2. PROSPECTUS SUMMARY

The following is only a summary of the salient information about Online One Group and should be read and understood in conjunction with the full text of this Prospectus. Investors should read and understand the whole Prospectus prior to deciding whether to invest in Online One Shares.

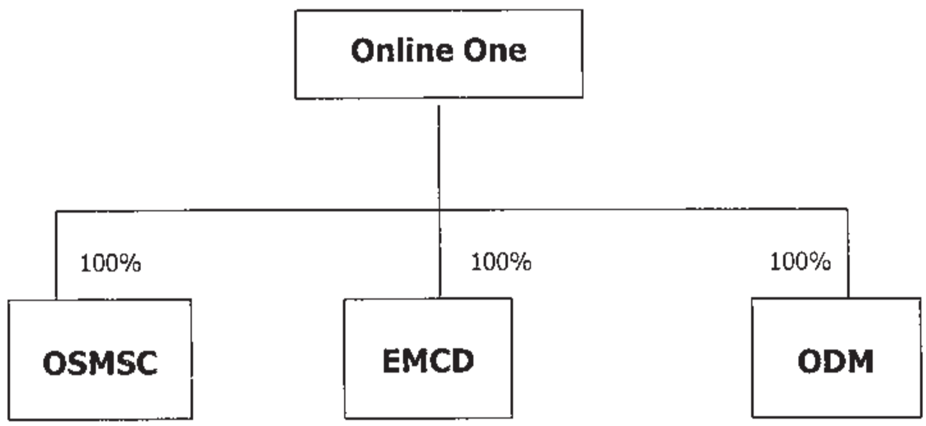
2.1 History, Principal Activities and Group Structure

Online One was incorporated in Malaysia under the Act on 23 October 2003 as a private limited company under the name of Online One Corporation Sdn Bhd and commenced its business operations on 6 February 2004. On 9 March 2004, Online One was converted into a public company and assumed its present name. Online One was incorporated primarily to undertake the listing of OSMSC, EMCD and ODM on the MESDAQ market.

Online One is principally an investment holding company. Details of Online One's subsidiary companies are as follows:-

Name of Subsidiaries	Date/Place of Incorporation	Issued and Paid-up Capital RM	Effective Equity Interest %	Principal Activities
OSMSC	4 October 2002 / Malaysia	100,000	100	Development of software
EMCD	31 May 2003/ Malaysia	250,000	100	Marketing and distribution of total storage solutions
ODM	25 June 2003 / Malaysia	100,000	100	Provision of information management solutions, consisting of business continuity solutions and business intelligence solutions

The corporate structure of the Online One Group is depicted as follows:-



Further information on Online One and its subsidiary companies are set out in Section 5 of this Prospectus.

2. PROSPECTUS SUMMARY *(Cont'd)*

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

(i) Promoters/Substantial Shareholders

The Promoters and substantial shareholders of Online One and their shareholdings in the Company before and after the New Issue based on their shareholdings as at the date of this Prospectus are as follows:-

			Before New Issue				After New Issue			
			Direct		Indirect		Direct		Indirect	
Name	Nationality/ Country of Incorporation	Designation	No. of Shares held	%	No. of Shares held	%	No. of Shares held	%	No. of Shares held	%
LVCK**	Malaysia	-	36,298,375	42.83	-	-	36,298,375	32.12	-	-
IT Space**	Malaysia	-	22,602,795	26.67	-	-	22,602,795	20.00	-	-
Leong Yok Kin**	Malaysian	Managing Director/Chief Technology Officer	12,059,907	14.23	*58,901,170	69.50	12,059,907	10.67	*58,901,170	52.12
Voon Seng Keong**	Malaysian	Chief Executive Officer	6,822,366	8.05	*58,901,170	69.50	6,822,366	6.04	*58,901,170	52.12
Kua Liang Ming**	Malaysian	Co-Chief Operating Officer	4,551,070	5.37	*58,901,170	69.50	4,551,070	4.03	*58,901,170	52.12
Chew Fatt Seet***	Malaysian	Co-Chief Operating Officer	2,415,371	2.85	-	-	2,415,371	2.14	-	-

* *Deemed interest by virtue of their respective shareholdings in LVCK and IT Space pursuant to Section 6A of the Act.*
** *Promoter and substantial shareholder.*
*** *Promoter.*

2. PROSPECTUS SUMMARY *(Cont'd)*

(ii) Directors

The Directors of Online One and their shareholdings in the Company before and after the New Issue based on their shareholdings as at the date of this Prospectus are as follows:-

		Before New Issue				After New Issue			
		Direct		Indirect		Direct		Indirect	
Name	**Designation**	**No. of Shares held**	**%**	**No. of Shares held**	**%**	**No. of Shares held**	**%**	**No. of Shares held**	**%**
Lt. Col. (R) Dato' Zarazilah Bin Mohamed Ali	Independent Non-Executive Chairman	-	-	-	-	-	-	-	-
Leong Yok Kin	Managing Director/Chief Technology Officer	12,059,907	14.23	*58,901,170	69.50	12,059,907	10.67	*58,901,170	52.12
Voon Seng Keong	Chief Executive Officer	6,822,366	8.05	*58,901,170	69.50	6,822,366	6.04	*58,901,170	52.12
Kua Liang Ming	Co-Chief Operating Officer	4,551,070	5.37	*58,901,170	69.50	4,551,070	4.03	*58,901,170	52.12
Chew Fatt Seet	Co-Chief Operating Officer	2,415,371	2.85	-	-	2,415,371	2.14	-	-
Wong Mun Wai	Independent Non-Executive Director	-	-	-	-	-	-	-	-

* *Deemed interest by virtue of their respective shareholdings in LVCK and IT Space pursuant to Section 6A of the Act.*

(iii) Key Management and Key Technical Personnel

The key management and key technical personnel of the Group and their shareholdings in the Company before and after the New Issue based on their shareholdings as at the date of this Prospectus are as follows:-

		Before New Issue				After New Issue			
		Direct		Indirect		Direct		Indirect	
Name	**Designation**	**No. of Shares held**	**%**	**No. of Shares held**	**%**	**No of Shares held**	**%**	**No of Shares held**	**%**
Leong Yok Kin	Managing Director/ Chief Technology Officer	12,059,907	14.23	*58,901,170	69.50	12,059,907	10.67	*58,901,170	52.12
Voon Seng Keong	Chief Executive Officer	6,822,366	8.05	*58,901,170	69.50	6,822,366	6.04	*58,901,170	52.12
Kua Liang Ming	Co-Chief Operating Officer	4,551,070	5.37	*58,901,170	69.50	4,551,070	4.03	*58,901,170	52.12
Chew Fatt Seet	Co-Chief Operating Officer	2,415,371	2.85	-	-	2,415,371	2.14	-	-
Andrew Lee Kim Leong	Senior Technical Manager	-	-	-	-	53,000^	0.05	-	-
Ong Lian Wah	Finance Manager	-	-	-	-	-	-	-	-
Leong Sook Theng	Product Manager	-	-	-	-	-	-	-	-
Chan Yee Ling	Sales Director	-	-	-	-	53,000^	0.05	-	-
Sin Yan Kit	Channel Manager	-	-	-	-	53,000^	0.05	-	-
Sing Chee Yeong	Technical Manager	-	-	-	-	106,000^	0.09	-	-
Ong Eng Hoe	Technical Manager	-	-	-	-	159,000^	0.14	-	-

* *Deemed interest by virtue of their respective shareholdings in LVCK and IT Space pursuant to Section 6A of the Act.*

^ *Assuming full subscription of their respective allocations of pink form shares pursuant to the New Issue.*

Further details on the Promoters, substantial shareholders, Directors, key management and key technical personnel of the Group are set out in Section 10 of this Prospectus.

