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THIS PROSPECTUS HAS BEEN SEEN AND APPROVED BY THE DIRECTORS AND PROMOTERS OF EFFICIENT E-SOLUTIONS BERHAD ("EFFICIENT" OR "THE COMPANY") AND THEY COLLECTIVELY AND INDIVIDUALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF THE INFORMATION CONTAINED HEREIN AND CONFIRM, HAVING MADE ALL REASONABLE ENQUIRIES, THAT TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THERE ARE NO FALSE OR MISLEADING STATEMENT OR OTHER FACTS THE OMISSION OF WHICH WOULD MAKE ANY STATEMENT HEREIN FALSE OR MISLEADING.

RHB SAKURA MERCHANT BANKERS BERHAD, BEING THE FINANCIAL ADVISER, MANAGING UNDERWRITER, PLACEMENT AGENT AND SPONSOR, ACKNOWLEDGES THAT, BASED ON ALL AVAILABLE INFORMATION AND TO THE BEST OF ITS KNOWLEDGE AND BELIEF, THIS PROSPECTUS CONSTITUTES A FULL AND TRUE DISCLOSURE OF ALL MATERIAL FACTS CONCERNING THE PUBLIC ISSUE (AS DEFINED HEREIN).

THE SECURITIES COMMISSION ("SC") AND BURSA MALAYSIA SECURITIES BERHAD (FORMERLY KNOWN AS MALAYSIA SECURITIES EXCHANGE BERHAD) ("BURSA SECURITIES") HAVE APPROVED THE PUBLIC ISSUE AND THEIR APPROVALS SHALL NOT BE TAKEN TO INDICATE THAT THE SC AND BURSA SECURITIES RECOMMEND THE PUBLIC ISSUE.

THE SC SHALL NOT BE LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF EFFICIENT AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS. INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, INVESTORS WHO ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN SHOULD CONSULT THEIR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

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A COPY OF THIS PROSPECTUS HAS BEEN REGISTERED WITH THE SC. A COPY OF THE PROSPECTUS, TOGETHER WITH THE FORM OF APPLICATION, HAS ALSO BEEN LODGED WITH THE REGISTRAR OF COMPANIES WHO TAKES NO RESPONSIBILITY FOR ITS CONTENTS.

**THE PROSPECTUS CAN ALSO BE VIEWED OR DOWNLOADED FROM BURSA SECURITIES' WEBSITE AT [www.bursamalaysia.com](http://www.bursamalaysia.com)**

**CHARACTERISTICS OF THE MESDAQ MARKET:**

INVESTORS SHOULD BE AWARE THAT THE MESDAQ MARKET IS A DISTINCT MARKET FROM THE MAIN AND SECOND BOARDS OF BURSA SECURITIES IN MANY RESPECTS. IN PARTICULAR, COMPANIES LISTED ON THE MESDAQ MARKET ARE SUBJECT TO DIFFERENT QUANTITATIVE AND QUALITATIVE REQUIREMENTS, WHICH HAVE BEEN PRIMARILY DESIGNED TO ACCOMMODATE HIGH-GROWTH AND/OR TECHNOLOGY COMPANIES. COMPANIES THAT ARE LISTED ON THE MESDAQ MARKET MAY NOT HAVE AN OPERATING HISTORY OR ANY PROFIT TRACK RECORD PRIOR TO LISTING. AS SUCH, WHILST POTENTIAL INVESTMENT RETURNS MAY BE RELATIVELY HIGH, COMPANIES LISTED ON THE MESDAQ MARKET MAY BE OF HIGHER INVESTMENT RISK. THE REGULATORY PHILOSOPHY UNDERLYING THE MESDAQ MARKET IS THAT THE MARKET SHOULD BE ALLOWED TO DETERMINE THE MERITS OF THE SECURITIES/INSTRUMENTS IN A PARTICULAR COMPANY. HENCE, AS WITH ALL INVESTMENTS, PROSPECTIVE INVESTORS SHOULD BE AWARE OF ALL POTENTIAL RISKS IN INVESTING IN SUCH COMPANIES AND SHOULD MAKE THE DECISION TO INVEST AFTER DUE AND CAREFUL CONSIDERATION BY REFERRING TO, AMONGST OTHERS, THE PROSPECTUS, LATEST FINANCIAL STATEMENTS AND CORPORATE ANNOUNCEMENTS. IN THIS RESPECT, ADVICE FROM A SECURITIES PROFESSIONAL/ADVISER IS STRONGLY RECOMMENDED.

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE ISSUE FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 45 OF THE SECURITIES COMMISSION ACT 1993, E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

**INDICATIVE TIMETABLE**

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

<b>Event</b>	<b>Date</b>
Opening of application	30 November 2004
Closing of application*	16 December 2004
Tentative balloting date	20 December 2004
Tentative date of despatch of notices of allotment to successful applicants	6 January 2005
Tentative listing date	10 January 2005

*Note:*

- \* *The application for the Public Issue will close at the time and date as stated above or such other later date or dates as the Directors of the Company and the Managing Underwriter may in their absolute discretion mutually decide. Should the closing date of the application be extended, the dates of balloting, despatch of notices of allotment, and the listing of and quotation for the entire enlarged issued and paid-up share capital of EFFICIENT on the MESDAQ Market will be extended accordingly. Any change to the closing date of the application will be advertised in widely circulated English and Bahasa Malaysia newspapers in Malaysia.*

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**DEFINITIONS**


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In this Prospectus, unless otherwise indicated, the following abbreviations shall apply throughout:

**General definitions**

Act	- Companies Act, 1965 or any statutory modification, amendment or re-enactment thereof for the time being in force
ADA	- Authorised Depository Agent
ANC	- Asian New Century Capital Sdn Bhd
Application Form(s)	- The application form(s) for the application of the Issue Shares accompanying the Prospectus
ATM	- Automated teller machine
BAFIA	- Banking and Financial Institutions Act 1989 or any statutory modification, amendment or re-enactment thereof for the time being in force
BNM	- Bank Negara Malaysia
Bursa Securities	- Bursa Malaysia Securities Berhad ( <i>formerly known as Malaysia Securities Exchange Berhad</i> )
By-Laws	- The terms and conditions of the ESOS
CCKSB	- Cheah Chee Kong Sdn Bhd
CDS	- Central Depository System
CSSSB	- Cheah Swee Sin Sdn Bhd
Depository	- Bursa Malaysia Depository Sdn Bhd ( <i>formerly known as Malaysian Central Depository Sdn Bhd</i> )
EBIDTA	- Earnings before interest, depreciation, tax and amortisation
EMC	- Efficient MailCom Sdn Bhd, a wholly-owned subsidiary of EFFICIENT
EPS	- Earnings per share
Ernst & Young Report	- The industry overview report on DDP services and EBPP services dated 16 August 2004 prepared by Ernst & Young, which was not prepared for the inclusion in the Prospectus. However, an executive summary of this report is included in Section 14 of this Prospectus and the full report is available for inspection at the registered office of EFFICIENT during office hours for a period of 12 months from the date of this Prospectus
EFFICIENT Group or the Group	- EFFICIENT and its subsidiary and associated companies (reference to the EFFICIENT Group in relation to the ESOS and By-Laws excludes subsidiary companies which are dormant and associated companies)
EFFICIENT or the Company	- Efficient E-Solutions Berhad

**DEFINITION (Cont'd)**

EFFICIENT Share(s) or the Share(s)	- Ordinary share(s) of RM0.10 each in EFFICIENT
Esther Soon Yoke Leng	- Soon Yoke Leng
ESOS or ESOS Scheme	- Employees' share option scheme of EFFICIENT
FIC	- Foreign Investment Committee
Flotation Scheme	- Share Split, Public Issue and Listing on the MESDAQ Market collectively
GDP	- Gross Domestic Product
GNP	- Gross National Product
Issue Share(s)	- 30,000,000 new EFFICIENT Shares to be issued pursuant to the Public Issue, subject to the terms and conditions of this Prospectus
Latest Practicable Date	- 1 November 2004 being the latest practicable date prior to the printing of the Prospectus
Listing on the MESDAQ Market or Listing	- Listing of and quotation for the entire enlarged issued and paid-up share capital of EFFICIENT of RM12,000,002 comprising 120,000,020 Shares on the MESDAQ Market
MDC	- Multimedia Development Corporation Sdn Bhd
MESDAQ Market	- MESDAQ Market of Bursa Securities
MI	- Minority interest
MIDFCCS or Issuing House	- MIDF Consultancy and Corporate Services Sdn Bhd
MITI	- Ministry of International Trade and Industry
MSC	- Multimedia Super Corridor
NTA	- Net tangible assets
Option(s) or ESOS Option(s)	- Options to be granted pursuant to the ESOS which are exercisable into new Shares
Option Committee	- The committee appointed by the Board of the Company to administer the ESOS Scheme
PAT	- Profit after tax
PBT	- Profit before tax
PG	- PrinteGrate Sdn Bhd, a 20% owned associated company of EMC
Pink Form Allocation	- 6,000,000 Issue Shares reserved for subscription by the Directors and eligible employees of EFFICIENT and its subsidiaries and persons who have contributed to the success of EFFICIENT and its subsidiaries

**DEFINITION (Cont'd)**

Private Placement	- The placement of 21,000,000 Issue Shares to the identified investors by the Placement Agent
Public Issue	- Public issue of 30,000,000 Issue Shares at an issue price of RM0.63 per Issue Share payable in full upon application by the Directors and eligible employees of EFFICIENT and its subsidiaries and persons who have contributed to the success of EFFICIENT and its subsidiaries, identified investors and the Malaysian public
R&D	- Research and development
RHB Sakura	- RHB Sakura Merchant Bankers Berhad
RM and sen	- Ringgit Malaysia and sen respectively
SC	- Securities Commission
Share Split	- The split of 9,000,002 ordinary shares of RM1.00 each in EFFICIENT to 90,000,020 ordinary shares of RM0.10 each by way of sub-division of the par value from RM1.00 to RM0.10
SOFTEC	- Efficient SofTech Sdn Bhd, a wholly-owned subsidiary of EFFICIENT
Sreedhar Subramaniam	- Sreedhar a/l Subramaniam
USD	- United States Dollar
Vincent Cheah Chee Kong	- Cheah Chee Kong
VPI	- Virtual Print International Sdn Bhd, a 20% owned associated company of EFFICIENT

