
6. INFORMATION ON THE KZEN GROUP

6.1 History and Principal Activities

Overview

The Management of KZen believes that the HR software solution market can be characterised according to the size and structure of the organisations in the marketplace. Most large scaled multinationals and conglomerates would maintain an Enterprise Resource Planning (“ERP”) solution comprising financial, distribution and manufacturing, customer relationship management and HR.

As opposed to the ERP players, the Group focuses solely on its HCMS targeting medium and large organisations of which the Group has achieved much success. The staff force in these organisations range mainly from 200 to 5000 headcounts. One of the main reasons these organisations purchase the Group’s solution is that the number of employees have grown beyond the capabilities of their current/ manual system and that it does not allow the HR function to grow beyond its administrative role. Such organisations may not have the need and/ or the financial capabilities to invest in a full scale ERP solution as it might not be feasible for them to do so.

The Group’s software would be ideal as it has been proven in the integration with high-end financial systems. The Group’s software is also modular in design whereby organisations that are in need of a software solution are able to purchase individual modules to complement what they already have in their present systems.

Due to its unique Modular Application Deployment Architecture (MADA), the Group’s HCMS is able to serve the needs of businesses across various industries mentioned above. Using the MADA framework, each of the Group’s HCMS Module (more than 20+ Modules) can be purchased and implemented independently of each other. For example, the Group’s ESOS (Employee Share Option Scheme) Module is specifically targeted for public listed companies and the Group’s Time & Attendance Management System is more targeted for manufacturing companies. However, there are also Modules that are more generic across the board, such as Payroll Management System, Personnel Management System, Claim Management System and Leave Management System. For larger organisations, Modules such as Performance Management System, Job Competency Management System, Training Need Analysis System and Training Management System will offer more strategic value.

In addition to the above software modules, the Group also provides implementation and support services in relation to the following:

- a. Project Management;
- b. Implementation which consists of business process review, software installation and application setup;
- c. Data Migration;
- d. Customisation;
- e. Training;
- f. Maintenance and support;
- g. Complementary services like hardware and software procurement.

The Group believes that the provision of quality professional services differentiates it from its competitors and helps strengthen its client relationships.

6. INFORMATION ON THE KZEN GROUP *(Cont'd)*

The capabilities of the Group's software is also proven given that the Group's list of customers includes even large corporations and MNCs like Berjaya Group, Gamuda Berhad, Commerce Assurance Berhad (formerly known as AMI Insurans Berhad), MCIS ZURICH Insurance Berhad, American International Assurance Company, Limited ("AIA") and Kumpulan Perubatan (Johor) Sdn Bhd. In addition, the Group's software has also been given due recognition as it was the only HR software to have been selected as Finalist in the MSC-APICTA AWARDS for year 2002 and 2003, both in the category of Best of Software Applications. In year 2005, the Group's Performance Management System has been selected as the Winner in the MSC-APICTA AWARDS 2005 for the category of Best of General Applications.

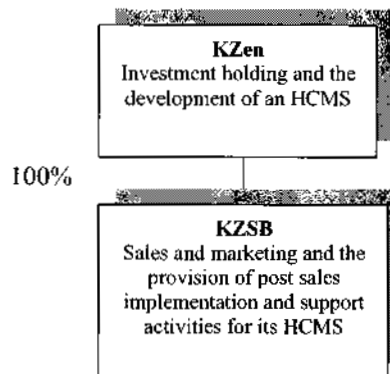
The KZen Group

KZen was incorporated as a private limited company in Malaysia under the Act on 15 March 2004. It was subsequently converted into a public company on 1 June 2004 under its present name.

KZen's principal activities are investment holding and the development of an Enterprise Human Capital Management System under the KaiZenHR brandname ("HCMS Software"). The principal activities of the Group are the development, sales and marketing and the provision of post sales implementation and support activities for its Enterprise Human Capital Management System.

KZSB was incorporated on 4 December 1997 as a private limited company under the Act. KZSB's principal activities are sales and marketing and the provision of post sales implementation and support activities for its Enterprise Human Capital Management System.

The KZen Group structure can be depicted as follows: -



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6. INFORMATION ON THE KZEN GROUP (Cont'd)

6.2 Share Capital

The authorised and issued and paid-up share capital of KZen as at 14 October 2005 is as follows: -

Type	No. of KZen Shares	Par value RM	Total RM
Authorised	250,000,000	0.10	25,000,000
Issued and paid-up	45,000,000	0.10	4,500,000

Upon the completion of the Public Issue, the enlarged issued and paid-up share capital of KZen will be RM6,500,000 comprising 65,000,000 KZen Shares.

The details of the changes in the Company's issued and paid-up share capital since its date of incorporation are set out below: -

Date of allotment	No. of shares	Par value RM	Consideration	Cumulative issued and paid-up share capital RM
15.03.04	2	1.00	Subscribers' Shares	2
10.06.05	3,499,998	1.00	Acquisition of KZSB	3,500,000
21.09.05	1,000,000	1.00	Rights Issue	4,500,000
21.09.05	45,000,000	0.10	Share Split	4,500,000

As at the date of this Prospectus, no person has an option or is entitled to be given an option to subscribe for any shares of the Company or its subsidiary.

6.3 Listing Exercise

In conjunction with and as an integral part of the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company on the MESDAQ Market, the Company undertook a reorganisation exercise which was approved by the SC vide its letter dated 26 May 2005.

The reorganisation exercise involved the following:-

(i) Acquisition of KZSB by KZen

Acquisition of the entire issued and paid-up share capital of KZSB comprising 60,000 ordinary shares of RM1.00 each for a total consideration of RM3,499,998 to be satisfied by the issuance of 3,499,998 new ordinary shares of RM1.00 each in KZen. The purchase consideration of RM3,499,998 was arrived at on a "willing-buyer willing-seller" basis after taking into consideration the audited NTA of KZSB of RM439,585 as at 31 December 2003.

The acquisition of KZSB was completed on 10 June 2005.

6. INFORMATION ON THE KZEN GROUP (Cont'd)

(ii) Rights Issue

KZen implemented a rights issue of 1,000,000 new ordinary shares at par on the basis of one (1) new ordinary share for every three and half (3.5) ordinary shares held which was completed on 21 September 2005. Upon completion of the Rights Issue, the issued and paid-up share capital of KZen was increased from RM3,500,000 to RM4,500,000 comprising 4,500,000 ordinary shares.

The new ordinary shares issued pursuant to the Rights Issue rank *pari-passu* in all respects with the other existing issued and paid-up share capital of KZen.

(iii) Share Split

Upon the completion of the Acquisition and Rights Issue, a Share Split involving the sub-division of every one (1) existing ordinary share of RM1.00 each held in KZen into ten (10) ordinary shares of RM0.10 each was carried out.

Following the completion of the Share Split on 21 September 2005, KZen's issued and paid-up share capital of 4,500,000 ordinary shares of RM1.00 each in KZen became 45,000,000 ordinary shares of RM0.10 each in KZen.

(iv) Public Issue

Issue of 20,000,000 new ordinary shares of RM0.10 each in KZen at an issue price of RM0.33 per share by way of application by the public, eligible Directors, employees and business associates of KZen Group and for placement to selected investors, subject to the terms and conditions of the Prospectus.

Upon completion of the Public Issue, the issued and paid-up share capital of KZen will increase from RM4,500,000 comprising 45,000,000 KZen Shares to RM6,500,000 comprising 65,000,000 KZen Shares credited as fully issued and paid-up.

(v) Listing and quotation on the MESDAQ Market

Upon completion of the Public Issue, the entire issued and paid-up share capital of KZen of RM6,500,000 comprising of 65,000,000 KZen Shares will be listed on the MESDAQ Market.