2.3 Products and Services

The Online One Group's range of products include proprietary software and third party hardware and software. Its services consist of implementation and integration services, business continuity solutions and business intelligence solutions. The existing and proposed products and services offered by the Online One Group are described below:-

2.3.1 Software

(i) PROeX™ EES Suite

OSMSC currently provides EES for enterprises to communicate, share resources, collaborate business and co-ordinate their efforts as a member of the extended business organisation networks. The PROeX™ EES modules were launched in 2003 and are currently being offered to its customers are different when compared to the general ERP products. The PROeX™ EES is designed to run the IT operations of more than one enterprise compared to an ERP software which is designed to reside within an enterprise and run the enterprise's IT operations. Therefore, these solutions cover a wider range of customers, suppliers, employees and partners, especially with the incorporation of buy-side and sell-side e-Business, customer relationship management, supply chain planning and business intelligence.

(ii) Business Continuity Software

OSMSC is expected to offer two types of proprietary business continuity software, namely MultiBackUp and MultiStore. Details of the proprietary business continuity software are illustrated as follows:-

MultiBackUp

OSMSC will provide storage backup solutions that incorporate backup-to-disk for rapid recovery of mission-critical data for personal computers over multiple types of connectivity such as dial-up networking, Internet and TCP/IP network protocols. MultiBackUp will also allow capturing of data, as well as the pervasive need for backup of business-crucial data that must be preserved and retrieved quickly and efficiently. Data will be stored at a central server/cluster, which can be managed via a web-based console.

It is envisaged that MultiBackUp functional components will work together to protect and centrally manage data, email files, system configuration, asset information and system integrity for desktops and laptops, regardless of where they are located. It will aim to eliminate information loss and help ensure efficient, effective, secure, centrally managed PC data management that reduces storage requirements for enterprises. The bottom line is, it will aim to ensure total corporate ownership of information.

OSMSC plans to start research on MultiBackUp in the middle of 2005, and commence development in the fourth quarter of 2005.

MultiStore

OSMSC's MultiStore will be a disaster recovery solution package, offering organisations a solution to efficiently provide continuous data access in the event of planned or unplanned downtime. MultiStore will be supported by a fault-tolerant and host-independent architecture.

It is envisaged that MultiStore will present an affordable means to satisfy the conflicting requirements of non-stop data access while performing traditionally disruptive operations such as backup, data warehouse updates, application development and testing and schedule maintenance. The three planned major editions of MultiStore are MultiStore/Local ("MS/Local"), MultiStore/LAN ("MS/LAN") and MultiStore/Remote ("MS/Remote").

OSMSC plans to start research on MultiStore at the beginning of 2005, and commence development in the fourth quarter of 2005.

2.3.2 Hardware

IT storage comes in different types and sizes to cater to the different storage requirements of different organisations. EMCD currently offers EMC's range of storage solutions. EMC is one of the market leaders in the world in storage and offers adaptability, compatibility and quality of products.

EMCD's main hardware platform is EMC's CLARiiON series of storage products, for which EMCD is currently the only distributor in the country. The CLARiiON series is one of EMC's popular product lines for corporations in Malaysia as it offers connectivity, scalability and simplicity, suited for large and medium-sized companies.

EMCD also offers EMC's range of other storage modulars, like EMC Symmetrix, EMC Centera, and EMC Celerra.

The Online One Group also offers other ancillary infrastructure and third party hardware. This includes HBAs and servers.

2.3.3 Information Management Solutions

ODM offers the following information management solutions:-

(i) business intelligence solutions, and
(ii) business continuity outsourcing solutions.

(i) Business Intelligence Solutions

Business intelligence unlocks data captured in the systems of the organisation, and transforms it into useful information to help organisations in making effective and timely business decisions. It helps organisations to reduce errors and increase operational effectiveness and is a strategic business imperative.

The third-party business intelligence solutions currently offered consist of a complete business intelligence solutions by using Cognos^{R} business intelligence softwares, other peripherals, together with integration and implementation services. The software used consist of Cognos PowerPlay^{R}, Cognos Impromptu^{R}, Cognos DecisionStream^{TM} and others.

(ii) Business Continuity Solutions

ODM's business continuity solutions will cover the planned software to be known as MultiBackUp and MultiStore, together with project implementation support and service.

2.3.4 Factors that Differentiate the Group's Products

PROeX^{TM} was designed by Online One to address the challenges faced by the distribution industry by providing the links between the host and its network of dealers and is also suitable for SMEs as the solution is modular based and easily scalable.

2.3.5 Level of Dependency on the EMC products

The Directors confirm that the revenue of the Group is mainly contributed by the sales of EMC products. However, the profitability of the Group is only marginally dependent on EMC products.

The Directors of Online One anticipate that in line with Online One's marketing strategies, the Group's reliance on selling third party products will reduce gradually given that the three (3) new products created/owned by Online One was launched in December 2004 and is expected to contribute positively to the Group's revenue.

Further details of the products and services are set out in Section 5.5 of this Prospectus.

2.4 Technology Used

The PROeX^{TM} is built on Microsoft.NET platform through the use of XML Web services and COM.NET technology facilitates the integration of different applications, sources of data across the Internet or Intranet. MultiBackUp and MultiStore use C and C++ technology that allows developers to develop, maintain and migrate C and C++ applications across multiple platforms. Further details on the technology used is set out in Section 5.5.6 of this Prospectus.

2.5 IP and Trademarks

The Online One Group has submitted the following applications to trademark the following names which are specific to the Online One Group:-

(i) PROeX^{TM};
(ii) ONLINEONE^{TM}; and
(iii) *people who deliver*^{TM}.

It also intends to apply for trademark rights for its business continuity software products, namely MultiBackUp and MultiStore, upon the launch of these products in the market. Further details on the Group's IP and trademarks are set out in Section 5.5.7 of this Prospectus.

2.6 R&D

The Online One Group's R&D division focuses on the development of EES and business continuity solutions. Presently, the R&D team is headed by Leong Yok Kin, who is responsible for the R&D strategy formulation and overseeing the overall development of the division. He is assisted by a total of fifteen (15) technical professionals.

Please refer to Section 5.5.8 of this Prospectus for further information on the R&D of the Group.

2.7 Financial Highlights

The financial highlights has been extracted from the Proforma Consolidated Balance Sheets and Accountants' Report included in Sections 12.9 and 13 of this Prospectus respectively and should be read in conjunction with the notes and assumptions thereto.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

2.7.1 Proforma Consolidated Income Statements

The following is a summary of the proforma consolidated income statements of the Online One Group for the financial period ended 31 March 2004 and the subsequent six (6)-month financial period ended 30 September 2004 which have been prepared based on the audited financial statements of Online One and its subsidiaries for the relevant financial periods and are provided for illustrative purposes, on the assumption that the current structure of the Group had been in existence throughout the financial periods under review and after making such adjustments considered necessary and should be read in conjunction with the acompanying notes and assumptions included in the Accountants' Report in Section 13 of this Prospectus:-

	Financial Period ended 31 March 2004 RM'000	**Six (6)-month Financial Period ended 30 September 2004 RM'000**
Revenue	10,341	11,421
EBITDA before R&D	1,763	1,733
R&D expenses	(389)	-
EBITDA	1,374	1,733
Depreciation and amortisation	(44)	(38)
Interest expense	(7)	(1)
PBT	1,323	1,694
Taxation	(77)	(102)
PAT	1,246	1,592
No. of ordinary shares in issue*	14,660,840	14,660,840
Net EPS (sen)*	8.50	10.86
Effective tax rate (%)	5.82	6.02

