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## 5. INFORMATION ON I-POWER

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### 5.1 History and Business

I-Power was incorporated in Malaysia under the Act on 21 October 2002. I-Power was granted MSC status by the MDC on 16 December 2002 and is located at TPM. It was subsequently converted into a public limited company on 25 September 2003.

The existing business of I-Power can be traced back to three (3) years ago, when Jason Chia joined and became a shareholder of Future Bytes on 6 January 2000 with a 49% shareholding. Future Bytes was incorporated in Malaysia as a private company limited by shares on 16 May 1998 under the Act. However, it was a dormant company prior to Jason Chia joining Future Bytes.

On 22 February 2000, Future Bytes changed its name to PowerSys with its principal activities in the provision of system integrations and turnkey E-Solutions development services.

Jason Chia, who was the CTO of PowerSys from 2000 to 2002, owned the source codes to a suite of E-Solutions software which was developed during the same period. When I-Power was incorporated on 21 October 2002, Jason Chia joined I-Power and became its CEO and CTO. He also brought together with him to I-Power a team of experienced and proven key management staff that had previously managed major system integration and E-Solutions projects at PowerSys.

At the time when I-Power was incorporated in 2002, the Company agreed to acquire the IPR to the suite of E-Solutions owned by Jason Chia for a consideration of RM4 million. A formal agreement was subsequently executed between I-Power and Jason Chia on 3 September 2003, whereby the acquisition of IPR by I-Power is to take effect from 1 January 2003.

The IPRs acquired by I-Power included all the technology, technical know-how, intellectual property rights and software. Prior to the execution of the IPR assignment agreement, a First Valuation Report on the IPR was obtained whereby, the IPR was valued at a fair value of between RM8.1 million and RM9.4 million.

All I-Power's E-Solutions are built and designed based on open standards Java Technologies, 100% Java and J2EE compliant which support multiple platforms and provide seamless integration with rapid deployment speed and customisation flexibility. I-Power's E-Solutions are all 100% Web-enabled both for the front-end and administration modules. It provides users with the flexibility to access the system anytime, anywhere. System support and maintenance is also enhanced and simplified due to its server centric concept. This helps enterprises to reduce its IT costs and improve its efficiency.

I-Power commenced operations on 2 January 2003. The Company intends to develop and enhance further the suite of E-Solutions which it has acquired. The Company also plans to build upon PowerSys' foundation and customer-base and expand the business more aggressively, leveraging the Company's status as a MSC company with all the relevant benefits and incentives available such as tax exemption, MSC grant, flexible movement of knowledge workers and MSC Internship programme.

The Company aims to expand and market its own brand of "I-Power" E-Solutions as its central and core business within the next five years. I-Power, as a MSC status company, was granted a research grant of up to RM2.49 million from MDC to develop IBIMM, a data mining solution, with the participation of two professors and two Philosophy Doctorate lecturers from local universities.

## 5. INFORMATION ON I-POWER

### *Brief Information on PowerSys*

Under the MSC Status Eligibility Criteria, to qualify for MSC status and its benefits, an applicant must comply with 6 eligibility criteria, of which one of the criteria is the establishment of a new separate legal entity for MSC qualifying multimedia business and activities. I-Power was incorporated specifically to comply with this particular criterion.

After I-Power had been accorded MSC status, the Directors of I-Power also decided to acquire the IPR from Jason Chia. Pursuant to the acquisition, which was effected in January 2003, PowerSys had ceased its system integration and turnkey E-Solutions development business activities in view of its whole business, human and physical infrastructure having been absorbed by I-Power.

Jason Chia no longer has any interest in PowerSys since the start of 2004 when he disposed of his 49% shareholding in Power-Sys to a non-related party as well as resigned from his directorship. As such, the Company is not aware of the future plans of PowerSys.

Currently, the shareholders of PowerSys are Wong Hoe Lock and Bahtiar Talib and the directors consist of Bahtiar Talib and Fan Rucy Yin. All are non-related parties to I-Power.

As Jason Chia no longer has any interest or directorship in PowerSys, there is no potential conflict of interest.

### 5.2 Changes in Share Capital

The authorised share capital of I-Power is RM10,000,000 comprising 100,000,000 Shares of which 45,000,000 Shares has been issued and fully paid-up. Details of the changes in the issued and paid-up share capital of I-Power since its incorporation are as follows: -

<b>Date Of Allotment</b>	<b>No. Of Ordinary Shares Allotted</b>	<b>Par Value (RM)</b>	<b>Consideration</b>	<b>Resultant Total Issued And Paid-Up Capital (RM)</b>
21.10.2002	100	1.00	Subscribers' Cash	100
24.02.2003	999,900	1.00	Subscription Cash	1,000,000
28.06.2003	1,000,000	1.00	Subscription Cash	2,000,000
05.09.2003	2,500,000	1.00	Capitalisation of unsecured advances due to a director	4,500,000
03.09.2004	45,000,000	0.10	Share split by subdividing every existing one ordinary share of RM1.00 par value each into 10 new ordinary shares of RM0.10 par value each	4,500,000

As at the date of this Prospectus, there are no other option or convertible securities outstanding.

## 5. INFORMATION ON I-POWER

### 5.3 Summary Of The Flotation Scheme

In conjunction with, and as an integral part of the listing of an quotation for the entire enlarged issued and paid-up share capital of I-Power on the MESDAQ Market, the Company undertook the following: -

**(a) Share Split**

As part of the listing exercise, I-Power undertook a share split exercise by subdividing every existing one (1) ordinary share of RM1.00 each in I-Power into ten (10) new Shares. Following the completion of the Share Split, the Company's issued and paid up share capital was RM4,500,000 comprising 45,000,000 Shares.

**(b) Public Issue**

The initial public offer by I-Power involves Public Issue of 18,000,000 new Shares in the Company at an issue price of RM 0.43 per Share. The Public Issue represents approximately 28.57% of the issued and paid-up share capital of the Company of 63,000,000 Shares upon listing.

The Public Issue will be allocated in the following manner: -

- (a) 2,635,000 new Shares will be made available and reserved for application by the Directors and eligible employees of I-Power; and
- (b) 15,365,000 new Shares will be made available for application by Malaysian individuals by way of private placement subject to the terms and conditions in this Prospectus.

Upon completion of the Public Issue, the issued and paid-up share capital of I-Power will increase from RM4,500,000 comprising 45,000,000 Shares to RM6,300,000 comprising 63,000,000 Shares.

### 5.4 Subsidiary and Associated Companies

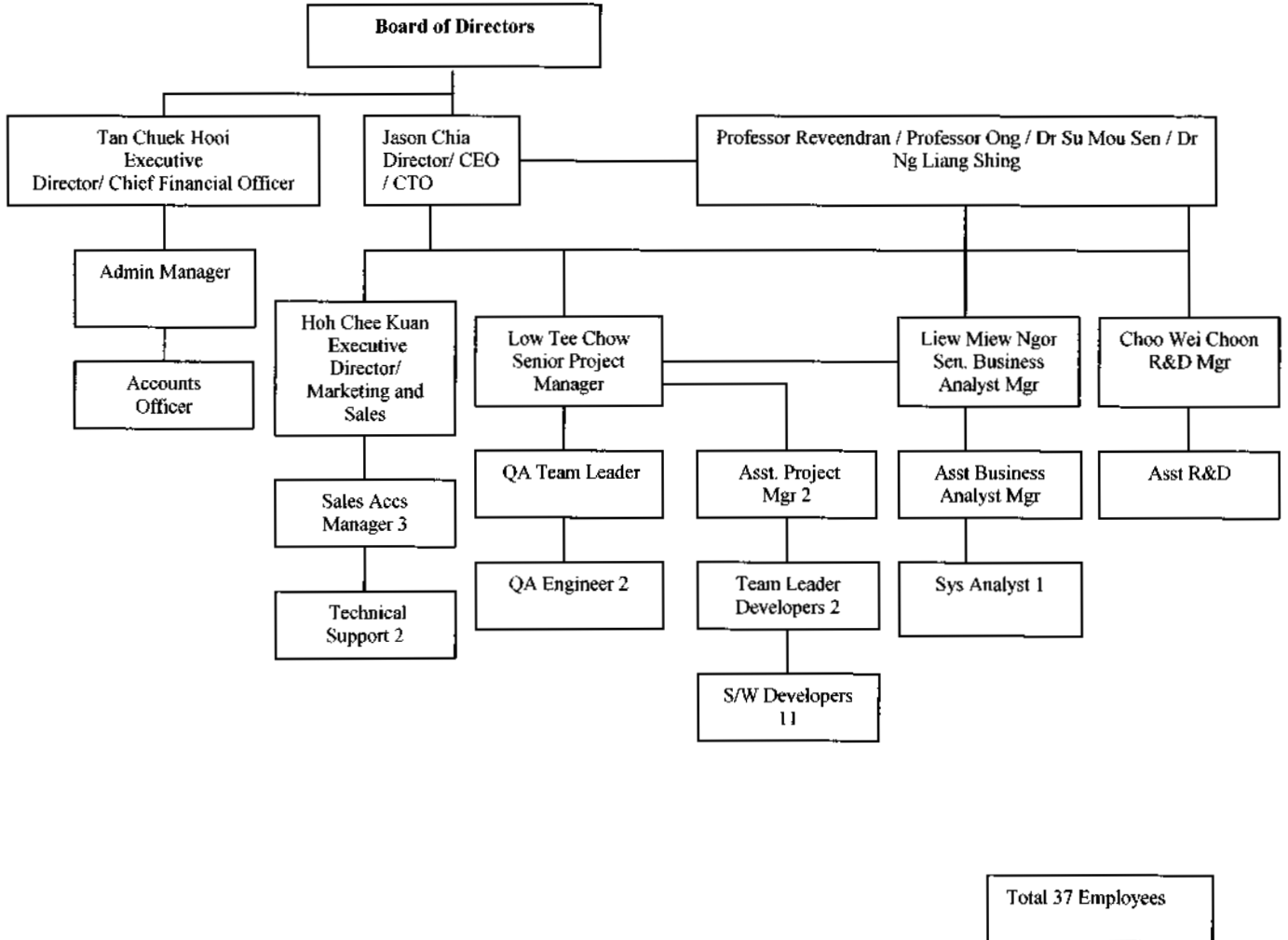
As at the date of this Prospectus, I-Power does not have any subsidiary or associate company.

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**5. INFORMATION ON I-POWER (Cont'd)**

**5.5 Organisational Structure**

The corporate structure of I-Power is as follows: -



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**5. INFORMATION ON I-POWER (Cont'd)**

**5.6 Principal Products and Services and Brand Names**

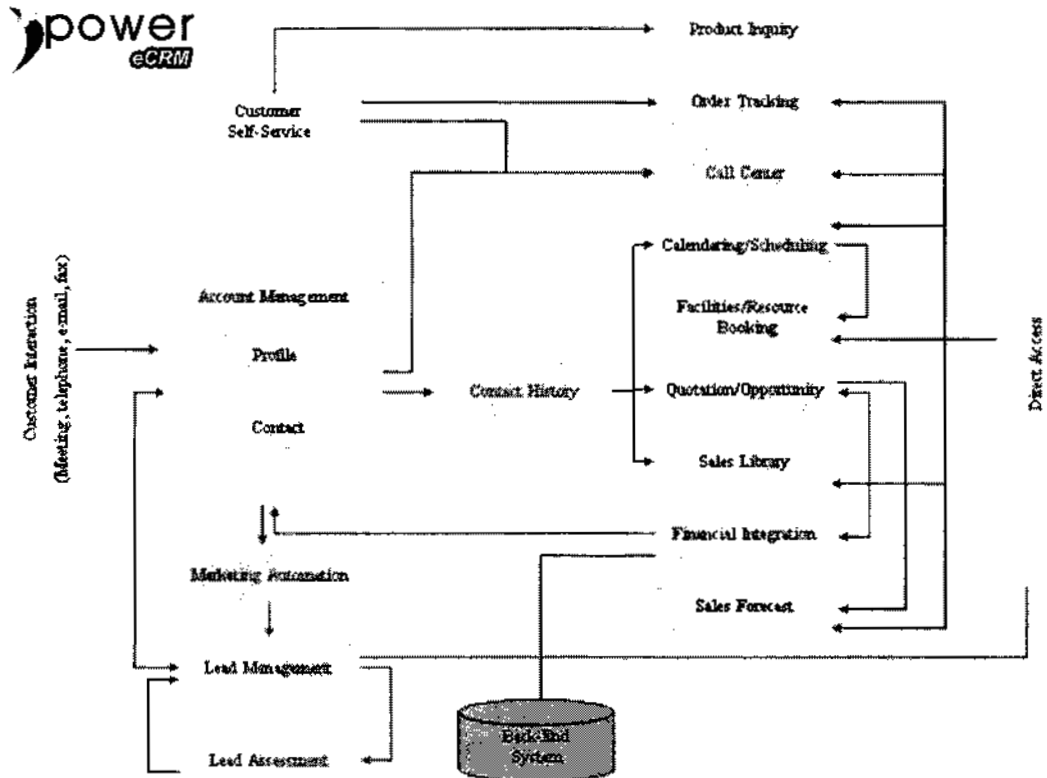
To realise its business vision, I-Power intends to engage in various business activities to grow its customer base over the next five years. The business activities include the following: -

