Such services mainly comprise customisation of its products to cater for the business objectives, user requirements and IT infrastructure of its clients. The Company undertakes development projects in situations where the solution is not available from its existing product range. In designing new applications, the Company focus on creating efficiency and effectiveness and ensuring that they meet user requirements.

(ii) Software maintenance

The Company provides contractual maintenance services for all its products sold to SBC and bank clients. The service is normally provided after the completion of project implementation and/or expiry of the warranty period. Contractual terms vary in accordance with the maintenance requirements of the product or project and the needs of the respective clients. The Company maintains a comprehensive system of logs on all maintenance activities and service requests. The Company sets exacting standards on service quality in terms of problem diagnosis and response and turnaround time.

(iii) Software training

The Company provides technical and user training as part of its product services. Training is normally provided after successful installation and testing of the software systems. As part of the process, the Company actively seeks feedback on the design and performance of its products for purpose of rectification and future enhancement.

(iv) Provision of Outsourcing Services for IT Facility & Management via ASP

Besides developing and marketing its proprietary products, the Company undertakes outsourcing contracts for clients using the ASP business model. Outsourcing involves taking over the responsibility for the management and operations of the entire IT infrastructure including computers, network and people of the client. As an ASP, the Company manages and distributes its software applications and services to its clients vide a wide area network from a data control centre.

The Company has leased a data centre facility at Cyberjaya to host the ASP facilities and applications. Clients are given access to a selection or all the applications available from Excel Force MSC under a licencing arrangement. Clients are charged a fixed monthly licence fee for the following maintenance services:

- (a) System administration
- (b) Network management services
- (c) 24-hour managed firewall services
- (d) 24-hour servers and application monitoring services
- (e) Network monitoring
- (f) Bandwidth utilisation monitoring
- (g) Support and maintenance

Usage of the applications is charged on a transaction basis that commensurate with the level of business activities of the clients.

4.0 INFORMATION ON EXCEL FORCE MSC (Cont'd)

Under the arrangement, the clients would have access to a comprehensive suite of software products without having to invest into the computer systems and facilities. Also, the clients will also be able to outsource the internal software development and maintenance burden. The ASP model is cost effective as fees charged are activity-based and this compares favourably with the burden of fixed overheads that are associated with an in-house IT facility.

4.3.2 Capabilities on Applications of Technologies

Excel Force MSC has the following capabilities in terms of applying various technologies in its product development:

- (i) to use Internet, client server and wireless technologies to provide fast speed real-time information at low bandwidths. This ability is key to the stockbroking industry that requires time critical information such as price feeds, instant messaging, information analysis and charts at fast speeds. The Company is able to harness the Internet, client server and wireless technologies in its application solutions. This capability gives the Company a competitive edge as it is able to deliver real-time information at very low bandwidths with high data integrity and reliability;
- (ii) to optimise the data formatting process to run solutions on real-time;
- (iii) to optimise the network architecture and programming to run real-time or near real-time application solutions. A key feature of this know-how is the ability to design solutions using a reliable and cost efficient network architecture; and
- (iv) to incorporate system security such as firewalls, intrusion detection systems and encryption technologies in its application solutions for access and authentication control;
- (v) to design and develop its software applications with graphical user interfaces that enable users to manipulate information and launch applications through the use of icons, pull-down menus and dialog boxes on the screen. These include drill down features that enable users to obtain underlying source data at various levels and to present them in graphical or other formats. This user friendly feature enables users to interact with the software applications with minimum training and it also increases productivity significantly.

The R&D team of Excel Force MSC presently utilises the following technological platforms 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#

4.0 INFORMATION ON EXCEL FORCE MSC (Cont'd)

4.3.3 Intellectual Property Rights

On 1 July 2003, Excel Force MSC entered into a Deed of Assignment of Copyrights with Exacta, a company incorporated in the British Virgin Islands which is beneficially owned by Jeff Wang, whereby Excel Force MSC acquired the entire copyrights to the following solutions owned by Exacta for a cash consideration of RM1.0 million:

- (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
- (viii) MBMS.

The acquisition of the copyrights to the abovementioned solutions would serve the following objectives:

- (i) Conflict of interests is prevented once the copyrights are acquired. Pursuant to the assignment of copyrights to the Company, there would not be any rights to the copyrights accruing to Jeff Wang. The Company would not require any approval from Jeff Wang on any matters affecting the copyrights after the assignment; and
- (ii) Ownership of copyrights would enable the Company to benefit fully from the revenue and cashflow streams to be derived from the solutions.

The solutions are valued at a consideration of RM1.0 million on a willing-buyer willing-seller basis based on a discount of 73% over the average revenue for the three (3) years ended 31 December 2002.

The revenue derived from the solutions for the three (3) financial years ended 31 December 2002 are as follows:

	RM'000
FYE2000 (EFSB only)	3,778
FYE2001 (EFSB only)	3,671
FYE2002 (EFSB and Excel Force MSC combined)	3,595
Total	<u>11,044</u>
 Average revenue per year	 3,681
Purchase consideration	1,000
Discount over average revenue per year	2,681
% discount	73%

4.0 INFORMATION ON EXCEL FORCE MSC (Cont'd)

The Copyright Act, 1987 of Malaysia gives protection to copyright holders and determines the type of inventions which are eligible to be granted the copyright rights, the criteria of the eligibilities, scope and the period of protection. There is currently no system of registration of copyrights in Malaysia. Hence, the copyrights to all current applications solutions mentioned above are beneficially owned by Excel Force MSC. Excel Force MSC has also stated in its employment letters that the solutions developed by its employees in their course of employment would be deemed transferred to and owned by the Company.

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 two (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.

4.3.4 Operating Mechanisms

An application solutions provider needs to have a combination of strong technical development skills and in-depth knowledge of the industry as a pre-requisite for which the application solutions are intended to be applied. The management of the Company possesses specialist skills with experience across a broad range of IT fields including Internet technologies, middleware integration technologies, hardware, communication technologies, system security, network infrastructure and programming.

Prior to the commencement of R&D on a new module or application solution, Excel Force MSC obtains product requirements and feedback from existing and potential customers. With such market research data, Excel Force MSC would then formulate a software development plan. Upon completion of the application solution development and satisfactory testing of the product, Excel Force MSC would conduct product demonstrations to educate SBCs on the new application solutions.

4.3.5 Market Coverage, Position and Share

(i) Target Customers

The primary customers of Excel Force are SBCs and financial institutions. The framework of the capital markets as specified in the CMP envisages the consolidation of SBCs into larger enterprises where they are able to compete with the advent of globalisation and market liberalisation. In the consolidation exercise to date, the total of sixty-five (65) SBCs have been consolidated to thirty-six (36). Although their number has decreased, SBCs are stronger in terms of capital and resources. They also have larger geographical coverage through opening of branches throughout the country.

With the merger and consolidation activities within the stockbroking industry, more efficient integrated solutions have become more affordable to many of the SBCs. Not only are these solutions becoming more affordable but they are becoming more of a necessity in order to reduce operating costs in the wake of competition.

The Company also targets banks working in collaboration with SBCs to provide electronic share trading services to the banks' customers. This approach serves the needs of banks which want to provide additional services to their customers vis-à-vis share trading activities.

4.0 INFORMATION ON EXCEL FORCE MSC (Cont'd)

The Company intends to aggressively venture into the overseas market once the STP-enabled CyberBroker suite of solutions is successfully implemented in Malaysia in FYE 2004.