Notes:-

* *Based on the enlarged share capital after the Share Split and the Acquisitions but before the Rights Issue and the New Issue.*

1. *No dividend was declared or paid in the financial period under review.*
2. *There were no exceptional or extraordinary items during the period under review.*
3. *For illustration purposes, the proforma results of Online One Group have been arrived at based on the audited financial statements of:-*

   - *Online One for the period 23 October 2003 (date of incorporation) to 31 March 2004 and for the period 1 April 2004 to 30 September 2004;*
   - *OSMSC for the period 4 October 2002 (date of incorporation) to 31 March 2004 and for the period 1 April 2004 to 30 September 2004;*

2. PROSPECTUS SUMMARY *(Cont'd)*

- *EMCD for the period 31 May 2003 (date of incorporation) to 31 March 2004 and for the period 1 April 2004 to 30 September 2004; and*
- *ODM for the period 25 June 2003 (date of incorporation) to 31 March 2004 and for the period 1 April 2004 to 30 September 2004.*

4. The consolidated results of the Online One Group for the financial period ended 31 March 2004 have been arrived at by incorporating the results of OSMSC, EMCD and ODM since the dates of their respective incorporation.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

2.7.2 Proforma Consolidated Balance Sheets

The Proforma Consolidated Balance Sheets as set out below are prepared for illustrative purposes only to show the effects on the financial statements of Online One as at 30 September 2004 had the Listing been effected on 30 September 2004 and should be read in conjuntion with the notes and assumptions to the Proforma Consolidated Balance Sheets as set out in Section 12.9 of this Prospectus:-

	Audited as at 30 September 2004 RM'000	Proforma I After Share Split RM'000	Proforma II After Proforma I and After Acquisitions RM'000	Proforma III After Proforma I, II and Rights Issue RM'000	Proforma IV After Proforma I, II, III and New Issue RM'000
Property, Plant And Equipment	-	-	225	225	225
Development Expenditure	-	-	273	273	273
Current Assets					
Inventories	-	-	51	51	51
Trade receivables	-	-	4,743	4,743	4,743
Other receivables, deposits and prepayments	169	169	613	613	613
Cash and bank balances	*	*	1,095	8,104	18,004
	*	*	6,502	13,511	23,411
Current Liabilities					
Trade payables	-	-	3,551	3,551	3,551
Other payables and accrued expenses	169	169	138	138	138
Tax liabilities			21	21	21
	169	169	3,710	3,710	3,710
Net Current Assets	-	-	2,792	9,801	19,701
Deferred Liability					
Deferred tax liabilities	-	-	(4)	(4)	(4)
Net Assets	**	**	3,286	10,295	20,195
Represented by:					
Share capital	***	****	1,466	8,475	11,300
Share premium	-	-	-	-	7,075
Accumulated loss	-	-	1,820	1,820	1,820
Shareholders' Equity	**	**	3,286	10,295	20,195
NTA per share (sen)	100.0	10.0	20.55	11.83	17.63

Notes:-

*	*Represents RM2.00 cash on hand*
**	*Represents RM2.00*
***	*Represents RM2 comprising 2 ordinary shares of RM1.00 each*
****	*Represents RM2 comprising 20 ordinary shares of RM0.10 each*

1. *Proforma I incorporates the sub-division of the par value of RM1.00 per ordinary share into ten (10) ordinary shares of RM0.10 each.*

2. *Proforma II incorporates the effects of Proforma I and the Acquisitions, for a total consideration of RM1,466,084 to be satisfied by the issuance of 14,660,840 new Online One Shares of RM0.10 each.*

3. *Proforma III incorporates the effects of Proforma I, II and the rights issue of 70,089,140 new ordinary shares of RM0.10 each in Online One on the basis of approximately 4.78 new ordinary shares for every one (1) ordinary share held after the Acquisitions.*

4. *Proforma IV incorporates the effects of Proforma I, II, III and the new issue of 28,250,000 ordinary shares of RM0.10 each in Online One at an issue price of RM0.40 per share. The New Issue will give rise to a share premium of RM8,475,000. Listing expenses are estimated to be approximately RM1,400,000 and will be set-off against the share premium.*

2.7.3 Auditors' Qualifications

The audited financial statements of the Company and its subsidiary companies for the financial period ended 31 March 2004 and the six (6)-month financial period ended 30 September 2004 have not been subjected to any auditors' qualifications.

2.8 Principal Statistics Relating to the New Issue

2.8.1 Share Capital

	RM
Authorised	
500,000,000 ordinary shares of RM0.10 each	50,000,000
Issued and fully paid-up	
84,750,000 ordinary shares of RM0.10 each	8,475,000
To be issued and credited pursuant to the New Issue	
28,250,000 new ordinary shares of RM0.10 each	2,825,000
Enlarged share capital	
113,000,000 ordinary shares of RM0.10 each	11,300,000

The issue price of RM0.40 per ordinary share, payable in full upon application is subject to the terms and conditions of this Prospectus.

There is only one class of share in Online One, being ordinary share of RM0.10 each. The New Issue Shares will rank pari-passu in all respects with the existing issued and paid-up ordinary shares of RM0.10 each in Online One including voting rights and rights to all dividends and distributions that may be declared, paid or made subsequent to the date of allotment of the shares.

Further details on the share capital of Online One are set out in Section 3.3 of this Prospectus.

2.8.2 Proforma Consolidated NTA

Proforma consolidated NTA as at 30 September 2004 (after taking into account the New Issue and estimated Listing expenses of RM1,400,000) (RM)	19,921,900
Proforma consolidated NTA per share (based on the enlarged share capital of 113,000,000 Shares (sen)	17.63
Proforma consolidated NAV as at 30 September 2004 (after taking into account the New Issue and estimated Listing expenses of RM1,400,000) (RM)	20,195,000
Proforma consolidated NAV per share (based on the enlarged share capital of 113,000,000 Shares (sen)	17.87

The proforma balance sheets of Online One are set out in detail in Section 12.9 of this Prospectus.

2.8.3 Exclusion of Profit Forecast and Projection

The Board has decided not to include in this Prospectus a profit forecast due to the uncertainty of the revenue arising from the services/products of the Group. Although the Board believes that the services/products would continue to improve the performance of the Group, the actual level of impact is difficult to forecast with considerable certainty.

2.9 Utilisation of Proceeds

The gross proceeds of RM7,008,914 from the Rights Issue and RM11,300,000 from the New Issue, totalling RM18,308,914, will be utilised in the following manner:-

Purpose	Rights Issue RM'000	Public Issue RM'000	Total Proceeds RM'000	Timeframe for the Utilisation of Proceeds after Listing
Project financing	5,000	2,000	7,000	2 years
R&D	-	5,000	5,000	4 years
Branding and promotion	-	1,000	1,000	2 years
Working capital	2,009	1,900	3,909	2 years
Estimated Listing expenses	-	1,400	1,400	6 months
Total	**7,009**	**11,300**	**18,309**	

Further details on the utilisation of proceeds are set out in Section 3.6 of this Prospectus.

2.10 Risk Factors

An investment in the shares listed/to be listed on the MESDAQ Market involves a number of risks, some of which, including market, industry, liquidity, credit, operational, legal and regulatory risks which could be substantial and are inherent in the business of the Group.