(a) Marketing its own home-grown "I-Power" branded E-Solutions include: -

- *I-Power eCRM – an integrated eCustomer Relationship Management system.*

I-Power eCRM delivers the following functionalities: -

- (a) Shared customer, account and contact information.
- (b) Provides a single customer view across all customer touch points
- (c) Improves account retention by tracking and sharing client activities
- (d) Allows lead identification, tracking and follow-up
- (e) Provides a central sales repository
- (f) Issues targeted mass mailings easily
- (g) A uniform calendar and scheduling tool across the organisation



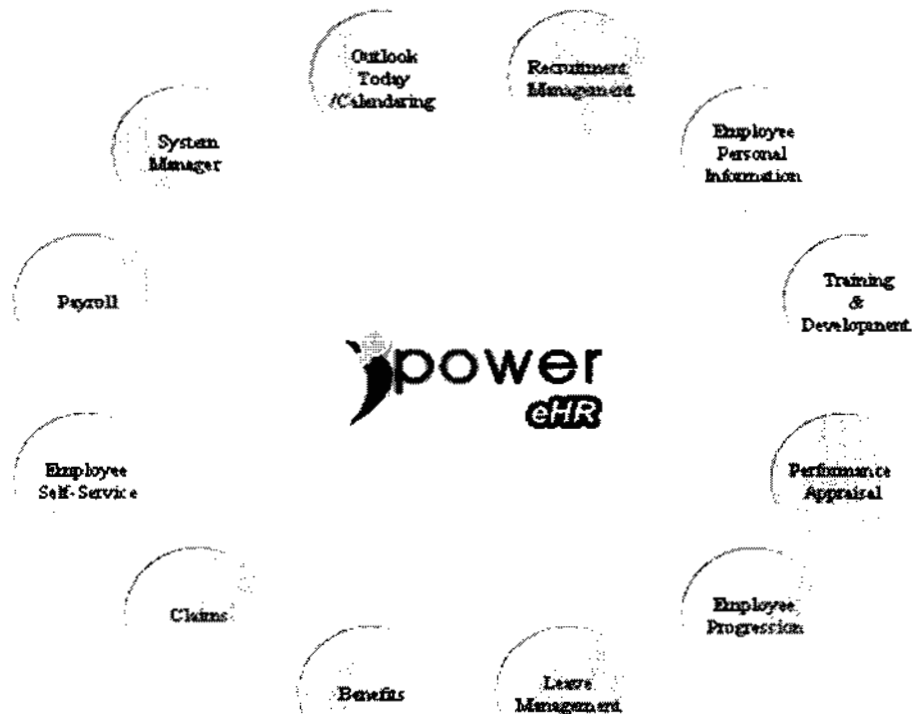
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**5. INFORMATION ON I-POWER (Cont'd)**

- *I-Power eHR – a Web-based human resources/appraisal/payroll system*

I-Power eHR delivers the following capabilities: -

- (a) Employee's personal and skills profiles
- (b) Training and development management
- (c) Leave management
- (d) Expenses or claim management
- (e) Improve employees' efficiency and productivity due to better human resources planning and management
- (f) Assemble and analyse company remuneration packaging data
- (g) Manage the impact of remuneration packaging on budgets and prepare budget forecasts
- (h) Streamline human resources processes



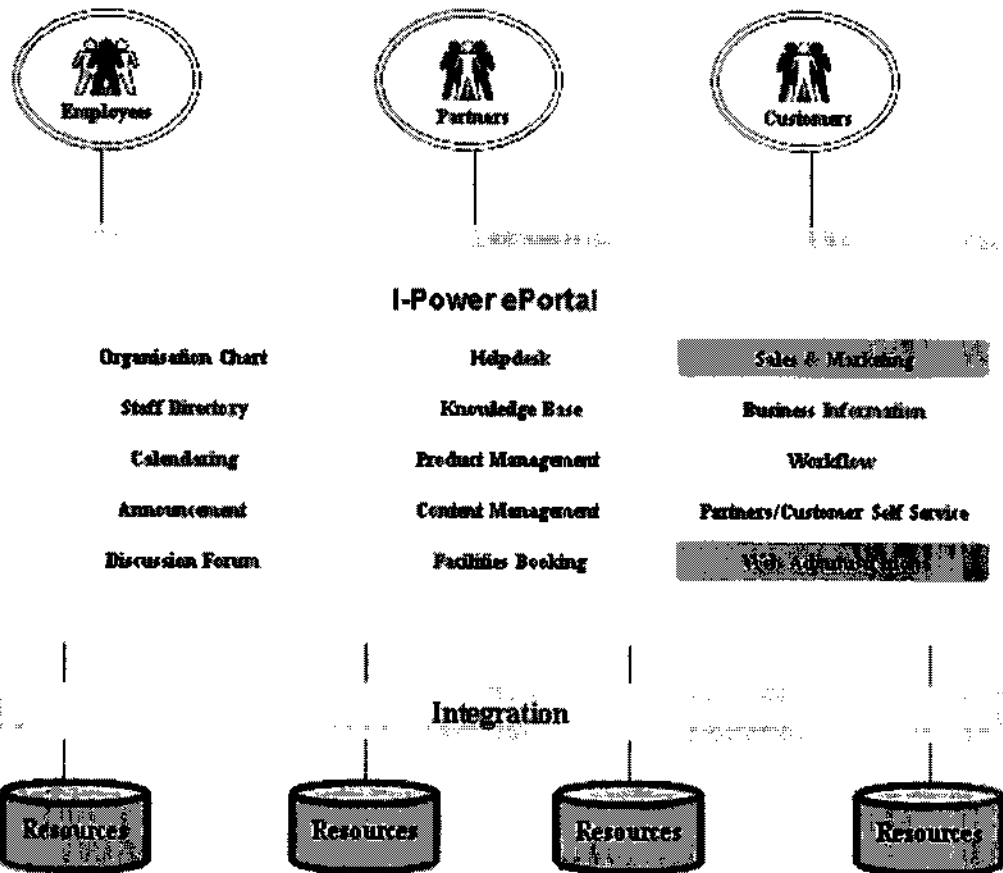
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**5. INFORMATION ON I-POWER (Cont'd)**

- *I-Power ePortal – an e-corporate knowledge/collaboration system*

I-Power ePortal delivers the following features: -

- Harnesses the Internet technologies to provide the organization with centralization of information
- Reduces the loss of intellectual assets caused by staff turnover
- Disseminates information across the organisation which leads to an effective, efficient and paperless administration
- Allows user to access the information immediately without geographical limitation and unnecessary bureaucratic procedure



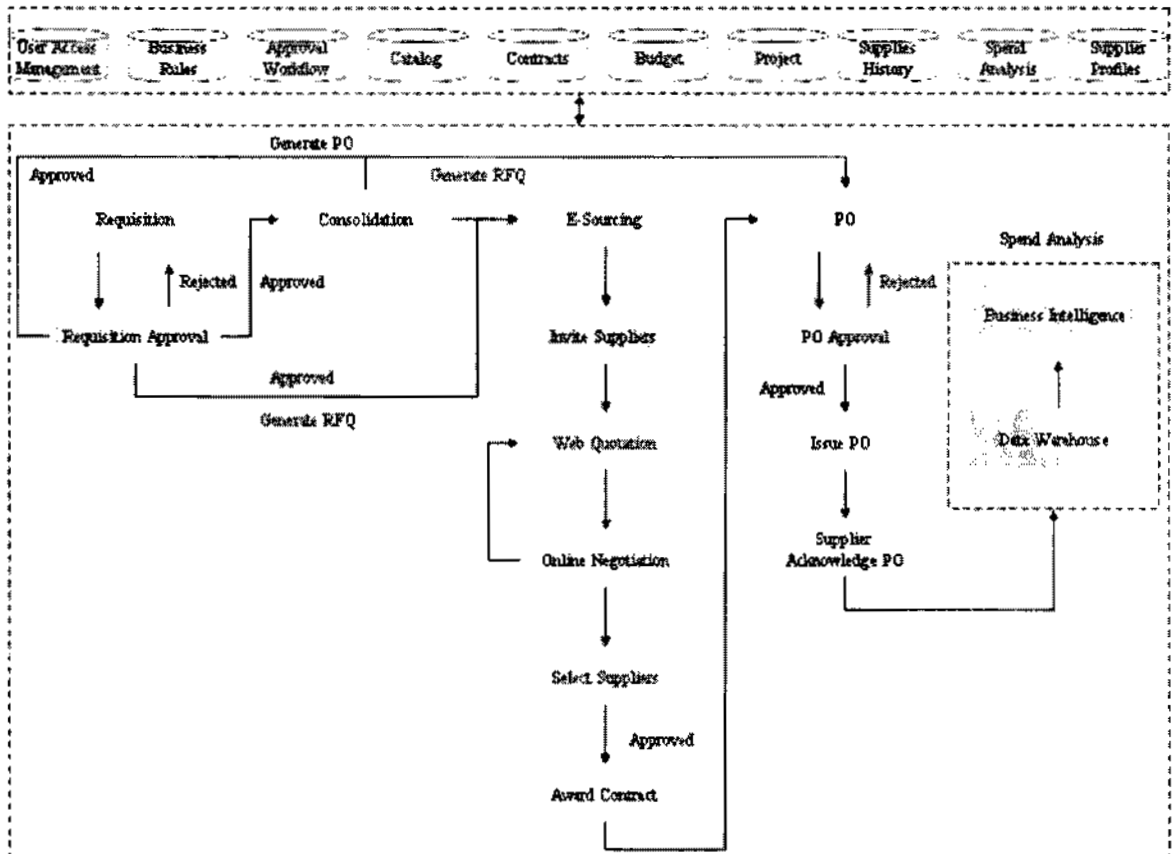
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**5. INFORMATION ON I-POWER (Cont'd)**

- **I-Power eProcure** - an electronic online Procurement system

I-Power eProcure is equipped with the following capabilities: -

- Reap the benefits of aggregated buying, streamline supplies sourcing which enable the organization to manage and negotiate with suppliers effectively.
- Have a better control over the organization purchasing processes with a more transparent purchasing process, thus eliminating maverick purchasing practices.
- Facilitate a greater integration in the supply chain which in turns smoothen the collaboration within organization, between buyers and suppliers by utilising the centralised information in I-Power eProcure.
- Automate the entire procurement cycles, thus enable business to reduce unnecessary duplication tasks and repetitive processing costs. I-Power eProcure allows the organisation to save more in terms of better suppliers sourcing and deliverables negotiation. Besides, the procurement cycle time is also shortened.