(ii) Client Base

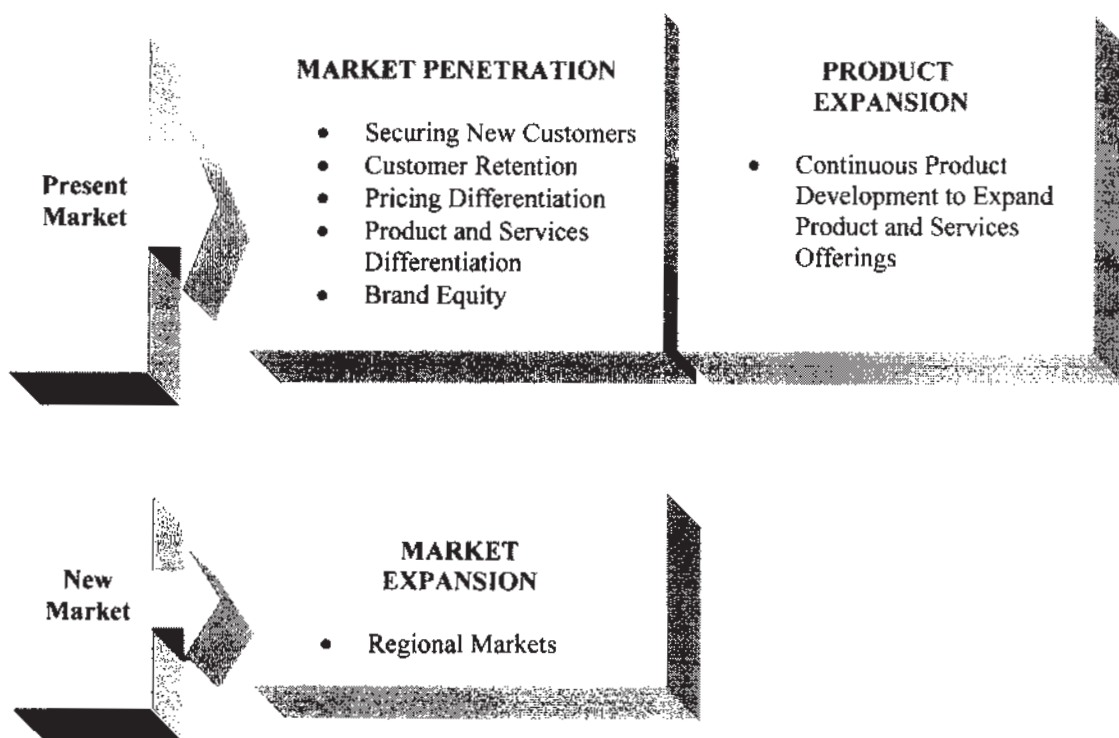
As at 17 November 2004, a total of twenty-five (25) SBCs and six (6) banks are using the Company's public display galleries, and a total of twelve (12) SBCs and four (4) banks are using its electronic client ordering solutions, i.e. Internet stock trading systems.

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.

4.3.6 Modes of Marketing/Distribution and Principal Markets

With a comprehensive product offering and with its provision of IT facility management and outsourcing services via its ASP model, the Company's overall marketing strategy entails offering IT services to its SBC clients.

In order to generate growth in revenues, the marketing strategy of Excel Force MSC can be broadly illustrated as follows:



4.0 INFORMATION ON EXCEL FORCE MSC (Cont'd)

4.3.6.1 Marketing Strategy

(i) Securing New Customers

Excel Force MSC secures new customers by providing technologically advanced solutions at cost-effective prices. The Company markets its solutions by providing its customers with the choice of either procuring its applications solutions on a full licensing basis or on an ASP basis. Customers are secured via direct marketing and indirect marketing efforts.

The Company also posts its product information on its website www.excelforce.com.my, providing information to potential customers worldwide.

(ii) Customer Retention

The Company views customer retention as an important aspect of its marketing strategy as it obtains repeated sales from its existing customer base due to a strong relationship with its customers. The Directors of the Company are of the view that in order to generate repeat sales from existing customers, the Company would have to start linking customers with reputable products and services upfront. The Company also keeps its customers informed of new product development or enhancements in order to generate repeat customers.

(iii) Price Differentiation

Excel Force MSC is able to price its products competitively due to its low overheads, its focus on the stockbroking industry and continuous market-driven R&D on products. The Company is able to develop comprehensive features for its stockbroking solutions at lower costs compared to stockbroking solutions which are developed overseas.

(iv) Products and Services Differentiation

With the price of application solutions becoming more competitive, the management of Excel Force MSC has taken steps to move towards product differentiation. The R&D team constantly looks into various ways to develop products which are cost effective yet technologically advanced.

In view of the recent steps by SBCs to reduce operating costs, the Company has quickly responded to the changing market environment by offering its ASP services. With its provision of IT facility management and outsourcing services via its ASP model, the Company provides IT solutions to its SBC clients, alleviating them from the need to worry about their IT operations. Hence, SBCs can outsource their IT needs to the Company so that they can focus their resources on customer acquisition and retention, along with the development of other value added services.

(v) Brand Equity

Another component of the Company's market penetration strategy is to develop a sustainable competitive advantage in the name of "ExcelForce" and the "CyberBroker", "StockVision", "StockBanking" and "CyberStock" brandnames. The management of Excel Force MSC intends to build up the reputation of these brandnames with the provision of technologically advanced and reliable solutions and excellent services. Excel Force MSC hopes to leverage on its brand names to build brand equity for other products and services that the Company would eventually offer.

4.0 INFORMATION ON EXCEL FORCE MSC (Cont'd)

4.3.6.2 Market Expansion

The Directors believe that with a stockbroking solution built on STP, the Company stands in good stead to penetrate the overseas markets, especially in the South East Asian region. Few industry players in South East Asia are capable of developing integrated STP-enabled stockbroking solutions as it requires a comprehensive understanding of stockbroking operations and proprietary technological know-how.

The Company intends to expand into the overseas markets pursuant after its listing on the MESDAQ Market. The Directors intend to conduct market research and identify potential technological partners in the respective markets prior to setting up branch offices or overseas subsidiary companies. The Company intends to identify technological partners who have in-depth knowledge on the respective market's stockbroking industry, regulatory requirements, working culture and competition.

Excel Force MSC currently has customers in Thailand and Singapore. As a testimony of its geographical market expansion, the Company has secured a contract to install its CyberStock ECOS at Kim Eng Securities (Thailand) PLC, a SBC in Thailand in November 2003. Kim Eng Securities (Thailand) PLC is currently the largest stockbroking firm in Thailand, based on the number of transactions that it conducts.

4.3.6.3 Product Expansion

The Company's marketing strategies are also closely linked to the following:

(i) Product Development

The Board of Excel Force MSC places great emphasis on the development of cost-competitive software solutions in timely response to the rapid technological changes and changing needs of customers. Please refer to Section 4.3.7 of this Prospectus for more details on the product development plans of the Company. Product development would entail improvements to existing solutions and expansion of the Company's product line. The Company's strategy would be to improve existing solutions with new features and promote these new upgrades to existing customers.

(ii) Expansion of Product Line

The venture into the middle and back office solutions market is in itself a testament of the Company's intention to continually move ahead to capture more market share and strengthen its position as a total solutions provider for the stockbroking industry.

As stockbroking operations become more streamlined, efficient, automated and stringent, Excel Force MSC intends to continue in the expansion of innovative value adding products to improve its revenue base. Please refer to Section 4.3.9 of this Prospectus for the R&D plans of Excel Force MSC.

4.0 INFORMATION ON EXCEL FORCE MSC (Cont'd)

4.3.6.4 Diversification

With its experience in the development of mission critical and real-time application solutions, Excel Force MSC intends to venture into providing solutions to other related sectors of the financial services industry such as unit trusts, asset management, insurance investments, etc. The Company, for the initial few years after its listing, intends to concentrate and build on its existing core application solutions for the stockbroking industry. Thereafter, after building a strong foothold and a reputation in its target market, Excel Force MSC believes that it would then have a higher chance of success when venturing into any diversification of markets. With new markets, Excel Force MSC would have more opportunities for revenue improvements. The Company believes that it can diversify into developing solutions for other industries with its technical strengths and proven history. For example, the Company could customise its accounting, human resource management, customer relationship management and electronic payment gateway modules once these solutions are developed, for further commercialisation and sale to other industries such as manufacturing, banking, services and trading.