Prospective investors should rely on their own evaluations and should carefully consider the risk factors/ investment considerations and other information contained in this Prospectus before applying for the New Issue Shares. The risk factors/investment considerations that should be considered include, but are not limited to the following:-

(i) No prior market for Online One Shares and possible volatility of share price;
(ii) Control by substantial shareholders/Promoters;
(iii) Business risks;
(iv) Protection of IP rights;
(v) Competition;
(vi) Changes in technology and products/services;
(vii) Technological obsolescence;
(viii) Dependence on key personnel;
(ix) Political, economic and regulatory risks;
(x) Foreign currency exchange risk;
(xi) Insurance risk;
(xii) Risks associated with the distribution channel;
(xiii) Industry risks;
(xiv) Reliance on major customers;
(xv) Products performance;
(xvi) Failure or delay in the Listing;
(xvii) Irregular contracts;
(xviii) Delay in completion of projects;
(xix) Disaster recovery;
(xx) Disclosure regarding forward looking statements;
(xxi) Risks associated with distribution rights; and
(xxii) Change in MSC status.

Details of the aforementioned risks are provided in the "Risk Factors" in Section 4 of this Prospectus.

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

(i) Material Litigation

As at 14 February 2005, being the latest practicable date prior to the issue of this Prospectus, the Group is not engaged whether as plaintiff or defendant in any legal action, proceeding, claim or arbitration which has a material effect on the financial position and business of the Group and the Directors do not know of any claims or proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect the position or business of the Group.

(ii) Material Commitments

As at the date of this Prospectus, there are no material commitments for capital expenditure contracted or known to be contracted by Online One or its subsidiaries.

(iii) Borrowings

There are no borrowings incurred by Online One or its subsidiaries. As there were no borrowings, there were no default on payments of either interest and/or principal sums of any borrowings throughout the past one (1) financial period ended 31 March 2004 and the subsequent financial period thereof immediately preceding the date of this Prospectus.

(iv) Contingent Liabilities

As at 14 February 2005, being the latest practicable date prior to the issue of this Prospectus, there are no contingent liabilities incurred by Online One or its subsidiaries.

(v) Working Capital

The Directors of Online One are of the opinion that, after taking into consideration the cashflow forecast and the net proceeds from the Rights Issue and New Issue, the Group will have adequate working capital for a period of twelve (12) months from the date of this Prospectus.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

3. PARTICULARS OF THE NEW ISSUE

This Prospectus is dated 2 March 2005.

A copy of this Prospectus has been registered with the SC. A copy of this Prospectus, together with the form of application, has also been lodged with the ROC and neither the SC nor the ROC takes any responsibility for its contents.

The approvals from the SC and the Securities Exchange have been obtained for the New Issue on 24 December 2004 and 30 December 2004 respectively. An application will be made to the Securities Exchange for admission to the Official List of the MESDAQ Market and for permission to deal in and for the listing of and quotation for the entire issued and fully paid-up ordinary shares of Online One, including the New Issue Shares which are the subject of this Prospectus. These Online One Shares will be admitted to the Official List of the MESDAQ Market and official quotation will commence after receipt of confirmation from Bursa Depository that all CDS accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants.

Acceptance of the Applications will be conditional upon permission being granted by Securities Exchange to deal in and for the quotation for the the entire issued and fully paid-up share capital of Online One, including the New Issue Shares, on the MESDAQ Market. Accordingly, monies paid in respect of any application accepted from the Applications will be returned without interest if the said permission for Listing is not granted within six (6) weeks from the date of issue of this Prospectus (or such longer period as may be specified by the SC) provided that the Company is notified by or on behalf of the Securities Exchange within the aforesaid timeframe.

Pursuant to the MMLR, the Company needs to have at least 25% but not more than 49% of the enlarged issued and paid-up share capital in the hands of public shareholders and a minimum number of 200 public shareholders, upon admission to the MESDAQ Market. The Company is expected to achieve this at the point of the Listing. However, in the event that the above requirement is not met pursuant to this New Issue, the Company may not be allowed to proceed with the Listing. In the event therefore, monies paid in respect of all Applications will be returned without interest.

Under the Securities Exchange's trading rules, effective from the date of Listing, trading in all securities listed on the Securities Exchange can only be executed through an ADA.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, Securities Exchange has prescribed Online One as a prescribed security. In consequence thereof, the New Issue Shares issued through this Prospectus will be deposited directly with the Depository and any dealings in these Shares will be carried out in accordance with the aforesaid Act and the Rules of Bursa Depository. No share certificates will be issued to successful applicants.

Only an applicant who has a CDS account can make an Application through an Application Form. An applicant must state his CDS account number in the space provided in the Application Form and he shall be deemed to have authorised Bursa Depository to disclose information pertaining to the CDS account to the issuing house/the Company for the purpose of crediting the New Issue Shares allotted to him into his CDS account. Where an applicant does not presently have a CDS account, he should open a CDS account at an ADA prior to making an application for the Online One Shares. Failure to comply with these specific instructions as the Application Form requires or inaccuracy in the CDS account number may result in the Application being rejected. If a successful applicant fails to state his CDS account number, the issuing house under the instruction of the Company will reject the Application.

In the case of Electronic Share Application, only an applicant who is an individual and who has a CDS account can make an Electronic Share Application. The applicant shall furnish his CDS account number to the Participating Financial Institution by way of keying his CDS account number if the instructions on the ATM screen at which he enters his Electronic Share Application require him to do so. A corporation or institution cannot apply for the Online One Shares by way of Electronic Share Application.

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

The distribution of this Prospectus and the sale of any part of the New Issue Shares are subject to Malaysian law. Alliance and the Company take no responsibility for the distribution of this Prospectus and/or the sale of any part of the New Issue Shares outside Malaysia, which may be restricted by law in other jurisdictions. The Prospectus will not be registered under any securities legislation of any jurisdiction except Malaysia and the New Issue Shares will not be sold in any country other than Malaysia. Persons who may be in possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an offer to sell or an invitation of an offer to buy any New Issue Shares in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

The written consent of the Solicitors, Share Registrar, Company Secretary, Adviser, Underwriter, Sponsor and Placement Agent, Principal Bankers and Issuing House to the inclusion in this Prospectus of their names in the manner and form in which such names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.

The written consent of the Auditors and Reporting Accountants to the inclusion in this Prospectus of their names in the Accountants' Report and their letter relating to the Proforma Consolidated Balance Sheets in the manner and form in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

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

3.1 Purposes of the New Issue

The purposes of the New Issue are as follows:-

(i) To facilitate the Listing;

(ii) To provide the Online One Group with access to the capital markets to raise funds for future expansion and growth;

(iii) To provide an opportunity for Malaysian investors and institutions, eligible employees and the public to participate in the continuing growth of the Group; and

3. PARTICULARS OF THE NEW ISSUE*(Cont'd)*

(iv) To enhance the stature of the Online One Group in marketing its products/services and to maintain its existing employees and attract new skilled personnel.

3.2 Critical Dates of the New Issue

Event	Tentative Date
Opening of Application	2 March 2005
Closing of Application	9 March 2005
Balloting of Applications	11 March 2005
Despatch of Notices of Allotment	21 March 2005
Listing	22 March 2005

The Directors and/or Promoters of the Company and the Underwriter may mutually decide to extend the closing date of the Application to another date or dates. Should the closing date of the Application be extended, the dates for the allotment and Listing would be extended accordingly.

This timetable is tentative and is subject to changes which may be necessary to facilitate the implementation procedures. The Application period will remain open until 5.00pm on 9 March 2005 or for such further period or periods as the Directors and/or Promoters of Online One together with the Underwriter in their absolute discretion may mutually decide.

3.3 Share Capital

	RM
Authorised	
500,000,000 ordinary shares of RM0.10 each	50,000,000
Issued and fully paid-up	
84,750,000 ordinary shares of RM0.10 each	8,475,000
To be issued pursuant to the New Issue	
28,250,000 new ordinary shares of RM0.10 each	2,825,000
Enlarged share capital	11,300,000
113,000,000 ordinary shares of RM0.10 each	

The issue price is RM0.40 per ordinary share payable in full upon application, subject to the terms and conditions of this Prospectus.