**Technical definitions**

3G	- 3 <sup>rd</sup> Generation mobile telecommunications services
ADO	- Active Data Objects, a high level software interface for data objects
API	- Application Program Interface. A specific method prescribed by a computer operating system or by an application program by which a programmer writing an application program can make requests of the operating system or another application
ASP	- Active Server Page. An Active Server Page (ASP) is a HTML page that includes one or more scripts (small embedded programs) that are processed on a Microsoft Web server before the page is sent to the user
BPO	- Business Process Outsourcing
C++	- C++ (software) programming language. C++ is an object-oriented programming (OOP) language that is viewed by many as the best language for creating large-scale applications

**DEFINITION (Cont'd)**

CMM	- Capability Maturity Model. The Software Engineering Institute's model of software engineering that specifies five levels of maturity of the processes of a software organisation. CMM offers a framework for evolutionary process improvement
COM+	- Component Object Model Plus. COM+ is an extension of Component Object Model (COM), Microsoft's strategic building block approach for developing application programs
DDP	- Data and Document Processing
EBP	- Electronic Bill Presentment
EBPP	- Electronic Bill Presentment and Payment
ERP	- Enterprise Resource Planning. Any software system designed to support and automate the business processes of medium and large businesses. This may include manufacturing, distribution, personnel, project management, payroll, and financials
FTP	- A way of transferring files over the Internet from one computer to another
HTML	- Hypertext Markup Language. The set of markup symbols or codes inserted in a file intended for display on a World Wide Web browser page
HTTP	- Hypertext Transfer Protocol. The underlying communication mechanism used by the World Wide Web
HTTPS	- Secure HTTP. The standard encrypted communication mechanism on the World Wide Web
IIS	- Internet Information Server. A group of Internet servers (including a Web or Hypertext Transfer Protocol server and a File Transfer Protocol server) with additional capabilities for Microsoft's Windows NT and Windows 2000 Server operating systems
IT	- Information Technology
Java	- Java technology is a portfolio of software products that are based on the power of networks and the idea that the same software should run on many different kinds of machines
MVS	- Multiple Virtual Storage is the operating system from IBM that is installed on most of its mainframe and large server computers
MySQL	A widely used database format, often used to create dynamically generated websites
.NET	- Microsoft's collection of programming support for what are known as Web services, the ability to use the Web rather than your own computer for various services
ODBC	- Open Database Connectivity. An open standard application programming interface (API) for accessing a database

**DEFINITION (Cont'd)**

Open Source	- Software whose code is available for users to look at and modify freely, as well as meet certain redistribution criteria set by the Open Source Initiative, which is a non-profit corporation dedicated to managing and promoting Open Source
Operating system	- The program that, after being initially loaded into the computer by a startup ("boot") program, manages all the other programs in a computer
Outsourcing	- The transfer of operational responsibility of business processes or infrastructure management to a third party service provider
PDA	- Personal Digital Assistant
Pdf	- A type of electronic document format
QA	- Quality Assurance
SOAP	- Simple Object Access Protocol, a software messaging platform. SOAP is a way for a program running in one kind of operating system (such as Windows 2000) to communicate with a program in the same or another kind of an operating system (such as Linux) by using the World Wide Web's Hypertext Transfer Protocol (HTTP) and its Extensible Markup Language (XML) as the mechanisms for information exchange
SMTP	- Simple Mail Transfer Protocol. A protocol used in sending and receiving e-mail
SMS	- Short Messaging Service
SSH	- Secure Socket Shell. A secure communications protocol
SSL	- Secure Sockets Layer. A secure communications protocol
Unix	- Unix software operating system
Visual C ++	- Visual C++ (software) development tool
Visual Basic	- Visual Basic (VB) is a programming environment from Microsoft in which a programmer uses a graphical user interface to choose and modify preselected sections of code written in the BASIC programming language
Visual Studio	- Visual Studio (software) development tools. Visual Studio .NET is Microsoft's visual programming environment for creating Web services based on use of the Extensible Markup Language (XML)
www or the web	- World Wide Web
XML	- Extensible Markup Language. A simplified form of standardized markup (stylistic) programming language used on the www

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**CORPORATE DIRECTORY**


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**BOARD OF DIRECTORS**

<b>Name</b>	<b>Address</b>	<b>Occupation</b>	<b>Nationality</b>
Dato' Abdul Latif bin Abdullah <i>(Chairman and Independent Non-Executive Director)</i>	25 Jalan SS 19/4 Subang Jaya 47500 Selangor	Company Director	Malaysian
Vincent Cheah Chee Kong <i>(Managing Director)</i>	10-PH-3A Robson Condominium Persiaran Syed Putra 2 50460 Kuala Lumpur	Company Director	Malaysian
Victor Cheah Chee Wai <i>(Executive Director)</i>	12-5-6 Robson Condominium Persiaran Syed Putra 2 50460 Kuala Lumpur	Company Director	Malaysian
Esther Soon Yoke Leng <i>(Executive Director)</i>	6 PJS 7/11A Bandar Sunway 46150 Petaling Jaya Selangor	Company Director	Malaysian
Sreedhar Subramaniam <i>(Executive Director)</i>	15 Jalan SS 2/12 47300 Petaling Jaya Selangor	Company Director	Malaysian
Dato' Kalimullah bin Masheerul Hassan <i>(Non-Independent Non-Executive Director)</i>	35 USJ 2/5H UEP Subang Jaya 47610 Subang Jaya Selangor	Company Director	Malaysian
Datuk Syed Hussian bin Syed Junid <i>(Independent Non-Executive Director)</i>	96 Persiaran Mayang Pasir Bayan Lepas 11900 Penang	Company Director	Malaysian
Ho Hin Choy <i>(Independent Non-Executive Director)</i>	37 Jalan 22/36 46300 Petaling Jaya Selangor	Dealer's Representative	Malaysian

**AUDIT COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Ho Hin Choy	Chairman	Independent Non-Executive Director
Datuk Syed Hussian bin Syed Junid	Member	Independent Non-Executive Director
Victor Cheah Chee Wai	Member	Executive Director

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**CORPORATE DIRECTORY (Cont'd)**

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- COMPANY SECRETARIES** : Lim Koon Lie  
(LS No. 5789)  
Room A, 14A Jalan Utara  
Off Jalan Imbi  
55100 Kuala Lumpur
- Leela a/p Supramaniam  
(MAICSA 7039906)  
Room A, 14A Jalan Utara  
Off Jalan Imbi  
55100 Kuala Lumpur
- REGISTERED OFFICE** : Room A, 14A Jalan Utara  
Off Jalan Imbi  
55100 Kuala Lumpur  
Tel : 03-2141 8028
- HEAD / MANAGEMENT OFFICE** : 45-49 Jalan PJS 1/28 (Petaling Utama 3)  
Taman Petaling Utama  
46000 Petaling Jaya  
Selangor  
Tel : 03-7781 2555  
E-mail : [contactus@efficient.com.my](mailto:contactus@efficient.com.my)  
Website : [www.efficient.com.my](http://www.efficient.com.my)
- PRINCIPAL BANKERS** : Alliance Bank Malaysia Berhad  
41 & 43, Jalan Ipoh  
51200 Kuala Lumpur  
Tel : 03-4041 9644
- Affin Bank Berhad  
Ground Floor, Menara Affin  
80, Jalan Raja Chulan  
50788 Kuala Lumpur  
Tel : 03-2055 2290
- AUDITORS** : Poh & Co.  
(AF 0587)  
14A (1<sup>st</sup> floor)  
Jalan Utara  
Off Jalan Imbi  
55100 Kuala Lumpur  
Tel : 03-2141 8028
- REPORTING ACCOUNTANTS** : Horwath  
(AF 1018)  
Level 16 Tower C  
Megan Avenue II  
12 Jalan Yap Kwan Seng  
50450 Kuala Lumpur  
Tel : 03-2166 0000

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**CORPORATE DIRECTORY (Cont'd)**

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- SOLICITORS FOR THE FLOTATION SCHEME** : K M Chye & Murad  
10<sup>th</sup> Floor, MUI Plaza  
Letter Box 86  
Jalan P Ramlee  
50250 Kuala Lumpur  
Tel : 03-2148 2323
- REGISTRAR** : Symphony Share Registrars Sdn Bhd (*formerly known as Malaysian Share Registration Services Sdn Bhd*)  
Level 26, Menara Multi-Purpose  
Capital Square  
No. 8 Jalan Munshi Abdullah  
50100 Kuala Lumpur  
Tel : 03-2721 2222
- FINANCIAL ADVISER, MANAGING UNDERWRITER, PLACEMENT AGENT & SPONSOR** : RHB Sakura Merchant Bankers Berhad  
Level 10, Tower One  
RHB Centre  
Jalan Tun Razak  
50400 Kuala Lumpur  
Tel : 03-9287 3888
- UNDERWRITERS** : RHB Sakura Merchant Bankers Berhad  
Level 10, Tower One  
RHB Centre  
Jalan Tun Razak  
50400 Kuala Lumpur  
Tel : 03-9287 3888
- AmSecurities Sdn Bhd  
15<sup>th</sup> Floor, Bangunan AmBank Group  
55, Jalan Raja Chulan  
50200 Kuala Lumpur  
Tel : 03-2078 2788
- ISSUING HOUSE** : MIDF Consultancy and Corporate Services Sdn Bhd  
Bangunan MIDF  
195A Jalan Tun Razak  
50450 Kuala Lumpur  
Tel : 03-2161 3355
- ISSUER OF INDUSTRY OVERVIEW REPORT** : Ernst & Young  
Level 23A, Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
50490 Kuala Lumpur  
Tel : 03-2087 7000
- LISTING SOUGHT** : MESDAQ Market

## 1. INFORMATION SUMMARY

**THIS SECTION OF THE PROSPECTUS REPRESENTS ONLY A SUMMARY OF THE SALIENT INFORMATION IN RELATION TO THE EFFICIENT GROUP. INVESTORS SHOULD READ AND UNDERSTAND THE ENTIRE PROSPECTUS PRIOR TO DECIDING WHETHER TO INVEST IN THE ISSUE SHARES.**

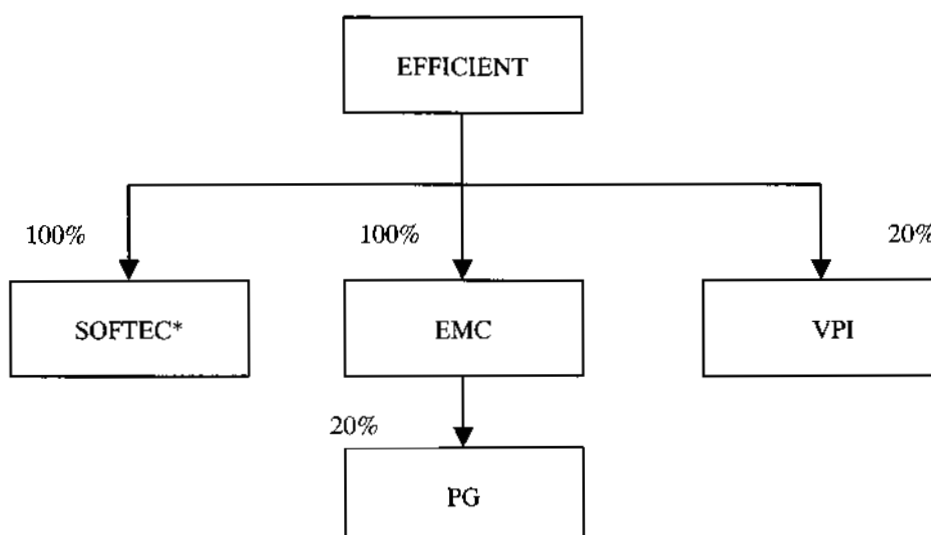
### 1.1 Overview of the EFFICIENT Group

#### 1.1.1 History and business

EFFICIENT was incorporated in Malaysia under the Act on 27 October 2003 as a private limited company under the name of Efficient E-Solutions Sdn Bhd. Subsequently, EFFICIENT was converted into a public limited company and assumed its present name on 10 February 2004.