4.3.7 Product Development Plans

The Company's immediate product development plans are to complete the development of its middle and back office solutions for SBCs which are expected to be completed by 2005. The middle office solution would entail the completion of the following solutions:

- (i) MIRS - a business information and decision support solution that provides a thorough view of SBCs' enterprise performance, providing information for decision making for all levels of management within the organisation;
- (ii) ORMS - a system that offers a risk management solution to enable SBCs to measure and manage risks in a more quantified way; and
- (iii) CRMS - a system that would enable the SBC's customers to use a 'one-stop' service centre without referring to the remisers and dealers for information.

The Company's back office solutions consist of a comprehensive system to manage the back office of a SBC. The remaining module of the back office solution to be completed is the HRMS. The HRMS is a human resource management system which incorporates a time attendance system, payroll management system and a knowledge database on a company's human resource policies and guidelines.

The Company's next focus would be localising the CyberBroker suite of solutions to suit other markets in the South East Asian region, in particular Thailand and Indonesia. Please refer to Section 4.3.9 of this Prospectus for the Company's R&D strategies and Section 10 of this Prospectus for a summary of the five (5)-year business development plan of the Company.

4.3.8 Quality Control Procedures

To ensure that the application solutions developed by the Company meet the respective requirements of its customers, the Company conducts design reviews by comparing design specifications against customers' requirements. These ongoing reviews and checks are achieved through regular in-house meetings between the technical team and customers in relation to system requirements.

The Company's testing and quality control elements conducted at this stage are twofold:

- (i) Development of Unit Test Plan, which covers the following:
 - Review of modular code
 - Testing of component modules to functional specification
 - Identifying anomalies to functional specification
 - Modifying code
 - Re-testing modified code

4.0 INFORMATION ON EXCEL FORCE MSC (Cont'd)

(ii) Development of Integration Test Plan, which covers the following:

- Testing module integration
- Identifying anomalies to functional specification
- Modifying code
- Re-testing modified code

The Company's project team would then test the customised application solution thoroughly to ensure that it is free from defects, when integrated with other system components and/or sub-modules. After internal testing, the system is installed at the customer's premises for a site acceptance test. The site acceptance test is conducted on site to ensure that the developed system, functions and operates without any disruption, error or data integrity problems. Any system defect detected during the internal and site acceptance tests will be resolved and re-tested.

This stage would involve testing on a simulated environment by end-users of the system. The process normally includes the following:

- Identifying test group
- Developing software delivery mechanism
- Installing/deploying software
- Obtaining user feedback
- Evaluating testing information
- Developing user acceptant test plan
- Conducting user acceptant test
- Reviewing user acceptant test result

4.3.9 R&D

The core business of Excel Force MSC is the development and sale of application solutions for the financial industry. Hence, the business of the Company is highly dependent on its continuous R&D initiatives. The Company's R&D work is predominantly market-driven.

Furthermore, the Board of Excel Force MSC believes that an application solutions provider needs to have a combination of strong technical development skills and in-depth knowledge of the industry as a pre-requisite for which the application solutions are intended to be applied. Therefore, it is the policy of Excel Force MSC to stay competitive by consistently investing and engaging in R&D activities. The constant changes in technology, product innovation and market demands require that Excel Force MSC anticipates and takes conscious steps in benchmarking its products and technological developments against the local and international industry standards.

As at 17 November 2004 (being the latest practicable date prior to the registration of this Prospectus), Excel Force MSC's R&D team comprises fifteen (15) staff and is headed by Mr Tan Beng Watt. The R&D team consists of software engineers and programmers of various experiences and strengths, the profiles of whom are included in Section 6.5 of this Prospectus. The R&D team is experienced in system design, software programming, system analysis and testing.

The current R&D facilities of Excel Force MSC include a R&D room for the design and testing of new public display systems and workstations for the R&D staff to develop new application solutions.

4.0 INFORMATION ON EXCEL FORCE MSC (Cont'd)

The key R&D policies of Excel Force MSC are as follows:

(i) Focus on Area of Development Strength

Excel Force MSC's core competency is in the development of mission critical application solutions for the stockbroking industry, where it has strong domain knowledge.

Armed with a good knowledge of the South East Asian and Taiwanese stockbroking operations, and technological knowledge in mission critical solutions, Excel Force MSC has commenced development of an integrated STP solution for the front, middle and back office for the stockbroking industry, which is expected to be completed by 2005. The Company's next R&D focus would be localising the CyberBroker suite of solutions to suit other markets in the South East Asian region, in particular Thailand, Singapore and Indonesia.

The Company's R&D strategy focuses on moving up the value chain by first providing value-added front office applications and then progressing towards an enterprise-wide STP application solution for the stockbroking industry. The Directors currently strategically position Excel Force MSC as a "one-stop" solutions provider for SBCs, prior to branching out to develop other application solutions for the financial services industry.

(ii) Strengthening R&D Resources

Excel Force MSC intends to employ additional experienced R&D staff to strengthen its R&D resources. This would enable Excel Force MSC to further enhance its ability to develop new products and shorten the product development cycle and hence increase the speed of introducing its products to the market.

(iii) Keeping Abreast with New Development Tools and Technical Knowledge

Excel Force MSC's R&D team constantly keeps abreast with new releases of development tools and development languages to take advantage of the features available in the latest development tool. Excel Force MSC believes that it has to continuously redevelop and update its application solutions to incorporate new developments in system design, programming and development tools and database management. As such, Excel Force MSC would invest in new development tools and hardware when required to ensure its products remain competitive.

Excel Force MSC's management also believes in equipping their R&D team with technological knowledge and sponsors the R&D team members for training and certification courses for their individual development. Please refer to Section 4.3.11 of this Prospectus for more information on the training and certification courses attended by the Company's employees. To-date, five (5) of its R&D team members have obtained the MCSD certification.

(iv) Collaboration with Other Software Developers

Excel Force MSC intends to collaborate with other application software or system developers to localise and customise the CyberBroker range of application solutions for the international market. Excel Force MSC believes that such collaboration may be necessary as Excel Force MSC's products need to be customised to meet the requirements of the overseas market or to enhance the existing features of the software.

4.0 INFORMATION ON EXCEL FORCE MSC (Cont'd)

The following is a brief analysis on the amount spent on R&D by Excel Force MSC since its incorporation on 6 February 2002. The analysis provides a comparison on the amount spent on R&D as a percentage of revenue.

	Financial period from 6 February 2002 to 31 December 2002	FYE 31 December 2003	Six (6) months period ended 30 June 2004
	RM'000	RM'000	RM'000
R&D expenditure	310	725	522
Total revenue	2,220	3,249	1,768
R&D expenditure as a percentage of revenue	14.0%	22.3%	29.5%

Note:

R&D expenditure consists of salaries for R&D staff and purchases of computer hardware and software.

The Company also intends to enhance its R&D methodology by using the Unified Modeling Language which is the industry-standard language for specifying, visualising, constructing, and documenting the artifacts of software systems. It simplifies the complex process of software design, making a "blueprint" for construction. Developing a model for a software system prior to its construction or improvement is essential for communication among project teams and to ensure architectural soundness.

As the IT industry is vulnerable to rapid changes, the R&D plans disclosed herein may change depending on factors such as market demand/requirement, emergence and adoption of new technology such as new development tools, database and internet technologies and regulatory changes. Hence, the Company may accelerate or defer the R&D plans stated herein in response to changes in its business and technological environment.

4.3.10 Interruptions in Operations

There has been no interruption to Excel Force MSC's business or operations in the past twelve (12) months up to 17 November 2004 (being the latest practicable date prior to the registration of this Prospectus).