There is only one (1) class of shares in Online One, namely ordinary shares of RM0.10 each. The New Issue Shares will rank pari-passu in all respects with the existing issued and paid-up ordinary shares of RM0.10 each in Online One including voting rights and rights to all dividends and distributions that may be declared, paid or made subsequent to the date of allotment of the Shares.

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

3. PARTICULARS OF THE NEW ISSUE *(Cont'd)*

At every general meeting of Online One, each shareholder shall be entitled to vote in person or by proxy or by attorney, and on a show of hands, every person present who is a shareholder or representative or proxy or attorney to a shareholder shall have one (1) vote and on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for each ordinary share held. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company. A member may appoint any person to be his proxy without limitation.

3.4 Details of the New Issue

The new issue of 28,250,000 Online One Shares at an issue price of RM0.40 per Online One Share is subject to the terms and conditions of this Prospectus and the New Issue Shares will be allocated in the following manner:-

(i) Malaysian Public

2,000,000 of the New Issue Shares are available for application by Malaysian citizens, companies, societies, co-operatives and institutions.

(ii) Eligible Employees of the Online One Group

1,695,000 of the New Issue Shares have been reserved for eligible employees of the Group. The allocation criteria for such shares as approved by the Board of Directors of Online One have taken into consideration the following criteria:-

- Job position; and
- Length of service.

None of the 1,695,000 Online One Shares which are allocated to the Group's employees are to be allocated to the Directors of the Group.

Based on the cut-off date as at 14 February 2005, the total number of employees who are eligible for the allocation is 32.

(iii) Placees

24,555,000 New Issue Shares are reserved for placement to investors which have been identified.

All the New Issue Shares pursuant to (i) above have been fully underwritten by the Underwriter listed in Section 1 herein. In the event of an under-subscription by the eligible employees pursuant to the New Issue in (ii) above, all the Shares not applied for shall be available for subscription by the Malaysian public and will be underwritten by the Underwriter. The New Issue Shares under (iii) above will not be underwritten as irrevocable undertakings have been obtained from all identified placees to subscribe for the Shares.

3. PARTICULARS OF THE NEW ISSUE *(Cont'd)*

The basis of allocation to be determined shall take into account the desirability of distributing the New Issue to a reasonable number of applicants with a view of broadening the shareholding base of the Company to meet the public spread requirements and to establish a liquid and an adequate market in the Shares. To ensure compliance with the MMLR, the final allocation to any single applicant shall not breach 5% or more of the enlarged share capital of the Company upon Listing, regardless of the amount of Shares applied for. Applicants will be selected in a manner to be determined by the Directors of Online One.

3.5 Pricing of the New Issue Shares

The issue price of RM0.40 per New Issue Share was determined and agreed upon by the Company and Alliance as Adviser based on various factors, including but not limited to the following:-

(i) The Group's qualitative and quantitative factors as set out in Sections 5 and 12 respectively of this Prospectus;

(ii) The industry in which the Group operates, and the future plans, strategies and prospects of the Group as described in Sections 7 and 8 respectively of this Prospectus; and

(iii) The Group's proforma NTA per share as at 30 September 2004 as set out in Section 12.9 of this Prospectus.

However, investors should also note that the market price of the Online One Shares upon Listing are subject to the vagaries of market forces and other uncertainties, which may affect the price of Online One Shares being traded. Investors should form their own views on the valuation of the New Issue Shares before deciding to invest in the New Issue Shares.

3.6 Utilisation of Proceeds

The gross proceeds of RM7,008,914 from the Rights Issue and RM11,300,000 from the New Issue, totalling RM18,308,914, will be utilised in the following manner:-

Purpose	Reference	Rights Issue RM'000	Public Issue RM'000	Total proceeds RM'000	Expected timeframe for the utilisation of proceeds after Listing
Project financing	(i)	5,000	2,000	7,000	2 years
R&D	(ii)	-	5,000	5,000	4 years
Branding and promotion	(iii)	-	1,000	1,000	2 years
Working capital	(iv)	2,009	1,900	3,909	2 years
Estimated Listing expenses	(v)	-	1,400	1,400	6 months
Total		**7,009**	**11,300**	**18,309**	

There is no minimum subscription amount to be raised from the New Issue. All the New Issue Shares will either be underwritten by the Underwriter or subscribed by identified placees pursuant to their respective irrevocable undertakings.

3. PARTICULARS OF THE NEW ISSUE *(Cont'd)*

Brief details on the utilisation of the proceeds are set out below:-

(i) Project Financing

The Group has allocated approximately RM7.0 million of the proceeds to finance the existing and new storage and business intelligence solution projects, including using part of the proceeds as performance bonds for the tendering purposes.

(ii) R&D

The Group has allocated RM5.0 million of the total proceeds over a four (4)-year period for its R&D activities, which also includes hiring additional full-time knowledge workers. A breakdown of the R&D expenditure, subject to variations, is outlined as follows:-

Items	**RM'000**
Salaries/employee benefits	3,811
Purchase of equipment for R&D	800
Testing and certification costs	220
Purchase of software tools	169
Total	**5,000**

The R&D expenses associated with the development of software products are purchase of software tools, purchase of equipment for R&D and testing and certification costs.

For every new R&D project, a set up cost is required, as most of the new equipments and tools like servers are required to be purchased. In addition, further training costs are expected to be incurred to enhance and upgrade the technical skills of the R&D personnel.

R&D activities will focus on the development of more new products to stay on top of the technology curve. The range of the products earmarked for the R&D activities are the PROeX^{TM} EES and business continuity solutions.

(iii) Branding And Promotion

The Online One Group intends to utilise RM1.0 million from the proceeds for branding and promotion purposes to generate greater market awareness of its products and services. Road shows and seminars will be organised over two (2) years to update and educate its customers and potential customers on the technologies that the Group can offer. In this respect, more resources in terms of funds and staff can be deployed to build brand awareness and loyalty.

(iv) Working Capital

An amount of approximately RM3.9 million of the proceeds will be utilised for the Group's working capital purposes to support its business operations which include financing its operating expenses.

(v) Estimated Listing Expenses

Please refer to Section 3.7 (iv) of this Prospectus for details on the estimated Listing expenses.

The financial impact of the utilisation of proceeds on the Proforma Consolidated Balance Sheets of Online One as at 30 September 2004 is reflected in Section 12.9 of this Prospectus.

It is intended that the abovementioned proceeds of approximately RM18,309,000 will be fully utilised within four (4) years from the date of the Listing. In the event the proceeds are not fully utilised in accordance with the proposed utilisation above, the balance will be utilised for working capital purposes.

3.7 Underwriting Commission, Brokerage, Placement Fee and Estimated Listing Expenses

(i) Underwriting Commission

The Underwriter for the New Issue is Alliance as set out in Section 1 of this Prospectus.

An Underwriting Agreement was entered into between the Company and the Underwriter on 7 February 2005 to underwrite 2,000,000 New Issue Shares which are available for application by the Malaysian public. Any New Issue Shares under-subscribed by the eligible employees of the Online One Group which are subsequently available for subscription by the Malaysian public will also be underwritten by the Underwriter.

The underwriting commission is payable by the Company at the rate of 2.0% of the Issue Price for each of the New Issue Shares underwritten.