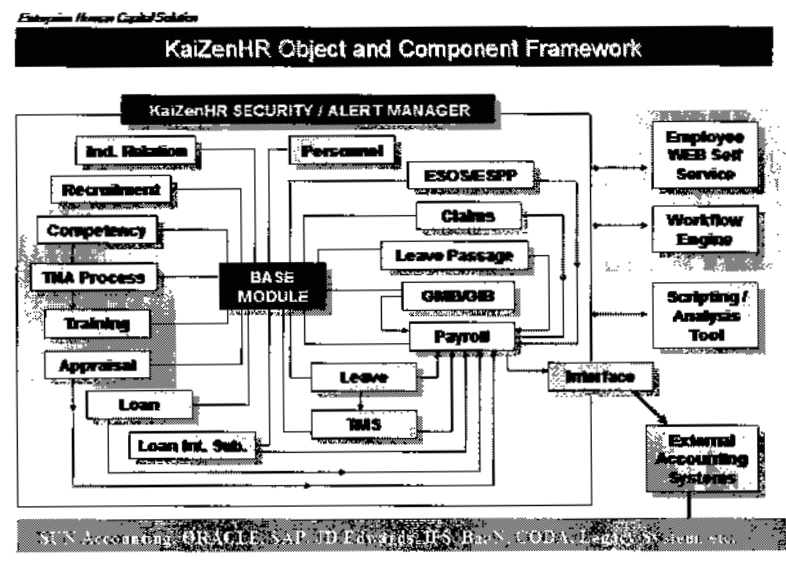
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6. INFORMATION ON THE KZEN GROUP (Cont'd)

6.4 Business Overview of the KZen Group

6.4.1 Product and Services

The Group's HCMS Software provides an Enterprise-wide Human Capital Management System application to streamline, deploy, and align the workforce for greater performance and subsequently achieve business goals and objectives. It provides a comprehensive suite of modules which includes the following:



KaiZenHR Payroll Management System

KaiZenHR Payroll Management System is fully designed and written to manage computation of wages and salaries for all hourly, daily and monthly paid employees. Salary slips are generated for each payroll cycle and all necessary statutory compliances (EPF, SOCSO, Taxation) are met. It provides a command and control centre where the Paymaster is able to administer the opening and closing cycles of a particular pay period.

KaiZenHR Personnel Management System

KaiZenHR Personnel Management System forms the core of the HCMS. It manages all particulars relating to each employee, be it personal or work related information. In addition, it also keeps track of records pertaining to medical history, staff notes, disciplinary, company asset allocation and others. From this module, links are extended to other components of the entire KaiZenHR solution suite.

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6. **INFORMATION ON THE KZEN GROUP (Cont'd)**

KaiZenHR Leave Management System

KaiZenHR Leave Management System performs the function of administering Leave for all employees within an organisation. The system provides flexibility in determining Leave Entitlement according to years of service and grading, leave earmarking to ensure accuracy and integrity of data as well as Balance Leave Carry Forward with options for setting expiry period. For companies practising accumulation of Leave (e.g. For haj purposes), KaiZenHR Leave Management System allows accumulation and tracking for up to 6 years.

KaiZenHR Claim Management System

Claims and Benefits form part of the additional perks given to employees. KaiZenHR Claims Management System not only manages these claims but also defines the eligibility conditions of claims for employees. Claims can either be paid together with Salary payment or separately through Finance.

KaiZenHR Loan Management System

KaiZenHR Loan Management System manages all types of loan records provided by the company to its employees. It automatically calculates the interest payable and creates a full loan repayment schedule. The employee loan repayment can be optionally effected through automated Salary Deduction using KaiZenHR Payroll Management System.

KaiZenHR Recruitment Management System

KaiZenHR Recruitment Management System generally allows organisations to plan and evaluate the effectiveness of Recruitment Exercises, including the Total Cost incurred in recruiting an employee as well as the effectiveness of each media used. The system also provides a database for storing Keep In View ("KIV") Candidates for future reference.

KaiZenHR Training Management System

Development of Human Resources is noted as one of the key factors in transforming Malaysia from a developing country to a fully industrialised nation by year 2020. People with the right knowledge, skills and competencies are the core assets of any organisation. Properly nurtured and guided, they can bring the organisation to compete internationally. Universities, colleges, training institutions as well as private organisations are all responsible and have a role in providing education and guidance to the new generation of students and employees.

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6. INFORMATION ON THE KZEN GROUP (Cont'd)

KaiZenHR Performance Management System

The performance of each and every individual in an organisation can dramatically affect the impact of an organisation. Effective Performance Management is about aligning and managing the employee's performance in achieving the organisation's vision. KaiZenHR provides one of the best Performance Management tool, which supports 360% Appraisal as well as Appraisal by Key Results Area ("KRA").

KaiZenHR Time & Attendance Management System

KaiZenHR Time & Attendance Management System provide full functionality for management of time information, including time collection, evaluation of time and capturing of absenteeism data. It also streamlines all the day to day scheduling activities as well as automatically identifies employees on leave, calculation of overtime and shift patterns.

KaiZenHR Employee Share Option Scheme ("ESOS")

KaiZenHR ESOS is specifically developed for use by Public Listed Companies in managing of their Share Option allocations to employees. It tracks all movements of Options Taken Up, Exercised and Balances. It provides flexibility to support ESOS bylaws of different organisations. The system is fully compliant with the required guidelines and standard reports set by Bursa Securities and Bursa Depository.

KaiZenHR Employee Share Purchase Plan ("ESPP")

ESPP is similar to ESOS with the exception that this system is used for employee's purchase of shares of a listed company on an overseas stock exchange. The system provides flexibility of employee registration into the scheme as well as defining the rules of purchasing e.g., accumulating monthly salary deduction for staff or group purchase.

KaiZenHR Leave Passage Management System

KaiZenHR Leave Passage Management System provides user defined rules of eligibility and yearly entitlement in an organisation. It provides an avenue to carry forward or indicate utilisation based on a complete year of service. It is integrated to the KaiZenHR Payroll Management System to allow reporting of the benefits utilisation as part of the yearly tax declaration exercise and provides all historical tracking and transaction analysis reporting.

KaiZenHR Loan Interest Subsidy System

KaiZenHR Loan Interest Subsidy System provides an avenue to compute and maintain schedules of Interest Subsidy to employees for their external Loan. It is flexible in accommodating various methods of computation e.g., Yearly or Monthly Rest. It can also be integrated to the Payroll Module to allow payment of the Subsidy together with Salary Payment as well as reporting in the yearly tax declaration exercise.

6. INFORMATION ON THE KZEN GROUP (Cont'd)

KaiZenHR Group Medical Benefit System

KaiZenHR Group Medical Benefit System manages and tracks the Medical Benefits (Group Hospitalisation) provided by the organisation to its employees and its immediate family members. It allows flexibility in defining rules of eligibility, conditions and deduction of multiple schemes. All transactions are captured with the option to integrate to the KaiZenHR Payroll Management System for facilitating monthly deductions.

KaiZenHR Group Insurance Benefit System

KaiZenHR Group Insurance Benefit System manages all Group Term Life and Personal Accident (PA) Insurance provided by an organisation to its employees. This module also allows flexibility in defining rules of eligibility and rates of computation, with an option to integrate to KaiZenHR Payroll Management System for the preparation of the yearly letter for tax declaration exercise.

KaiZenHR Training Need Analysis System

KaiZenHR Training Need Analysis System provides a comprehensive tool to assist in the identification of each employee's training needs, based on their competency/skills gap. It integrates with the Job Competency Management System and Training Management System, in preparing an initial Training Development Plan, with courses and actions required in addressing each of the employees skill gap. This plan is then forwarded to the employee's Supervisor or Manager for approval. Upon approval, it is then posted to the KaiZenHR Training Management System whereby it forms part of the yearly Training Calendar.