4.3.11 Information on Employees

As at 17 November 2004 (being the latest practicable date prior to the registration of this Prospectus), Excel Force MSC has twenty-seven (27) full-time staff employed in the following capacity:

Category	Number of employees	Average number of years of service*
Executive Directors	3	10
Managerial	2	5
Technical and supervisory	20	2
Administrative	2	3
Total	27	

Note:

* *Inclusive of employment with EFSB*

4.0 INFORMATION ON EXCEL FORCE MSC (Cont'd)

With the funds raised from the Public Issue, Excel Force MSC will be able to strengthen its management team and increase the number of knowledge workers that it employs.

Excel Force MSC currently provides staff training via external and in-house conducted training sessions and on-the-job training. Excel Force MSC's management believes in equipping their R&D team with technological knowledge and sponsors the R&D team members for training and certification courses such as MCSD, MCSE (Microsoft Certified Systems Engineer), MCDBA (Microsoft Certified Database Administrator), SCJP (Sun Certified Java Programmer), CCNP (Cisco Certificate Network Professional) and CCNA (Cisco Certificate Network Associate), for their individual development. To-date, five (5) of its R&D team members have obtained the MCSD certification.

The employees of Excel Force MSC do not belong to any labour union and enjoy a cordial relationship with the management. There is and has been no labour or industrial dispute between the employees and the management.

4.3.12 Key Milestones

The key milestones of Excel Force MSC are as follows:

YEAR	EVENTS
2001	Excel Force MSC obtained its MSC status approval from the MDC on 31 December 2001.
2002	Excel Force MSC was incorporated on 6 February 2002. On 16 May 2002, the Company commenced business operations. On 2 May 2002, Excel Force MSC entered into a Licencing Agreement with Jeff Wang whereby Jeff Wang licensed the right to use and market the StockBroking Application Solutions mentioned in Section 1.1 to Excel Force MSC for a cash consideration of RM100. Excel Force MSC secured a contract from a SBC for the deployment of a STP-enabled front, middle and back office solution in October 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.
2003	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 mentioned in Section 1.1 of this Prospectus owned by Exacta for a cash consideration of RM1.0 million. The Company secured a contract to install the CyberStock Web ECOS for a SBC in Thailand in November 2003. The localisation process of the CyberStock Web ECOS is the first phase of the Company's customisation of the CyberBroker suite of solutions to cater for the Thai stock market. The Company completed the development of the CyberStock Mobile Trader – PDA Version, an application that allows users mobile access to the CyberStock ECOS using wireless technologies in October 2003.

4.0 INFORMATION ON EXCEL FORCE MSC (Cont'd)

YEAR	EVENTS
2004	In February and March of 2004, the Company secured contracts for its StockVision LCD System with two (2) SBCs. In February 2004, the Company signed a contract with a SBC for the CyberStock ECOS system on an ASP basis. In March 2004, the Company secured a contract with a commercial bank to work on a new system called the StockBanking System that is specially designed for banks to enable stock trading transactions through their respective network of branches. In June and August of 2004, the Company secured 2 SBC customers for its CyberStock Web ECOS and middleware system. The CyberStock Mobile Trader has been enhanced and developed to allow the application to run on various models of mobile phones.

4.3.13 Operating Capacities and Output

As Excel Force MSC develops and markets application solutions, there is no limitation in terms of its operating capacities and output. Upon completion of the development process, the application solution can be duplicated in its entirety or customised to suit each client's requirements. The implementation and customisation process is done by its R&D and implementation team. Hence, the Company only needs to employ additional staff to meet any increase in demand for its products and services.

4.3.14 Principal Place of Business and Principal Assets

Excel Force MSC's operations and principal assets are currently situated at its headquarters and marketing office at Pusat Dagangan Phileo Damansara II, 611, Block B, No. 15, Jalan 16/11, Off Jalan Damansara, 46350 Petaling Jaya, Selangor Darul Ehsan and its R&D and data centre is situated at Lot G-06, Block 2310, Century Square, 63000 Cyberjaya.

4.3.15 Exceptional Factors Affecting the Business

Save for the risk factors highlighted in Section 3 of this Prospectus, Excel Force MSC does not foresee any exceptional factors, which may affect the business of Excel Force MSC.

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4.0 INFORMATION ON EXCEL FORCE MSC (Cont'd)

4.3.16 Major Customers

The business of Excel Force MSC is on a project basis and its projects vary in value from time to time. The Company's customer base as at 17 November 2004 (being the latest practicable date prior to the registration of this Prospectus) comprise twenty-five (25) SBCs and six (6) banks in Malaysia and one (1) SBC each in Thailand and Singapore. The top ten customers of Excel Force MSC for the financial year ended 31 December 2003 were as follows:

Customers	% of revenue for FYE 31 December 2003	Length of relationship (years)*
OSK Securities Berhad	36.3	6.5
A.A. Anthony Securities Sdn Bhd	15.2	9.6
Kim Eng Securities (Thailand) Plc	9.1	0.1
HLG Securities Sdn Bhd	7.3	9.2
K&N Kenanga Berhad	6.2	9.3
RHB Securities Sdn Bhd	5.1	7.2
Affin Securities Sdn Bhd	4.9	9.8
AM Securities Sdn Bhd	2.7	9.7
KL City Securities Sdn Bhd	2.7	9.5
Leong & Co. Sdn Bhd	1.7	1.6
Total	91.2	

Note:

* Includes length of business relationship with EFSB

OSK Securities Berhad is one of the biggest UBs in Malaysia, with a network of twelve (12) main branches and forty-seven (47) EAF-PA in Malaysia.

A.A. Anthony Securities Sdn Bhd is a SBC with its head office situated in Johor Bahru and a branch in Penang. This SBC started as a customer for Excel Force MSC's StockVision TV Wall System.

Excel Force MSC is not overly reliant on any single customer for future business as it secures new contracts each year from SBCs and banks in its target markets.

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4.0 INFORMATION ON EXCEL FORCE MSC (Cont'd)

4.3.17 Types, Sources, Availability of Raw Materials/Input and Major Suppliers

As Excel Force MSC's software solutions are proprietary and developed in-house, the Company does not have any supplier for its software solutions. Excel Force MSC, however, procures the necessary hardware required to complement its software solutions from major vendors. Major hardware used in its solutions are servers, desktop computers, large size monitors and LCD panels.

The top ten suppliers to Excel Force MSC for the financial year ended 31 December 2003 were as follows:

Suppliers	Country of origin	% of total purchases for FYE 31 December 2003	Length of relationship (years)*
Albatron Electronics Co. Ltd	Taiwan	65.6	5.5
Dell Asia Pacific Sdn Bhd	Malaysia	21.7	5.4
Sun Home Information Co. Ltd	Taiwan	3.3	3.6
Sri Computers Sdn Bhd	Malaysia	2.5	1.0
Astra Communication Corporation	Malaysia	2.4	3.7
ECS Pericomp Sdn Bhd	Malaysia	1.0	3.9
Servex (M) Sdn Bhd	Malaysia	0.7	5.6
Silicon Electronics Sdn Bhd	Malaysia	0.7	5.1
ECS Astar Sdn Bhd	Malaysia	0.4	0.2
Palwin Technology Inc.	Taiwan	0.4	0.4
Total		98.7	

Note:

* Includes length of business relationship with EFSB

Albatron Electronics Co. Ltd, a Taiwan-based corporation, is a manufacturer of high technology products such as computer mainboards, wireless products and image display equipment. Excel Force MSC procures its supply of display monitors and display panels from Albatron Electronics Co. Ltd.

Dell Asia Pacific Sdn Bhd is a business unit of Dell, Inc. which is a leading global provider of products and services for building information-technology and Internet infrastructures. Excel Force MSC procures servers and desktop computers mainly from Dell Asia Pacific Sdn Bhd.