Clause 4.1 – Conditions Precedent

The Underwriting Agreement contains certain clauses as set our below which allows the Underwriter to withdraw from its obligation under the Underwriting Agreement after the opening of the offer:-

(a) Execution of Agreement: this Agreement being signed by all parties herein and duly stamped;

(b) Rights Issue: the completion of the Rights Issue by the issue and allotment of shares to the relevant parties vide Form(s) 24 and/or any other required documents;

(c) ROC & SC: the lodgment and acceptance for registration with the ROC and the SC respectively of the Prospectus together with copies of all documents required under Section 42 of the Act prior to the issuance of the Prospectus to the public;

(d) Issue of Prospectus: the issuance of the Prospectus to the public (including advertisement of the Prospectus and all other procedures, requirements, letters and documents required under Chapter 8 of the MMLR have been complied with within three (3) months from the date hereof or such extension as consented by the Underwriter;

(e) Material Adverse Condition: there having been, as at any time hereafter up to and including the closing date, no material adverse change, or any development involving a prospective material adverse change, in the condition, financial or otherwise of the Company and its subsidiaries (which in the reasonable opinion of the Underwriter are or will be material in the context of the issue of the New Issue Shares) from that set forth in the Prospectus, nor the occurrence of any event nor the discovery of any fact rendering inaccurate, untrue or incorrect an extent which is or will be material in any of the representations, warranties and undertakings contained in Clauses 3.1 and 3.2 if they are repeated on and as of the closing date;

(f) No Prohibition by Laws on IPO: the issue, offering and subscription of the New Issue Shares in accordance with the provisions hereof not being prohibited by any statute, order, rule, regulation, directive or guideline (whether or not having the force of law) promulgated or issued by any legislative, executive or regulatory body or authority of Malaysia (including the Securities Exchange);

(g) Approvals: all necessary approvals and consents required in relation to the IPO including but not limited to governmental approvals having been obtained and are in full force and effects;

(h) Payment of Expenses: the Underwriter having been satisfied that arrangements have been made by the Company to ensure payment of the expenses referred to in Clause 14;

(i) Resolutions: the delivery to the Underwriter prior to the date of registration of the Prospectus of (aa) a copy certified as true copy by an authorised officer of the Company of all the resolutions of the directors of the Company and the shareholders in general meeting approving this Agreement, the Prospectus, the IPO and authorising the execution of this Agreement and the issuance of the Prospectus; (bb) a certificate dated the date of the Prospectus signed by duly authorised officers of the Company stating that, to the best of their knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as referred to in Clause 4.1(e);

(j) Admission to the official list of the MESDAQ Market of Securities Exchange: The Underwriter being satisfied that the Company will, following completion of the New Issue be admitted to the official list and its entire enlarged ordinary share capital listed and quoted on the MESDAQ Market of Securities Exchange without undue delay.

Clause 3.5 (a) - Breaches & Termination

In the event of:-

(i) any breach of the warranties or representations set out herein; or

(ii) failure on the part of the Company to perform any of the obligations herein contained; or

(iii) any change rendering any of the said warranties or representations inaccurate in any respect; or

(iv) if any material information shall have been withheld and coming to the notice of the Underwriter prior to the closing date; or

(v) the coming into force of any laws, regulations or directive which has or is likely to involve a prospective material and adverse change in the condition (financial or otherwise) of the Company or any of its subsidiaries from that set forth in the Prospectus; or

(vi) Underwriter are of the opinion that there has been an adverse change in the business and or the condition of the Company or any of its subsidiaries from that set forth in the Prospectus; or

(vii) Underwriter are of the opinion that there has been such a change in national or international monetary, financial, political or economic conditions or in exchange control or in currency exchange rates as would in their reasonable opinion be likely to prejudice materially the success of the IPO and the distribution of the New Issue Shares (whether in the primary market or in respect of dealings in the secondary market) or in event of war or the declaration of a state; or

(viii) the success of the IPO is seriously jeopardised by the Kuala Lumpur Composite Index falling below seven hundred (700) points and remaining below seven hundred (700) points for three (3) consecutive market days at any time between the effective date of this Underwriting Agreement and the closing date;

the Underwriter shall be entitled to treat such breach, failure or change as releasing or discharging it from its obligations hereunder and will be entitled to terminate this Agreement by notice to the Company.

(ii) Brokerage

Brokerage relating to the New Issue Shares available for application by the Malaysian public will be borne by the Company at the rate of 1.0% of the Issue Price in respect of successful applications bearing the stamp of either Alliance, participating organisations of Securities Exchange, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIH.

(iii) Placement Fee

The Placement Agent's fee for the placement of 24,555,000 New Issue Shares is payable by the Company at the rate of 0.75% of the Issue Price.

3. PARTICULARS OF THE NEW ISSUE *(Cont'd)*

(iv) Estimated Listing Expenses

Listing expenses are estimated at approximately RM1,400,000 for the following items:-

Items	**RM'000**
Professional fees	550
Printing of prospectus, publicity and advertisement	200
Underwriting, placement and brokerage fees	234
Fees to authorities	40
Miscellaneous	376
Total	**1,400**

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

4. RISK FACTORS

NOTWITHSTANDING THE PROSPECTS OF THE COMPANY AS OUTLINED IN THIS PROSPECTUS, APPLICANTS FOR THE NEW ISSUE SHARES SHOULD CAREFULLY CONSIDER THE FOLLOWING FACTORS (WHICH MAY NOT BE EXHAUSTIVE) THAT MAY HAVE A SIGNIFICANT IMPACT ON THE FUTURE PERFORMANCE OF THE ONLINE ONE GROUP IN ADDITION TO INFORMATION CONTAINED ELSEWHERE HEREIN, BEFORE APPLYING FOR THE NEW ISSUE SHARES

4.1 No Prior Market for Online One Shares and Possible Volatility of Share Price

Prior to the New Issue, there has been no public market for Shares in Online One. There can be no assurance that an active market for Shares in Online One will develop upon its Listing, if developed, that such market will be sustained. There can also be no assurance that the issue price will correspond to the price at which the Online One Shares will be traded on the MESDAQ Market upon or subsequent to its Listing.

The Issue Price was entirely determined and agreed upon by Online One and Alliance as Adviser and Underwriter, after taking into consideration a number of factors, including but not limited to, the Group's financial and operating history and condition, its prospects and the industry prospect in which the Group operates, the management of the Group, the market prices for shares of companies engaged in businesses similar to that of the Group and the prevailing market conditions. As such, the price at which the Online One Shares will trade on the MESDAQ Market will be dependent upon market forces which are beyond the control of the Company.

In addition, in recent years, the stock market in general, and the market for the shares of technology companies, in particular, has experienced price fluctuation which have sometimes been unrelated to the operating performance of such companies. Such fluctuation may adversely affect the market price of the Shares.

4.2 Control by Substantial Shareholders/Promoters

Following the New Issue, the Company will be controlled by six (6) shareholders/Promoters, namely Leong Yok Kin, Voon Seng Keong, Kua Liang Ming, Chew Fatt Seet, LVCK and IT Space, who will collectively control 75% of the Company's enlarged issued and paid-up share capital. As a result, the said shareholders/Promoters will collectively be able to exercise influence over the outcome of certain matters requiring the vote of Online One shareholders unless they are required to abstain from voting by law, covenants and/or the relevant authorities.

4.3 Business Risks

The Group's operations are subject to certain risks inherent in the IT industry which it operates in. The risks include general economic conditions, the possible increase in the operating and capital costs due to changes in economic and business conditions, increase in the prices of the imported and local components, unfavourable changes in Government and international policies and the introduction of new and more superior technology or products and services by other players in the market.

Although the Group seeks to limit these risks through, inter-alia, increasing the efficiency of operations, diversifying the pool of suppliers/technology partners, expanding the business through increasing its range of customers, partners, products and services for both local and overseas markets, and improving its technological competence in research and development and advanced technologies and adopting a prudent cash flow management which includes regular monitoring of debtors' position, capital expenditure and borrowings, no assurance can be given that any changes to these factors will not have a material adverse effect on the Group's business.