The EFFICIENT Group is primarily involved in the provision of integrated outsourcing solutions in DDP to banks, stock-broking companies, insurance companies and telecommunications operators. The Group also provides EBP services. EFFICIENT has 2 wholly-owned subsidiaries, namely, EMC and SOFTEC, a MSC status company. In addition, EFFICIENT has a 20% interest in VPI, which is currently dormant. Its subsidiary company, EMC has a 20% interest in PG, a supplier of computer forms for digital and other specialised printing.

The corporate structure of the EFFICIENT Group is summarised as follows:



*Note:*

\* A MSC status company

The principal activities of the Company's subsidiary and associated companies, all of which were incorporated in Malaysia, are as follows:

Companies	Principal activities
EMC	Provision of integrated outsourcing solutions in DDP, ranging from data extraction, to conversion, formatting of documents, to data printing; as well as the preparation of printed documents for distribution via post. EBP services are also offered, ranging from electronic bill presentment subscription services to data extraction, creation, and delivery via electronic media.
SOFTEC	Provision of information technology services, primarily the development of proprietary applications for work-flow management, data conversion, and electronic distribution of documents.
VPI	Dormant.
PG	Supplier of computer forms for digital and other specialised printing.

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

EMC commenced business operations in 1986 to provide fulfilment services, one of the earliest instances of outsourcing services, to companies engaged in direct marketing activities, which included the printing of direct market letters, bundling of coupons and offers, packing and mail processing services, operating out of a small office in Kuala Lumpur. In the early 90s, Vincent Cheah Chee Kong and Esther Soon Yoke Leng became the major shareholders of EMC.

Recognising the opportunity to expand the business and more importantly, having won the confidence of its customers, the new shareholders redirected EMC towards the DDP industry. This required a new vision, capital and most importantly the development of control processes and work procedures, which were significantly more sophisticated than what the company was used to. EMC then started to provide a full range of services required for DDP, from data extraction to printing and processing of statements, demand notices, insurance policies, bills and promotional materials. In 1996, a new facility was established in Taman Petaling Utama, Petaling Jaya. Victor Cheah Chee Wai subsequently joined EMC in 1997 to spearhead the sales and marketing activities of EMC.

In 1999, EMC secured its first major DDP customer in the insurance industry, and they have been with EMC until today. In the same year, recognising the critical importance of having in-house technology resources, Sreedhar Subramaniam was engaged as the Technology Consultant, and subsequently joined EMC as Technology Director in early 2002.

SOFTEC commenced operations in the year 2003 with the initial core group of IT personnel that were employed at EMC. SOFTEC consolidated over 300 applications for data extraction, data migration and data formatting that were developed by the IT department of EMC. The IT department formed the core information and technology expertise for the business of the Group. In recognition of this, as well as the commitment to current and future R&D efforts, SOFTEC was accorded MSC status on 13 November 2003 by MDC and was also granted pioneer status by MITI for a period of 5 years commencing from 20 April 2004. SOFTEC has since recruited more personnel and now focuses on the development of software applications used by EMC in its business operations. These software applications have been named e-DOC™, e-TALK™ and e-FLOW™.

The growth of the Group is believed to be driven by two primary factors:

- Availability of in-house IT and technology expertise – allowing for complex data extraction and migration without the need to rely on external vendors; and
- Exceeding customer expectations – in timeliness, quality and integrity; the latter being particularly important since the most of the data being handled by EMC is governed by BAFIA.

Further details on the business overview of the EFFICIENT Group are set out in Section 5 of this Prospectus.

### 1.1.2 Technology used, R&D and intellectual property rights

The EFFICIENT Group's service offerings are supported by the software applications developed as a result of the R&D efforts of EMC over the years, now consolidated into the activities of SOFTEC. The know-how, methodology and technologies developed have common modules that are being shared across applications and customers. These modules, which both support as well as complement the DDP and EBP businesses, are modularised into three generic systems.

e-TALK™, is a middleware system to read, extract and convert data from multiple formats for data processing. Secondly, there's e-FLOW™, a data and document processing workflow management application; and e-DOC™, an electronic bill presentment and distribution application. Further information on the EFFICIENT's software applications, how they support EFFICIENT's service offerings, the technology used and R&D efforts are set out in Sections 5.5.1, 5.5.2, 5.5.3 and 5.5.13 of this Prospectus respectively.

The EFFICIENT Group has made applications to the Trade Mark registry for the registration of trade marks for e-DOC™, e-TALK™ and e-FLOW™, as well as similar trade mark permutations, in order to protect the Group's intellectual property rights. Further information on the intellectual property rights registration applications is set out in Section 5.5.14 of this Prospectus.

## 1. INFORMATION SUMMARY (Cont'd)

### 1.2 Promoters, substantial shareholders, Directors, key management and key technical personnel

#### 1.2.1 Promoters

The promoters of EFFICIENT and their respective shareholdings in EFFICIENT after the Public Issue are as follows:

Name	Nationality/ Country of Incorporation	←-----After Public Issue-----→			
		Direct		Indirect	
		No. of Shares	%	No. of Shares	%
CCKSB	Malaysia	27,740,000	23.12	41,610,000 <sup>1</sup>	34.67
Vincent Cheah Chee Kong	Malaysian	3,890,020	3.24	69,350,000 <sup>2</sup>	57.79
Victor Cheah Chee Wai	Malaysian	500,000 <sup>5</sup>	0.42	69,350,000 <sup>2</sup>	57.79
Sreedhar Subramaniam	Malaysian	500,000 <sup>5</sup>	0.42	-	-
CSSSB	Malaysia	41,610,000	34.67	-	-
Esther Soon Yoke Leng	Malaysian	500,000 <sup>5</sup>	0.42	41,610,000 <sup>3</sup>	34.67
Ho Choong Lim	Malaysian	300,000 <sup>5</sup>	0.25	41,610,000 <sup>3</sup>	34.67
ANC	Malaysia	12,260,000	10.22	-	-
Dato' Kalimullah bin Masheerul Hassan	Malaysian	300,000 <sup>5</sup>	0.25	12,260,000 <sup>4</sup>	10.22

Notes:

1. Deemed interested by virtue of its shareholdings in CSSSB pursuant to Section 6A of the Act.
2. Deemed interested by virtue of their shareholdings in CCKSB and CCKSB's shareholdings in CSSSB pursuant to Section 6A of the Act.
3. Deemed interested by virtue of their shareholdings in CSSSB pursuant to Section 6A of the Act.
4. Deemed interested by virtue of his shareholdings in ANC pursuant to Section 6A of the Act.
5. Assuming full subscription of their respective entitlements pursuant to the Pink Form Allocation.

#### 1.2.2 Substantial shareholders

The substantial shareholders of EFFICIENT and their respective shareholdings in EFFICIENT after the Public Issue are as follows:

Name	Nationality/ Country of Incorporation	←-----After Public Issue-----→			
		Direct		Indirect	
		No. of Shares	%	No. of Shares	%
CCKSB	Malaysia	27,740,000	23.12	41,610,000 <sup>1</sup>	34.67
Vincent Cheah Chee Kong	Malaysian	3,890,020	3.24	69,350,000 <sup>2</sup>	57.79
Victor Cheah Chee Wai	Malaysian	500,000 <sup>5</sup>	0.42	69,350,000 <sup>2</sup>	57.79
CSSSB	Malaysia	41,610,000	34.67	-	-
Esther Soon Yoke Leng	Malaysian	500,000 <sup>5</sup>	0.42	41,610,000 <sup>3</sup>	34.67
Ho Choong Lim	Malaysian	300,000 <sup>5</sup>	0.25	41,610,000 <sup>3</sup>	34.67
ANC	Malaysia	12,260,000	10.22	-	-
Dato' Kalimullah bin Masheerul Hassan	Malaysian	300,000 <sup>5</sup>	0.25	12,260,000 <sup>4</sup>	10.22



## 1. INFORMATION SUMMARY (Cont'd)

### Notes:

1. Deemed interested by virtue of its shareholdings in CSSSB pursuant to Section 6A of the Act.
2. Deemed interested by virtue of their shareholdings in CCKSB and CCKSB's shareholdings in CSSSB pursuant to Section 6A of the Act.
3. Deemed interested by virtue of their shareholdings in CSSSB pursuant to Section 6A of the Act.
4. Deemed interested by virtue of his shareholdings in ANC pursuant to Section 6A of the Act.
5. Assuming full subscription of their respective entitlements pursuant to the Pink Form Allocation.