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**5. INFORMATION ON I-POWER (Cont'd)**

- *I-Power eAuction – an electronic online Auction system*

I-Power eAuction's features include:-

- (a) Enables better prices and reduced staff time for procurement and liquidation, results in substantial cost savings
- (b) Enhances organisation's complete control over procurement and liquidation, preserving the structure of current processes, and strengthening supplier/channel partnerships by streamlining and speeding transactions with trusted partners
- (c) The browser-based, point & click system is easy to use and understand, for both the auction originators and bidders
- (d) Enables authentication for registered users and supports and sophisticated technology for tight security and data encryption

I-Power eAuction solution is a dynamic commerce tool, which provides a virtual marketplace for auctioning



**Extend & Reach New Global Market**

I-Power eAuction brings buyers and sellers together where online transaction can be executed quickly, easily and cost effectively

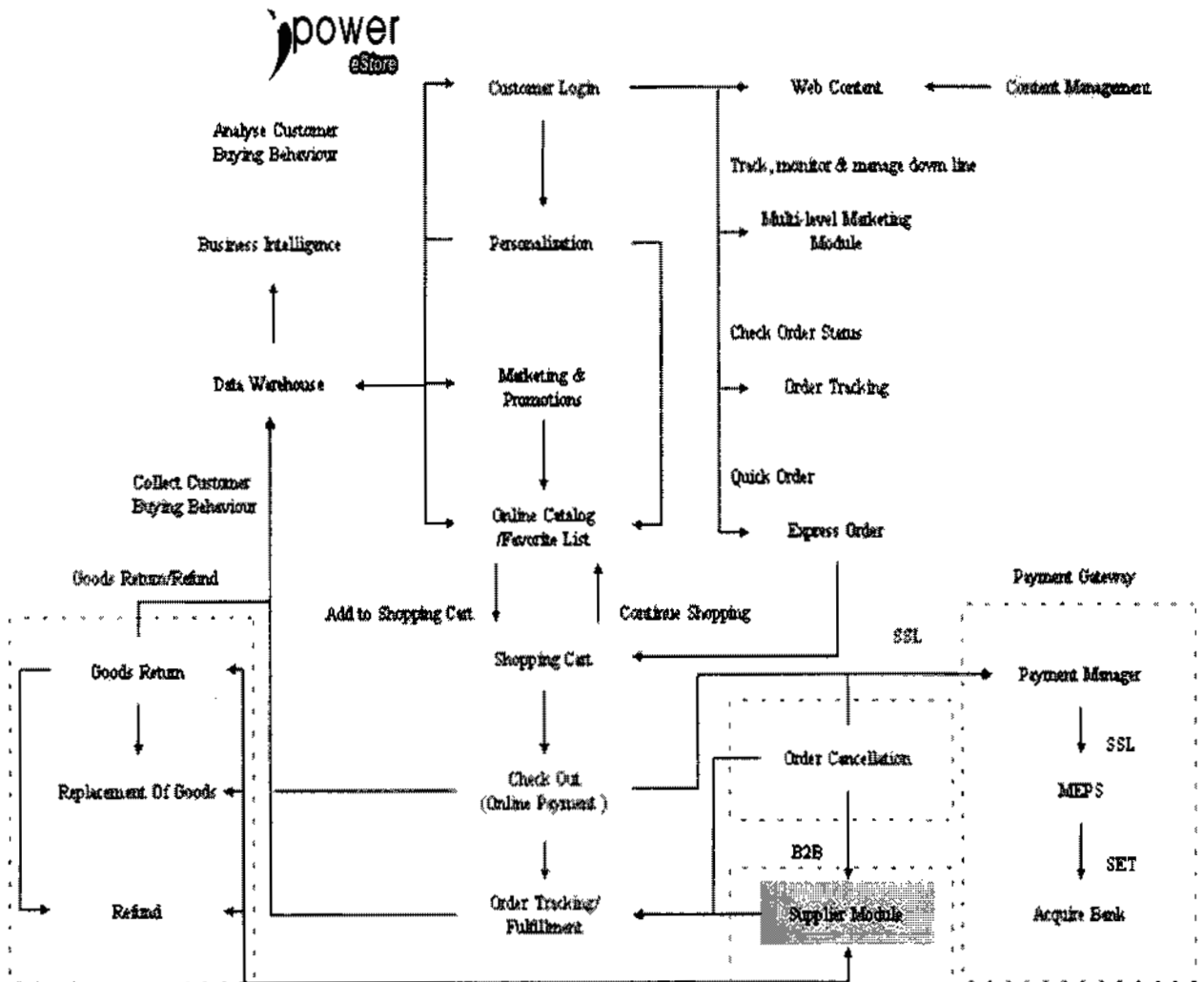
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5. INFORMATION ON I-POWER (Cont'd)

- *I-Power eStore – an e-storefront with MEPS payments capabilities*

I-Power eStore enables suppliers to perform the following: -

- Update supplier profile
- Update product details and pricing
- Order fulfilment
- Order cancellation
- Good return and refund
- Check on the order status
- Supplies history inquiry

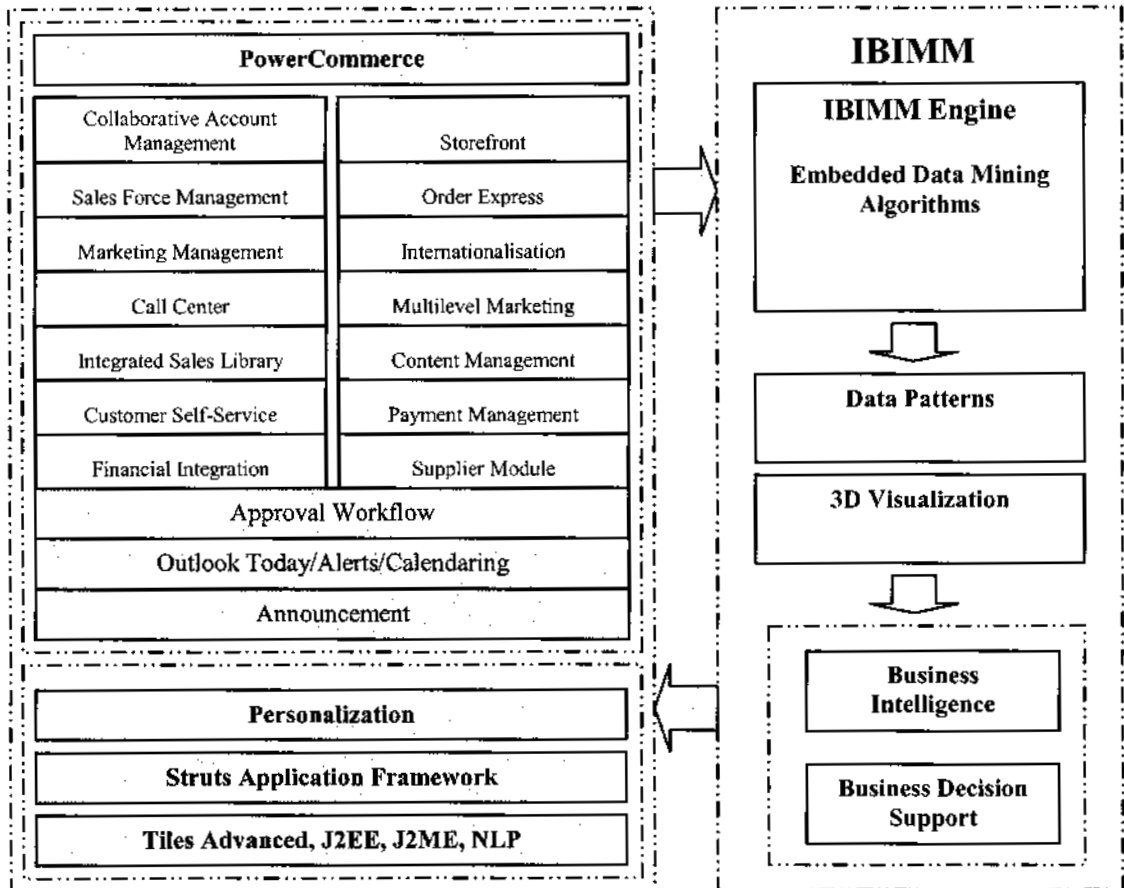


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**5. INFORMATION ON I-POWER (Cont'd)**

I-Power is currently undertaking R&D to develop the IBIMM to be marketed as a stand alone product as well as to be embedded into all its "I-Power" branded E-Solutions. The Company has been awarded IBIMM grant of RM2.49 million by MDC for this R&D undertaking over a period of 2 years.

**PowerCommerce with IBIMM**



The objectives of building IBIMM as a core feature of PowerCommerce:

- (i) Driven from business knowledge and enabling decision makers to discover actionable information about their business (Business Decision Support);
- (ii) As a knowledge discovery process, integrating business knowledge, people, information, statistics and computing technology to act as a powerful enabler of competitive advantage (Business Intelligence); and
- (iii) Structures and prioritises information for effective/intelligent decision-making with automated prediction of trends & behaviours, and automated discovery of previously unknown patterns (Business Decision Support & Intelligence).

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**5. INFORMATION ON I-POWER (Cont'd)**

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- (b) Providing medium to large-scale turnkey software development services to cater to the market need for a professional, service and customer-focused E-Solutions specialist. This aspect of I-Power's business activities will form a core component of the Company's business. It is this aspect of business whereby I-Power's key personnel had in the past gained invaluable experience working together in delivering turnkey e-business software development assignments. Such past assignments had given the same team, led by Jason Chia, a solid foundation upon which to further develop its own brand of E-Solutions named above;
- (c) Providing SI services to its clients on a broad range of infrastructure, technologies, hardware and software connectivities; and
- (d) Providing annual maintenance support services for all of the above.

**5.7 Technology Used**

All I-Power E-Solutions are built and designed based on open standards Java Technologies, 100% Pure Java and J2EE compliant which support multiple platforms and provide seamless integration deployment speed and customisation flexibility.

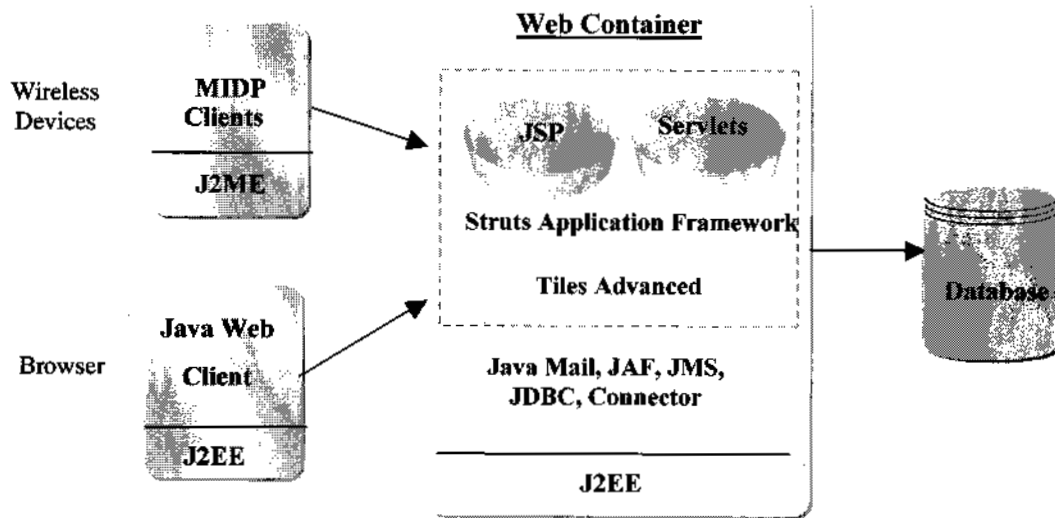
I-Power E-Solutions are all 100% Web-enabled both for the front-end and administration modules. It provides users with the flexibility to access the system anytime, anywhere. System support and maintenance is also enhanced and simplified due to its server centric concept. This helps enterprises to reduce its IT costs and improve its efficiency.

I-Power's technological standards are as follows: -

- **Open Standards Java technologies**  
*100% Pure Java and based on J2EE standards, XML, Web Services.*
- **SQL ANSI Standard**
- **Struts Application Framework**  
*Struts – Model 2 of Model-View-Controller Pattern (MVC).*
- **Tiles Advance**  
*Look & Feel Template which enables the web site to be separated into 4 areas - page header, menu, body and page footer.*
- **Wireless Technologies**  
*Based on J2ME -- Support Multiple devices.*
- **IBM e-Business Framework**

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## 5. INFORMATION ON I-POWER (Cont'd)



**I-Power E-Solutions are 100% Pure Java.** This is to warrant that the applications are able to run on multiple operating systems and platforms.

**I-Power E-Solutions are browser based.** This technical objective of easy-to-use interface will make it simple and straightforward for users to use. Training will be minimal and likewise for IT administrative tasks. The other advantages of the browser-based solutions are its accessibility. Browser based solutions can be accessed anytime, anywhere and from any of workstations.

**I-Power E-Solutions support a broad range of established and proven technologies,** namely Websphere Application Servers, Tomcat, Oracle9iAS, MQSeries for enterprise application integration ("EAI"), any standard mail servers that support SMTP protocol and multiple databases such as IBM DB2 Universal Database, Oracle, IBM Informix or Microsoft MS-SQL. The solutions enable small and mid-size businesses, as well as departments within larger companies to easily deploy sophisticated E-Solutions such as employee ("B2E"), business partner ("B2B"), and customer ("B2C").

**I-Power E-Solutions can be clustered with IBM Edge Server to support load-balancing, fault tolerance and caching proxy.** This clustering provides end-to-end monitoring and weighting of Application Server Servlet and Enterprise JavaBeans engines—enabling dynamic changes in the workload distribution as the load on back-end servers' changes, instead of relying on predefined static metrics.