Excel Force MSC is not overly reliant on any of the abovementioned suppliers as there are other suppliers in the market capable of supplying the hardware required by Excel Force MSC.

4.4 Information on Subsidiaries

Excel Force MSC does not have any subsidiary or associated companies.

4.0 INFORMATION ON EXCEL FORCE MSC (Cont'd)

4.5 Properties

The details of property owned by Excel Force MSC as at 17 November 2004 (being the latest practicable date prior to the registration of this Prospectus) are set out below:

Location	Approximate Built-up Area	Description/ Existing Use	Date of issuance of Certificate of Fitness	Tenure	Date of Acquisition	Net book value as at 30.06.2004 (At cost)	Age of building (years)
Pusat Dagangan Philco Damansara II, 611, Block B, No 15, Jalan 16/11, Off Jalan Damansara, 46350 Petaling Jaya, Selangor Darul Ehsan	2,583 sq ft	Office unit	18 July 2000	Freehold	9 February 2004	RM486,680	5

Note:

The Company had entered into a sale and purchase agreement with Affinity Land Sdn Bhd on 15 October 2003 for the purchase of the property described above for a purchase consideration of RM490,770. The acquisition was completed on 9 February 2004.

4.6 MSC Status

The Company obtained its MSC status on 31 December 2001. The salient terms and conditions of the MSC status are as follows:

Excel Force MSC agrees to:

- (i) commence operations of and undertake the MSC qualifying activities as proposed to and accepted by the MDC. The prior written consent of the MSC must be obtained if there are any changes to the qualifying activities;
- (ii) locate the Company's headquarters and principal place of business and/or the operation of the MSC qualifying activities within MSC-designated cybercities;
- (iii) ensure that at all times at least 15% of the total number of employees (excluding support staff) of the Company shall be 'knowledge workers' (as defined by the MDC);
- (iv) continuously comply with the MSC's environmental guidelines as determined by the MDC from time to time;
- (v) submit to the MDC a copy of the Company's annual report and audited statements in parallel with the submission to the ROC; and
- (vi) comply with all such statutory, regulatory and/or licensing requirements as may be applicable.

The MSC status granted to Excel Force MSC shall not be transferable or assignable in any way whatsoever without the written consent of the MDC.

4.0 INFORMATION ON EXCEL FORCE MSC (Cont'd)

The MSC status entitles the Company to the incentives, rights and privileges provided for under the Bill of Guarantees subject to the Company continued adherence to the necessary set of criteria. The clauses of the Bill of Guarantees, inter alia, are as follows:

- (i) To provide a world-class physical and information infrastructure;
- (ii) To allow unrestricted employment of local and foreign knowledge workers;
- (iii) To ensure freedom of ownership by exempting companies with MSC status from local ownership requirements;
- (iv) To give the freedom to source capital globally for MSC infrastructure, and the right to borrow funds globally; and
- (v) To provide competitive financial incentives, including pioneer status (100% tax exemption) for up to ten (10) years or an investment tax allowance for up to five (5) years and no duties on the importation of multimedia equipment.

By virtue of its MSC status, the Company was granted pioneer status under the Promotion of Investments (Amendment) Act 1997, on 16 May 2002 for a period of five (5) years, extendable for another five (5) years.

4.7 Licences and Permits

The operations of the Company currently do not require any specific operating licence or permit.

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5.0 INDUSTRY OVERVIEW

5.1 Overview of the Malaysian Economy

The Malaysian economy accelerated its growth momentum in the first half of 2004, after a strong take-off in 2003, and is expected to surpass earlier expectations with higher growth of 7% for the whole year. Positive signs of a firm economic recovery at the global front, particularly in the first six months as well as higher commodity prices, reinforced the 'feel-good' factor that contributed to further improvements in consumer and business sentiments. Growth has become more broad based with all sectors registering positive growth. Domestic demand, particularly private consumption, continued to sustain growth for five consecutive years, while private investment, which picked up in 2003, became more entrenched, resulting in a private sector-led growth.

The outlook for 2005 will generally remain favourable although global growth is expected to moderate on account of high oil prices, inflationary pressures, interest rate hikes and a probable slowdown in China's economy. The emergence of these risks that became apparent in the second half of 2004 and are expected to continue into 2005, will have a larger impact on growth next year. Global economic growth is projected to moderate to 4.4% in 2005 from 4.6% in 2004. The stronger macroeconomic fundamentals and resilience, backed by sturdy domestic demand and broad-based growth, will however, continue to support Malaysia's GDP growth, forecast at 6% in 2005.

The manufacturing sector, the forerunner in economic activity, will continue to spearhead growth although at a slightly slower pace as the electronics demand tapers in the global semiconductor cycle. The services sector will continue to maintain its largest share 57% in GDP, largely supported by higher consumer spending, growth in tourism, communications and finance activities. The sector is also expected to diversify into new growth areas and export markets including education, health and ICT.

(Source: Economic Report 2004/2005, Ministry of Finance)

5.2 Overview of the Malaysian IT Industry

The IT industry in Malaysia has shown signs of recovery from the economic downturn that has been affecting its performance since the contagion effect spread to the country in 1998. Market billings have stabilised and are expected to grow again in tandem with economic revival in a number of service-centric sectors. The revenue growth for the Malaysian IT industry from 1997 to 2003 are as follows:

Malaysian IT Industry's Domestic Billings

Year	RM' million
1997	5,380
1998	4,840
1999	5,230
2000	5,910
2001	6,501
2002	7,151
2003	7,866

(Source: PIKOM)

5.0 INDUSTRY OVERVIEW (Cont'd)

In the ICT industry, the Multimedia Development Corporation (MDC) gained further ground in its endeavour to make the Multimedia Super Corridor (MSC) a global ICT hub. As at end-August 2004, there were 1,099 MSC status companies, comprising 768 Malaysian-owned, 302 foreign-owned and 29 joint-venture companies. The number of jobs created increased by 17.3%, from about 19,100 jobs in 2003 to 22,300 jobs in 2004, out of which 88% constitute knowledge workers in the fields of software development and programming as well as managerial and technical support in sales, finance and marketing. Currently, there are 65 international world-class companies operating in the MSC. In 2004, total sales from MSC activities is expected to reach RM6.8 billion, of which RM5.3 billion are exports while RM1.5 billion are local sales.

In terms of R&D, MSC companies have had significant success. R&D expenditure of MSC companies is anticipated to increase significantly by 21.2% to RM657 million in 2004 (2003: RM542 million). The research activities focused on areas such as communications, software solutions, micro-systems and integrated circuit designs. Arising from the R&D efforts, a total of 151 patents, 41 industrial designs and 188 trademarks were registered, signifying the achievements of the 590 R&D personnel working in the MSC. Development of the local ICT industry, shared services and business process outsourcing has been identified as new source of high growth. Specific measures have been implemented to facilitate the development of this sector, including attracting ICT talents through the brain-gain programme and enhancing ICT infrastructure, especially in wider broadband connectivity. Concerted efforts are ongoing in promoting strategic alliances and synergistic partnerships in areas of business process outsourcing and shared services. Arising from these measures, homegrown IT companies now provide services to one of the world's leading telecommunications companies in customer support operations and manage regional supply chain activities and logistics for a major electrical and electronics (E&E) company in the Asia Pacific region. As for business process outsourcing, the MSC has already pulled in Global 500 companies. Investments in business process outsourcing also increased with foreign affiliated companies in banking, insurance and courier services as well as automotive industries, have established centres in the MSC. Consequently, Malaysia has emerged as an attractive destination for shares services and outsourcing activities, third only behind India and China, as indicated in a survey by A.T. Kearney, released in March 2004. Outsourcing is expected to generate investment of over RM1 billion and create more than 8,000 jobs by the end of 2004.