### 1.2.3 Directors

The Directors of EFFICIENT and their respective shareholdings after the Public Issue are as follows:

Name	Designation	<-----After Public Issue----->			
		Direct		Indirect	
		No. of Shares	%	No. of Shares	%
Dato' Abdul Latif bin Abdullah	Chairman and Independent Non-Executive Director	300,000 <sup>4</sup>	0.25	-	-
Vincent Cheah Chee Kong	Managing Director	3,890,020	3.24	69,350,000 <sup>1</sup>	57.79
Victor Cheah Chee Wai	Executive Director	500,000 <sup>4</sup>	0.42	69,350,000 <sup>1</sup>	57.79
Esther Soon Yoke Leng	Executive Director	500,000 <sup>4</sup>	0.42	41,610,000 <sup>2</sup>	34.67
Sreedhar Subramaniam	Executive Director	500,000 <sup>4</sup>	0.42	-	-
Dato' Kalimullah bin Masheerul Hassan	Non-Independent Non-Executive Director	300,000 <sup>4</sup>	0.25	12,260,000 <sup>3</sup>	10.22
Datuk Syed Hussian bin Syed Junid	Independent Non-Executive Director	300,000 <sup>4</sup>	0.25	-	-
Ho Hin Choy	Independent Non-Executive Director	300,000 <sup>4</sup>	0.25	-	-

### Notes:

1. Deemed interested by virtue of their shareholdings in CCKSB and CCKSB's shareholdings in CSSSB pursuant to Section 6A of the Act.
2. Deemed interested by virtue of her shareholdings in CSSSB pursuant to Section 6A of the Act.
3. Deemed interested by virtue of his shareholdings in ANC pursuant to Section 6A of the Act.
4. Assuming full subscription of their respective entitlements pursuant to the Pink Form Allocation.

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## 1. INFORMATION SUMMARY (Cont'd)

### 1.2.4 Key management and key technical personnel

The key management and key technical personnel of the EFFICIENT Group and their respective shareholdings in EFFICIENT after the Public Issue are as follows:

Name	Designation	<-----After Public Issue----->			
		Direct		Indirect	
		No. of Shares	%	No. of Shares	%
Vincent Cheah Chee Kong	Managing Director	3,890,020	3.24	69,350,000 <sup>1</sup>	57.79
Victor Cheah Chee Wai	Executive Director	500,000 <sup>3</sup>	0.42	69,350,000 <sup>1</sup>	57.79
Esther Soon Yoke Leng	Executive Director	500,000 <sup>3</sup>	0.42	41,610,000 <sup>2</sup>	34.67
Sreedhar Subramaniam	Executive Director	500,000 <sup>3</sup>	0.42	-	-
Alice Tang Kim Yoke	Operations Manager	1,020,000 <sup>3</sup>	0.85	-	-
Chooi Oi Ying	Key Account Manager	1,020,000 <sup>3</sup>	0.85	-	-
Voong Kian Yee	Finance and Administration Manager	10,000 <sup>3</sup>	0.01	-	-
Tan Chee Kwang	System Architect	5,000 <sup>3</sup>	*	-	-
Phan Won Keoon	System Architect	5,000 <sup>3</sup>	*	-	-
Tee Lien Han	System Architect	40,000 <sup>3</sup>	0.03	-	-

\* Negligible

*Notes:*

1. Deemed interested by virtue of their shareholdings in CCKSB and CCKSB's shareholdings in CSSSB pursuant to Section 6A of the Act.
2. Deemed interested by virtue of her shareholdings in CSSSB pursuant to Section 6A of the Act.
3. Assuming full subscription of their respective entitlements pursuant to the Pink Form Allocation.

Further details on the promoters, substantial shareholders, Directors of EFFICIENT and key management and key technical personnel of the EFFICIENT Group are set out in Section 7 of this Prospectus.

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## 1. INFORMATION SUMMARY (Cont'd)

### 1.3 Financial highlights

#### 1.3.1 Proforma consolidated income statement

The table below sets out a summary of the proforma consolidated income statements of EFFICIENT for the past 5 financial years ended 31 December 2003 and 5 month period ended 31 May 2004, based on the assumption that the current structure of the Group has been in existence throughout the years/period under review. The proforma consolidated income statements are presented for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions as set out in the Accountants' Report in Section 13 of this Prospectus.

	<-----Financial year ended ----->					5 month
	31.12.1999	31.12.2000	31.12.2001	31.12.2002	31.12.2003	period ended 31.5.2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	1,450	4,510	6,752	8,278	18,201	10,415
Cost of sales	(449)	(2,053)	(3,701)	(4,572)	(10,077)	(5,997)
Gross profit	1,001	2,457	3,051	3,706	8,124	4,418
Other operating income	-	47	-	3	24	6
	1,001	2,504	3,051	3,709	8,148	4,424
Administrative and other operating expenses	(715)	(1,553)	(2,103)	(2,724)	(3,286)	(1,526)
Profits from operation	286	951	948	985	4,862	2,898
Finance costs	(93)	(113)	(279)	(389)	(412)	(197)
Share of associate profit	-	-	-	-	-	68
PBT	193	838	669	596	4,450	2,769
Depreciation	252	282	771	892	1,429	671
Interest expense	93	113	279	389	412	197
EBIDTA	538	1,233	1,719	1,877	6,291	3,637
Depreciation	(252)	(282)	(771)	(892)	(1,429)	(671)
Interest expense	(93)	(113)	(279)	(389)	(412)	(197)
PBT	193	838	669	596	4,450	2,769
Taxation	-	(305)	(155)	(223)	(1,446)	(808)
PAT	193	533	514	373	3,004	1,961
Number of Shares <sup>1</sup> ('000)	90,000	90,000	90,000	90,000	90,000	90,000
Gross EPS <sup>2</sup> (sen)	0.21	0.93	0.74	0.66	4.94	3.08*
Net EPS <sup>3</sup> (sen)	0.21	0.59	0.57	0.41	3.34	2.18*

\* Not annualised. For comparison purposes only, the annualised gross and net EPS is 7.38 sen and 5.23 sen respectively.

Notes:

1. Number of Shares assumed in issue after Share Split but prior to the Public Issue.
2. Computed based on PBT divided by the number of Shares assumed in issue after Share Split but prior to the Public Issue.
3. Computed based on PAT divided by the number of Shares assumed in issue after Share Split but prior to the Public Issue.
4. There are no exceptional or extraordinary items for the financial years or period under review.

Further details and commentary on the proforma consolidated income statements of EFFICIENT are set out in Section 11 of this Prospectus.

## 1. INFORMATION SUMMARY (Cont'd)

### 1.3.2 Proforma consolidated balance sheets

The proforma consolidated balance sheets of the EFFICIENT as at 31 May 2004 set out below have been prepared for illustrative purposes only to show the effects of the Flotation Scheme on the assumption that the Flotation Scheme was completed on 31 May 2004. The proforma consolidated balance sheets should be read in conjunction with the accompanying notes as set out in the proforma consolidated balance sheets in Section 12 of this Prospectus:

	Audited as at 31. 05. 2004 RM	Proforma I After Share Split RM	Proforma II After Proforma I, Public Issue and utilisation of proceeds RM	Proforma III After Proforma II and assuming exercise of ESOS Options* RM
<b>Non-current assets</b>				
Property, plant and equipment	12,204,612	12,204,612	18,204,612	18,204,612
Investment in associates	372,258	372,258	372,258	372,258
	12,576,870	12,576,870	18,576,870	18,576,870
<b>Current assets</b>				
Inventories	395,713	395,713	395,713	395,713
Trade receivables	5,316,980	5,316,980	5,316,980	5,316,980
Other receivables, deposits and prepayments	1,284,060	1,284,060	823,162	823,162
Fixed deposits with licensed banks	289,866	289,866	289,866	289,866
Cash and bank balances	1,500,071	1,500,071	13,260,969	20,820,969
	8,786,690	8,786,690	20,086,690	27,646,690
<b>Current liabilities</b>				
Trade payable	2,196,916	2,196,916	2,196,916	2,196,916
Other payables and accruals	1,290,237	1,290,237	1,290,237	1,290,237
Hire purchase payables	867,685	867,685	867,685	867,685
Short term borrowings	761,754	761,754	761,754	761,754
Bank overdrafts	407,515	407,515	407,515	407,515
Provision for taxation	1,266,514	1,266,514	1,266,514	1,266,514
	6,790,621	6,790,621	6,790,621	6,790,621
<b>Net current assets</b>	1,996,069	1,996,069	13,296,069	20,856,069
	14,572,939	14,572,939	31,872,939	39,432,939
<b>Financed by:</b>				
Share capital	9,000,002	9,000,002	12,000,002	13,200,002
Share premium	-	-	14,300,000	20,660,000
Negative goodwill	259,831	259,831	259,831	259,831
Retained profits	1,957,882	1,957,882	1,957,882	1,957,882
Shareholders' equity	11,217,715	11,217,715	28,517,715	36,077,715
<b>Non-current liabilities</b>				
Hire purchase payables	721,254	721,254	721,254	721,254
Long term borrowings	1,627,149	1,627,149	1,627,149	1,627,149
Deferred taxation	1,006,821	1,006,821	1,006,821	1,006,821
	14,572,939	14,572,939	31,872,939	39,432,939
No. of ordinary shares of RM1.00 each	9,000,002	-	-	-
No. of ordinary shares of RM0.10 each	-	90,000,020	120,000,020	132,000,020
<b>NTA per share (RM)</b>	1.25	0.12	0.24	0.27

## 1. INFORMATION SUMMARY (Cont'd)

Note:

- \* The ESOS Options will be granted only after the Listing. It is assumed that all the ESOS Options are to be fully exercised at an illustrative price of RM0.63 per Share. The ESOS is not expected to have any effect on the NTA per Share of the Group until such time as the Options granted under the ESOS are exercised. Any potential effect of the ESOS on the NTA of the Group in the future would depend on the number of Options granted and exercised at any point in time as well as the exercise price of the Options.

### 1.3.3 Audit qualifications

There was no qualification reported in the audited financial statements of any of the companies within the EFFICIENT Group for the financial years/period under review. Detailed information on the financial performance of the EFFICIENT Group is set out in Section 13 of this Prospectus.

### 1.3.4 Forecast

The Group's future financials are not disclosed in this Prospectus due to its uncertain nature and inherent risks, such as, but not limited to those disclosed in Section 3 of this Prospectus.

## 1.4 Principal statistics relating to the Public Issue

### 1.4.1 Share capital

	RM
<b>Authorised</b>	
250,000,000 ordinary shares of RM0.10 each	25,000,000
<b>Issued and fully paid-up</b>	
<i>Existing as at 1 November 2004</i>	
90,000,020 new ordinary shares of RM0.10 each	9,000,002
<i>To be issued and credited as fully paid-up pursuant to the Public Issue</i>	
30,000,000 new ordinary shares of RM0.10 each	3,000,000
<i>Enlarged issued and fully paid-up upon Listing on the MESDAQ Market</i>	12,000,002
<i>To be issued pursuant to full exercise of ESOS Options</i>	
12,000,000 new ordinary shares of RM0.10 each	1,200,000
<i>Enlarged issued and fully-paid up upon full exercise of ESOS Options</i>	13,200,002

There is only one class of shares in the Company, namely, ordinary shares of RM0.10 each. The Issue Shares will rank *pari passu* in all respects with the other existing issued and paid-up share capital of the Company including voting rights and rights to all dividends that may be declared subsequent to the date of allotment of the Issue Shares.