KaiZenHR Job Competency Management System

KaiZenHR Job Competency Management System provides an organisation with the tools and ability to focus on results, by effectively managing its employees to make value based contributions and understanding of the need for continuous improvement. The module hallmark is its ability to recognise personal initiative to facilitate the skills and competency management process, which ultimately forms the base to support Succession Planning and assisting in KaiZenHR Training Need Analysis System.

KaiZenHR Employee and Manager Self Service

From the perspective of a Web based HCMS, KaiZenHR Employee and Manager Self Service provides the option for employees to log on to the Web Site to manage and access their own information, including performing Leave Application Online. By doing so, the HR Department will be freed from exhaustive day-to-day administrative tasks and will be able to focus on more strategic HR functions like employee development.

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6. INFORMATION ON THE KZEN GROUP (Cont'd)

Services – Implementation and Support

The KZen Group provides its clients value-added implementation and support services in relation to the following:-

- a. Project Management
- b. Implementation which consists of business process review, software installation and application setup
- c. Data Migration
- d. Customisation
- e. Training
- f. Maintenance and support
- g. Complementary services like hardware and software procurement

The Group believes in providing quality professional services in order to distinguish itself from its competitors in the market place. Through the provision of value-added services, the Group is confident that it is able to strengthen its client relationships.

(a) Project Management

The project manager plays a crucial role in ensuring smooth execution and successful implementation. The person will have to write the initial project and keep it up to date. Besides managing day-to-day activities like allocating resources and resolving risks and issues, the project manager also has to review deliverables, monitor and report the progress to all stakeholders.

(b) Implementation

As part of the business solutions provided, the Group offers its clients project implementation services. These services include preliminary discussions with clients to assess their technical and professional requirements as well as guidance to assist the clients in setting up master tables.

It provides its customers with a standardised methodology and assistance in implementing the HCMS Software solutions. Implementation is essential to ensure successful product implementation and will assure the Group's customers of the efficacy of its products as well as the benefits of using them.

(c) Data Migration

Data Migration is the process of extracting data from legacy systems or any other source (stored electronically or on paper) for the sole purpose of converting the current customer's data into the HCMS Software tables.

The process starts with data analysis to determine the scope of this activity and the mapping, and conversion if necessary, of data between the old and the new systems. Then, the data is extracted from the legacy system, transformed and loaded into the HCMS Software. Sometimes, further cleansing is required with the assistance from the employees.

6. INFORMATION ON THE KZEN GROUP (Cont'd)

(d) Customisation

In meeting unique client requirements, the Group provides software customisation to meet this need. It retains all rights to the customisation of its business solutions. Each customisation is typically designed as a "plug-in" module, component or function that can easily be deployed.

(e) Training

Training enhances a customer's ability to use the full functionality of the Group's HCMS Software solutions and to maximise the value of the investments. Practical, hands-on experience with its software solutions is offered to its customers through training services. The pricing for this service is typically based on amount of training required which normally is proportionate to the number of users and modules implemented. If retraining is required, the service is normally offered at a discounted rate as part of its continuous value-add services.

(f) Maintenance and support

Following the completion of the software implementation phase or expiry of the warranty period, the Group offers maintenance services to maintain the application software for a defined period, normally on a yearly renewable basis.

The scope of maintenance services include the provision of software fixes and patches, trouble-shooting, on-site support, remedial and preventive maintenance and help desk services. The help desk is equipped to attend to multiple customer queries, to provide advice on application maintenance and enhancement, and to trouble-shoot and to effect prompt problem resolution. All maintenance issues are monitored using a computerised error-tracking and reporting system and relayed to the research and development division for their review and prompt action.

(g) Other complementary services

The Group believes in providing total customer service to all its customers. As part of a total service package, the Group is able to assist its customers in procuring hardware or other additional third-party software as required in connection with the installation of its proprietary software solutions. Revenue from the sale of hardware and third-party software is determined based on a mark-up over the cost of the hardware and the third-party software. The Group retails a wide range of hardware manufactured by various companies, including multinationals. However, the principal thrust of the Group's business is not hardware or third-party software retailing. Thus, the Group does not carry inventory of computer parts or software licences.

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6. INFORMATION ON THE KZEN GROUP (Cont'd)

6.4.2 Technology Utilised

KZen Group uses and supports the best of breed technology as indicated below:

Development Platform

Client Server	:	Object Oriented Delphi Programming
Web Modules	:	Microsoft ASP.Net
Workflow Engine	:	Microsoft C# on .Net framework
API	:	Microsoft COM Services

Deployment Platform

Client Server	:	Thin Client on CITRIX
Web Modules	:	Microsoft IIS, Microsoft COM Services, Microsoft MSMQ, .Net Framework, IE
Database Support	:	Oracle 7.x and above MS-SQL 7.x and above
PC Client Support	:	Windows 98, 2000, XP

Object Oriented Methodology was used throughout the R&D cycle. It provides a solid architecture and framework for the application. The methodology and technology employed offer high performance, scalability, enhanced reliability, usability and flexibility. Using Object Oriented Methodology also shortens the development timeline substantially.

The Group's HCMS Software was designed as an integrated system at both functional and data levels. Employee data is maintained in a central repository of common information; thus, improving efficiency and preventing duplication. The system is able to interface to systems from external parties such as financial systems, timekeeping, statutory bodies, legacy and in-house applications like ORACLE, JD Edwards, SAP, BaaN, IFS and CODA.

Although the modules are integrated, they are also modular in that each module is independent and can be sold separately. This allows the customers to pick and choose the modules that are important to them or phase their implementation approach as per their requirements.

The HCMS Software was designed with the user in mind. It is extremely user-friendly with standard features such as "Pull-down-Menus", "Pop-up Windows", "On-line Help File", "Hot-key" or "Short-cut Keys" and also incorporates a Pivot Table which allows managers to dynamically analyse the data in a multi-dimensional view. All these user interfaces can be customised to suit the needs of individuals or groups of users.

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6. INFORMATION ON THE KZEN GROUP (Cont'd)**6.5 Information on Subsidiary Company**

Information on the subsidiary company of the KZen Group is set out below: -

Information on KZSB**(a) History and Business**

KZSB was incorporated on 4 December 1997 as a private limited company under the Act under the name HR Systems Concept Sdn Bhd. It later changed its name to Kaizenhr.Com Sdn Bhd on 28 March 2000 and adopted its present name on 26 January 2001.

KZSB's principal activities are sales and marketing and the provision of post sales implementation and support activities for its Enterprise Human Capital Management System.

(b) Share capital

As at 14 October 2005, the authorised and issued and paid-up share capital of KZSB are as follows: -

Type	No. of shares	Par value RM	Total RM
Authorised	100,000	1.00	100,000
Issued and paid-up	60,000	1.00	60,000

Details of the changes in KZSB's issued and paid-up share capital since its date of incorporation are as follows: -

Date of allotment	No. of shares	Par value RM	Consideration	Cumulative issued and paid-up share capital RM
04.12.97	2	1.00	Subscribers' Shares	2
02.06.98	29,998	1.00	Cash	30,000
27.01.00	30,000	1.00	Cash	60,000

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6. INFORMATION ON THE KZEN GROUP (Cont'd)

(c) Substantial Shareholders

KZen holds 100% equity interest in KZSB.

(d) Subsidiary and Associated Companies

KZSB does not have any subsidiary or associated companies.

(e) Employees

As at 14 October 2005, KZSB has 17 employees.