**I-Power E-Solutions comply with open standards (XML, J2EE and Web Services).** These standards are defined by international bodies such as the World Wide Web Consortium, the Java Community Process Program and the Web Services Interoperability Organization (WS-I).

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## 5. INFORMATION ON I-POWER (Cont'd)

### 5.8 Patents and Trademarks

I-Power was granted MSC status by MDC on 16 December 2002. On 3 September 2003, I-Power acquired the IPR of all the source codes which Jason Chia owned for a consideration of RM4 million which included all the technology, technical know-how, intellectual property rights and software.

On 28 August 2003, the Company applied for registration of "I-Power Technologies" and "I-Power & Device" as its trademark under Class 9 in Malaysia and is unaware of any prior registration by other persons of such mark in Malaysia. The Company expects that its trademark application will proceed to registration in due course, and that it will eventually be accorded with statutory protection available to registered proprietor of trademarks under the Trade Marks Act, 1976.

Based on the independent valuation report prepared by Messrs Horwath Chin & Associates dated 9 January 2004, the IPR relates to brand name "Power" which is a Malaysian grown Enterprise E-Business Solutions and includes, but not limited to, the following: -

- (i) E-CRM-an integrated eCustomer Relationship Management System;
- (ii) E-HR- a Web-based human resources/appraisal/payroll system;
- (iii) E-Knowledge-an e-corporate knowledge/collaboration system;
- (iv) E-Procurement-an electronic online Procurement System;
- (v) E-Auction-an electronic online Auction System;
- (vi) E-Storefront- an e-storefront with MEPS payments capabilities;
- (vii) E-Ticketing;
- (viii) Accounting; and
- (ix) Point of Sales System

These patents represent core products and services that I-Power is currently offering to the market. At present, I-Power is reliant on these patents for its core business.

### 5.9 Approvals, Substantial Licenses and Permits

I-Power obtained its MSC status from the Ministry of Finance and the Ministry of International Trade and Industry on 16 December 2002. The Company attained the IBM e-Business Partner certification on 1 March 2003.

With the IBM e-Business Partner Certification awarded by IBM, I-Power is able to use the IBM e-Business Certification Logo on all its letterheads and communication collateral.

IBM's Premier Business Partner is a certification given by IBM to entities that had shown to IBM that they have attained specialist skill and high core competency in their respective fields. In I-Power's case, it is a recognition of I-Power's capability in delivering quality e-business solutions using IBM's technology. With this certification, it would give I-Power an added advantage in marketing its solution as it has the quality backing from one of the most important technology related company in the world.

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## 5. INFORMATION ON I-POWER (Cont'd)

### 5.10 Major Customers

None of I-Power's customers individually contributed 10% or more to the Company's total turnover for financial year ended 30 June 2004.

I-Power's top ten (10) customers for the financial year ended 30 June 2004 are as follows:-

Customer	Length of relationship (months)	Sales out of total revenue (%)
MOI Foods Malaysia Sdn Bhd	12 to 18 months	7%
EDS (M) Sdn Bhd	12 to 18 months	5%
Compact Ventures Sdn Bhd	12 to 18 months	4%
MMCEG-Gamuda Joint Venture	12 to 18 months	4%
Kingress Marketing	12 to 18 months	4%
Deutsche Bank (Malaysia) Bhd	12 to 18 months	4%
Mewah Oils Sdn Bhd	12 to 18 months	4%
Amway (Malaysia) Sdn Bhd	12 to 18 months	3%
Leo Burnett Advertising	12 to 18 months	3%
BDO Governance Advisory Sdn Bhd	12 to 18 months	2%

Some of the Company's clients, namely Deutsche Bank AG, Amway Malaysia Sdn Bhd and Sony (Malaysia) Sdn Bhd, have signed maintenance and support services agreements with I-Power. This revenue is expected to be recurring in nature.

I-Power, however, does not expect to be overly reliant on any particular client in future as it plans to grow its customers base strongly over the next five (5) years either through direct, indirect and/or distribution sales.

### 5.11 Major Suppliers

The Company makes all its trade purchases from a number of suppliers via PowerSys as its purchasing agent at a price which reflects normal market prices.

The abovementioned suppliers are as follows: -

Supplier	Percentage	Products Supplied
Jardine OneSolution (2001) Sdn Bhd	4%	Compaq HP PC, Printer, toner, ribbon, etc IBM PC, Server, Notebook Microsoft Software i.e. : XP Prof/Standard (Full Pack/Open License), Project Symantec Norton Anti-Virus, 3Com Product, Crystal Report, Adobe.
First Tech Pacific Distributor Sdn Bhd	38%	Compaq HP PC, Printer, toner, ribbon, etc IBM PC, Server, Toshiba Notebook, Microsoft Software i.e. : XP Prof/Standard (Full Pack/Open License), Project Adobe Photoshop, Symantec Norton Anti-Virus, 3Com Product
Ingram Micro Malaysia Sdn Bhd	9%	IBM PC, eServer

**5. INFORMATION ON I-POWER (Cont'd)**

Supplier	Percentage	Products Supplied
M-Link System (M) Sdn Bhd	3%	Crone PC Computer Accessories: - RAM, Hard Disk, CD-RW, Sound Card, Speaker, Panasonic printer etc.
ECS Astar Sdn Bhd	6%	Compaq HP PC, Printer, toner, ribbon, etc IBM PC, Server, Notebook, Canon Printer, Toner Cartridge.
Amble Action Sdn Bhd	1%	Kingston RAM
Basic Bay Sdn Bhd	3%	Hard Disk & Memory Chip
Intranet Sdn Bhd	1%	OKI, Seikosha Printer
AIT Computer Services Sdn Bhd	35%	IBM Server, Lotus Domino

There are no binding agreements or contracts signed between I-Power and PowerSys in terms of the trade purchases. This has mitigated the risk of being dependent solely on PowerSys for the supply of computer hardware, software and peripherals.

In terms of operating systems, all I-Power E-Solutions are built and designed based on open standards Java Technologies, 100% Pure Java and J2EE compliant which support multiple platforms. As a result, I-Power's E-Solutions can run on any operating systems as well as Relational Database Management Systems from any of the major suppliers in the market such as IBM, Oracle, Hewlett Packard, Sun Microsystem or Microsoft. This has mitigated the risk of being dependent on a single supplier of operating systems as I-Power can switch to other development platform at any point of time.

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**5. INFORMATION ON I-POWER (Cont'd)**

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**5.12 Competition**

I-Power is involved in the IT service industry which is characterised by high competition and rapid technological innovation. The Company has experienced and expects to continue to experience intense competition from current and future competitors. In order to compete, I-Power has to be able to provide E-Solutions and services that are reliable, competitively priced, have good after sales service and meet ever changing technological standards and requirements.

I-Power has a small albeit growing customers base compared to its more established competitors. Like any new brand starting off, there is still a lack of awareness, recognition and acceptance of I-Power, its products and services.

I-Power leverages on the successful past experience of Jason Chia and his team which is reflected in the track record of PowerSys. I-Power's e-Solutions are developed using IBM's technologies which can be customised to specific commercial requirements to suit the domestic environment. Coupled with a competitive price, the management of I-Power believes that the Company has and will be able to gain significant market share by capitalising on the aforesaid factors.

**5.13 Quality Control Procedure**

The keys to the Company's success include the following: -

- (a) **Excellence in fulfilling the promise:** completely confidential, reliable, trustworthy expertise, and service(s) through the provision of an uncompromising suite of "I-Power"-branded E-Solutions with customised service. This dictates that I-Power to have the latest technology, hardware, software, and well-trained personnel so as to deliver this promise.
- (b) **Timely response to clients' orders:** The need to be continually communicating with the client, ensuring I-Power provide E-Solutions tailored to the exact way their businesses needed to be run, and integration services which ensure that the E-Solutions provided will be compatible with their legacy systems.
- (c) **Skill and depth of knowledge:** Considering the nature of the services and the relative infancy of the market, the skill and depth of knowledge of the Company's personnel is of utmost importance in determining the provision of the service(s) to the end-users.
- (d) **Leveraging from a large pool of expertise:** The Company's various alliances with technological and training partners shall prove invaluable, in particular IBM. The skills and intellectual capacity these partners will have in the fields of product support, design and system integration, implementation and execution, lifecycle support and understanding, training, and in the application of new technology are intangible benefits to I-Power.

The above processes, which are critical for the Company's future success, have been incorporated in the Company's day-to-day operations.

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## 5. INFORMATION ON I-POWER (Cont'd)

### 5.14 R&D

I-Power is currently undertaking R&D to develop a IBIMM to be marketed as a stand alone product as well as to be embedded into all its "I-Power"-branded E-Solutions. The Company has been awarded a Grant by MDC for this R&D undertaking. The agreement between MDC and the Company in relation to the Grant was signed on 6 August 2003. The Grant is for a period of 24 months commencing from 1 August 2003 for an amount of approximately RM2.49 million and involves the participation of two (2) professors and two (2) Philosophy Doctorate lecturers from local universities who would collaborate with I-Power's R&D team. The Grant shall be disbursed to the Company by way of eight (8) quarterly payments on a reimbursable basis upon the quarterly progress report made by the Company being approved by the Technology and Commercial Evaluation Committee of MDC. The Grant is purely a financial incentive, not a loan, hence the Company is not required to repay the Grant thereof to the Malaysian Government. There are no other conditions attached to the Grant. In addition to the Grant provided by MDC, I-Power will also utilise RM3.5 million from the proceeds that is expected to be raised from the Listing towards R&D in other E-Solutions to ensure that the Company will continue to develop new E-Solutions and/or introduce more powerful technologies into the existing suite of E-Solutions in order to meet new market demands or cater to the constantly evolving and dynamic requirements of its target market.

The Company has spent an amount of approximately RM132,000 and RM950,000 on R&D for the financial period ended 30 June 2003 and financial year ended 30 June 2004, respectively. This represents about 6% and 11% of the Company's turnover for the financial period ended 30 June 2003 and financial year ended 30 June 2004, respectively.

### 5.15 Employees

As at 14 December 2004, the I-Power has a total of 37 employees, details of which are as follows: -

Category	Average Number of Service (Months)	No. of Employees
1. Executive Directors	18	3
2. Key Management	18	3
3. Senior Management	12 to 18	6
4. Assistant Manager and Executive	12 to 18	2
5. Technical Personnel	12 to 18	23
<b>Total</b>		<b>37</b>

I-Power's employees are not member of any labour unions.

In-house training shall be continuous with regular external training being undertaken, particularly following any new developments in the market. This is to ensure that the employees are continuously able to anticipate the markets needs: a proactive approach, which is essential if the Company is to gain and maintain a competitive advantage. External training will also be conducted to ensure the employees are aware of the latest products and technology. This will also ensure that the employees are able to set high standards, or benchmark, using these organisations standards.

Through the implementation of a fair, effective, and competitive remuneration policy the Company intends to optimise its human resource output and advancement. I-Power requires the right people in the right place at the right time if it is to ensure optimum growth.

## 5. INFORMATION ON I-POWER (Cont'd)

### 5.16 Summary of Independent Intellectual Property Valuation Report

(Prepared for the purpose of inclusion in this Prospectus)



The Board of Directors  
I-Power Berhad  
L4-E-11, Enterprise 4  
Technology Park Malaysia  
Bukit Jalil  
57000 Kuala Lumpur  
Malaysia

Dear Sirs

**I-POWER BERHAD (FORMERLY KNOWN AS I-POWER TECHNOLOGIES BHD)**  
**("I-Power" or "the Company")**

#### **SUMMARY OF INDEPENDENT VALUATION OF THE INTELLECTUAL PROPERTY RIGHTS ("IPR") → BRAND NAME "POWER"**

This summary together with the attached appendices is an extract of our report dated 9 January 2004. This report has been prepared by Horwath Chin & Associates, Chartered Accountants, for the inclusion into the Prospectus of I-Power to be dated **29 DEC 2004** in connection with the Public Issue of 18,000,000 new ordinary shares of RM0.10 each at an issue price of RM0.43 per share ("New Issue"), payable in full on application to the Malaysian Public, eligible directors and employees of I-Power and selected investors pursuant to the listing of and quotation for the entire enlarged issued and fully paid up shares capital of I-Power comprising 63,000,000 ordinary shares of RM0.10 each on the MESDAQ Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

In accordance with your instruction, we have conducted a valuation of the Intellectual Property Rights ("IPR") to the Brand Name "Power" on 9 January 2004 for the purpose of submission to Bursa Securities pursuant to the listing of and quotation for the entire enlarged issued and fully paid up shares capital of I-Power on the MESDAQ Market of Bursa Securities. Our terms of reference include providing I-Power with an independent valuation of the IPR for the purpose of determining the reasonableness of the purchase price.