Further details on the share capital of EFFICIENT are set out in Section 2.4 of this Prospectus.

### 1.4.2 Issue Price

The issue price in respect of the Public Issue is RM0.63 per Issue Share.

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

### 1.4.3 Proforma Consolidated NTA

The following information has been extracted from and should be read in conjunction with the proforma consolidated balance sheets set out in Section 12 of this Prospectus.

Proforma consolidated NTA (RM'000) <i>(After the Public Issue and deducting listing expenses of RM1.6 million)</i>	28,517,715
Proforma consolidated NTA per Share (RM) <i>(Based on the enlarged issued and paid-up share capital of 120,000,020 EFFICIENT Shares)</i>	0.24

### 1.5 Risk factors

There are a number of risk factors (which may not be exhaustive), both specific to the Group and relating to the general business environment, which may impact the operating performance and financial position of the Group. To appreciate the risk factors associated with an investment in EFFICIENT, this Prospectus should be read in its entirety. Details of the key risk factors of which investors should be aware are set out in Section 3 of this Prospectus:

- (a) No prior market for EFFICIENT Shares
- (b) Capital market risks
- (c) Business risks
- (d) Competition
- (e) Dependence on major suppliers
- (f) Dependence on major customers
- (g) Changes in technology and technological obsolescence
- (h) Security risks and system disruption
- (i) Risks to revenue and profit flow
- (j) Protection of Group and third party proprietary technology/intellectual property rights
- (k) Substitute products/services
- (l) Change in MSC status
- (m) Adequacy on insurance coverage on assets
- (n) Risk associated with borrowings
- (o) Disaster recovery
- (p) Dependency on key management and personnel
- (q) Political, economic and regulatory considerations
- (r) Industry specific regulatory considerations
- (s) Risks related to third party information
- (t) Potential delay or failure in the listing
- (u) Control by promoters
- (v) Uncertainty of the 5-year business development plan
- (w) Disclosure regarding forward-looking statements

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## 1. INFORMATION SUMMARY (Cont'd)

### 1.6 Utilisation of proceeds

The gross proceeds of RM18,900,000 from the Public Issue will be utilised in the following manner:

	RM	Utilisation period (Financial year ending 31 December)
R&D	2,000,000	2005 - 2007
New facility in Shah Alam	6,000,000	2005 - 2006
Branding & promotion	600,000	2005 - 2007
Working capital	8,700,000	2005 - 2007
Defray estimated listing expenses	1,600,000	2005
Total	<u>18,900,000</u>	

Further details on the utilisation of proceeds arising from the Public Issue are set out in Section 2.8 of this Prospectus.

### 1.7 Working capital, borrowings, material litigation, capital commitments and contingent liabilities

#### 1.7.1 Working capital

The Directors of EFFICIENT are of the opinion that after taking into account the cashflow position, the banking facilities available and the proceeds to be raised from the Public Issue, the Group will have adequate working capital for a period of 12 months from the date of this Prospectus.

#### 1.7.2 Borrowings

As at the Latest Practicable Date, the total outstanding bank borrowings of the Group (all of which are interest bearing) amounted to RM2,366,058. Details of the Group's outstanding bank borrowings are as follows:

	RM
Long-term borrowings	1,123,345
Short-term borrowings	1,242,713
Total borrowings	<u>2,366,058</u>

As at the Latest Practicable Date, the Group does not have any foreign currency denominated borrowings. In so far as the Directors of EFFICIENT are aware, there has not been any default on payments of interest and/or principal sums for the borrowings disclosed above.

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

### 1.7.3 Material litigation

As at the Latest Practicable Date, neither EFFICIENT nor any of its subsidiaries is engaged in any material litigation, claims or arbitration either as plaintiff or defendant, which has a material effect on the financial position of EFFICIENT or its subsidiaries and the Directors of EFFICIENT do not know of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect the position or business of EFFICIENT or its subsidiaries.

### 1.7.4 Capital commitments

As at the Latest Practicable Date, the material capital commitments incurred or known to be incurred by the Group that may have a substantial impact on the results or financial position of the Group are as follows:

	RM'000
Approved and contracted for	4,028*
Approved but not contracted for	-
Total	<u>4,028</u>

*Note:*

\* *Balance of the purchase consideration to be paid for the acquisition by EMC of a piece of freehold land held under HS(D) 142710, PT No. 17655, Mukim Damansara, Daerah Petaling, Selangor. Further details on the said acquisition are set out in Section 10.3 of this Prospectus.*

### 1.7.5 Contingent liabilities

As at the Latest Practicable Date, the Directors of EFFICIENT are not aware of any material contingent liabilities, which have become enforceable or is likely to become enforceable, which in the opinion of the Directors of EFFICIENT, will or may substantially affect the ability of the Company or its subsidiaries to meet their obligations as and when they fall due.

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## 2. PARTICULARS OF THE PUBLIC ISSUE

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### 2.1 Introduction

This Prospectus is dated 30 November 2004.

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

The approval from the SC had been obtained on 16 July 2004 and 29 October 2004 for the Public Issue. Approval had also been obtained from Bursa Securities on 20 July 2004 for the admission to the Official List of the MESDAQ Market and for permission to deal in and quotation for the entire enlarged issued and paid-up share capital of EFFICIENT including the Issue Shares which are the subject of this Prospectus. These EFFICIENT Shares will be admitted to the Official List of the MESDAQ Market and official quotation will commence after receipt of confirmation from the Depository that all CDS accounts of successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants.

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

Persons submitting applications by way of Application Forms or by way of Electronic Share Applications **MUST** have a CDS account. Where an applicant does not presently have a CDS account, he should open a CDS account at an ADA prior to making an application for the Issue Shares.

In the case of an application by way of Application Forms, an applicant must state his CDS account number in the space provided in the Application Form.

In the case of an application by way of Electronic Share Application, an applicant shall furnish his CDS account number to the Participating Financial Institution by keying in his CDS account number if the instructions on the ATM screen at which he enters his Electronic Share Application requires him to do so. A corporation or institution cannot apply for the Public Issue by way of Electronic Share Application.

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

The distribution of this Prospectus and the sale of the Issue Shares in other jurisdictions may be restricted by law. Persons who may come into possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an invitation of an offer to buy or offer to sell any of the Issue Shares in any jurisdiction in which such invitation or offer is not authorised or lawful or to any persons to whom it is unlawful to make such an invitation or offer.

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

The SC and Bursa Securities assume no responsibility for the correctness of any statements made or opinions or reports expressed in the Prospectus. Listing of EFFICIENT Shares and admission to the MESDAQ Market is not to be taken as an indication of the merits of the Company or of its shares.

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

The Prospectus can also be viewed or downloaded from Bursa Securities' website at [www.bursamalaysia.com](http://www.bursamalaysia.com).

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

### 2.2 Opening and closing of applications

Application will be accepted from 10.00 a.m on 30 November 2004 and will close at 5.00 p.m. on 16 December 2004 or for such further period or periods as the Directors of the Company and the Managing Underwriter may in their absolute discretion mutually decide. Late applications will not be accepted.

### 2.3 Important dates

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

Event	Date
Opening of application	30 November 2004
Closing of application*	16 December 2004
Tentative balloting date	20 December 2004
Tentative date of despatch of notices of allotment to successful applicants	6 January 2005
Tentative listing date	10 January 2005

Note:

\* *The application for the Public Issue will close at the time and date as stated above or such other later date or dates as the Directors of the Company and the Managing Underwriter may in their absolute discretion mutually decide. Should the closing date of the application be extended, the dates of balloting, despatch of notices of allotment, and the listing of and quotation for the entire enlarged issued and paid-up share capital of EFFICIENT on the MESDAQ Market will be extended accordingly. Any change to the closing date of the application will be advertised in widely circulated English and Bahasa Malaysia newspapers in Malaysia.*

### 2.4 Share capital

	RM
<b>Authorised</b>	
250,000,000 ordinary shares of RM0.10 each	25,000,000
<b>Issued and fully paid-up</b>	
<i>Existing as at 1 November 2004</i>	
90,000,020 new ordinary shares of RM0.10 each	9,000,002
<i>To be issued and credited as fully paid-up pursuant to the Public Issue</i>	
30,000,000 new ordinary shares of RM0.10 each	3,000,000
<i>Enlarged issued and fully paid-up upon Listing on the MESDAQ Market</i>	12,000,002
<i>To be issued pursuant to full exercise of ESOS Options</i>	
12,000,000 new ordinary shares of RM0.10 each	1,200,000
<i>Enlarged issued and fully-paid up upon full exercise of ESOS Options</i>	13,200,002

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

The issue price of RM0.63 per Issue Share is payable in full on application.

There is only one class of shares in the Company, namely, ordinary shares of RM0.10 each. The Issue Shares will rank *pari passu* in all respects with the other existing issued and paid-up share capital of the Company including voting rights and rights to all dividends that may be declared subsequent to the date of allotment of the Issue Shares.

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

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

### 2.5 Particulars of the Public Issue

The Public Issue is subject to the terms and conditions of this Prospectus and upon acceptance, will be allocated in the following manner: -

(a) **Directors and eligible employees of EFFICIENT and its subsidiaries and persons who have contributed to the success of EFFICIENT and its subsidiaries**

6,000,000 Issue Shares have been reserved for Directors and eligible employees of EFFICIENT and its subsidiaries and persons who have contributed to the success of EFFICIENT and its subsidiaries.

(b) **Private Placement**

21,000,000 Issue Shares will be placed to identified investors via the Private Placement; and

(c) **Malaysian public**

3,000,000 Issue Shares will be made available for application by Malaysian citizens, companies, co-operatives, societies and institutions.

The Issue Shares in respect of paragraph (a) above are allocated based on the following criteria:

(i) The Directors of EFFICIENT have been allocated an aggregate of 2,700,000 Issue Shares in the following manner:

<b>Name of Directors</b>	<b>No. of Issue Shares allocated</b>
Dato' Abdul Latif bin Abdullah	300,000
Victor Cheah Chee Wai	500,000
Esther Soon Yoke Leng	500,000
Sreedhar Subramaniam	500,000
Dato' Kalimullah bin Masheerul Hassan	300,000
Datuk Syed Hussian bin Syed Junid	300,000
Ho Hin Choy	300,000

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

- (ii) The eligible employees of EFFICIENT and its subsidiaries have been allocated an aggregate of 995,000 Issue Shares. The criteria of allocation of the Issue Shares reserved for 51 eligible employees of EFFICIENT and its subsidiaries as at 31 July 2004 have been based on position held in the Group and length of service with the Group; and
- (iii) The persons who have contributed to the success of EFFICIENT and its subsidiaries have been allocated an aggregate of 2,305,000 Issue Shares. The criteria of allocation of the Issue Shares reserved for 33 individuals/corporations have been based on their contribution to EFFICIENT and its subsidiaries.