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6. INFORMATION ON THE KZEN GROUP (Cont'd)

6.6 Major Customers

The KZen Group provides services mainly to clients in Malaysia. The Group's major customers based on the latest audited financial year ended 31 December 2004 are as follows: -

Name of customer	Length of relationship (years)	Contribution to the Group's revenue (%)
Commerce Assurance Berhad (formerly known as AMI Insurans Berhad)	1	17.96
IFCA Software Limited	1	8.29
Human Recruiters (M) Sdn Bhd	1	8.18
Dynacraft Industries Sdn Bhd	1	8.05
IFCA Consulting (Sarawak) Sdn Bhd	2	6.20
IFCA Consulting (Sabah) Sdn Bhd	2	5.96
VSR Technology Sdn Bhd	1	4.98
MCIS ZURICH Insurance Berhad	1	3.49
Push Technology Sdn Bhd	1	3.16
IFCA Systems (Penang) Sdn Bhd	1	2.78

For the financial year ended 31 December 2004, Commerce Assurance Berhad (formerly known as AMI Insurans Berhad) contributed more than 10% of the Group's turnover. However, the Group's business is project-based and revenue derived from a particular customer may fluctuate from year to year. As such, the Group's business is not dependent on any single customer or group of companies.

6.7 Major Suppliers

The Group is a software solutions developer and it develops its own software for the sale of software solutions and services to its clients. As such, there is no major supplier who individually supplies goods for resale purposes to the Group's customers for the financial year ended 31 December 2004.

6.8 Location of Operations

The KZen Group is currently operating from two (2) locations, which are as follows:

- Suite B-07-07 and B-07-08, 7th Floor, Block B Plaza Mont'Kiara, Jalan Kiara, 50480 Kuala Lumpur; and
- Level 40, Tower 2, KLCC 50088, Kuala Lumpur.

6. INFORMATION ON THE KZEN GROUP (Cont'd)

6.9 Interruption/ Disruption in Business

There has been no interruption in the Group's business activities during the past twelve (12) months which has had a significant effect on the operations of the Group.

6.10 Intellectual Properties

KZSB had on 18 June 2001, registered the trade mark "KAIZENHR" in Class 16 (office requisites, printed matter, instructional and teaching material) and Class 42 (design and development of computer hardware and software) (collectively, "Trade Marks"). The Trade Marks are valid for a period of ten (10) years from 18 June 2001 to 18 June 2011 and were assigned to KZen by way of an assignment agreement.

To mitigate the risk of confidential information of the Group being divulged, the Group's employees have undertaken and agreed in their respective letters of employment that they shall not during the course of their employment:

- (i) divulge (whether directly or indirectly) to any party any confidential information of the Group; and
- (ii) appropriate or duplicate any confidential information (whether partly or wholly) in any media by any means.

6.11 R&D

6.11.1 Personnel

As at 14 October 2005, the Group employed 21 staff dedicated to the development and support of its Enterprise Human Capital Management System. The Company plans to increase this to 45 workers, thereby increasing by approximately 2 times to ensure that the Company maintains its competitive advantage in the long term.

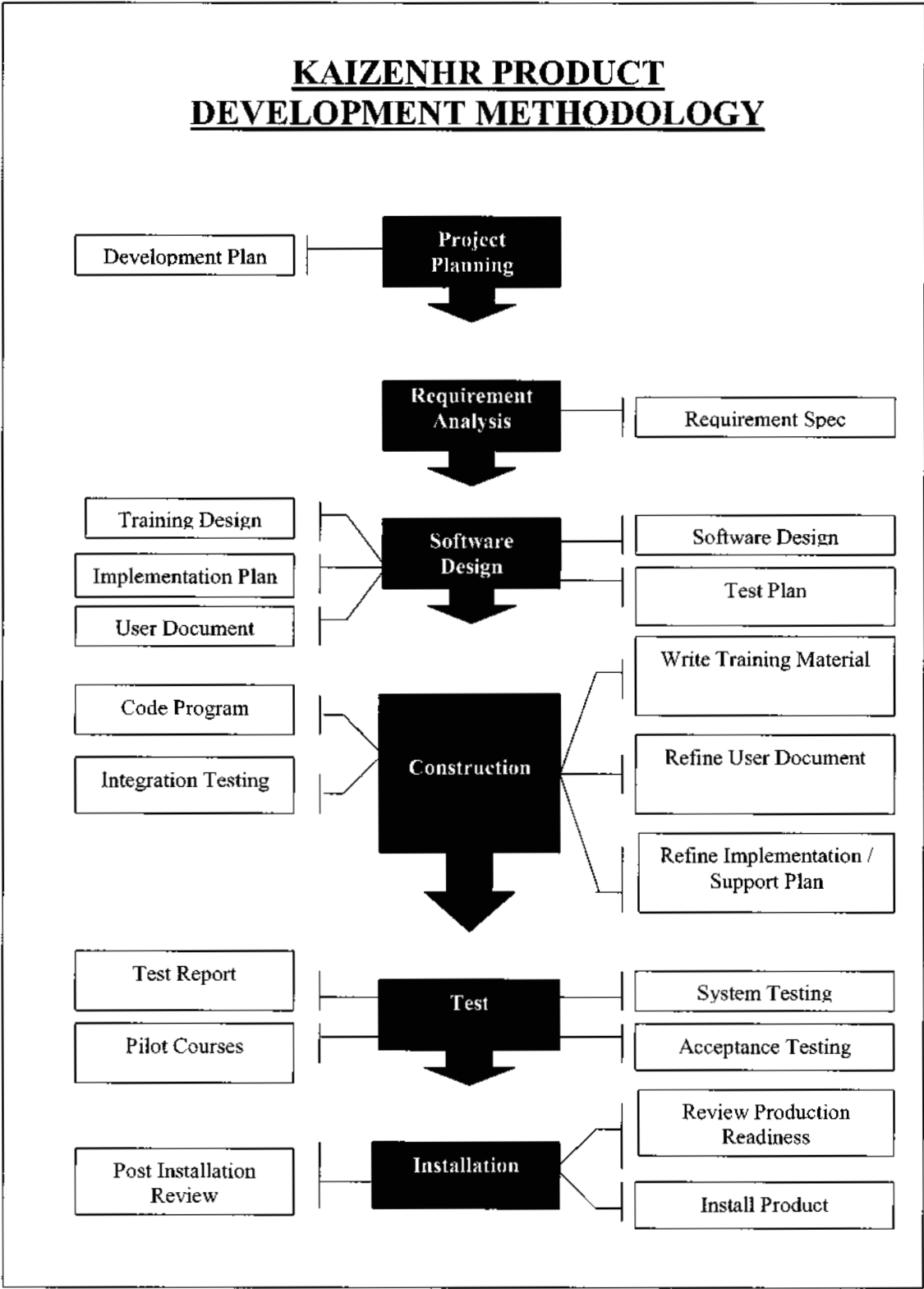
The Group's R&D Division comprises the product development team and is headed by Mr. Chan Seong Sun, the Group's Chief Technology Officer.

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6. INFORMATION ON THE KZEN GROUP (Cont'd)

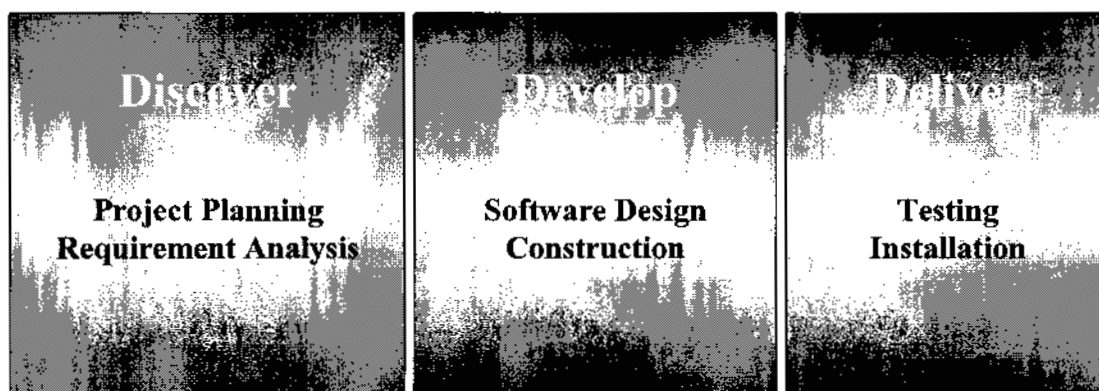
6.11.2 The Group's Product Development Methodology

The Group's Product Development Methodology can be diagrammatically summarised as follows:



6. INFORMATION ON THE KZEN GROUP (Cont'd)

In detail, the Group's Discover-Develop-Deliver methodology describes the requirements for the software development process.