In preparing our valuation of the IPR, we have primarily relied upon the information supplied, without verification performed by us of the estimated, forecasted and projected financial information. We have assumed this information to be both adequate and accurate for the purpose of our opinion. No warranty of accuracy or reliability is given by Horwath Chin & Associates or its affiliated companies and their respective officers and employees.

Horwath Chin & Associates, its affiliated companies and their respective officers and employees neither warrant nor underwrite the ability to achieve any of the estimated, forecasted and projected financial information used in undertaking this valuation. Further, we note that estimates, forecasts and projections are by definition subjective. There are usually differences between actual and the estimated, forecast and projected results because events and circumstances frequently do not occur as estimated, forecasted or projected and these differences may be material.

I-Power

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang • Prai • Sungai Petani

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Date: **20 DEC 2004**

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**5. INFORMATION ON I-POWER (Cont'd)**

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We have assessed the value of IPR using the Discounted Cash Flow approach and Capitalisation of future maintainable earnings. A brief description of the methodologies are as follows: -

- a) The Discounted Cash Flow Valuation is computed using the net present value of Future 'Free' Cash Flows.

The Discount rate used is based on the perceived Weighted Average Cost of Capital of the IPR.

Future "Free" Cash Flows is defined conceptually as all cash generated by operations that can be distributed back to shareholders without affecting the current level of growth (without affecting the value of the firm). It is usually derived by the net cash flow from operating activities (net income plus any non-cash expenses, such as depreciation and amortisation) minus capital expenditure and adjusting for net changes in working capital.

- b) Capitalisation of future maintainable earnings takes into account the Future maintainable earnings which is computed using a weighted average of profit after tax and interest earnings and an average Price over Earnings Ratio extracted from a representative companies listed in Bursa Malaysia.

Based on the foregoing methodologies, we consider the fair value of the IPR to be between RM11.3 million to RM11.9 million.

This valuation has been prepared based on the following assumptions: -

- a) I-Power will remain in operation as a going concern and there will be no factors that will curtail its utilization of the IPR for economic benefits.
- b) It is also been assumed that the operating conditions will not be materially affected by new government policies or by the introduction of new legislations and regulatory guidelines and that the current economic and financial conditions will prevail.

Yours faithfully



**Horwath Chin & Associates**

Firm No: AF-0622

Chartered Accountants



**Chin Chee Kee JP CA(M) FTII FCCA**

1242/7/05(J)

Chartered Accountant

**5. INFORMATION ON I-POWER (Cont'd)**

Horwath Chin &amp; Associates

APPENDIX TO THE SUMMARY INDEPENDENT VALUATION ON IPR

**OVERVIEW → INTELLECTUAL PROPERTY RIGHTS (“IPR”) TO THE BRAND NAME “POWER”****Background**

The Intellectual Property Rights (“IPR”) relates to the Brand Name “Power” which is a Malaysian Grown Enterprise E-Business Solutions and includes, but not limited to, the following: -

<b>Business Solutions</b>	<b>Commencement of Operation</b>
E-CRM – an integrated eCustomer Relationship Management System	1 January 2003
E-HR – a Web-based human resources/appraisal/payroll system	1 January 2003
E-Knowledge – an e-corporate knowledge/collaboration system	1 January 2003
E-Procurement – an electronic online Procurement System	1 January 2003
E-Auction – an electronic online Auction System	1 January 2003
E-Storefront – an e-storefront with MEPS payments capabilities	1 January 2003
E-Ticketing	1 January 2003
Accounting	1 January 2003
Point of Sales System	1 January 2003

The IPR also included all source codes, know-how, associated product designs and proprietary processes pertaining to the above E-Business Solutions.

**VALUATION METHODOLOGY****General**

We have been asked to provide an opinion of the fair market value of the IPR. For the purposes of our opinion, fair market value represents an arm's length price at which the net assets would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of the relevant facts.

The following commonly used valuation techniques have been considered and adopted where considered appropriate in determining the value of an IPR: -

- (i) capitalisation of future maintainable earnings;
- (ii) net present value of future cash flows; and
- (iii) the amount which an alternative acquirer might be prepared to pay

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**5. INFORMATION ON I-POWER (Cont'd)**

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Horwath Chin & Associates

**APPENDIX TO THE SUMMARY INDEPENDENT VALUATION ON IPR**

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**Selection of Valuation Methodology**

*Capitalisation of Future maintainable earnings*

The capitalisation of maintainable earnings methodology, which values an entity based on a multiple of maintainable earnings, is appropriate where the earnings of a business are stable and are sufficient to justify a value exceeding the value of the underlying assets. It requires the determination of four key factors: future maintainable earnings, an appropriate capitalisation rate, the value of surplus assets and a premium for control.

Based on the information made available to us, such as, the profit estimates, forecast and projections for 6 years, we have utilised this method together with the Net Present Value of Future Cash Flows to value the IPR for comparative purposes.

*Net present value of future cashflows*

The discounted cash flow valuation methodology is based on the premise that the value of a business is the net present value of its future cash flows. It requires an analysis of future cash flows over a sufficient time frame, the capital structure and costs of capital and an assessment of the residual value of the business remaining at the end of the forecast period.

Based on the information made available to us, such as, the cash flow estimates, forecast and projections for 6 years, we have utilised this method together with the Capitalisation of Future Maintainable Earnings (see above) to value the IPR for comparative purposes.

*Alternative acquirer*

This valuation method considers the premium price, which an alternative acquirer is prepared to pay for a business as a result of potential economies of scale, reductions in competition and synergies with existing operations or other factors.

We have not adopted this method in assessing the Value of the IPR because at this stage, there are no obvious alternative acquirers and time constraints would preclude us from conducting a search for a potential acquirer.

**5. INFORMATION ON I-POWER (Cont'd)**

Horwath Chin &amp; Associates

**APPENDIX TO THE SUMMARY INDEPENDENT VALUATION ON IPR****VALUATION OF IPR****Introduction**

As we have indicated above, the capitalisation of maintainable earnings coupled with a suitable Price Earnings Ratio and the Net present value of future cashflows have been utilised for the purpose of valuing the IPR to determine the its fair market value.

**Capitalisation of future maintainable earnings**

When utilising this method for valuing the IPR, we have taken into account Profit estimates, forecast and projections provided by the management (of which they are solely responsible). We have also estimated the perceived Price over Earnings Ratio for this purpose.

The Future maintainable earnings was computed using a weighted average of profit after tax and interest earnings for the years 2003 to 2008. We have adopted the weighted average method in the computation so that we can place more emphasis on the current results as compared to distant future results. We have also chosen an average of the Price over Earnings ("P/E") Ratio of selected listed companies in the Kuala Lumpur Stock Exchange's Mesdaq to fairly obtain a P/E Ratio which could be applied to the valuation of the IPR.

It is important to note that the computation of future maintainable earnings include significant assumptions about future events and outlook that may not necessarily occur. In particular, the estimates, forecasts and projections are dependant on the achievability of the specific assumptions as set out in the Profit Estimates, Forecast & Projections which was made available to us. Future results will be materially affected should the actual events differ from these specific assumptions as well as changes in the economic and other circumstances and for those reasons, the actual results may vary considerably from the estimates, forecasts and projections. It is also important to note that we have not performed any additional testing on the veracity of the P/E Ratio.

**Computation Of The Annual Maintainable Profit  
And Valuation Of The Intellectual Property Rights ("IPR")**

	Year	Profit RM	Weighting	Weghted Profit RM
Estimates	2003	925,063	6	5,550,378
Forecasted	2004	1,696,487	5	8,482,437
Projections	2005	2,554,293	4	10,217,173
Projections	2006	3,578,183	3	10,734,550
Projections	2007	5,647,968	2	11,295,937
Projections	2008	8,001,358	1	8,001,358
			21	54,281,833
Weighted Average Profit				2,584,849

**5. INFORMATION ON I-POWER (Cont'd)**

Horwath Chin &amp; Associates

**APPENDIX TO THE SUMMARY INDEPENDENT VALUATION ON IPR**

*Computation Of The Annual Maintainable Profit  
And Valuation Of The Intellectual Property Rights ("IPR") – continued*

	RM
<b>Maintainable Earnings</b>	<u>2,584,849</u>
<b>Perceived Price/Earnings Ratio for the IPR **</b>	<u>4.37</u>
<b>Value of IPR</b>	<u>11,295,790</u>

**\*\* Perceived Price/Earnings ("P/E") Ratio for the IPR**

*This is derived from the P/E ratios of Companies Listed under Technology in MESDAQ Market, Bursa Malaysia as at November 2003.*

Total P/E	<u>655.90</u>
Number of Companies	<u>15.00</u>
Average P/E Ratio	<u>43.73</u>
Discount *****	<u>90%</u>
<b>Perceived P/E Ratio applicable for the IPR Valuation</b>	<u>4.37</u>

\*\*\*\*\* *The discount is the management's estimate to reflect the non-listed status of the company's shares.*



## 5. INFORMATION ON I-POWER (Cont'd)

Horwath Chin & Associates

APPENDIX TO THE SUMMARY INDEPENDENT VALUATION ON IPR

### Net present value of future cashflows (Discounted Cash Flow valuation)

When utilising this method for valuing the IPR, we have taken into account the Cash Flow estimates, forecast and projections for 6 years ending 31st December, 2003 to 2008 provided by the management (of which they are solely responsible). Other information provided by the management are Market Risk Premium and Equity Beta values.

The Discounted Cash Flow Valuation is computed using the net present value of Future 'Free' Cash Flows. The Discount rate used is based on the perceived Weighted Average Cost of Capital of the IPR.

It is important to note that the computation of future maintainable earnings include significant assumptions about future events and outlook that may not necessarily occur. In particular, the estimates, forecasts and projections are dependant on the achievability of the specific assumptions as set out in the Profit Estimates, Forecast & Projections which was made available to us. Future results will be materially affected should the actual events differ from these specific assumptions as well as changes in the economic and other circumstances and for those reasons, the actual results may vary considerably from the estimates, forecasts and projections. It is also important to note that we have not performed any additional testing on the veracity of the Market Risk Premium and the Equity Beta provided by the management.

### Free Cash Flow

This is defined conceptually as all cash generated by operations that can be distributed back to shareholders without affecting the current level of growth (without affecting the value of the firm). It is usually derived by the net cash flow from operating activities (net income plus any non-cash expenses, such as depreciation and amortisation) minus capital expenditure and adjusting for net changes in working capital.

The following is a summary of the IPR's cash flows for the years ending 31st December, 2003 to 2008.

<b>Free Cash Flow Computation</b>	<b>Estimated 2003</b>	<b>Forecasted 2004</b>	<b>Projected 2005</b>	<b>Projected 2006</b>	<b>Projected 2007</b>	<b>Projected 2008</b>
	RM	RM	RM	RM	RM	RM
<b>EBIDTA</b>						
(Earnings before interest, depreciation, taxation and amortization)	1,025,063	1,935,097	2,792,903	3,886,793	5,956,578	8,339,968
Add/(Less): Increase/(Decrease) in working capital	1,960,896	(736,350)	(313,634)	(627,648)	(718,297)	(843,898)
Less: Capital Expenditure	(4,000,000)	(193,050)	-	(2,600,000)	-	(200,000)
<b>Pre-Tax Pre-Finance Cash Flow</b>	(1,014,042)	1,005,697	2,479,269	659,145	5,238,281	7,296,070
Less: Taxation	-	-	-	-	-	-
<b>FREE CASH FLOW</b>	<b>(1,014,042)</b>	<b>1,005,697</b>	<b>2,479,269</b>	<b>659,145</b>	<b>5,238,281</b>	<b>7,296,070</b>

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**5. INFORMATION ON I-POWER (Cont'd)**

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**Horwath Chin & Associates**

**APPENDIX TO THE SUMMARY INDEPENDENT VALUATION ON IPR**

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***Discount Rate – Weighted Average Cost of Capital (“WACC”)***

The Discount rate of 24.21% for the valuation is based on the IPR’s WACC.

***Residual Value of the IPR***

This represents the discounted value of all subsequent cash flow from the IPR. Based on the estimated WACC of 24.21% above (discounted with 1 point for growth, i.e. 23.21%), the terminal value of the IPR is estimated to be 31,430,513.

With reference to the amortisation of the IPR for 20 years in the financial statements, the management has adopted the Terminal Value for estimating future cash flows from the IPR as it is more prudent and conservative approach as compared to making projections for the remaining 14 years which the management find impractical to make a reliable projection.