The Issue Shares in respect of paragraph (c) have been fully underwritten. Any Issue Shares in respect of paragraph (a) above which are not subscribed for by the Directors and eligible employees of EFFICIENT and its subsidiaries and persons who have contributed to the success of EFFICIENT and its subsidiaries will be made available for application by Malaysian citizens, companies, co-operatives, societies and institutions, and will also be underwritten. The Issue Shares in respect of paragraph (b) above need not be underwritten as irrevocable undertakings to subscribe for the said Issue Shares have been given by the identified investors.

There is no minimum subscription amount to be raised from the Public Issue. All the Issue Shares will either be underwritten by the Underwriters or subscribed by the identified investors under the Private Placement pursuant to their respective written irrevocable undertakings.

### 2.6 Purposes of the Public Issue

The main purposes of the Public Issue are as follows:

- (a) to obtain a listing of and quotation for the entire enlarged issued and paid-up share capital of EFFICIENT on the MESDAQ Market;
- (b) to provide EFFICIENT with access to the capital market to raise funds for future expansion and the continuing growth of the Group; and
- (c) to provide an opportunity for the Malaysian public, Directors and eligible employees of EFFICIENT and its subsidiaries and persons who have contributed to the success of EFFICIENT and its subsidiaries to participate in the continuing growth of the Group by way of equity participation.

### 2.7 Basis of arriving at the Issue Price

The issue price of RM0.63 per Issue Share was determined and agreed upon between the Company and RHB Sakura as the Financial Adviser, Managing Underwriter and Placement Agent based on various factors after taking into account the following:

- (a) a premium of RM0.39 or 162.5% over the proforma consolidated NTA per Share of EFFICIENT as at 31 May 2004 of RM0.24;
- (b) the Group's operating and financial history as outlined in Sections 5 and 11 respectively of this Prospectus;
- (c) the future plans and prospects of the EFFICIENT Group as outlined in Section 6 of this Prospectus; and
- (d) the prevailing market conditions.

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

However, investors should also take note that the market price of EFFICIENT Shares upon and subsequent to the listing of EFFICIENT on the MESDAQ Market are subject to the vagaries of market forces and other uncertainties, which may affect the price of EFFICIENT Shares being traded.

### 2.8 Proceeds from the Public Issue

The gross proceeds receivable by EFFICIENT from the Public Issue amounting to RM18,900,000 will be utilised as follows:

	Note	RM	Utilisation period (Financial year ending 31 December)
R&D	(a)	2,000,000	2005 - 2007
New facility in Shah Alam	(b)	6,000,000	2005 - 2006
Branding & promotion	(c)	600,000	2005 - 2007
Working capital*	(d)	8,700,000	2005 - 2007
Defray estimated listing expenses*	(e)	1,600,000	2005
Total		<u>18,900,000</u>	

**Notes:**

\* If the actual listing expenses are higher than budgeted, the deficit will be funded out of the portion allocated for working capital. Conversely, if the actual listing expenses are lower than budgeted, the excess will be utilised for working capital purposes.

(a) R&D

The Group believes in the continual investment in R&D as an integral part of providing and improving innovative value added services for its customers. To this end, EFFICIENT has allocated RM2 million of the proceeds arising from the Public Issue towards the continuing development of its software applications, namely e-TALK™, e-DOC™ and e-FLOW™. Further details of the R&D activities are set out in Section 5.5.13 of this Prospectus.

(b) New facility in Shah Alam

EMC has entered into a sale and purchase agreement with KLIE Assets Sdn Bhd on 6 April 2004 to acquire a plot of freehold land held under HS(D) 142710, PT No. 17655, Mukim Damansara, Daerah Petaling, Selangor, measuring approximately 88,000 square feet located at Bukit Jelutong Industrial Park, Shah Alam, for a purchase consideration of RM4,475,250. The Directors of EFFICIENT propose to utilise RM4,475,250 of the proceeds raised from the Public Issue to fund the aforesaid acquisition of land.

The land to be acquired is to be developed into a new operations facility. Upon completion of the new facility, the Group will relocate its existing operations from Petaling Jaya and the rented premises in Shah Alam to this new facility. The estimated cost of the new facility and the relocation of machinery from the existing facility is approximately RM7,000,000, of which RM1,524,750 would be funded by the proceeds of the Public Issue and the balance by internally generated funds and/or bank borrowings. The construction of the new facility is expected to commence in February 2005 and expected to be completed by January 2006. Further details of the new facility in Shah Alam are set out in Section 6.4 of this Prospectus.

(c) Branding and Promotion

An amount of RM600,000 from the proceeds raised will be allocated for the Group's branding and promotion activities to encourage customers to opt for electronic delivery and wider scope of outsourcing services. This branding and promotion activities will be targeted at EFFICIENT's initial group of customers in order to accelerate the adoption of EBP.

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

(d) *Working capital*

An amount of RM8,700,000 from the proceeds raised will be allocated for the Group's working capital purposes to support its existing business operations that include financing of forms and paper purchases, printing cost, maintenance of the machinery and operating expenses.

(e) *Defray estimated listing expenses*

EFFICIENT will bear all expenses incidental to the listing of and quotation for the entire enlarged share capital of EFFICIENT on the MESDAQ Market as follows:

	<b>RM</b>
<i>Estimated professional fees</i>	800,000
<i>Authorities' fees</i>	70,500
<i>Advertisement and printing of Prospectus</i>	200,000
<i>Brokerage, underwriting commission and placement fee</i>	380,000
<i>Issuing House's fees</i>	100,000
<i>Contingencies</i>	49,500
<b>Total</b>	<b>1,600,000</b>

The proforma impact of the utilisation of proceeds on the consolidated balance sheets of EFFICIENT as at 31 May 2004 is reflected in Section 12 of this Prospectus.

### 2.9 Brokerage, underwriting commission and listing expenses

(a) **Brokerage**

Brokerage relating to the Issue Shares will be paid by the Company at the rate of 1% of the issue price of RM0.63 per Issue Share in respect of successful applications which bear the stamp of RHB Sakura, participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of Association of Merchant Banks in Malaysia or MIDFCCS.

(b) **Underwriting commission**

The Underwriters have agreed to underwrite 3,000,000 Issue Shares to be issued to the Malaysian public. Underwriting commission is payable by the Company at the rate of 2% of the issue price of RM0.63 per Issue Share.

The Managing Underwriter has further agreed to underwrite any of the Issue Shares not subscribed for by the Directors and eligible employees of EFFICIENT and its subsidiaries and persons who have contributed to the success of EFFICIENT and its subsidiaries. Underwriting commission is payable by the Company at an underwriting commission of 2% of the issue price of RM0.63 per Issue Share.

(c) **Placement fee**

The Placement Agent's fee for the placement of 21,000,000 Issue Shares is payable by the Company at the rate of 0.5% of the issue price of RM0.63 per Issue Share.

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

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**2.10 Salient terms of the underwriting agreement**

An underwriting agreement has been entered into between the Company and RHB Sakura, being the Managing Underwriter and the Underwriters mentioned earlier in this Prospectus on 10 November 2004 to underwrite the Issue Shares mentioned in Section 2.9 (b) above.

The salient terms of the underwriting agreement are summarised below:

- (a) In consideration of the underwriting commission, the Managing Underwriter and Underwriters have agreed to underwrite up to 3,000,000 Issue Shares in the proportions set out in the Underwriting Agreement;
- (b) the Company has made certain representations, warranties and undertakings in the Underwriting Agreement and the Company has also undertaken to provide further information/notification to the Underwriters;
- (c) the obligations of the Managing Underwriter and Underwriters are conditional upon, among others, the SC and Bursa Securities respectively having approved the Prospectus and agreed in principle, on or prior to the closing date, to the listing and quotation for all the Issue Shares on the MESDAQ Market of the Bursa Securities;
- (d) the Company has agreed to indemnify the Managing Underwriter and the Underwriters from and against any and all losses, liabilities, costs, claims, charges, actions, proceedings, damages, expenses or demands which the Managing Underwriter and Underwriters may incur or which may be made against any of them resulting from or in relation to any misrepresentation or breach by the Company of any of the representations, warranties or undertakings or any failure by the Company to perform its obligation under the Underwriting Agreement;
- (e) an underwriting commission of 2% of the issue price of RM0.63 per Issue Share underwritten is payable to the Managing Underwriter and the Underwriters within 5 market days of the listing and quotation for all the Shares underwritten;
- (f) if after the closing date:
  - (i) any of the underwritten Shares have not been applied for or allocated in accordance with the terms of the Prospectus, the Underwriters shall apply and pay for or procure applications and payment for the underwritten Shares in the proportion reflected in the Underwriting Agreement not applied and paid for on the closing date, and
  - (ii) any of the Underwritten Excess Shares (as defined in the Underwriting Agreement) have not been applied for or allocated in accordance with the terms of the Prospectus, the Managing Underwriter shall apply and pay for or procure applications and payment for the Underwritten Excess Shares not applied and paid for on the closing date;
- (g) the Underwriters and Managing Underwriter may at any time before the closing date terminate their obligations if, among others:
  - (i) if any of the conditions precedent set out in the Underwriting Agreement is not satisfied on or before the closing date;
  - (ii) there has come to the notice of the Underwriters and the Managing Underwriter, prior to the closing date, that any statement in the Prospectus when the Prospectus was issued has become untrue, incorrect or misleading in any material respect;

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

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- (iii) any new law or regulation or directive or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, which has or is likely to have a material adverse effect on the business or financial condition or prospects of the Group;
  - (iv) any event or series of events beyond the reasonable control of the Underwriters (including without limitation acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, sabotage, acts of God or accidents) which has or is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Public Issue or pursuant to the underwriting obligations under the Underwriting Agreement;
  - (v) there shall occur, develop or come into effect in the reasonable opinion of the Underwriters and the Managing Underwriter any change (whether permanent or not permanent) in local, national, international, financial, monetary, industrial, economic, stock market, exchange control or political conditions which would materially prejudice the success of the Public Issue and the distribution or sale (whether in the primary market or in respect of dealings in the secondary market) of the Issue Shares; and
  - (vi) the imposition of any moratorium, suspension or material restriction on trading in securities generally on Bursa Securities due to exceptional financial circumstances or otherwise or a change or development involving a prospective change in taxation or exchange controls or currency exchange rates which would or may materially and adversely affect the Company or the present or prospective shareholders of the Company in their capacity as such, and any such event has or is likely to have a material adverse effect on the success of the Public Issue or makes it inadvisable or inexpedient to proceed with the same.
- (h) upon coming to the notice of the Underwriters and the Managing Underwriter, prior to the closing date, of any material breach of; any material failure to perform; or any change rendering inaccurate in a material respect, any of the warranties, representations or undertakings by the Company, the Managing Underwriter and Underwriters are entitled to (but not bound) by notice in writing to the Company to elect to treat such breach, failure or change as releasing or discharging them from their obligations under the Underwriting Agreement. The Company however remains liable for the payment of the costs and expenses incurred prior to or in connection with such release and discharge, without prejudice to the right of the Underwriters and Managing Underwriter to treat any further breach, failure or change as releasing and discharging them from their obligations under the Underwriting Agreement; and
- (i) upon any material breach by the Company of its representations, warranties or undertakings in the Underwriting Agreement, the Managing Underwriter and Underwriters may at any time prior to the closing date, elect to treat such breach as releasing or discharging themselves from their obligations under the Underwriting Agreement without prejudice to the Underwriters' and Managing Underwriter's rights, powers and remedies under the Underwriting Agreement or the costs and expense payable.