The Group emphasises strongly on product quality. Stringent quality control is practiced at various stages of the software development process. Quality considerations whilst the software is under 'construction' include peer review and code walk-through so that potential problems could be detected at an early stage and this reduces the software development cycle time and the cost associated with it. The Group's software is also tested to ensure that it meets the requirements of its users. As part of its quality procedures, the test results are also evaluated to ensure improvements could be made and the change requests are documented. Upon installation, the quality considerations include ensuring that disaster recovery plans are in place.

6.11.3 Policy on Research and Development

It is the Group's policy, at all times, to carry out or cause to be carried out research and development activities necessary so as to continuously improve the efficiency, functionality and capabilities of its HCMS Software in order to maintain its competitive advantage.

The Group expects to invest approximately RM6.54 million over the next 5 years to keep the Company at the forefront of HR Software solutions. Such investment is also necessary to open up new opportunities for the Group to expand regionally and internationally.

The Group has invested an aggregate sum of RM843,572 in development of the HCMS for the past three (3) financial years ended 31 December 2004 and financial period ended 31 May 2005. Details of the amount spent on R&D are as follows:

	Financial year ended 31 December			5 months ended 31 May
	2002	2003	2004	2005
	Deferred development cost (RM)	129,703	190,956	360,030
Revenue (RM)	913,945	1,837,883	3,615,727	1,174,138
%	14.19	10.39	9.96	13.87

6. INFORMATION ON THE KZEN GROUP (Cont'd)

6.11.4 R & D Facilities

The Group's current R&D operations are as follows:-

Details	No. of units
Server Room	1
Database Server	1
Source Code Control Server	1
Web Server	1
Dedicated Development Room	1
Internet Broadband Connection – 2MB Line	1
Computer Notebooks	18
Desktop PCs	8

6.11.5 Present status of R&D Activities

The Group believes in continuous improvement and it strives to improve its existing modules and the functions of its HCMS Software solutions. The Group's R&D team is continuously enhancing and upgrading the software to cater for the changing business environment and current needs of the Group's customers. Among some of the key current R&D initiatives are as follows:

Enhancement to the Performance Management System

Based on feedback from some of its existing and prospective customers, the previous Performance Management System needed to be more flexible.

Although the existing functions could cater for the basic needs of its customers, the Group responded to its customers' request and came up with an enhanced Performance Management System. The new module has added functionalities in defining the appraisal form. More importantly, the appraisal exercise has also been made available on Employee and Manager Self Service (ESS) Module and is supported by a workflow. The workflow enables automation of procedures and the employees involved would be informed on their tasks in the organisation according to a defined set of procedures. The project commenced in the 2nd quarter of year 2004 and the enhanced module has been deployed to the Group's customers in the 4th quarter of 2004.

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6. INFORMATION ON THE KZEN GROUP (Cont'd)

Enhancement to the Manpower Budgeting System

The Group also plans to incorporate a budget functionality into its Manpower Budgeting System. This is in response to a request by some of its customers with larger headcounts. While the Group's software caters for headcount management, the growing need to monitor employee cost, in terms of both salary and overtime, has become more critical.

The Group has collated the requirements and development work has commenced in the 1st quarter of year 2005 and completed in the 2nd quarter of 2005.

Enhancement to the Payroll Management (Regional Payroll)

The Group is currently in the process of expanding its business to the neighbouring countries. This is done with the help of its business partners who have regional offices and these outsourcing partners also serve a wide clientele across the region. While the HR functionality is essentially the same, the software still needs to be customised in order to cater for their statutory requirements and in some cases (e.g., in Thailand) the application has to be translated into local languages.

The Group has collated the statutory and local requirements in the 2nd quarter of year 2005 and expects to complete the first release (for Thailand) of the Regional Payroll in the 1st quarter of 2006.

Project Incentive (New Module)

The Group also takes the initiative to cater for the specific requirements of specialised industries like the construction industry.

Some of the Group's customers are from the construction industry and they have requested for the ability to track incentive payments. Since their business revolves around projects, their requirements are unique. Thus, the Group intends to add new functionalities that will be able to track these incentives, their planned payouts and actual disbursements.

The Group has collated the requirements and development work has commenced and has been completed in the 1st quarter of year 2005.

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6. INFORMATION ON THE KZEN GROUP (Cont'd)

6.11.6 Plans for future R & D Activities

The Group has planned for the development of its next generation HCMS Software (project codename: "DAEDALUS") based on the latest Rich Internet Application (RIA) technology framework. This version will include capabilities and features in supporting global operations.

- Multi-lingual and multi-currency support
- Mobile Wireless Integration (Phones, PDA)
- Application runs fully over the Internet
- New application design and architecture
- New strategic Human Capital Modules

Project DAEDALUS will be carried out in two (2) phases, Phase 1 and Phase 2. Each phase will have 2 releases, Release 1.0 and 1.1 and Release 2.0 and 2.1. The rationale behind this is as follows:

Phase 1

Release 1.0 of Phase 1 consist of the core modules like position management, keeping employees' personal and job information, managing their leave and compensation. This is essentially payroll processing and Release 1.0 is expected to commence in the 4th quarter of year 2005 and is expected to be completed in 2nd quarter of year 2006. The roll-out and commercialisation of this release would be in the 2nd quarter of 2006 as well.

Release 1.1 of Phase 1 is the extension of the core modules to include basic functions relating to HR administration, compensation and benefits as well as HR development. This release is expected to be completed in the 3rd quarter of year 2006.

Phase 2

Release 2.0 is the extension of the basic functions of HR (HR administration, compensation and benefits as well as HR development) into full applications and the introduction of Employee Self Service. This release is expected to be completed in the 1st quarter of year 2007.

Finally, Release 2.1 will see the introduction of important but less commonly used functionalities. This includes Employee Relations, Health and Safety, Flexible Benefits and Total Compensation Modules. This release is expected to be completed in the 3rd quarter of year 2007.

This new version is expected to contribute significantly to the Group's business revenue from 2006 onwards, both in strengthening its existing market and capitalising on new global market opportunities, including the provision of the HCMS Software on ASP (Application Service Provider) business model. This will open up a new market segment (both in Malaysia and internationally) as well as targeting the SMBs (Small, Medium Businesses) of which the Group intends to tap into in the near future.

6. INFORMATION ON THE KZEN GROUP (Cont'd)

6.11.7 The Next Generation HCMS Software (Project Codename : "DAEDALUS")*Software Infrastructure of DAEDALUS*

In order to undertake the development of DAEDALUS, the Group has begun to look into the software architecture primarily taking into consideration the aspects of scalability, performance and security. The logical architecture consists of five (5) layers:

- a. Presentation
- b. User Interface
- c. Business Logic
- d. Data Access
- e. Data Storage and Management

The Presentation layer renders display and collects user inputs. The User Interface acts as an intermediary between the user and the business logic. The Business Logic provides all business rules, validation, manipulation, processing and security for the application. The Data Access acts as an intermediary between the business logic and data management. Finally, the Data Storage and Management physically create, retrieve, update and delete data in a persistent data store.