The perpetuity assumption is based on the notion that the life span of the IPRs being valued are indeed infinite since they undergo continuous and constant enhancements, upgrades, modifications and additions. Besides, as noted in our report, the company is assumed to be utilising the IPR to generate economic benefits in perpetuity.

Consequently by adopting the common and conservative perpetuity assumption, the terminal value of the IPR has been computed by assuming that the free cash flows of the Company of the last projected year to be in perpetuity and then discount back to the last year of the projection. The reason is because in most cases, it is impractical to project accurately a company’s operations out beyond three to five years, so a terminal value is estimated.

The practice of adopting the perpetuity method of calculation in arriving at the Terminal Value is not withstanding that in accordance with generally accepted accounting principles, the IPRs have been assigned a 20 years life span for amortisation purposes.

**5. INFORMATION ON I-POWER (Cont'd)**

Horwath Chin &amp; Associates

**APPENDIX TO THE SUMMARY INDEPENDENT VALUATION ON IPR****Valuation of the IPR – Discounted Cash flow Approach**

	<b>Years</b>	<b>Free Cash Flow</b>	<b>Net Present Value @ 24.21% Discount Rate</b>
		RM	RM
Estimated	2003	(1,014,042)	(1,014,042)
Forecasted	2004	1,005,697	651,825
Projection	2005	2,479,269	1,293,657
Projection	2006	659,145	276,891
Projection	2007	5,238,281	1,771,527
Projection	2008	7,296,070	1,986,459
Estimated IPR Residual Value		31,430,513	6,889,282
<b>VALUE OF IPR</b>			<b>11,855,598</b>

**CONCLUSION**

Based on the above methods, we consider the fair value of IPR to be between RM11.3 million to RM11.9 million.

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## **5. INFORMATION ON I-POWER (Cont'd)**

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### **5.17 Independent Technical Feasibility Report**

#### **Technical Feasibility Report**

By Dr. Tan Chew Lim  
National University of Singapore

##### **1. Background of Expert**

Dr. Tan Chew Lim is an Associate Professor at the Department of Computer Science, School of Computing, National University of Singapore. He has a PhD degree in Computer Science from the University of Virginia, USA. His expertise is in the area of Artificial Intelligence and other related techniques of Information Technology. Dr. Tan has been with the National University of Singapore over 20 years. In addition to teaching, he is actively involved in research and has since published over 170 papers in journals and international conferences. The full list of his publications may be found in his home page at [www.comp.nus.edu.sg/~tancl](http://www.comp.nus.edu.sg/~tancl). Currently, Dr. Tan is an Associate Editor of Pattern Recognition Journal, a world renowned journal in the field of Artificial Intelligence. He has served as an Editorial Board member of the University INNOVATION Magazine for three years. He has also served in program committees of several international conferences and workshops.

Apart from academic research, Dr. Tan has taken interests in industrial collaboration and consultancy involving Information Technology. He is managing several R&D research grants in collaboration with the industry and a research institute in Singapore. He has also served in the expert panel for his University's Research Grant Committee for two years. Furthermore, he has been invited to serve as Technology Assessment Consultant for Multimedia Development Corporation (MDC) under the Multimedia Super Corridor Research and Development Grant Scheme. Since 2001, he has assessed three project grant proposals for MDC. In 2002, Dr. Tan was also invited by the Innovation and Technology Commission of the Government of Hong Kong Special Administration Region to serve as an external reviewer for an R&D project proposal.

One of the three project proposals that Dr. Tan was invited by MDC to evaluate was that submitted by I-Power. This has led to the approval of a RM2.49 million grant by MDC to I-Power to conduct R&D into designing and building of an E-solution that incorporates artificial intelligence technology. Dr. Tan thus has an in-depth understanding of the company's technical capability from the previous study. This report is a re-examination of the company's technical strength in order to assess the company's readiness and feasibility for its proposed MESDAQ listing.

##### **2. Scope of Report**

The report will first assess the company in terms of its technology and its products and services. Next it will examine the company's capital expenditure plan and its operation and performance to date. Finally, the report will look into the current industry and competitive environment with a risk assessment before concluding the report.

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## 5. INFORMATION ON I-POWER (Cont'd)

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### 3. Appraisal of Applicant's Technology

With the advent of the Internet, adoption of E-solution for various business transactions is now a worldwide phenomenon. Consider the trend in B2B E-commerce. According to Gartner, the worldwide B2B E-commerce market is forecast to reach \$7.29 trillion in 2004, representing 7 percent of the forecast \$105 trillion total global sales transaction. In Malaysia, the outlook for the coming years is also very encouraging. IDC, in its forecast for the Malaysian B2B E-commerce market, expects a figure of US\$7.8 billion in 2005. Riding on this positive note, I-Power's mission to be a leading E-solution provider in Malaysia is a timely and strategic one. On the other hand, the market is becoming crowded with major players already in the scene and new ones trying to find a foothold in the arena.

However, the Company's E-solution technology has four significant advantages over its competitors, namely (1) its strategic alliance with IBM, (2) its adoption of open standards, (3) its provision of a comprehensive range of E-solutions, and (2) its R&D efforts in incorporating artificial intelligence technologies into its products.

These strategic advantages are further elaborated as follows:

#### 3.1 Alliance with IBM

It is noted that I-Power has the distinction of being IBM's Premier Business Partner with the highest number of IBM software sales and technical certifications with IBM's business partner community in Malaysia. This makes it possible for the company to tap on the IBM's knowledge and expertise in E-business application framework and technologies. This enables quick delivery of E-solutions and implementation of strategic and innovative E-solutions. This has placed the company in the forefront of E-solution technologies as it provides E-solutions of world class and international standards.

#### 3.2 Adoption of Open Standards

The use of open standard Java Technologies for building and designing all I-Power E-solutions provides support for multiple platforms. This in turn allows seamless integration with rapid deployment speed and customization flexibility. Furthermore, users of I-Power E-solution have access to the system anytime and anywhere with its web-enabled front-end and administration modules.

#### 3.3 Provision of Comprehensive E-solutions

The provision of a comprehensive range of E-solutions means that traditional ways of business transactions and operations can be completely replaced with E-solutions. The six products, namely, eCRM, eHR, ePortal, eProcure, eAuction and eStore, will meet the needs of small, medium and large businesses alike in various industries and in different aspects of E-business transactions. This technology thus

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**5. INFORMATION ON I-POWER (Cont'd)**

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provides a flexible and extensible application framework with dynamic software components and versatile application engines.

**3.4 Use of Artificial Intelligence Technology**

The use of artificial intelligence technology has been a driving force of the company's R&D efforts in building IBIMM, an E-commerce product, which is supported by the MDC RM2.49 grant. The proposed use of innovative techniques including clustering, linkage analysis, sequential analysis, genetic algorithm, categorization, rule induction, decision trees, time series analysis, etc, gives the company an competitive advantage in its development of cutting edge E-solutions in the long run.

**4. Appraisal of Applicant's Products and Services**

The company has developed a package of home-grown E-solutions built upon the well established IBM architecture and framework. This means that the product is of international standards yet it bears in mind also customers' requirements pertaining to the local conditions. The low development cost at home also means competitive pricing thus providing value for money services to the domestic industry.

The six E-solutions package consists of the following:

- 4.1 I-Power eCRM – an integrated E-solution tool for Customer Relationship Management (CRM): The strength of the product lies in its comprehensive coverage of customer interaction cycle, from acquiring a new customer to fulfillment of customer's care and service. In addition, it enables analysis of customer buying behavior with the objective of increasing market share and customer profitability.
- 4.2 I-Power eHR – a web-based Human Resources (HR), appraisal and payroll system: The strength of the product is found in its provision of a dynamic HR information and payroll for the management and a self-service capability for the employees.
- 4.3 I-Power ePortal – an e-corporate knowledge/collaboration system: The strength of the product is in its enabling technology in providing an infrastructure for sharing of knowledge and experiences online across all levels in an organization.
- 4.4 I-Power eProcure – an electronic online Procurement system: The strength of the product is seen in the streamlining of the procurement processes online to reduce unnecessary duplications of task and to achieve better control and cost savings.

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## **5. INFORMATION ON I-POWER (Cont'd)**

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- 4.5 I-Power eAuction – an electronic online Auction system: The strength of the product comes from its efficient gathering of information from potential suppliers or buyers without the tremendous manual processes such as faxing, phoning and sourcing information from the relevant parties.
- 4.6 I-Power eStore – an electronic e-storefront that showcases products and services over the Internet: The strength of the product is in enabling shopping anytime and anywhere while allowing trading partners to collaborate closely to exchange information about orders, fulfillments and shipments.

As an integral part of the sale of its E-solutions, I-Power also offers customized solutions development and system integrations services to its customers. This has helped to strengthen the company's relationship with its customers as it becomes a one-stop center to the clients. Such services would also help the company to get closer to the customers in terms of understanding their entire IT needs and thus would enable the company to gain specific knowledge base of the clients for future product development and enhancement.

### **5. Comments on Capital Expenditure Plan**

While I-Power has a short operating history since its incorporation last year, the company is built upon the earlier years of its current team in the former companies (namely Phileo Allied and PowerSys). The company therefore has years of experience behind the core team in developing E-solutions and in systems integrations. It has also a strong customer base from the team's earlier completed projects. The present capital expenditure plan of I-Power, therefore, is based on a realistic projection according to the past projects and a prudent assumption of customers' loyalty. The financial projections on earnings are cautious with a measured growth in mind. The increase in sales forecasts in the coming years is justified in view of the prospect of improved economy in Malaysia and the anticipated picking-up in corporate IT spending. The financial projections on cash flows take into account of the cash inflow from three sources, namely, trade receivables of RM4.5 million, the MCS grant of RM2.49 million and the proceeds from issues of shares of RM7.7 million from the current IPO exercise. The cash outflow in meeting operating expenses and staff costs increases yearly in pace with the company's projected growth in the next five years. The expenditure on R&D from RM0.5 million in the first year up to RM0.85 million over the five year period indicates the company's commitment in improving its products through R&D efforts.

### **6. Comments on Operation and Performance To Date**

I-Power was only incorporated in Malaysia on 21 October 2002. On 16 December 2002, it was granted MSC status by MDC and it commenced operations on 2 January 2003. On 15 July 2003, MDC approved a grant of RM2.49 million to the company to

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**5. INFORMATION ON I-POWER (Cont'd)**

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conduct R&D into its IBIMM product. Total revenue of RM2.278 million for the first six months of 2003 is reported by the company. While the company's operation history may be short for appraisal, the company's performance can be traced back to its team's past successful completion of earlier projects from the former companies. The core team of I-Power has since established itself with a proven track record in industry-leading E-business skills. This has enabled the company to acquire the IBM premier business partnership status in Malaysia. Furthermore, a strong customer base allows I-Power to move on with its E-solution development and systems integration works including maintenance of existing systems as well as initiation of new contracts. The performance of the company can thus be rated excellent based on the above observations.

**7. Comments on Industry and Competitive Environment**

Malaysia's economy is projected to grow between 5.5% and 6% in 2004. In the IT industry, there is currently a healthy and a steady growth in E-solutions and IT adoption in the country. These are thus positive signs for I-Power to make a visible presence in the domestic market. On the other hand, the threat from major players such as SAP, Oracle, Siebel, Ariba, Onxy and Peoplesoft offering similar E-solution products is real. Their brand names are more established not only in Malaysia and also overseas. I-Power, however, enjoys the following advantages to counter the market competition.

- 7.1 **Competitive pricing:** With 100% Malaysian knowledge workers in the company's technical personnel, the development cost is generally lower than the competitors. Savings from training can also be achieved due to the fact that all of the company's current R&D staff members are already IBM E-business certified.
- 7.2 **MSC status:** I-Power enjoys tax break as a pioneer status company for the next five years. The company can also further leverage on this MSC status to secure more business in future. Furthermore, other incentives under the MSC status such as the recent R&D grant from MDC and possibly other similar grants in future, the internship program and access to venture capital funds.
- 7.3 **Proven track record:** The R&D team of the company has a collective experience of over 20 years and knowledge in E-solution technologies with successful completion of several large scale projects. The company thus a niche market albeit somewhat small with a customer base of its own.
- 7.4 **Product Novelties:** The use of open-standards facilitates ease of integration and upgrading for the customers. The accreditation by IBM enhances the product's brand name and quality. Besides, the company's R&D efforts in injecting Artificial Intelligence technologies offering intelligent solutions and voice ready enterprise E-solutions give its products further competitive advantages.



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**5. INFORMATION ON I-POWER (Cont'd)**

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**8. Risk Assessment**

The following risks with respect to the company's technology are analyzed.