4.4 Protection of IP Rights

Due to the nature of the Group's business, the protection of its IP rights is critical to the Online One Group's continued success. Presently, the Online One Group under OSMSC has made three (3) applications to the Registrar of Trademarks Malaysia for the registration of trademarks owned by the Online One Group, namely ONLINEONE™, PROeX™ and *people who deliver*™. The trademarks applications are still pending approval. It is the policy of the Online One Group to take continued steps to protect the intellectual property rights including its source codes. All source codes for the software applications are not provided to the clients. Internally, the development of the software applications are segmented and written by a few programmers. The Chief Technology Officer combines these segments to form the whole software. With the exception of the Chief Technology Officer, none of the programmers are aware of the source code for the whole of the software application. In addition, the employment letters of the technical employees of the Group includes a non-disclosure clause.

Notwithstanding the above protective and contingency measures undertaken, there is no assurance that Online One will be able to protect its proprietary rights against unauthorised third party copying or use of its software or misappropriation of proprietary information by its employees or clients. Defending against IP infringement claims could be expensive and disruptive to Online One business. The inability to protect its IP rights adequately may damage Online One Group's reputation and its competitive position may be threatened.

4.5 Competition

The Online One Group is relatively small in size compared to its major competitors in terms of finance, human resources, distribution system and marketing force. However, the Online One Group does not have any local competitor who competes in all of the Online One Group's business areas. Therefore, comparison of the Group with its competitors are on the basis of the similar products and services that are offered by the competitors. Nonetheless, the Online One Group also works together with certain competitors in certain projects as sub-contractor or main-contractor. Please refer to Section 5.5.11 for further details on the competitors of the Online One Group.

The Group believes that its ability to compete depends upon many factors both within and beyond its control, including the timing and market acceptance of its products and services, its ability to provide a high level of service commensurate with the expectations of customers, product and service functionality and performance, price and reliability, sales and marketing efforts, customer service, customer support and product and service distribution channels. The Group has sought to insulate itself against the threat of increased competition by focusing on R&D activities to develop new and innovative products or services to stay ahead of its competitors, establishing close business relationships with its hardware and software suppliers and establishing a strong business relationship with its existing clientele and growing its target customer base.

However, there can be no assurance that the Group will be able to maintain its competitiveness against current and future competitors or that competitive pressures will not materially and adversely affect the Group's business, operating results and financial condition.

4.6 Changes in Technology and Products/Services

The markets for the Group's products and services are characterised by the rapid technological developments, evolving industry standards, swift changes in customer requirements, computer operating environments and software applications as well as frequent new product introductions and enhancements. The Group's success depends substantially upon its ability to address the increasingly sophisticated needs of the industry.

The timely development of new and enhanced services or products is a complex and uncertain process. Although the Group believes that it will have sufficient knowledge and skills to implement its business plan, there can be no assurance that the Group will continue to have sufficient resources to successfully and accurately anticipate the technological and market trends, or even to successfully manage long development cycles. The Group may experience design, marketing and other difficulties that could delay or prevent the development, introduction and marketing of its new or enhanced service or products. In view of this, the Group intends to collaborate or form working partnerships with third parties to develop and enhance its services and products to meet the industry trend.

Failure to develop new versions or enhancement in their existing services or products on a timely and cost-effective manner as well as failure to obtain market acceptance may adversely affect the Group's position in this competitive environment. In recognition of this, the Group will constantly endeavour to develop new and latest applications or software such as MultiBackUp and MultiStore and using the latest appropriate technology to deliver leading edge services/products to the customers.

4.7 Technological Obsolescence

The Group faces threats from new technologies being developed or to be developed in the future. As the IT industry is of a fast-paced league, the effects of emerging future technological changes on the viability or competitiveness of the Group's business and network cannot be accurately predicted.

Hence, the Group would need to keep abreast with the latest technologies in order to compete successfully against its competitors. The Group will be subject to the risks, uncertainties and problems frequently encountered by companies in this industry which include, amongst others, the following:-

- fast changing technological standards and requirements;
- anticipation and adaptation to market trends and requirements;
- development of commercially viable products and services whether by the Group itself or together with other third parties in line with the speed of market demand; and
- inability to maintain, upgrade and develop its systems, solutions and infrastructure to cater for rapid technological changes.

Recognising the above factors, the Group plans to invest further in R&D which includes human and financial resources. Its R&D team strives to constantly keep abreast with technology and market trends. Furthermore, the Group also focuses on establishing strategic partnerships with other solution and technology providers to develop the latest IT business solutions for the market. However, there can be no assurance that technologies employed by the Group may become obsolete or subject to competition from new technologies in the future.

4.8 Dependence on Key Personnel

The Group believes that its continued success will depend, to a significant extent, upon the abilities and continued efforts of its existing key management and key technical personnel. The loss of any key management or key technical personnel may adversely affect the Group's continued ability to compete. However, the risk is mitigated by the fact that, Leong Yok Kin, Voon Seng Keong, Kua Liang Ming and Chew Fatt Seet, who are existing directors and shareholders of Online One are in charge of managing the day-to-day management and operations of the Group. Furthermore, the Group has taken the effort to groom younger members of the management team to take over from the senior management to ensure a smooth transition. They will be provided with the necessary training and exposure in the management team should changes occur in order to maintain the Group's continued ability to compete in this industry.

It is the Group's practice to retain the services of these key management and key technical personnel whenever possible and also to attract and retain experienced personnel by providing a conducive working environment with emphasis on safety and positive work cultures.

4. RISK FACTORS *(Cont'd)*

4.9 Political, Economic and Regulatory Risks

Adverse developments in political, economic and regulatory environment in Malaysia and other countries where the Group operates can materially and adversely affect the financial position and business prospects of the Group. Political and economic uncertainties include, but are not limited to, expropriation, nationalisation, re-negotiation or nullification of existing sales orders and contracts, changes in interest rates and methods of taxation and currency exchange control.

Whilst the Group strives to continue to take effective measures such as prudent financial management and efficient operating procedures, there is no assurance that adverse political, economic and regulatory factors will not materially and adversely affect the Group.

4.10 Foreign Currency Exchange Risk

The Online One Group's current sales revenue are mainly denominated in RM. As the Group may venture into foreign markets, the Group may be exposed to foreign currency exchange risk in respect of the fluctuations in the RM exchange rate against other foreign currencies. Notwithstanding that the Online One Group will seek to mitigate such risks, there can be no assurance that any significant fluctuations in foreign currency exchange rates or any financial crisis will not impact on the revenue and earnings of the Online One Group.

4.11 Insurance Risk

The Group is aware of the adverse consequences arising from inadequate insurance coverage that may potentially cripple its business operation. Although the Group has insurance coverage, there can be no assurance that the insurance coverage would be adequate for the replacement cost of the concerned asset(s) of the Group, including but not limited to, any consequential costs arising therefrom.

4.12 Risks Associated with the Distribution Channel

The Online One Group presently sells its products and services directly through its marketing team and resellers. A reseller structure in selling IT products is important in the industry that the Online One Group is involved in.

To mitigate its dependence on certain resellers, the Group will continue to seek new resellers and expand its distribution channel by having strategic relationships with service providers and other software developers as the Group's arrangements with its business partners are generally alliances which may be terminated by either party at any time. Furthermore, the Group is also expanding its in-house sales.

The management of Online One has also embarked on various marketing and promotional strategies via online and offline branding as one of the ways to increase brand awareness of the Group's proprietary products. In addition Online One has also taken part in various trade exhibitions such as the Oracle ISV event and DMEC Expo to promote its products to the marketplace.