This 5 layer logical architecture will allow a high level of scalability. As the load increases, the layers could be split across many physical servers; thus, providing more processing power and greater performance. In a high security application like Human Resource, the split across physical servers for each layer will also enable the company to erect multiple firewalls particularly between presentation and user interface as well as between business logic and data access. The dual level security is important in the event the first layer is compromised.

DAEDALUS

In view of technological advancements as well as the establishment of new practices and business needs, the Group have identified the following trends grouped into 3 categories/ layers of which form the foundation of its new product development (project codename : "DAEDALUS") i.e., Technology, Software Component and Application Modules.

The Architectural Design will address the technologies needed to support the software i.e. standards and tools needed to write the application. Software Components is part of the application consisting of tools to build and functionality to use in conjunction with the Application Modules. The Application Modules consist of HR modules. Each module will have setup, transactional and inquiry screens together with reporting, batch processing and interfacing capabilities. Supporting the users are the training materials and user documentation.

6. INFORMATION ON THE KZEN GROUP (Cont'd)

Technologies to Support DAEDALUS

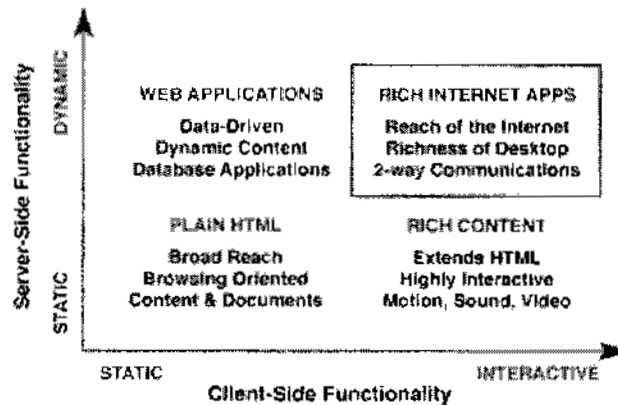
(i) *Wireless*

Wireless networking and wireless LANs allow a wireless-enabled device to connect to the network or other devices without cables or wires. The technology has become easier and cheaper to install and maintain. Wireless networking also offers tremendous flexibility since employees can stay connected to HR as they move to different locations within the office or home using any device: computers, PDA, mobile phones, etc.

(ii) *Rich Internet Application (RIA)*

Today's Internet user is challenged by e-Business applications that offer increasingly rich data without providing commensurately rich functionality to visualise and interact with that information. The Web is highly efficient in browsing content and delivering applications but often compromises user experience. The future of technology bridges advanced Web applications that bring together the functionality of advanced, database-driven, server-side functionality with the usability of client-side applications. This merging of functionality and usability allows clients to deploy Rich Internet Applications.

Spectrum of Internet Solutions



Companies that focus on improving user experience are increasing customer satisfaction and the rate of transactions on the Web. This ultimately results in better ROI and customer retention/conversion. Rich Internet Applications combine the functionality of traditional client/server applications with the broad reach and low-cost deployment of web applications - resulting in significantly more intuitive, responsive, and effective user experiences.

6. INFORMATION ON THE KZEN GROUP (Cont'd)

6.12 Key Achievements/ Awards

The Group has obtained recognition for its products and services from various organisations. The Group's key achievements are set out as follows: -

Year	Achievements	Awarded by	Country
2002	The only HCMS Software to be selected as finalist in the MSC-APICTA AWARDS 2002 for category of Best of Software Applications.	MDC	Malaysia
2003	KaiZenHR i-Competency Management Solution was selected as finalist in the MSC-APICTA AWARDS 2003 for category of Best of Software Applications. KaiZenHR was the ONLY HCMS Software provider nominated as finalist for two consecutive years.	MDC	Malaysia
2005	KaiZenHR Performance Management System has been selected as the Winner in the MSC-APICTA AWARDS 2005 for category of Best of General Applications.	MDC	Malaysia

6.13 Marketing Strategy

The Group's HCMS Software and services are currently distributed and marketed via two (2) channels, direct (on its own) and through its resellers/ business partners.

With the listing proceeds for business development and expansion, the Group intends to intensify its own marketing efforts to increase its clientele comprising large corporations and multinationals and to tap into the SMB market. Plans are currently underway as Group has mapped out and participated in several marketing events during the year. This serves as an avenue to increase awareness of the Group's HCMS Solution and to generate potential leads by capitalising on the customer base of the organisers.

Sales via resellers/ business partners have increased significantly as shown in Section 7.1. The resellers'/ business partners' contributions are expected to increase further as the Group expands into the global markets and increases its local market share. Details on the resellers' role in the marketing and distribution of the HCMS Software solution are disclosed in Section 6.14.

6. INFORMATION ON THE KZEN GROUP *(Cont'd)*

In addition, the Group also intends to tap into its business partners' database of clients. As of to date, the Group has come up with promotional write-ups/ brochures that market its product and services from various contrasting perspectives (Strategic, Functional and Modular). These are to be marketed and distributed via its business partners through direct mailing activities. Direct mailing activities are currently underway, beginning with GIT Services Sdn Bhd ("GIT"). This has yielded favourable results as the Group has been invited by one of GIT's clients to conduct a presentation and demonstration of its HCMS Software.

6.14 Strategies and Future Plans

Broad Management and R&D Strategies

The most common characteristics that define the Group's core market are mature companies where they recognise Human Resource is not merely an administrative department even if that is their present function but plays an important and strategic role in the long term growth of the company. The Group's HCMS Software is most suited to serve this market due to its comprehensive offerings. In addition, its integrated solution and self service functionalities allow a high degree of automation and empowerment.

Most of the Group's customers purchase its solution because of the two main reasons listed below:

- a. The number of employees within the organisation has grown beyond the capability of their current system or manual processes.
- b. Their current HRM Software does not allow Human Resource in the organisation to grow beyond its Administrative role to become a Strategic partner.

In addition to the two main customer groups mentioned above, there are also customers who purchase individual modules of the Group's HCMS to complement what they already have within their present applications. The Group's HCMS Software is also well-suited to serve this market because each module is independent and can be sold separately.

Thus, strategies need to be in place in order to reach out to these customers and to effectively increase the Group's market share. This can be done as follows:

(i) Successful branding

Every successful organisation knows that branding can be worth billions. To create a successful branding image might take years and a hefty investment.

To this end, the Group had accomplished a successful brand within a short time span. The KaiZenHR branding is well recognised and received as a high end quality solution in the Malaysian HR industry, by clients, consultants and vendors (local and international). Top international ERP vendors in Malaysia have also proposed the Group's Software solution for their clients who are in need of an HR solution. This forms a part of the Group's Strategic Business activities.

6. INFORMATION ON THE KZEN GROUP (Cont'd)

In addition, the Group's HCMS Software was also the only HR solution to be selected as Finalist for the MSC-APICTA Awards, both in year 2002 and year 2003 in the category of Best of Software Applications. In year 2005, the Group's Performance Management System has been selected as the Winner in the MSC-APICTA Awards in the category of Best of General Applications.

(ii) Product Quality and Comprehensiveness

Aside from the competitive pricing of the Group's HCMS Software, the Group offers its customers a high quality and one of the most comprehensive suite of HR solutions in the market today.

The Group's HCMS Software is also proven in the integration with high end Financial Systems, both foreign and local. This indirectly will open up new doors of opportunity to target organisations using those Financial Systems.

(iii) Resellers/ Partners Channel

The use of strategic alliances in marketing the Group's HCMS Software product in Malaysia has been a successful arrangement in that the HCMS Software is usually included in the reseller's integrated package.

Resellers play a strategic role in the Group's business development activities. Their role involves identifying and introducing potential prospective customers covering aspects of setting appointments, product demonstration and subsequent follow-up until the account is closed and the necessary deposits are collected. Depending on their commitment and responsibility, the commission percentage that they earn varies. Payment of commission is based on a back to back agreement with collections from the customers.