**8.1 Rivalry Competition**

There are already a number of major vendors in the market offering comparable E-solution technologies. The vendors have already a strong foothold in Malaysia and overseas. New entrants with similar technical capabilities are also making inroads into the market. To analyze the risks from these players, one has to understand that such competitions are often inevitable in various businesses. Such competitions may be viewed as healthy stimulants rather than deadly threats. The major players have in fact helped to enhance the awareness of the E-solution technologies in the country. The projected increase in the adoption of E-solutions in the coming years can be attributed to the visible presence of these big names. Riding on the tide, I-Power can position itself as a viable option for enterprises in IT planning. I-Power can avail itself to the following advantages to make its presence felt: (1) MSC status, (2) IBM certification, (3) competitive price structures, (4) open standards, (5) comprehensive range of products and services through the six E-solutions package, and (6) adoption of AI techniques. As for new but small entrants offering similar E-solutions with very low cost operation, price wars challenged by such players can be met with quality services, sustained customer relationship, and excellent track record of I-Power.

**8.2 Advances in Technology**

Rapid technological advances speed up obsolescence of IT products and applications. I-Power's E-solution products are certainly facing this threat with potential risk of losing customers who are lured away by new technologies elsewhere. To examine this risk, we first note the company's partnership with IBM. This helps to ensure that the latest and powerful IBM technologies are used in the company's E-business framework. Secondly, the company's five-year expenditure plan has shown a generous commitment on R&D to ensure that it is keeping pace with the advancing technologies. Thirdly, it is also noted that the technical team is led by a group of well qualified IT professionals who have been in the field for many years and are well versed with the IT development trend. One final yet important note is the appointment of an advisory team comprising of university professors and academicians who are in touch with the latest research findings in E-commerce and artificial intelligence.

**8.3 Intellectual Property Rights**

Plagiarism of intellectual property is a threat to many IT developers. Safeguard has to be provided through legal measures. It is noted that the company has

**5. INFORMATION ON I-POWER (Cont'd)**

applied to register "I-Power Technologies" and "I-Power Devices" as its trademark in Malaysia. Statutory protection can then be accorded when the registration is complete.

**9. Conclusion**

This report examines the technical feasibility in respect of the company's IPO exercise. Emphasis has been placed on the technical issues. Technically, the company is capable and competent backed by 20 years of experience in the IT industry of the company's core technical team. I-Power provides state-of-the-art E-solution technologies. It has positioned itself well with respect to keen competition in the market by leveraging on the following advantages: (1) IBM accreditation of its technology, (2) adoption of open standards, (3) a full coverage of E-solutions, and (4) incorporation of AI technologies. The company's E-solution package comprising of eCRM, eHR, ePortal, eProcure, eAuction and eStore with a host of advanced features meets a wide range of needs across different business applications. In addition, the company provides system integration services, thus making it a full-fledged IT solution provider. The prospect of upward economy trend in Malaysia and the projected growth of IT industry in the country provide favorable conditions for the company to enhance its profile through the present listing exercise. With past experience in managing previous companies, the management team has shown to have adequate skills in financial management. The capital expenditure plan appears reasonable with a cautious approach to cash flow estimates incorporating the proposed IPO funding. R&D expenditure is budgeted, showing the company's commitment in keeping its technology in pace with the rapid IT advancement. Assessment of risks arising from rivalry competition, product obsolescence and intellectual property rights has seen adequate measures made by the company through acquiring MSC status, adhering to international standards, R&D efforts for product innovation, customer-centric full capability product design, and adequate legal protection of its technology. In all, the company is in the forefront of the E-solution arena. The present listing exercise is a strategic move to further strengthen the company's position as an emerging and significant player in the IT market in Malaysia.

Reported by



Dr. Tan Chew Lim  
National University of Singapore

**20 DEC 2004**

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## 6. INDUSTRY AND BUSINESS OVERVIEW

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### 6.1 Industry Overview

#### 6.1.1 Outlook and Prospects for the Economy in 2004

The global economic recovery in the second half of 2003 continued on a firmer note into the first quarter of 2004, fueling optimism for sustained economic growth. Real GDP growth in the United States, which registered 4.4% in the first quarter of 2004, was broad based as a result of increases in personal consumption expenditure, private inventory investment, government spending and exports. In the same vein, performance of the Japanese economy continued to exceed expectations on the back improvements in corporate spending and exports, while corporate bankruptcies and unemployment registered a decline. Despite weak consumer sentiment, growth in the Euro area strengthened in the first quarter of 2004, albeit marginally bolstered by the recovery in the world trade and improvements in corporate earnings against a backdrop of historically low interest rates.

Global growth was reinforced by the better-expected performance of East Asian economies. Robust intra-regional trade among ASEAN+3 member countries contributed to continued regional growth alongside rising private consumption and increasing investment. The main catalyst that propelled regional trade, particularly among the South East Asian economies, continued to be the People Republic of China, which registered a strong growth of 9.7% in the first quarter of 2004 (Q4 2003: 9.9%)

The Malaysian economy registered a sharp growth of 7.6% in the first quarter of 2004 (Q1 2003: 4.6%), the strongest quarterly growth since the third quarter of 2000. Growth was broad-based with all sectors registering higher rates except construction. Expansion in domestic demand as well as continued up-swing in the external sector provided the impetus for the rapid growth. On the demand side, the robust economic activity was largely driven by the private sector, reflecting sustained strong growth in consumer spending and a continued pick-up in private investment activities. As such, aggregate domestic demand strengthened further by 7.0% in the first quarter, contributing 82.8% to overall 92.8% to overall GDP growth.

This trend continued further in to the second quarter of 2004 where Malaysian economy recorded an 8% growth. Private sector aggregate demand was more robust and reinforced by buoyant growth in external demand. Growth in the second quarter continued to be broad based, led mainly by the manufacturing and service sectors.

Private consumption spending increased strongly at the rate of 8.4% in the first quarter and 11.4% in the second quarter, well above GDP growth, underpinned by the rise in disposable income arising from high commodity prices and better employment prospects. The increase in propensity to consume was also supported by further improvements in consumer sentiment in an environment of low interest rates as well as the positive wealth effect from the better performance in the stock market and higher exports earnings. Overall, investment expenditures continued to expand since the turnaround in capital outlays in the third quarter on 2003, as business confidence improved further and capacity utilisation remaining high. The underlying trend in investment recovery is in line with the better global and regional developments.

## 6. INDUSTRY AND BUSINESS OVERVIEW (Cont'd)

The manufacturing sector continued to perform impressively with a growth of 12.5% in the first quarter and 12.1% in the second quarter, arising from improved business confidence and global economic recovery. The mining and agriculture sectors expanded by 5.6% and 3.2% for the first quarter and 3.2% and 1.1% in the second quarter, respectively, on account of stronger commodity prices as well as higher growth in the other agriculture sub-sectors, particularly fishing. The services sector turned in another quarter of strong growth of 6.2% on the first quarter and 7.4% in the second quarter, reflecting strong domestic economic activities. The encouraging performance was supported by increased activities in the utilities; wholesale and retail trade, hotels and restaurants; transport, storage and communications as well as finance, insurance, real estate and business services sub-sectors, following robust manufacturing activities and a surge in tourist arrivals.

Global prospects for the remainder of the year are expected to be positive. The IMF has revised upwards its 2004 GDP growth estimates for the major developed countries such as US (4.6%), UK (3.5%), Japan (3.4%) and Euro area (1.7%). Prospects for the Malaysian economy for the rest of 2004 as reflected by the leading index that gained 13.7% to register 227.7 points in March 2004 remain positive. In addition, in tandem with the expected sustained global recovery and the expansion in the US economy, the Malaysian economy is expected to sustain its strong performance. However global economic conditions will also become more challenging for the second half of the year due to rising energy prices, rising interest rates and some slowdown in major economies such as the soft landing of the Republic of China's economy, which has been one of the major source of global growth.

(Source:

- (1) *Quarterly Update of the Malaysian Economy - 1st Quarter 2004 by Ministry of Finance, Putrajaya dated June 2004*; and
- (2) *Economic and Financial Developments in the Malaysian Economy in the 2nd Quarter 2004 by Bank Negara Malaysia dated 25 August 2004*;

Based on the above, the macro environment is expected to augur well for those companies involved in the implementation of integrated E-Solutions like I-Power. The growth in 2004 is driven by strong domestic demand primarily from the private sector, which is the target market for I-Power.

### 6.1.2 General statistics of the IT users in Malaysia

According to the Malaysian Communications and Multimedia Commission ("MCMC"), the following are the statistics of IT users in Malaysia for March 2004.

Indicator (Malaysia)	Value
Total population	25.4 million
Households	5.5 million
Total fixed main lines	4.5 million
Total cellular phones	11.7 million
Total internet users	9.4 million
Number of internet dial-up subscribers	3.1 million
Total broadband subscribers	142 thousands

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**6. INDUSTRY AND BUSINESS OVERVIEW (Cont'd)**

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Approximately 84.3% of the companies in Malaysia have Internet access, with the majority (59.6%) of them using dial-up connections, and only 17.9% used leased line. Nearly 33% of Malaysian companies have websites, while another 33% are in the development stage. It is expected that the total internet subscribers in Malaysia would reach up to 25% of population in 2005, up from 10% currently.

With the expected increase in the internet users and rapid computerisation of the Malaysian community, usage of internet as a mode of e-commerce is also expected to increase. This will create a boom for growth for companies in ICT such as I-Power.

*(Source:*

- (1) Malaysian ICT Industry-A Snapshot report prepared by Research-KMIT Multimedia Development Corporation 19 March 2003;*
- (2) Malaysia Communication and Multimedia Commission website:<http://www.mcmc.gov.my/mcmc/Admin/FactsAndFigures> dated 30 July and 2 August 2004 respectively)*

**6.1.3 Overview of the IT Industry in Malaysia**

The government of Malaysia has embarked on the project to develop a K-Economy Master Plan in a drive to turn Malaysia from a production drive economy. The K-Economy Master Plan comprises 155 recommendations in order to expedite the proposed transformation. The development of the MSC marked the beginning of initiatives towards the development of a K-Economy. In order to promote the development of world-class ICT companies, various incentives have been provided to attract ICT companies to the MSC.

As at October 2004, 1,082 companies have been awarded MSC-status, of which 60 are world-class companies. Malaysia's information and communication technology (ICT) industry is projected to grow by over 8% to RM34.5 billion from RM32 billion in 2003. The cellular subscribers broke the 11 million mark in telephone access lines in November 2003 from a total subscriber base of 15.6 million. This gives cellular penetration of 44% compared with 18% for fixed lines.

Spending in IT and ICT is expected to increase in the coming years due to the Malaysian Government incentives such as the PC ownership campaign, digitalisation of the rural community project, increase spending for IT education and the rapid increase in the number of internet user. Currently it is estimated there is 9.44 million Internet users in Malaysia first quarter of 2004. The increase in these numbers would provide opportunity for hardware and software provider to expand their market.

There are several main segments in the ICT market where I-Power is currently competing. One of it is the Business-to-Business (B2B) section of the market, which is expected to reach up to USD3.895 billion by 2005. The market is expected to strengthen further in the future due to government incentives in promoting Electronic Commerce in Malaysia such as the launching of the Rosetta Net in January 2002 which would allow many Small and Medium Enterprises (SME) to participate in government supply chain management network.

## 6. INDUSTRY AND BUSINESS OVERVIEW (Cont'd)

Another segment of the ICT market is the IT service market. The value of this market is expected to be in the range of USD437.5 million in 2003, up from USD311 million in 2000. Some of the main participant in this segment is IBM, CSA (M) Bhd and Heitech Padu Bhd.

Software segment is another segment where I-Power will be competing. The expected market value for this segment in 2003 is USD478 million, up from USD 282 million in 2000. The software market can be divided in to three main sub-segments, mainly:

1. Application Solutions: 44% (US\$124.08 million)
2. System Infrastructure Software: 32% (US\$90.24 million)
3. Application Tools: 24% (US\$67.68 million)

(Source:

- (1) *Malaysian ICT Industry-A Snapshot report prepared by Research-KMIT Multimedia Development Corporation Sdn Bhd 19 March 2003;*
- (2) *Multimedia Super Corridor Impact Survey 2004-report prepared by Multimedia Development Corporation Sdn Bhd May 2004*

### 6.1.4 Government policies and incentives

The government formulated the Knowledge-Based Economic Master Plan ("KBEMP") in September 2002 which outlines the attributes needed to leapfrog into a knowledge-based economy. Seven strategic thrusts are highlighted in the KBEMP are as follows: -

- (i) Cultivate and secure the necessary human resources;
- (ii) Establish the institutions necessary to champion, mobilise and drive the transition to a K-Economy;
- (iii) Ensure there are incentives, infrastructure and information structure necessary to prosper the optimal and ever-increasing application of knowledge in all sectors of the economy, as well as to aid the flourishing of knowledge-empowering and intensive industries;
- (iv) Dramatically increase capacity for acquisition and application of science and technology in all areas;
- (v) Ensure that the private sector is in the vanguard of the transition;
- (vi) Develop the public sector into a K-Civil Service (a knowledge-based civil service); and
- (vii) Bridge the knowledge and digital divides.

