
6. INFORMATION ON OUR BUSINESS

6.1 Brief Introduction of Loyalty Management

Organisations today, realise that one of the important reasons of creating competitive advantage is not only to attract the customers but increase customer retention. The cost incurred by an organisation while serving a returning customer is much lower than those incurred with new customers. More organisations are investing in relationship management solutions to address this.

Customers are not only looking for quality in the products that they buy, but also for ones that have the potential to create more value for them. As a result more and more organisations are implementing loyalty program to attract and retain customers. To name a few, 'RealRewards' loyalty program, 'BonusLink' loyalty program and 'Enrich' program are some of the popular loyalty programs in Malaysia.

Most of the companies providing loyalty program services have their own infrastructure and systems in place to manage their loyalty services. However, more and more companies are more receptive to the idea of outsourcing their loyalty program due to the inherent cost advantages.

There are various companies offering partial services such as rewards point marketing, application development, procurement and logistics in the loyalty services industry in Malaysia. However, our company is one of the few which are able to provide end-to-end solutions to take care of the entire value chain of the outsourcing managed loyalty services in Malaysia. Based on the Independent Market Research Report by Frost & Sullivan, apart from our Company, Edasu Hiromori is currently our only major competitor who offers similar end-to-end managed loyalty program services in Malaysia.

Our solutions are currently used by seven (7) financial institutions, prominent retailers such as Debenhams and Mydin, prominent FMCG who runs trade program such as F&N Coca-Cola, L'Oreal and Unilever, and ECT, the program owner of the 'RealRewards' coalition loyalty program. ECT is owned by our Promoters. Under the 'RealRewards' coalition loyalty program, it has prominent government linked corporations such as Petronas Dagangan Berhad and Tenaga National and forty-eight (48) prominent retailers such as Senheng Electric (KL) Sdn. Bhd., England Optical Group (M) Sdn. Bhd, Swensen's Malaysia Sdn. Bhd. and etc.

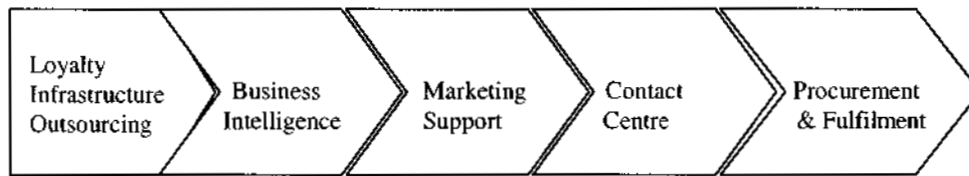
We have recently received the SMB Emerging Business award from the SMI Association of Malaysia in December 2005. According to the SMI Association of Malaysia, the Emerging SME award is bestowed to "non-listed SMBs which are rising fast or making a big impact in the business world in recent years. These should be companies whose products/services/innovations have come out of age and are now in great demand, whether locally or overseas markets".

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6. INFORMATION ON OUR BUSINESS (Cont'd)

6.2 Our Products and Services

Our service value chain outsourced services comprises of the following components:-



a. Loyalty Infrastructure Outsourcing Services

We offer our clients outsourcing services of IT infrastructure to host, deploy, track and perform reporting for private label loyalty, coalition and hybrid loyalty solutions targeted at our clients' own segments of customers.

The services include both the hardware and software of the IT infrastructure where the value proposition to our clients is that they need not make heavy investments into the development and design of such infrastructure in-house. Our clients can quickly deploy comprehensive loyalty solutions to their customers almost immediately. The services offered in this value chain are powered by our AIMS Managed Loyalty Application Modules.

Services provided under these current modules include:-

- Members Management services which enable the registration and maintenance of the members'/customers' profiles and preferences;
- Members Point Management services to provide a platform in which to facilitate the earning and accumulating of reward points by the customers/members of the loyalty program;
- Member Redemption Management services to facilitate and streamline the points redemption process of the loyalty program;
- Product Catalogue Management services which provide a common platform in which to update the members/customers on the latest product offerings;
- Merchant Management services to enable the registration, maintenance, search, product listings and points awarding of the client's network of merchants;
- Fraternal program arrangement that enables points to cross over from different loyalty programs and allow our members to have greater choice;
- Inventory Management module that allows us to manage the inventory level of our redemption items;
- Issues Tracker Reporting that allows our clients to have first hand information on how their requests and enquiries are being handled;
- Track and Trace Module that provides web-based on line tracking facility on the delivery status of redemption products;
- Integrated Communications Platform that enable our call centre operators to manage our consumer request through SMS, email and web chat seamlessly; and
- E-Auction portal that enables our members to participate in bidding exercise of our redemption items.

By using the above application modules, we are able to provide our services as illustrated in the following service value chain.

6. INFORMATION ON OUR BUSINESS (Cont'd)

b. Business Intelligence Services

Our Business Intelligence system allows our clients to analyse their customers' spending and lifestyle data. We use a multi-channel data warehouse management tool to assist our clients in gaining better insights on customer segmentation, profiling of customer segment, marketing and measurement and monitoring of customer response.

Services offered in this section of the service value chain include:-

- Data collection with regards to members' spending and transactional trend and behaviours;
- Data mining involves the performance of segmental and statistical analysis with regards to the raw data collected so as to be translated into useful marketing and customer relationship management strategies for our clients to retain, acquire, and win back customers;
- Data maintenance and warehousing to ensure that information that has been collected and analysed is maintained properly and backed by proper disaster recovery plan in emergency cases; and
- Provide report customization that will allow our clients to access and obtain reports in formats and content that will suit their businesses.

c. Marketing Support Services

We offer clients a series of marketing support services with the primary purpose of delivering the right kind of products, services and rewards to the right group of customers, hence increasing customer loyalty of our client's brand of products and services.