However, there can be no assurance on the support of the resellers towards selling the Group's products as they are not within the control of the Group, and thus are not obliged to purchase products from the Group, and also the effectiveness of the various marketing and promotional strategies to contribute to the increase in the Group's turnover.

4.13 Industry Risks

The Group is operating in the IT industry and any significant economic downturn in the IT industry may result in lower expenditure, or cancellation and postponement of its projects and/or lower demand for the Group's products and services. In this respect, the Group's business, financial condition and results of operations may be adversely affected by these events.

Where appropriate, the Group may consider diversifying its products and services to other business sectors such that its exposure to industry risk in the IT industry may be reduced to a certain extent.

4.14 Reliance on Major Customers

The major customers of the Group for the six (6)-month financial period ended 30 September 2004 are Computer Systems Advisers (M) Sdn Bhd and Panasonic Malaysia Sdn Bhd which contributed approximately 17.24% and 11.51% of the Group's sales.

Although the Group has established business relationships with these customers and believes that it has built up good rapport, there can be no assurance that these companies would continue to be the Group's major customers, or that the failure to maintain this business relationships or reduction in orders from the major customers would not affect the Group's operating results.

The Group plans to develop a more diversified portfolio of customers and markets in the future, both locally and overseas, to lessen its dependency on the major customers.

4.15 Products Performance

The Group's R&D efforts are subject to the risks inherent in the development of new products/services and technology (including unanticipated delays, expenses and difficulties).

The Group has in place quality control procedures, which are outlined in Section 5.5.10 of this Prospectus, to ensure that its products meet the requirements of its clients.

There can be no assurance that, despite testing by the Group and by current and potential end users, software bugs will not be found in new products offered after the delivery by the Group, which may result in loss of or delay in market acceptance.

4.16 Failure or Delay in the Listing

The occurrence of any one or more of the following events (which may not be exhaustive) may cause a delay in or non-implementation of the Listing:-

(i) the eligible employees of the Group, and/or placees under the private placement fail to subscribe the New Issue Shares allocated to them;

(ii) the Underwriting Agreement is terminated or the Underwriter fails to honour their obligations; or

(iii) the Company is unable to meet the public spread requirement, that is, at least 25% of the issued and paid-up share capital of the Company must be held by a minimum number of 200 public shareholders at the point of its admission to the MESDAQ Market.

Although the Directors of Online One will endeavour to ensure compliance by Online One of the various MMLR, including, inter-alia, the public spread requirement imposed by Securities Exchange for the successful Listing, no assurance can be given that the abovementioned factors will not cause a delay in or non-implementation of the Listing.

4.17 Irregular Contracts

The Group's contracts with clients are generally short-term or on a project basis. Due to this, revenue may fluctuate significantly depending on the value and size of each contract and the number of contracts the Group secures and the variation to the scope of work of these projects.

To ensure a steady stream of income, the Group relies on its ability to secure new contracts and projects from its customers and to implement them satisfactorily. Therefore, in addition to tapping into its existing clientele base, the Group intends to expand its customer base, as detailed in Section 5.5.12 of this Prospectus, to ensure a steady stream of contracts or projects from its customers and also aggressively undertake marketing and promotional activities to sell its products.

Notwithstanding such efforts, there can be no assurance against events that may prevent the Group from securing new contracts or projects and therefore, in such events, the profitability of the Group may be affected.

4.18 Delay in Completion of Projects

The Group faces the risk of being unable to complete and deliver projects to clients as scheduled. A delay in the completion of one project could affect the ability of the project teams to commence work on other projects. As such, inability to turnaround and complete projects as scheduled could result in cost overrun which may materially and adversely affect the revenue of the Group.

The Group mitigates this risk by adopting the project progress review control procedure (as detailed in Section 5.5.10(i) of this Prospectus) where Online One will conduct frequent project progress meetings throughout the implementation phase to review current project status and milestones accomplished, and discuss anticipated problems and possible solutions to ensure deliverable success and client satisfaction.

Notwithstanding the above mentioned practices, there can be no assurance that circumstances/events, which are beyond the control of the Group, that may contribute to delays in implementation and completion of projects will not arise.

4.19 Disaster Recovery

The Group's daily operations may be affected by events of emergency such as explosion, fire, flooding, energy crisis, health crisis, sabotage, civil commotion, war or acts of God. The Group has implemented a disaster recovery plan such as backup storage and duplicate copy of critical applications and data are kept at an off-site location.

Notwithstanding that the disaster recovery plan is in place, such events could temporarily divert the operations from the affected area to back-up areas, and there is no certainty that the operations at the back-up sites may function to a satisfactory operating level. The Group endeavours to ensure all office equipment and other peripherals which include back-up sites and remote access system facilities are in good working condition.

4.20 Disclosure Regarding Forward Looking Statements

Certain statements in this Prospectus are based on historical data, which may not be reflective of future results, and others are forward-looking in nature, i.e. those other than statements of historical facts, which are subject to uncertainties and contingencies. Although the Group believes that the expectations reflected in such future statement are reasonable at this time, there can be no assurance that such expectations will prove correct in the future. In light of these and other uncertainties, the inclusion of forward-looking statements in this Prospectus should not be regarded as a representation or warranty by the Company or its advisers that the plans and objectives of the Group will be achieved.

4.21 Risks Associated With Distribution Rights

On 1 July 2003, EMCD has entered into a distributor agreement with EMCM whereby EMCD was appointed as the non-exclusive distributor for all CLARiiON systems and associated products in Malaysia ("Distributor Agreement"). The Distributor Agreement also grants EMCD a personal, non-transferable and non-exclusive right to resell and transfer certain equipment and software in relation to EMC products to end users through authorised resellers.

Based on the audited financial statements for the financial period ended 31 March 2004 and for the six (6)-month financial period ended 30 September 2004, EMCD accounts for 70.42% and 55.87% of the Group's revenue, and 23.73% and 20.42% of the Group's PBT for the respective periods.

Although EMCD is currently the only distributor of EMC's range of CLARiiON storage products in Malaysia, there can be no assurance that other distributors will not be appointed as the distributorship rights to EMCD is non-exclusive.

The Distributor Agreement is expiring on 30 June 2005 and although the Group expects the said agreement to be renewed in due course, there can be no assurance that the agreement will be renewed in the future.

The entry of new distributors or the non-renewal of the Distributor Agreement may materially and adversely impact the Group's revenue and financial performance. However, the Group is of the view that the likelihood of the above events to materialise is unlikely as the Group currently maintains a good relationship with EMC. Further, EMCD is also offering other range of EMC storage products such as EMC Symmetrix, EMC Centera and EMC Celerra CNS which are not the subjects of the Distributor Agreement and hence, minimising the dependency on the CLARiiON range of products.

4.22 Change in MSC Status

OSMSC was accorded with the MSC status on 1 April 2003 and has since complied with all the conditions of the MSC status. Presently, MSC status companies are granted with various incentives which include, but not limited to, the pioneer status (100 percent tax exemption) for up to ten (10) years or an investment tax allowance for up to five (5) years and no duties on the importation of multimedia equipment, the freedom to source capital globally for MSC infrastructure and the right to borrow funds globally and unrestricted employment of local and foreign knowledge workers.

MDC is the body responsible for monitoring all MSC designated companies. MDC has the right to withdraw a company's MSC status at any time. Although Online One believes that OSMSC has and will continue to be able to fulfill the conditions for MSC status and to ensure that it remains in the same line of business, there can be no assurance that OSMSC will continue to enjoy or not experience delays in enjoying the MSC incentives outlined above, all of which could materially and adversely affect the Group's business, operating results and financial condition.