The Group's business partners are system integrators with regional offices in the ASEAN region and therefore this opens up opportunities for the Group's HCMS Software to be marketed and sold regionally. Comparing with other local HR software providers in the market, the Group managed to recruit and work with some of the strongest system integrators like IFCA MSC Berhad (IFCA), Tzoetc Associates Sdn Bhd (Tzoetc), FTM Consulting Services Sdn Bhd (FTM), GIT Services Sdn Bhd, Vsource (Asia) Berhad, EPIC-I Sdn Bhd (EPIC) and the likes.

With the MESDAQ listing, the Group plans to expand its operations overseas. The expansion exercise will either be done via acquisition of a local (within the expansion country) entity, a joint venture establishment or via an initial appointment of a strategic business partner.

(iv) International Market

At present, the Group's business is mostly done locally within Malaysia. However, as part of the Group's global strategy, IFCA MSC BERHAD has been recruited as its Global Reseller Partner and they have business operations in more than 10 countries across the world. Riding along their success, this strategic alliance has enabled the KZen Group to tap into the international markets with ease. The Group intends to implement its expansion plans closer to 'home' i.e., within the ASEAN region, with the initial phase in year 2006 commencing in Thailand and Indonesia.

6. INFORMATION ON THE KZEN GROUP (Cont'd)

With the MESDAQ listing, substantial percentage of the funds raised will be allocated for continuous Research & Development activities. The Group will undertake a new R&D project (codename : "DAEDALUS") upon listing. This will be the next generation HR solution based on Rich Internet Application (RIA) technology.

(v) Application Service Provider (ASP)

In line with this new technology framework, the Group intends to roll out its HCMS Software on an ASP (Application Service Provider) model. Application Service Providers offer individuals or enterprises access to software applications and related support services over the internet. ASPs are using the internet as the delivery medium to make software applications available. Delivering access to applications in this manner allows small to medium enterprises to eliminate the time and costs associated with installing, managing and supporting new applications. Instead of purchasing the solution outright (at a high cost of ownership), organisations can have the option to "Rent and Use" it over the internet. The cost of usage is chargeable on a monthly rental basis, making it easier for organisations to justify their investment and returns.

6.15 Competition

The IT industry is moving at an extremely fast pace. To maintain its leadership status position, the Group must continuously improve its offerings, not just in terms of its HCMS Software but also in terms of other areas including costing and valued-added services, in relation to implementation and support. The Group's competitors will also enhance and improve their software, try to move up the ladder chain and to increase market share.

New competitors will also emerge when the Group goes global. This will mainly come from the local Software developers operating within the country. It is understood that there is competition in every industry. The Group believes in doing its best and standing up to the challenges. On the positive side, there will be more opportunities to tap into as well.

In the past few years, there was a technology transition from Client Server to the Web and recently towards mobile technology. The Group is able to adapt and capitalised on this new change and had since developed and rolled out a Web enabled version of its HCMS Software application in 2003. With the new R&D project (codename : "DAEDALUS") that the Group would be embarking on as part of its MESDAQ listing plan, a new version of its HCMS Software will be developed using Rich Internet Application (RIA) technology which can be deployed fully over the internet. The application will also provide support for the Mobile framework, supporting PDAs and Mobile Phones.

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6. INFORMATION ON THE KZEN GROUP (Cont'd)

In addition to direct competition, the Group has also identified the following key risks and the mitigating steps to be taken to address them:

No	Risk	Mitigation Steps/ Actions taken by the Group
1.	<p>Intensity of Competition</p> <p>The IT industry is very competitive as there are many players in the market. Competition is expected to become more intense with the existing competitors as well as with the new entrants into the market. The principal elements of competition include technical competence, delivery cycle, pricing, quality, scalability, conformity with industry standards, reliability, brand name and customer service.</p>	<p>The Group views competition as moderate as the Group's HCMS addresses a large horizontal market, covering multi-nationals, large corporations and small medium businesses across industries. The Group's present focus is in the higher end corporate market where it competes with Tier 1 International ERP solutions. However, the Group has successfully proven itself that it can adapt rapidly to changing market conditions and trends by providing an HR software as well as services that meet the needs and requirements of its clients. As such, some of the largest conglomerates in the market are its clients.</p> <p>In addition, the Group has also accomplished a successful branding image that is well recognised and received as a high end quality solution in the Malaysian HR industry, by clients, consultants and vendors alike. With that, the Group plans to move downstream to offer its solution to the small medium businesses. In addition, the Group's product banner is prominently displayed in the SMI Association of Malaysia's official website.</p> <p>It has also established a strategic alliance with business partners in using the Group's HCMS to provide Business Process Outsourcing (BPO) services to clients.</p>

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6. INFORMATION ON THE KZEN GROUP (Cont'd)

No	Risk	Mitigation Steps/ Actions taken by the Group
2.	<p>Barriers of Entry</p> <p>IT organisations are always on the outlook to develop and market applications across horizontal markets as this provides a better opportunity for market penetration and growth potential.</p>	<p>The market has matured and customers are not only looking for good products but also reputable companies with excellent service track records. It is not so easy for new players to penetrate and compete against the more established players in the market as they may not have the business network to do so. Furthermore, most of the new products in the market do not have proven track records and they usually serve the lower end market.</p> <p>The Group considers the development of an HCMS to be of high barriers of entry due to the following reasons:</p> <ul style="list-style-type: none"> ▪ Sound business domain knowledge of HR processes is required; ▪ A good understanding in IT development is essential; ▪ High cost of software development; ▪ Long development timeline; and ▪ Creation of a branding image.

6.16 Growth Strategies and Future Prospects

KZen Group defines and addresses its opportunities for growth in the following areas:

Global Market Demand

The market demand for HCMS solutions is ever increasing as more organisations realise that their biggest asset is the people in the organisation. Therefore, in order to create a competitive advantage, organisations need to ensure that their people are well trained in driving success. A good system must be in place in managing this change process. Aside from a handful of foreign HR solution players, there is very much an opportunity for a strong new player to stake its name.

The KZen Group also markets its product through its business partners and resellers, and these business partners already have business presence and offices in the ASEAN region. Thus, the Group is readily poised to ride along their partners' network. This significantly reduces the time to market, minimises risk and resources involved.

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6. INFORMATION ON THE KZEN GROUP (Cont'd)

New Market Niche Driven by Technology

With the emergence of new technologies and infrastructures being put in place, it is foreseeable that selling solutions outright might become more competitive. Organisations will look at streamlining their operations as well as evaluating the possibility of a cheaper cost of ownership model in acquiring and implementing solutions.

In light of this new technology framework, the KZen Group intends to roll out its HCM Software on an Application Service Provider (ASP) model, utilising part of the funds raised from the IPO exercise. ASP offer individuals or enterprises access to software applications and related support services over the internet. It rides on the internet framework as the delivery medium to make software applications available. Delivering access to applications in this manner allows small to medium enterprises to eliminate the time and costs associated with installing, managing and supporting new applications. Instead of purchasing the solution outright (at a high cost of ownership), organisations can have the option to "Rent and Use" it over the internet. The cost of usage is chargeable on a monthly rental basis, making it easier for organisations to justify their investment and returns.