(Source: Economic Report 2004/2005, Ministry of Finance)

5.3 Industry Players and Competition

The stockbroking solutions market is a niche market with very few established players. In respect of front-end stock broking solutions, the two most established companies in this market are Excel Force MSC and Bass Consulting Sdn Bhd. In recent years, competition from solution providers in other financial services industry as well as global players have entered the market. The stockbroking solution market is represented by a few established players, thus making it an oligopolistic market. In addition to that, regional players with stronger financial background are venturing into the Malaysian stockbroking market.

Competition in the market is based on the following factors:

(i) Established relationship with clients

Established players in the market usually have strong relationships with their clients as they would need to rely on their solution providers to manage their response towards stockbroking market dynamics and changes in regulations.

5.0 INDUSTRY OVERVIEW (Cont'd)

(ii) Custom and value-added services

A stockbroking solution is a fairly creative solution, the key differentiators for competition in this market are the ease and degree of customisation of the solution and value-added services primarily in the role of support and advisory by the solution providers.

(iii) Pricing types

Due to the competition in the stockbroking industry, the pricing of stockbroking solutions is an important factor as SBCs would seek affordable solutions in order to reduce their overhead costs.

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

Secondly, IDC suggests that this is an oligopoly market, where entrenched legacy players compete to provide and keep abreast with technology that moves with the development and adoption of IT by stock broking companies. As discussed in the section above, areas such as Internet stock trading and STP for the stock trading industry are some of the key technology related drivers that are expected to increase IT spending by this industry. In this regard, new entrants would face difficulty in establishing their credentials due to requirements in the following:

(a) Technology and R&D

New entrants would require R&D and a keen focus to develop applications that will bring the stock broking industry to a more connected and Internet-enabled environment. This would result in a high R&D cost for new players in the industry.

(b) User support and maintenance

A critical component of a mission critical IT outsourcing project would be 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 sufficient trained dealers to provide the end-users with after sales support and maintenance for the software. Failure to have adequate support resources would cause end users to switch software, as stockbroking solutions are mission critical. A stockbroking company could not afford to have software failures, which may in turn affect its business operations.

Excel Force MSC has a credible and experienced support and maintenance team as its software are all proprietary. Hence the in-house team can effectively deal with customisations and system enquiries. As the Company is also based locally, the turnaround time for any solution enquiries would be faster compared to foreign competitors, where their local agents normally require the assistance of their foreign principals to troubleshoot problems.

5.0 INDUSTRY OVERVIEW (Cont'd)

(c) Understanding of local market requirements and regulations

Regulation also plays a part, as risks of regulation changes will cause some amount of risks 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, stockbroking companies' requirements and operational workflow and latest technological requirements of the stockbroking industry prior to the development of a business solution. Furthermore, the competitor would need to keep abreast with the technological and regulatory changes affecting the industry particularly as the global trend for trade settlements of the industry is moving towards T+1.

IDC believes that new competitors would find difficulty in penetrating the local market due to the vast and diverse technological and regulatory requirements needed. As for existing competitors, the ability to continuously reinvent their products to offer new advanced features at an affordable price would also be a determinant of their competitiveness.

(d) Track record of solution provider

A solutions provider's track record is crucial, as end-users would prefer a reliable and reputable solutions provider with established working knowledge. New entrants face difficulty in establishing their credentials due to scepticism on their ability to deliver highly sophisticated real-time stockbroking solutions. Stockbroking companies can ill-afford any system error or downtime in running their daily trading operations, as this would affect their business operations. Therefore, stockbroking solutions are considered mission critical applications due to the stockbroking companies' high reliance on application solutions and computerisation.

(e) 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 a 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.

Regional players would face higher risks, as they would need to invest in setting up local support operations in order to compete. 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.

Lastly, the stock market is not as liquid as in the past, making it a very difficult position, at least from the demand side of the market, which is very cautious at spending on unproven solutions at the moment.

(Source: IDC's Research Report Titled "Stock Broking IT Spending Market and Structural Analysis", 2003)

5.0 INDUSTRY OVERVIEW (Cont'd)

5.4 Relevant Laws and Regulations in Malaysia Governing the Industry and Peculiarities of the Industry

There are currently no specific regulations governing the business application software industry nor are the Directors currently aware of any specific material peculiarity in the said industry.

Recognising the importance of IT as the foundation of national development in the future, the Government has introduced various policies and incentives to encourage the growth of the IT industry. The most important milestone of the IT development programme is the MSC. The MSC will provide the catalyst for the synergistic expansion of related IT industries/products and create the enabling environment for orderly development of IT in the country. The MSC has led to the emergence of new service-based industry clusters, including software development, telecommunications, animation, production and broadcasting, provision of on-line services, education and training, R&D, and networks and broadband applications. In order to promote the MSC, several flagship applications have been identified such as electronic government, smart schools, multipurpose card and telemedicine. The flagship applications for multimedia environment development are R&D clusters, worldwide manufacturing webs and borderless marketing.

5.5 Demand and Supply Conditions

The stockbroking solution market is a niche market with very few established players. In the front-end stock broking solution, the two most established companies in this market are Excel Force MSC and Bass Consulting Sdn Bhd. In recent years, competition from solution providers in other financial services industry as well as global players have entered the market. This market has an established representation by few players, thus making it an oligopolistic market.

(Source: IDC's Research Report Titled "Stock Broking IT Spending Market and Structural Analysis", 2003)

5.6 Substitute Products and Services

The automation that the stockbroking industry is reliant on has very few substitutes. It is the method by which automation is delivered that can be substituted via a more service-centric model. Traditionally, large investments in stock broking systems were common in the 1990s as the market was liquid. These investments included purchases of mini computers (large servers to run their business), online databases and trade management software. They often incur capital expenditure of millions of Ringgit.

Today, outsourcing automation to a third party is becoming increasingly popular due to cost savings benefits and shared risk by the vendors making it an attractive value proposition. IBM, in December 2002 signed a 10 year contract with JP Morgan in the United States to run their investment banking operations, taking into account the unpredictability of volume on the stock exchange for the next 10 years. In South East Asia, DBS Bank, Bumiputra Commerce Bank and Thai Farmers Bank have adopted similar agreements with vendors only as recent as 2002.

It is commercially viable for vendors supplying to stock broking companies to offer business process outsourcing ("BPO") services to them. Stockbroking firms benefit from reduced operational costs. At the same time, SBCs would not having to predict the investments needed in IT (the hardware, software and services) which are required to ensure that the IT infrastructure will be able to handle higher volumes, changes in regulation and even more diverse electronic channels such as mobile trading in the future.

5.0 INDUSTRY OVERVIEW (Cont'd)

In order to better gauge this phenomenon within the industry, IDC has conducted a survey of SBCs in Malaysia with the following results:

- (i) 67% of stock broking firms have heard of this model
- (ii) 67% believe it is a viable choice. Of those who believe it is viable, 58% plan to use it, and of those 58%, half of them plan to use it within the next two (2) years. The following are representative of those planning to use it within the next two (2) years:
 - 37% plan to use it for their front-end systems
 - 50% plan to use it for their middle office systems
 - 33% plan to use it for their back office systems
- (iii) Top 3 benefits cited:
 - Monthly (recurring) fee instead of huge capital expenditure up-front
 - Reduced cost of operations
 - No need to maintain large in-house IT support team

(Source: IDC's Research Report Titled "Stock Broking IT Spending Market and Structural Analysis", 2003)

5.7 The Industry's Reliance and Vulnerability to Imports

To the best of the Directors' knowledge and belief, the Malaysian stockbroking industry is now procuring its application solutions mainly from local vendors such as Automatic Identification Technology Sdn Bhd, Bass Consulting Sdn Bhd, N2N Connect Sdn Bhd and Excel Force MSC. Hardware comprising servers, operating systems, database systems, computers and its peripherals used by the Malaysian stockbroking industry are however still purchased from local distributors for international IT companies such as IBM, Dell Inc, Hewlett Packard Development Company, Oracle Corporation, Microsoft Corporation, etc.