### 3. RISK FACTORS

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**THERE ARE A NUMBER OF RISK FACTORS, BOTH SPECIFIC TO THE EFFICIENT GROUP AND RELATING TO THE GENERAL BUSINESS ENVIRONMENT, WHICH MAY IMPACT THE OPERATING PERFORMANCE AND FINANCIAL POSITION OF THE EFFICIENT GROUP. INVESTORS SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS (WHICH MAY NOT BE EXHAUSTIVE), WHICH MAY HAVE A SIGNIFICANT IMPACT ON THE FUTURE PERFORMANCE OF THE EFFICIENT GROUP BEFORE APPLYING FOR THE ISSUE SHARES.**

#### 3.1 No prior market for EFFICIENT Shares

Prior to the listing of EFFICIENT on the MESDAQ Market, there has been no public market for EFFICIENT Shares. There can be no assurance that an active trading market will develop for the Shares, or if developed, that such market will be sustained. The issue price of RM0.63 per Share was determined after taking into consideration a number of factors, including but not limited to, the Group's financial and operating history, its prospects and the prospects for the industry in which the Group operates, and the prevailing market conditions prior to the despatch of this Prospectus.

There can be no assurance that the issue price will correspond to the price at which EFFICIENT Shares will trade on the MESDAQ Market upon or subsequent to its listing.

#### 3.2 Capital market risks

EFFICIENT will be listed on the MESDAQ Market. The performance of the MESDAQ Market is, to a certain extent, dependent on external factors such as the performance of the regional and world bourses and the inflow or outflow of foreign funds. Market sentiments are also largely driven by internal factors such as the economic and political conditions of the country as well as the potential growth of the various sectors of the economy. These factors will invariably contribute to the volatility of trading volumes on the MESDAQ Market, thus adding risk to the market price of the shares of EFFICIENT.

#### 3.3 Business risks

The Group is subject to the inherent risks of the DDP industry such as obsolescence of technology, increases in cost of raw materials, shortages of raw materials, changes in government legislation as well as changes in general economic, business and credit conditions within and outside of Malaysia.

No assurance can be given that changes to any of these factors will not have a material effect on the Group's businesses. However, the Group seeks to limit these risks through, *inter-alia*, increasing the efficiency of its operations, expansion of existing and new markets, developing and maintaining a diversified pool of suppliers and customers, improving its technological competence through R&D and conservative management policies.

#### 3.4 Competition

The Group operates in a competitive market and faces various competitors, including existing players and new entrants to the industry. Due to lack of conspicuous product differentiation, competition among DDP service providers is based largely on quality, customer relationship, ability to meet customers' specifications and timely delivery.

Furthermore, the nature of the DDP industry is such that the more conservative customers would want to mitigate their risk by outsourcing services to multiple DDP service providers. Hence, this would result in competition among the industry players since majority would be able to get a slice of the DDP pie.

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

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The Group intends to remain competitive by providing quality service, such as maintaining a close relationship with customers, ensuring prompt delivery, diversification of its services to include EBP and expansion into new markets. The Group is also continuously improving its IT related products and services and DDP production efficiency through R&D. The Group plans to invest in R&D to increase its competitiveness. In addition, the customer contracts that are entered into between EMC and its customers are generally long term in nature, thereby ensuring expected steady revenue streams for the Group for the years under contract where it is less likely, or more difficult for customers to switch DDP service providers.

Notwithstanding this, no assurance can be given that the Group will be able to maintain or increase its existing market share in the future.

#### 3.5 Dependence on major suppliers

The Group is highly dependent on mainly paper products as a source of raw material. There are no formal contracts entered into between the Group and its major suppliers. The Directors of EFFICIENT believe that the Group has good working relationship with its suppliers and as of to-date, the Group has not encountered any shortage in the supply of paper products. For the 5 month period ended 31 May 2004, the Group had approximately 20 suppliers of paper products. In addition, its main supplier is PG, an associated company in which EMC has a 20% stake. For the 5 month period ended 31 May 2004, approximately 26.9% of the Group's paper products were purchased from PG. Furthermore, certain customers provide their own paper for printing and distribution purposes. In such instances, the Group would not need to source for paper products.

There is no assurance that the Group's operations will not be adversely affected if the Group is unable to obtain adequate supply of paper products in a timely manner or on viable commercial terms to the Group. As such, the Group has taken steps to diversify the source of raw materials from as many suppliers as practicable in order to ensure the continuous supply of raw materials at a reasonable price range. The Directors of EFFICIENT believe that the dependence on any particular supplier is minimal given that the raw materials used by the Group are widely available.

The Group is also dependent on suppliers of hardware. However, this is mitigated by the fact that the Group is not dependent on any one supplier and therefore can substitute any of its hardware with products from other vendors. Further, the Group has entered into long-term maintenance contracts with the chosen hardware suppliers.

#### 3.6 Dependence on major customers

For the 5 month period ended 31 May 2004, approximately 51% of the Group's turnover was contributed by 4 major customers. Notwithstanding that the contracts for these customers are mainly long term in nature, the Directors of EFFICIENT acknowledge the need to mitigate this risk. In this regard, the Group is continuously investing in R&D to enhance its DDP capabilities, as well as expanding its services to offer EBP outsourcing in order to retain its existing customers, as well as to potentially enlarge its customer base. Enhanced capabilities and production efficiency will enable the Group to fulfil increasingly sophisticated requirements from potential new customers. Consequently, the risk of over-dependence on the aforesaid major customers is expected to be mitigated in line with the progress of the measures above.

However, no assurance can be given that the Group will not be adversely affected if any of its services is not well received by its current or potential customers or that any of its customers choose not to extend its business ties with the Group in the future.

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

#### 3.7 Changes in technology and technological obsolescence

The IT industry is subject to rapid and significant change in technology. The Group faces threats from new technologies being developed or to be developed in the future. As the landscape of the IT industry changes rapidly, the effect of emerging future technological changes on the viability or competitiveness of the Group's business and network cannot be accurately predicted. Hence, the Group needs to keep abreast with the latest technologies in order to compete successfully with its competitors. The Group will be subjected to the risks, uncertainties and problems frequently encountered by companies in the IT industry which include, amongst others, the following:

- failure to keep abreast with changing technological standards and requirements;
- failure to anticipate and adapt to developing market trends and requirements;
- failure to develop commercially viable products and services whether by the Group itself and together with other parties with sufficient speed to the market; and
- inability to maintain, upgrade and develop its system, solutions and infrastructure to cater for rapid technological changes.

With the above factors in mind, the Group will continuously explore other areas of IT and seek to ensure that its staff are continuously trained to align their skills with the requirements of technological change. In addition, the Group's R&D team strives to constantly keep abreast with technology and market trends and work closely with the marketing team in order to obtain feedback on market trends and customer requirements. However, there can be no assurance that technologies employed by the Group will not become obsolete or be subjected to competition from new technologies in the future.

#### 3.8 Security risks and system disruption

The EFFICIENT Group operates in a high technology environment where its operations may be susceptible to various security related risks in the form of computer viruses, hacking and fraud. To mitigate its exposure to such risks, the EFFICIENT Group has set up firewalls, virus inspection, server intrusion prevention and detection appliances, therefore minimising the risk of potential security breaches. As at the Latest Practicable Date, the Group had not experienced any disruption to its operating system arising from security breaches. However, there can be no assurance that the existing system measures are adequate to counter any potential security breaches that may materially affect the operations and the performance of the EFFICIENT Group.

#### 3.9 Risks to revenue and profit flow

The following factors can adversely affect the revenue of the EFFICIENT Group:

- Contracts that are entered into between EMC and its customers are generally long term in nature. However, some of the contracts with customers are short-term or on a project basis. Due to this, revenue may fluctuate significantly depending on the value and size of each contract and the number of contracts the Group secures and the variation to the scope of work of these projects. In addition, some of these contracts, on which the basis of the revenue is derived, may be terminated without prior notice by the customers. As such, the revenue and profit of the Group can be difficult to predict and can vary materially from budgets or expectations; and
- Inability to complete a project and deliver the end products to customers as scheduled. Timely completion of projects will allow the relevant personnel to commence work on other projects and thereby maximise the use of resources. As such, the inability to turnaround and complete a project as scheduled can materially and adversely affect the financial results of the Group.

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

#### 3.10 Protection of Group and third party proprietary technology/intellectual property rights

On 9 January 2004, the EFFICIENT Group had made applications to the Trade Mark registry for the registration of trade marks owned by the EFFICIENT Group, namely, e-TALK™, e-DOC™ and e-FLOW™. It is the policy of the EFFICIENT Group to take continued steps to protect these intellectual property rights.

Notwithstanding the above protective measures undertaken, there is no assurance that EFFICIENT will be able to protect its proprietary rights against unauthorised third party copying or use of its software or misappropriation of proprietary information. Defending against intellectual property infringement claims could be expensive and disruptive to the Group's business. The inability to protect its intellectual property adequately may damage the Group's reputation and its competitive position may be harmed. However, as the Group is a service based solutions provider and is not dependent on sales of its applications nor software packages as named above, the protection of its intellectual property is important, but not critical to the Group's continued success.