The Malaysian Government also offered 10-point Bill of Guarantees. A vital commitment given by the Government to MSC status companies is to provide a comprehensive and realistic regulatory framework of cyber laws and intellectual property laws to facilitate and assist the development of a truly IT and multimedia environment.

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

Some of the measures that the government has already taken include the creation of Malaysia Venture Capital Management (“MAVCAP”) to manage a RM500 million venture capital aimed at financing start-ups. This amount has been increased to RM800 million in the recent 2004 budget announcement. In addition to this, on 30 August 2002, The Malaysian Government in cooperation with the Japan’s Bank of International Cooperation launched a RM1.6 billion ICT fund. This fund’s main objective is to provide financial assistance to those sectors that uses ICT application especially sectors such as healthcare, entertainment and education.

The Government has committed to provide a comprehensive framework of cyber laws and intellectual property laws to facilitate and assist the development of the IT and multimedia and content industries. The following laws are enacted to suit the ICT industry in Malaysia: -

- (i) The Digital Signature Act 1997
- (ii) The Copyright (Amendment) Act 1997
- (iii) The Computer Crimes Act 1997
- (iv) The Communication and Multimedia Act 1998
- (v) The Optical Discs Act 2000
- (vi) The Telemedicine Act 1997 is yet to be enforced. There is also a personal data protection law, which has yet to be enacted.

The current drive and emphasis by the Government with their MSC initiative in building and fostering an ICT e-business driven environment in Malaysia is a golden opportunity for I-Power. This will result in more organizations implementing modern IT services and techniques, source for latest IT knowledge and quality brands which translate a better opportunity for I-Power to become a key player in the IT field.

Part of this initiative, I-Power has been awarded a grant by MDC for its R&D undertaking. The grant amount totalled approximately RM2.49 million for a period of 2 years and involves the participation of two (2) professors and two (2) PhDs lecturers from local universities to collaborate with I-Power in the undertaking of this project.

*(Source: Malaysian ICT Industry-A Snapshot report prepared by Research-KMIT Multimedia Development Corporation Sdn Bhd 19 March 2003;)*

### **6.1.5 Budget 2005 initiatives**

Among the new Malaysian Government budget incentives for IT and ICT announced on 10 September 2004 are: -

- (i) Use of ICT to be expanded to speed up payments and assuring accurate financial information via e-Treasury; and
- (ii) 100 percent foreign ownership is allowed in venture capital companies to increase funding and expertise to promote investments in ICT.

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## 7. SUMMARY OF FIVE-YEAR BUSINESS PLAN

The following is a summary of the Five-Year Business Plan prepared by I-Power for the purpose of inclusion in the Prospectus.

### 7.1 Background of I-Power

I-Power was incorporated in Malaysia under the Act on 21 October 2002. I-Power was granted MSC status by the MDC on 16 December 2002 and is located at TPM. It was subsequently converted into a public limited company on 25 September 2003. The principal activities of I-Power are SI, turnkey software developments and E-Solutions. Further details of the history and background of I-Power can be found in Section 5.1 of this Prospectus.

### 7.2 I-Power's Business Vision, Objectives and Mission

#### *Business Vision*

I-Power aims to build and market its own brand of global E-Solutions as its central and core business within the next five years. On 28 August 2003, the Company has applied for registration of "I-Power Technologies" and "I-Power & Device" as its trademark under Class 9 in Malaysia and is unaware of any prior registration by other persons of such mark in Malaysia. The Company expects that its trademark application will proceed to registration in due course, and that it will eventually be accorded with statutory protection available to registered proprietor of trademarks under the Trade Marks Act, 1976.

To realise its vision, I-Power has leveraged upon IBM's technologies to develop and build a suite of complimentary and tightly integrated E-Solutions to be marketed under its own brand name. Leveraging on the IBM's architecture and coupled with the Company's rich and customisable innovative features, the Directors of I-Power believes that the "I-Power" branded E-Solutions are equipped with functionalities and features which can be benchmarked against international brands. The Company has developed all of its solutions by adopting IBM's technologies which enable the "I-Power" branded E-Solutions to rival other major players in the IT industry.

#### *Business Objectives*

I-Power's business strategy will revolve around the need to provide quality products and services to our various target customers. This shall be undertaken through the establishment of a professional team with a suite of "I-Power" branded E-Solutions and the provision of quality, custom-designed services, catering to the client's unique needs.

The Company intends to attain the following objectives: -

- (a) Develop a follow-up strategy to gauge performance with all the Company's clients;
- (b) To continuously formalise and measure cross-functional working communication so as to ensure that the Company's staff members work harmoniously towards attainment of the Company objectives;
- (c) To instill a culture of continuous improvement in beating standards of customer satisfaction, service excellence, operational efficiency and product superiority and
- (d) To be fully committed to supporting growth and development in the economy.

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## 7. SUMMARY OF FIVE-YEAR BUSINESS PLAN (Cont'd)

### 7.3 Development Milestones

The Company's growth strategy is outlined in the above diagram, which also illustrates the business rationale for the Listing of I-Power.



The development milestones for the Company over the next 5 years are essentially as follows: -

#### (a) **Core Business Growth – Ongoing from 2003 to 2005**

For the immediate few years and beyond, the Company will focus on developing its business further in the E-Solutions market in order to become a leading player in the marketplace domestically. In order to expand its E-Solutions base steadily over time, the Company will also seek to build its turnkey solutions development business upon which it would subsequently penetrate with its own "I-Power"-branded solutions. The Company would multiply its sales and marketing activities as well as its personnel aggressively in order to penetrate its target market strongly.

Part of the gross proceeds from Listing will be used as working capital for the expansion of business activities and market share via the launch of a more aggressive sales and marketing activities. The Company will channel a certain portion of the working capital to strengthen its marketing efforts like having more advertisements in multiple medias, participating in exhibitions, conducting seminars and conferences to promote its products, organizing road-shows, hiring more qualified and experienced sales & marketing staff to generate interests in and create awareness for and ultimately acceptance for its "I-Power"-branded E-Solutions. As part of an effort to enhance its image and branding, the Company will also allocate part of the working capital to the design, production and printing of brochures and supporting materials for the Company's existing E-Solutions and/or turnkey solutioning.

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**7. SUMMARY OF FIVE-YEAR BUSINESS PLAN (Cont'd)**

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**(b) New Solutions Growth/New Products Development: 2003/4 to 2004/5**

MDC has on 15 July 2003 approved the Grant of approximately RM2.49 million to I-Power to conduct R&D into designing and building an IBIMM to incorporate extensive data mining capabilities into all "I-Power" branded E-Solutions. IBIMM shall deploy powerful and innovative techniques such as clustering, linkage analysis, sequential analysis, genetic algorithms, categorization analysis, rule induction, decision trees, time series analysis, hybrid approaches and statistical techniques to give the E-Solutions more artificial intelligence capabilities. The IBIMM will also deploy 3D Visualisation techniques to aid in the visual interpretation of complex relationships in multidimensional data.

The Directors of I-Power is of the opinion that the introduction of IBIMM will provide the Company with a new source of revenue growth and assist the Company to consolidate its position in the marketplace further.

Once the IBIMM project is completed, I-Power plans to leverage on the successful implementation of IBIMM to secure R&D outsourcing business from large corporate conglomerates, which will provide another source of revenue growth to the Company. In addition to its current suite of E-Solutions and the IBIMM currently under development, I-Power will also endeavor to build other business applications solutions that are synergistic and complimentary to its long-term growth.

**(c) Market Share Growth: 2005 and Beyond**

Apart from the organic growth set out in sub-paragraph (a) and (b) above which I-Power will be meticulously planning for and strongly committed to deliver as part of its overall growth strategy, the Company will also be scanning the market for mergers and acquisition opportunities to enhance and strengthen its position in the industry. The Company will, however, be highly cautious and selective of such opportunities whereby it will seek control as a prerequisite and ensure that only opportunities which add to the wealth creation process of the Company in the long term will be seriously considered.

**(d) Brand Building Growth: Ongoing**

As part of its long-term growth strategy, the Company will also intensely engage in an aggressive brand building campaign to enhance the profile of I-Power and its range of solutions both in the domestic and overseas arena. The ultimate aim is to build a well-established brand name company that can compete with the big international players such as Oracle, Siebel and SAP.

The Directors of I-Power is mindful that building a well-established brand name is a long term process requiring deep pockets, careful planning, pinpoint execution and specialist's expertise, hence one of the main aim of the Listing is to enable the Company to establish itself in the marketplace and to gain further recognition.

Ultimately, the goal of I-Power is to build an international brand name which will self-perpetuate ad infinitum regardless of whether the founders have long gone or not. A strong and internationally recognized brand name will survive through all seasons regardless of who heads the Company.

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**7. SUMMARY OF FIVE-YEAR BUSINESS PLAN (Cont'd)**

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**7.4 Sales & Marketing Strategy**

I-Power targets to sell its suite of E-Solutions to medium and large organization of all industries in Malaysia, and aims to achieve a high market presence within the next five (5) years. To enable it to compete with its rivals and to realize its market share growth, the Company would adopt a multi-channel sales and marketing strategy as follows: -

**(a) Direct Sales, Indirect Sales and Distribution Sales Strategies***Direct Sale Strategy*

This direct sales approach is currently the main driving force of the Company's sales to-date. By leveraging IBM's customers base, the different business associations' membership base, public directories and supplier databases, I-Power solicits new businesses within Malaysia through referrals, cold calls and telemarketing. The Company would also organize specific seminars, conferences and workshops for its prospective customers whereby it would conduct presentations and product demonstrations to highlight the products and services it can offer. In this respect, the Company intends to increase its direct sales efforts by employing two to three additional account sales managers to widen its sales coverage.

*Indirect Sales Strategy*

I-Power would also collaborate with its hardware suppliers, other system integrators and business alliances to generate sale leads for its products. To expand its market coverage, the Company would actively seeks out corporate resellers and other business alliances to identify new sales opportunities by tapping into their existing customers base. The Company would also organize sales seminars, road shows and promotions jointly with its indirect sale partners to generate sales leads and create market awareness of I-Power and its E-Solutions. In this respect, the Company had during the last few months actively cooperated with a few corporate resellers to make sales calls and presentations to their customers. These resellers include Teliti Computers Sdn Bhd, Mich-Computing Sdn Bhd, and AIT Computers Sdn Bhd. The Company expects sales activities from this indirect channel to increase significantly as it seeks out more such corporate resellers over the next 12 months. When this occurs, I-Power sales network would expand and this would enlarge the Company's revenues base.

*Distribution Sales Strategy – Smart Partnership*

The Company intends to strengthen and widen its distribution network in other states other than Klang Valley in the foreseeable future by appointing Master Distributors for the Northern Region, the Southern Region, the Eastern Region and East Malaysia. For each region the Company anticipate to appoint between two and three Master Distributors depending on the potential market size. The Company would also do likewise for its overseas expansion at the opportune time. The Company expects to execute these initiatives by the end of next year, 2005. Such smart partnership strategies are believed to be more effective to enable the Company to quickly establish its market presence in the respective markets as well as reducing the political and financial risks.

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**7. SUMMARY OF FIVE-YEAR BUSINESS PLAN (Cont'd)**

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**(b) Marketing Strategy**

I-Power marketing strategy emphasises: -

- building image and awareness through consistency and distinctiveness in its product and service provision.
- delivering quality products and services that produce good referrals, which can then generate revenue. I-Power intend to have a heavy personal selling component, supported by regular advertising we will always be active in our personal relationships with clients and strategic allies, keeping abreast of their needs and wants.
- creating a more enthusiastic customer culture than its competitors. The strategy is to grow the business by nurturing customers, differentiating the product/service offering through service and staff behavior.

I-Power intends to get to know its customers, one by one. The Company directs sales efforts will seek to maintain a strategic long-term relationship with its customers.

The management team also intends to jointly develop business strategy and long-term plans with its strategic allies, leveraging upon their wide experience in their respective market and product know-how, as well as strong technical skills and business know-how.

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