To the best of the Directors' knowledge and belief, the Malaysian stockbroking industry purchases stockbroking solutions from local vendors due to the following factors:

(i) Pricing differentiation

Local vendors are able to price their solutions at more affordable prices due to its cost structure. This is made possible as the entire product development is carried out by local engineers with local resources.

(ii) Understanding of local market requirements and legislation

As stockbroking solutions are highly technical in nature, not any software developer could venture into the development of such software solutions. Market players need a thorough understanding of how a local stock market functions, government regulations, SBCs' requirements and operational workflow and the latest technological requirements of a stockbroking industry prior to the development of a business solution.

(iii) Customisation

Local vendors are able to customise their solutions at a lower cost and faster turnaround time for local SBCs as they are based locally and their solutions are proprietary. Overseas vendors must send their R&D team to Malaysia to understand and conduct systems studies before any customisation can be done to localise their solutions. This would inevitably increase their professional fees, making their products more expensive. Furthermore, the customisation period would be longer as the customisation has to be conducted by a team of professionals sourced from the vendor's country of origin.

5.0 INDUSTRY OVERVIEW (Cont'd)

(iv) After sales support and maintenance

A critical component of a mission critical IT outsourcing project would be 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.

Foreign industry players would normally rely on local dealers to provide such a function. Hence, they must have sufficient trained staff to provide the end-users with after sales support and maintenance for the software. Inadequate support resources would cause the end users to switch software as stockbroking solutions are mission critical. Software failures will affect the business operations of SBCs.

(v) Technology

Local vendors are able to provide similar technologies compared to foreign competitors.

5.8 Prospects and Outlook

The prospects and outlook of Excel Force MSC are to be assessed in the light of the overall prospects of the Malaysian economy and IT industry. The following sections describe the prospects and market drivers that would spur the industry growth in the Malaysian economy.

5.8.1 The Malaysian IT Industry

IDC estimates that IT spending by stockbroking companies in Malaysia will grow 0.7% annually in 2003 to reach USD8.7 million. Between 2002 and 2007, IT spending by this market is expected to grow to USD11.9 million at 9.9% (CAGR – compounded annual growth rate).

The forecast IT spending of Malaysian stockbroking firms is as follows:

	2002	2003	2004	2005	2006	2007	CAGR 02-07
Total IT spending (USD 'million)	7.43	8.71	8.92	9.57	10.59	11.90	9.9%
Year-on-year growth	-	17.2%	2.3%	7.3%	10.7%	12.4%	-

Trends

4 key trends that will shape and develop IT spending by stockbroking firms are:

- Internet Stock Trading
- Middle Office
- STP
- CMP and mergers of SBCs

(i) Internet Stock Trading

In Malaysia, the use of the Internet as a channel for stock trading is still at an infancy stage. Currently, most of the major stockbroking firms in the country such as OSK Securities Berhad, Affin Securities Sdn Bhd and RHB Securities Sdn Bhd; to name a few, is offering this channel for trading activities.

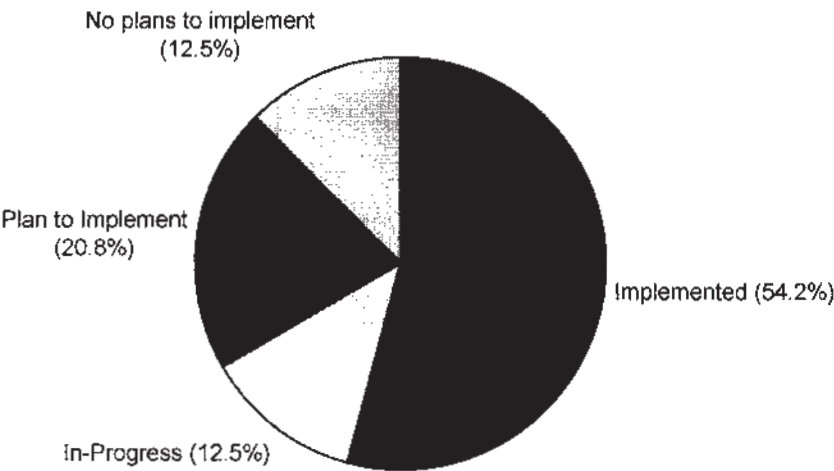
5.0 **INDUSTRY OVERVIEW (Cont'd)**

The Internet will certainly bring a new spectrum towards traditional stock trading systems. Korea is a good example, whereby this country has one of the highest Internet stock trading penetration in the Asia Pacific region. The rapid growth of Internet users, regulations and competition in the stock broking market are some of the key drivers that led to rapid deployment and uptake of Internet stock trading in Korea. In Korea, the top five-brokerage firms snapped up over 73.9% of the total online stock trading in 2001, up 7.5% from the previous year. Over half of all investors have online accounts to manage their investments.

As Internet stock trading becomes more established, brokerage firms would expand their product ranges into areas such as total wealth management and other trading platforms such as Electronic Communication Network (ECN) trading. With the government's effort in encouraging Internet stock trading, the growth of online trading accounts will continue to grow.

Additionally, based on results from the survey showed that 54.2% of the responses have implemented Internet trading systems, while 33.3% mentioned that they are currently implementing or planning to implement their Internet trading systems. This reflects a market that believes that the Internet is a channel that can be integrated to their expansion strategy. In another question, 87.5% of respondents mentioned that Internet stock trading is a viable business channel as a value-add to their traditional stock trading business.

Based on a survey conducted by IDC in 2003, the following chart illustrates the status of implementing Internet trading systems by SBCs in Malaysia:



The remaining 12.5% have no plans to do so because these stock broking firms are mostly undergoing or waiting for merger and acquisition exercises.

The optimism by stock broking firms on Internet trading systems is favourable to Excel Force MSC because one of the key elements to Excel Force MSC's value proposition is to offer solutions that incorporate the ability to support Internet trading.

5.0 INDUSTRY OVERVIEW (Cont'd)

(ii) Middle Office

Middle office processes are processes that are required right before and after execution. Key element of the middle office is the order management or trade management systems.

The order management system, or OMS, is the application that aggregates the same security and issues order flow from the front office, sends it out to the market for execution, and then allocates the executed order according to a set of pre-designed business rules. These rules ensure that each client's order in the trade receives equitable pricing and proper allocation into its accounts. The OMS also ensures that there are proper settlement instructions for a trade as it leaves the front office.

IDC believes that this is an important component within the infrastructure of stockbroking companies because it provides clearer definition of business processes that connects the back and front office applications. In Malaysia, signs of middle office usage by stock broking firms are still at a nascent stage. IDC believes that with the benefits that middle office brings and also as more intra-financial firms begin to materialise following the implementation of the CMP, there will be a strong demand for middle office.

(iii) STP

IDC refers to STP as the automation of the processes between different financial organisations in the securities industry, referring to internal integration as front-to-back integration. Nevertheless, it is widely recognised that these two problems are strongly linked and STP is often used to refer to business integration in each area of the financial services industry.

STP is not a new concept. Financial services companies have been working to reach greater integration within the industry for a long time, but the high complexity of this issue and the continuing evolution of the financial marketplace are making it increasingly more difficult to set up completely automated processes. Beginning mainly as a problem related to the securities industry, which needs to manage a huge amount of data while reducing processing time and operational risks, the necessity to reach greater levels of inter-operability between internal and external IT systems spread across other areas of the financial services sector. In Malaysia's context, the country will experience STP implementation in stages beginning with enterprise-wide implementation followed by convergence with Internet financial services portals such as Maybank2U.com or NiagaNet.