Outsourcing Business

HR Business Process Outsourcing (BPO) is a vast and growing external service option for businesses. HR outsourcing has long been the vanguard of BPO, and it remains, by far, the most outsourced business process. It can be divided into 6 main processes: payroll, benefits administration, education and training, hiring and recruitment, personnel administration and other HR services. Growth in HR outsourcing is underpinned by the following market forces:-

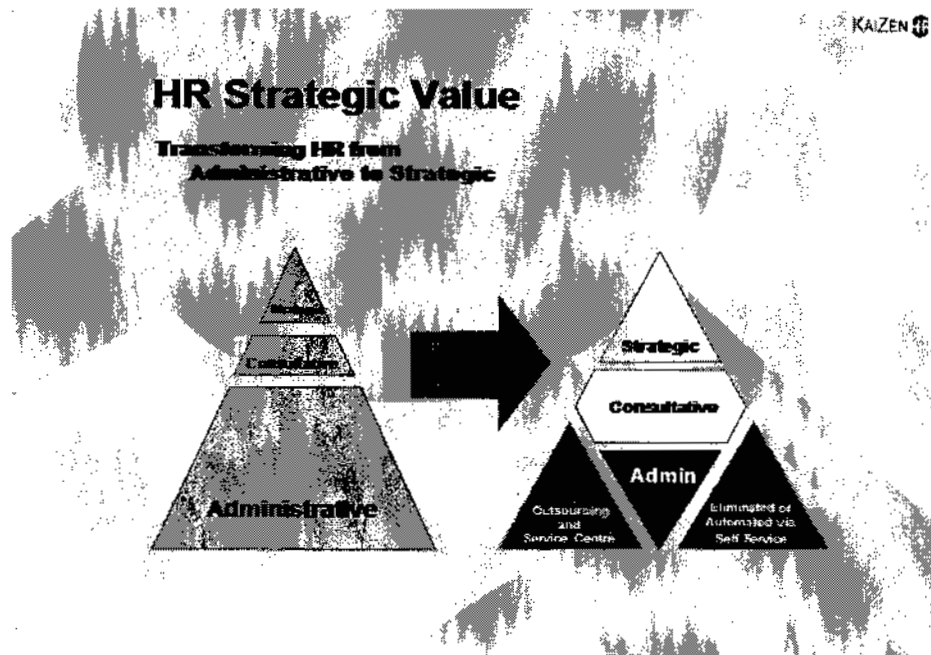
1. HR departments have been forced to do more with less during the pass decade, with a stable or decreasing budget on one hand and increasing demand for Human Capital Management (HCM) efficiency on the other;
2. HR is a comparatively low-risk function which is used to experiment with outsourcing; and
3. The opportunities to improve service levels in HR are high in most organisations.

The Government view human capital development as crucial for the nation to be a big player in the Shares Services and Outsourcing ("SSO") industry. In the long term, human capital has to be resilient and flexible to changing demands. Malaysia is strategising its human capital to match demands of the industry. In line with this, the Government views a reform in the education system a prerequisite, requiring teaching and learning methods that create an environment for students to think creatively, take risks and be discovery oriented. In addition, human capital should be nimble and flexible enough to compete in the global market.

(Source: *Economic Report 2005/2006*)

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6. INFORMATION ON THE KZEN GROUP (Cont'd)



Based on the above, the Group believes that its future prospects are encouraging as there is an enormous potential and demand for its product and correspondingly, the management is of the opinion that its team is able to rise to the challenge of developing a greater and more robust HR software solution.

The Group had recently established a working relationship with two (2) established BPO companies in Malaysia, namely Vsource Asia Bhd (formerly known as Vsource (Malaysia) Bhd) and EPIC-I Sdn Bhd. These companies are using the Group's HCMS Software as a platform to provide HR outsourcing services for their clients.

Potential Market – Small Medium Sized Businesses (“SMB”)

The Group has over the years created a strong presence in the HCMS software market and in particular has recorded success in selling its products and services to MNCs, conglomerates and large organisations. This is evidenced by the Group's list of customers which includes Berjaya Group, Gamuda Berhad, Commerce Assurance Berhad (formerly known as AMI Insurans Berhad), MCIS ZURICH Insurance Berhad, American International Assurance Company, Limited (“AIA”) and Kumpulan Perubatan (Johor) Sdn Bhd. However, the Group is constantly on the look-out to expand its market share and has identified the SMB market to be a potential market. The reason for the management's bullish view of the SMB market is due to government data indicating that SMBs are a major contributor to the country's GDP.

IDC in its report, “*Malaysian HR Market Overview*” has stated that “...the SME sector became the most hotly contested segment of the Malaysia enterprise applications software market” and there has been an increased focus in ICT in business (Please refer to Section 5.6 for further details). More importantly, the Government has also placed emphasis on accelerating the transition to ICT in line with efforts to achieve a knowledge-based economy.

6. INFORMATION ON THE KZEN GROUP (Cont'd)

Special focus has been given to improve competitiveness of, and promote investment by small and medium enterprises ("SMEs") given that they represent an important segment of the economy, providing the linkages in the nation's industrial development to both large corporations and the multinational corporations ("MNCs"). The large SME base, currently accounting for more than 90% of companies in the manufacturing sector, provides vast opportunities for SMEs to become the growth catalyst for the expansion of private sector investment.

The Government's strategic move in the development of SMEs in the establishment of the SME Bank, to be operational on 3 October 2005. An outcome of the merger between Bank Industri & Teknologi Malaysia Berhad ("BITMB") and Bank Pembangunan dan Infrastruktur Malaysia Berhad ("BPIMB"), the SME Bank will specialise in providing both financial and non financial assistance to the SMEs. The new Bank will also function as a one-stop centre to integrate and meet the business advisory needs of SMEs and continuing education and training programmes, especially for start-ups. The Bank will also promote the creation of entrepreneurs in new areas, including commercialisation of research and development.

(Source: Economic Report 2005/2006)

On this basis, management is of the view that there lies potential in both ICT as well as human resource training, features inherent in KZen's enterprise HCMS software. The Group is well-positioned to move into this nascent market due to its ongoing close relationship with the SMI Association of Malaysia.

6.17 Employees

As at 14 October 2005, the Group has 26 employees. The employees of the Group do not belong to any union and the employees' relationship with the management of the Group is amicable.

In line with the Group's expansion and commitment to tap into the global markets, the Group intends to actively recruit and train knowledge Malaysian staff to be part of the Group in order to deploy, support and carry out R & D activities on its product.

The Group recognises the importance of its employees and that they have been and will continue to be a key component to the Group's success. Thus, the Group updates them on the latest developments in the industry as well as increases their skills and knowledge by sending them to various courses throughout the year as and when the need arises.

The Group also intends to send its employees for relevant management seminars and training programmes to further develop its employees' skills.

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6. INFORMATION ON THE KZEN GROUP (Cont'd)

The Group plans to expand its work force with its projected growth in staff are as follows:-

	2004	2005	2006	2007*	2008*
Management					
1) Chief Executive Officer	1	1	1	1	1
2) Chief Technology Officer	1	1	1	1	1
3) Business Development Director	1	1	1	1	1
4) Director of Professional Services	1	1	1	1	1
5) Chief Financial Officer	1	1	1	1	1
Technical Staff					
1) Software Manager	-	1	1	1	1
2) Senior Programmer	2	3	6	6	6
3) Programmer	4	8	5	5	5
4) Web Engineer	-	3	3	3	3
5) Web Designer	-	2	2	2	2
6) Language Translator	-	2	2	2	2
7) Network Engineer	-	1	2	2	2
8) Application Specialist	1	1	1	1	1
9) Project Manager	-	1	1	1	1
10) Senior Consultants	5	4	7	10	10
11) Application Support	8	12	9	6	6
12) Technical Support	1	1	1	1	1
Sales Staff					
1) Channel Partner Manager	-	-	1	1	1
2) Product Manager	-	1	1	2	2
2) Account Manager	1	2	3	2	2
3) Marketing Comm. Exec.	-	1	1	1	1
Administrative / Support Staff	-	1	2	2	2
Total workers	27	49	53	53	53
Total knowledge workers	26	44	45	45	45

Note:

* Based on the assumption that the Group will have sufficient permanent core knowledge workers. Management is of the opinion that it will recruit contract workers to supplement its requirements for additional technology workers. In addition, KZen will utilise the "MSC knowledge worker programme" under MDC's incentive scheme.

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