#### 3.11 Substitute products/services

The final output of the DDP process currently involves the printing of physical documents that have captured the processed data in accordance with customers' requirements. EBP on the other hand, provides the same documents in electronic form, and may be viewed as a competing technology in the long run should consumers increasingly demand documents in electronic form to the extent that the demand for physical printed documents of the same are substantially reduced. However, according to the Ernst & Young Report, EBP, which currently is still at infancy stage, is anticipated to play a more complementary role to DDP in the next few years.

The Group has anticipated the potential growth of EBP, and more importantly recognised the potential of documents presented using multiple media, and has taken steps to position itself by developing its own EBP capabilities. The R&D efforts of the Group have already yielded an application that forms the core of its EBP services, e-DOC™, which is currently operational. In addition, the Group plans to utilise a portion of its listing proceeds towards further R&D efforts over the next 3 years.

#### 3.12 Change in MSC status

SOFTEC was accorded with MSC status on 13 November 2003 and has since complied with all the conditions of the MSC status.

Guided by Malaysia's Promotion of Investment Act (PIA) 1986, amended 1997, MSC status companies, institutions or faculties may enjoy the following financial incentives:

- pioneer status - 100% exemption from taxable statutory income. This incentive is granted for a period of 5 years for the first round;
- a 100% investment tax allowance;
- eligibility for R&D grants (for majority Malaysian ownership MSC status companies) ; and
- freedom to source capital and borrow funds globally.

Non-financial incentives include:

- duty-free importation of multimedia equipment;
- intellectual property protection and a pioneering and comprehensive framework of cyberlaws can be enjoyed by MSC-status companies irrespective of location;

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

- no censorship of the Internet;
- high-powered implementation agency to act as an effective one-stop super shop - the MDC;
- world-class physical and IT infrastructure if companies are located within the MSC;
- globally competitive telecommunications tariffs and services guarantees if MSC-status companies are located within the MSC;
- high-quality, planned urban developments if MSC-status companies locate within the MSC;
- excellent R&D facilities, including the region's first Multimedia University if companies are located within the MSC; and
- green environment protected by strict zoning if located within the MSC.

*(Source: <http://www.mdc.com.my/cs/gcl/incentives.asp> as at 23 October 2004)*

MDC is the body responsible for monitoring all MSC designated companies. MDC has the right to withdraw any company's MSC status at any time. EFFICIENT believes that SOFTEC has and will continue to be able to fulfil the conditions for MSC status. However, there can be no assurance that SOFTEC will do so, and hence the Group's business, operating results and financial condition could be materially and adversely affected if SOFTEC MSC status is revoked.

#### 3.13 Adequacy on insurance coverage on assets

The Directors of EFFICIENT are aware of the adverse consequences arising from inadequate insurance coverage that could adversely affect its business operation. Although the Group has taken appropriate measures with a view to ensuring that all its assets are adequately covered by insurance, there can be no assurance that the insurance coverage would be adequate to compensate for the replacement cost of the assets or any consequential loss arising therefrom.

#### 3.14 Risk associated with borrowings

As at the Latest Practicable Date, the Group has total bank borrowings of approximately RM2.36 million (comprising approximately RM1.24 million short term borrowings and approximately RM1.12 million long term borrowings). In addition, the Group may from time to time obtain credit facilities from financial institutions to finance its operations and business activities.

These credit facilities may be subject to terms and conditions that may impact the Group's operating and financial flexibility. Any act or omission by the Group that is in breach of the stated terms and conditions may then allow the relevant financial institutions to terminate the relevant facilities and/or enforce any security in relation to the aforesaid facilities, as well as the possibility of cross defaulting other facilities. Although the Group will take all reasonable efforts to observe such terms and conditions at all times, there can be no assurance that the financial results of the Group will not be affected should any breaches occur.

In addition, any significant fluctuation in interest rates may increase the cost of borrowings for the Group. There is no assurance that the financial results of the Group will not be affected in the event that such changes occur.

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

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**3.15 Disaster recovery**

The Group's daily operations may be affected by events such as technical glitches or software breakdown or events of emergency such as explosion, fire, flooding, energy crisis, health crisis, sabotage, civil commotion, war or acts of God. The Group has implemented a disaster recovery plan as part of the requirements of its customers, which include measures such as off-site backup storage with review processes, and keeping a duplicate copy of critical applications and data at a confidential and secure location. In addition, a simulation test on the data and critical applications restoration is carried out on a scheduled basis to ensure that the back-up data is useable. The Group also continues to improve on its backup procedures in order to ensure that its disaster recovery systems and processes are up to date.

Notwithstanding that the disaster recovery plan is in place, there is no certainty that the operations at the back-up sites will function to a satisfactory operating level.

**3.16 Dependency on key management and personnel**

The Group believes that the continued success and future performance of the Group depend to a significant extent upon the abilities and continued efforts of its existing Directors and key management personnel. Hence, the loss of the services of any member of the Group's Board of Directors and key management may have a material effect on the Group's business, operating results and financial conditions.

The Directors of EFFICIENT recognise the importance of the Group's ability to attract and retain its key personnel and have in place human resource strategies, which include suitable compensation packages and training, as well as personal development programmes. In line with this, the Group proposes to establish an ESOS (details of which are set out in Section 5.3 of this Prospectus) in order to motivate, retain and reward executive directors, eligible key personnel and management who have contributed to the growth and success of the EFFICIENT Group.

**3.17 Political, economic and regulatory considerations**

Adverse developments in political, economic and regulatory conditions in Malaysia where the Group operates could materially and adversely affect the financial position and business prospects of the Group. These risks include the risks of an economic downturn, change in political leadership, changes in interest rates and unfavourable changes in government policies such as changes in method of taxation and introduction of new regulations. There is no assurance that such adverse political and economic factors will not materially affect the Group.

**3.18 Industry specific regulatory considerations**

According to the Ernst & Young Report, there are no specific laws and regulations governing the DDP and EBPP markets in general. However, there are certain regulations governing outsourcing within specific industries, as well as various cyberlaws introduced by the Government to regulate e-commerce activities in Malaysia, which may apply to EBPP. These are set out below:

**(a) Regulations governing outsourcing within specific industries**

- **Banking Industry**

With respect to the banking industry, BNM has issued a circular allowing banks in Malaysia to outsource their operational functions that are not integral to the core business. However, banks are required to notify BNM before entering into an agreement to outsource these operations to third party service providers.

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

The circular requires these service providers to fully comply with the safeguards listed within the circular as well as to provide a written undertaking to BNM.

Amongst the safeguards listed are:

- The service providers must provide a written undertaking to their banking customers to comply with the secrecy provision pursuant to Section 97 of the BAFIA.
- The service agreement between the banks and the service providers must include a clause on professional ethics and conduct on the part of the service providers in performing their duties.
- The service agreement between the banks and the service providers must clearly stipulate that the banks reserve the right to terminate the services of the service providers if they fail to comply with conditions imposed.

- **Insurance Industry**

With respect to the insurance industry, BNM has issued a circular allowing insurance companies in Malaysia to outsource their operational functions that are not integral to the core business. However, insurance companies are required to notify BNM before entering into an agreement to outsource these operations to third party service providers.

- **Stockbroking and Telecommunications Industries**

There are no specific requirements or limitations relating to DDP and EBPP in the stockbroking and telecommunications industries.

#### (b) **Cyberlaws in Malaysia**

Cyberlaws in Malaysia which may apply to EBPP include the Digital Signature Act 1997, Copyright Act (Amendment) 1997, Computer Crimes Act 1997 and the Communications and Multimedia Act 1998. For a brief description of cyberlaws in Malaysia, please refer to Section 4.6(f) of this Prospectus.

Apart from the legislation and regulations governing the industries as covered above, the Group is not aware of any other specific legislation or regulations that affect the business activities of the Group. However, there can be no assurance that future legislative or regulatory policy changes will not affect the operations of the Group.

#### 3.19 **Risks related to third party information**

In providing DDP and EBP services, EFFICIENT is trusted and given access to third party confidential information. In managing this information, the Group is exposed to various risks such as fraudulent or malicious use of data, loss of data or other events that could lead to a breach of customer information confidentiality. This could transpire either through authorised or unauthorised access to data by physical and non-physical (electronic) means. In the event that any of these events occur, the Group will be exposed to consequences such as loss of customers, damage to reputation and/or legal claims.

The Group believes that it has taken reasonable measures to protect its customers' information. However, there can be no guarantee that the Group's financial results will not be affected should any breach of confidentiality with respect to customer information occur.

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

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**3.20 Potential delay or failure in the listing**

The success of the listing exercise is also exposed to the risk that it may be delayed or aborted should any of the following events occur:

- (a) the underwriters of the Public Issue fail to honour their obligations under the underwriting agreement;
- (b) the investors under the Private Placement fail to subscribe for the Issue Shares allocated to them; and
- (c) EFFICIENT is unable to meet the public shareholdings spread requirements, that is, at least 25% of the issued and paid-up share capital of EFFICIENT must be held by a minimum of 200 public shareholders at the time of its admission to the Official List of the MESDAQ Market.

**3.21 Control by promoters**

Upon completion of the Public Issue, CCKSB, CSSSB, ANC, Vincent Cheah Chee Kong, Victor Cheah Chee Wai, Sreedhar Subramaniam, Esther Soon Yoke Leng, Ho Choong Lim, and Dato' Kalimullah Masheerul Bin Hassan will collectively hold directly and indirectly approximately 73.0% of the enlarged issued and paid-up share capital of the EFFICIENT. As a result, these promoters, if acting together, would be able to influence the outcome of certain matters requiring the votes of the Company's shareholders unless they are required to abstain from voting by law, covenants and/or by the relevant authorities.

**3.22 Uncertainty of the 5-year business development plan**

The success of the Group's business development plan will be largely dependent upon the Group's ability to further develop and market its products, maintain a cost-efficient structure, and sufficient operating capacity to meet the demand for its services. In addition, the Group's future plan and prospects will be dependent upon, among other things, the Group's ability to respond to market changes, competitively price its services, establish satisfactory arrangements with suppliers and customers, hire and retain skilled management and obtain adequate financing.

There can be no assurance that the Group will be able to successfully implement its business plan or that unanticipated change in the market forces or financial constraints will not occur which would result in material delays in its implementation or even deviation from its original plans.

**3.23 Disclosure regarding forward-looking statements**

Certain statements in this Prospectus are based on historical data, which may not be reflective of future results. Other statements which are forward-looking in nature, are subject to uncertainties and contingencies. Although the Group believes that the expectations reflected in such future statements are reasonable at this time, there can be no assurance that such expectations will subsequently materialise. In light of these and other uncertainties, the inclusion of forward-looking statements in this Prospectus by the Group should not be relied on.

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