Financial Insights, an IDC company, has determined eight major requirements that the securities industry needs to focus on before it can claim to achieve STP, listed here in order of importance:

- Greater connectivity to third parties;
- Client connectivity to financial institutions;
- Greater use of exception-based messaging systems;
- Greater use of application service providers (ASPs) by mid-sized clients;
- Reporting tools that can be integrated with the back office;
- Greater use of more robust order management systems;
- Expanding the use of e-trading execution platforms; and
- Expanding gross settlement processes and "Delivery Vs. Payment" – a major impetus to reaching a straight-through processing environment is the reduction of settlement and counterparty risk.

5.0 INDUSTRY OVERVIEW (Cont'd)

IDC expects that the bulk of the spending will begin to materialise towards the beginning of 2004 onwards. This is because technological spending will be dampened by the overall economic climate and the fact that the deadlines for STP initiatives have been delayed; for example, the deadline for next-day settlement (or T+1) is still under review by the regulatory bodies. Therefore, while currently IDC believes that stockbroking companies will spend their time investing in cost saving measures, at the same time to keep up with technology, these firms will consider STP as IDC believes that STP with its benefits is an important technology to be part of their IT strategies.

Strong competition and the availability of new technologies have been driving the evolution of the capital markets. In particular, this evolution has impacted the sector in two main directions:

- Increased number of financial products. The increasing complexity of the market and the new needs of financial investors have fostered the creation of new financial products. The aim is to better match the new requirements of the market trying to aggregate the different features of more traditional products in one offering; and
- Increased automation of stock exchanges. All the major stock exchanges have implemented IT platforms to streamline the trading process. This also impacted the internal processes of many banks, enabling the automation of many internal and external procedures. With the slump in capital markets, brokers and in general all financial companies that strongly rely on the securities market have to face tougher markets and thinner volumes. Stockbroking firms will also have to change to streamline to be in line with the stock exchanges' plan.

Market capitalisation of Bursa Securities dropped dramatically in 1998. This, coupled with a major reduction of volume transacted, had a negative effect on margins. While conditions are stabilising, we have yet to see Bursa Securities return to its pre-1998 levels, hence the only way to increase margins is to leverage on cost-cutting. As part of the SC's plans for a consolidated capital market, financial companies have begun to reconsider their position, and in some cases have not only embarked on a process of consolidation but have also initiated a process of reorganisation that in many cases involves major changes in internal procedures, with an impact on the IT infrastructure.

The broad adoption of Internet technologies within the financial services industry has been helping to create a common set of technologies to reach a greater level of inter-operability. Nevertheless, it also added new complexity to the definition of standards as financial XMLs and web services still require a lot of work to be widely adopted. According to IDC, the definition of clear standards using Internet technologies is of paramount importance for the next step of system inter-operability.

In conclusion, the difficult market conditions are forcing financial institutions to adopt a step-by-step approach to STP and front-to-back end integration, focusing mainly on some specific areas. The integration of back end activities with the front end is for the moment the areas where financial companies are concentrating their efforts. Increasing interest and optimism toward the viability of Internet stock trading in Malaysia will drive the consideration for deploying STP-based solutions.

Key drivers for enterprise-wide STP adoption in Malaysia would be the cost saving or reduction and risk management mechanism by eliminating inefficiencies of current inter-linking of processes throughout the entire value chain of a stock trading process. As such, this can permit better operations management. Plans as stipulated in the CMP to build Bursa Securities to be more competitive in the region's capital markets would also spur more interest to deploy STP as competition in this market intensifies.

5.0 INDUSTRY OVERVIEW (Cont'd)

(iv) CMP and Mergers

The CMP, unveiled by the SC in February 2001 provides a vital roadmap for the Malaysian capital market covering a period of ten years from 2001 to 2010. In short, the CMP aims to foster and develop a capital market, which will be internationally competitive, highly efficient and supported by a strong and facilitative regulatory framework. The blueprint includes proposals such as:

- The establishment of an integrated clearing and settlement system;
- Making the SC the sole approving authority for fund-raising;
- Permitting the establishment of derivative funds; liberalisation of stock-broking commissions and gradual removal of restrictions on foreign ownership of stock-broking firms;
- Deregulation on the types of services that can be offered by stock-broking companies; and
- Measures to encourage the use of electronic trading.

The implementation and achievement of the objectives, strategic initiatives and recommendations of the CMP is characterised by a phased approach. The approach has been identified as involving three distinct phases as illustrated in the table below:

Phase	Period	Strategy
Phase 1	2001 - 2003	Strengthen domestic capacity, and develop strategic and nascent sectors Key activities - Strengthening of domestic players, building market capacity, enhancing efficiency and competitiveness through progressive deregulation, explore opportunities for value-added strategic alliances
Phase 2	2004 - 2005	Further strengthen key sectors and gradually liberalise market access Key activities - Develop quality and breadth of services and facilities in selected niches, such as the Islamic capital market, to be on par with international standards
Phase 3	2006 - 2010	Further expansion and strengthening of market processes and infrastructure towards becoming a fully developed capital market, and enhancing international positioning areas of comparative and competitive advantage Key activities - Enhance regional and international profile of Malaysia's capital market, identify new areas of comparative and competitive advantage as they emerge, further improve market efficiency and integrity with the ultimate aim of achieving end-to-end STP

(Source: CMP, SC, 2001)

The merger process in the securities industry is in fact the second stage of the financial sector consolidation. The first wave of consolidation took place in the country's banking sector, a necessity recognised with the increasingly liberalised environment created by both the World Trade Organisation ("WTO") and the ASEAN Free Trade Area ("AFTA"). Unless Malaysia's securities firms push ahead with merger activities, they are unlikely to survive. One already prominent reason is the thinning profit and trading margins, and, as the market opens up to capital and strong foreign players, smaller local players will face an uphill struggle.

5.0 INDUSTRY OVERVIEW (Cont'd)

Post-consolidation, securities firms will fall into four categories:

- UBs,
- Publicly-listed company-backed brokers,
- Bank-backed brokers or investment banks ("IB") and
- Stand-alone Brokers

To qualify for UB status, the anchor securities firm has to merge with at least three other securities firms and have a minimum paid up capital of USD66 million and satisfy other capital and tax requirements. Besides the privilege of opening new branches in strategic locations, UBs will be permitted to undertake wider range of activities such as corporate finance and fund management. IB status is achieved through the merger of a merchant bank, a stockbroking company and a discount house. Bank-backed stockbrokers can attain IB status by merging with one stockbroking firm. They will be able to offer a wide range of products cross-sell to customers through their commercial banking operations.

Under the CMP, Bursa Securities is poised to compete effectively with other country's exchanges. To achieve this, IT spending by stockbroking firms will increase to ensure that this milestone is met. Consolidation of stockbroking firms also leads to short term increase in spending to facilitate the result of consolidation. In the long term, IT spending will normalise.

(Source: IDC's report on "Stock Broking IT Spending Market and Structural Analysis", 2003)

5.8.2 Future Prospects of Excel Force MSC

As mentioned in Section 4.3.5 of the Prospectus, as at 17 November 2004 (being the latest practicable date prior to the registration of this Prospectus), 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.

With an established track record and user base, the Company believes that existing customers would consider Excel Force MSC favourably for their future technological requirements and potential customers would consider its track record as an important determinant as a technological supplier. Excel Force MSC's strategy is to leverage on its customer base in the front office segment to secure contracts for sales of middle and back office solutions.

Furthermore, in view of the shortening of settlement dates in the future and cross border trading in mature capital markets such as the US, Canada and Europe, the STP concept has gained importance. This opportunity augurs well for Excel Force MSC as the Company is expected to complete developing a suite of front, middle and back office stockbroking solution using STP technology by 2005.

The Company expects to further benefit from the consolidation of stockbroking firms under the blueprint of the CMP. Based on IDC's research report titled "Stockbroking IT Spending Market and Structural Analysis", 2003, the consolidation of stockbroking firms will lead to short term increase in spending to facilitate the result of consolidation. In the long term, IT spending will normalise.