These services include:-

- Strategising, conceptualising and implementing marketing loyalty programs based on customer profiling and segmentation;
- Producing relevant communication materials to reach out to the specific target audience through direct mailer, catalogue, newsletter, POS material, email broadcast and other relevant forms of communication materials; and
- Recommending types of merchandise that will suit specific loyalty programs, specific segments of markets, etc in order to ensure high success rates for our customers.

d. Contact Centre Services

Our Contact Centre is a dedicated in-bound and out-bound contact centre equipped with well-trained and professional customer service staff, the technology capability to manage multi-clients' customers and provide better call outcomes.

- Managing in-bound calls whereby callers will be provided with information with regards to the specific loyalty program and will be assisted on any questions they may have about the program;
- Performing outbound calls to gather customer feedback, conduct redemption verifications, promote products and services, provide telemarketing services and updates for customers of the loyalty program;
- Setting up and maintenance of IVR and other hardware; and
- Provision of monthly contact centre reports to our clients to update them on the performance of the contact centre's employees and programs deployed through the contact centre.

6. INFORMATION ON OUR BUSINESS (Cont'd)

e. Procurement and Fulfilment Services

We provide a one-stop hub that manages the smooth distribution of a client's rewards to its customers. We are able to offer clients competitive pricing for this service through our bulk purchase.

Under this value chain, the services offered include:-

- Sourcing of a vast variety of merchandise from Malaysia and around the globe;
- Merchandise logistic procurement management;
- Order and redemption;
- Handling and packaging;
- Delivery and inventory control;
- Online web-based tracking of consignment;
- Online and interactive web-based management of members' complaints;
- Provision of periodic reports to clients to ensure that they are constantly updated with the latest progress; and
- We offer our clients merchandises under the category of children, electrical and electronic, gift and novelty, health and beauty, office, home and household, outdoor and personal accessorie. These items can be redeemed by the end-customers through specific point systems co-designed by our Group and our clients.

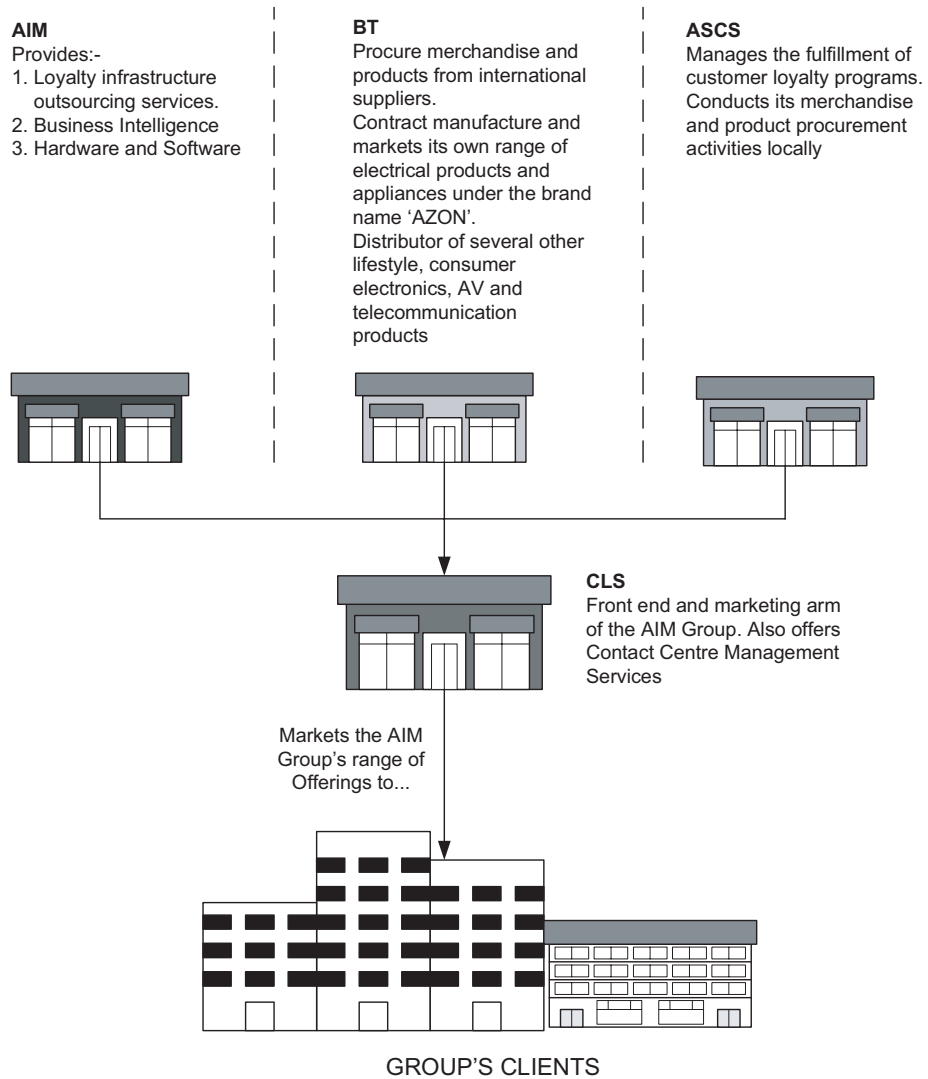
To better service our clients, we have our own brand 'Azon' of consumer electronics and electrical appliances.

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6. INFORMATION ON OUR BUSINESS (Cont'd)

6.3 Business Process

Our overall business process can be generalised as follows:-



6.4 Technology Used

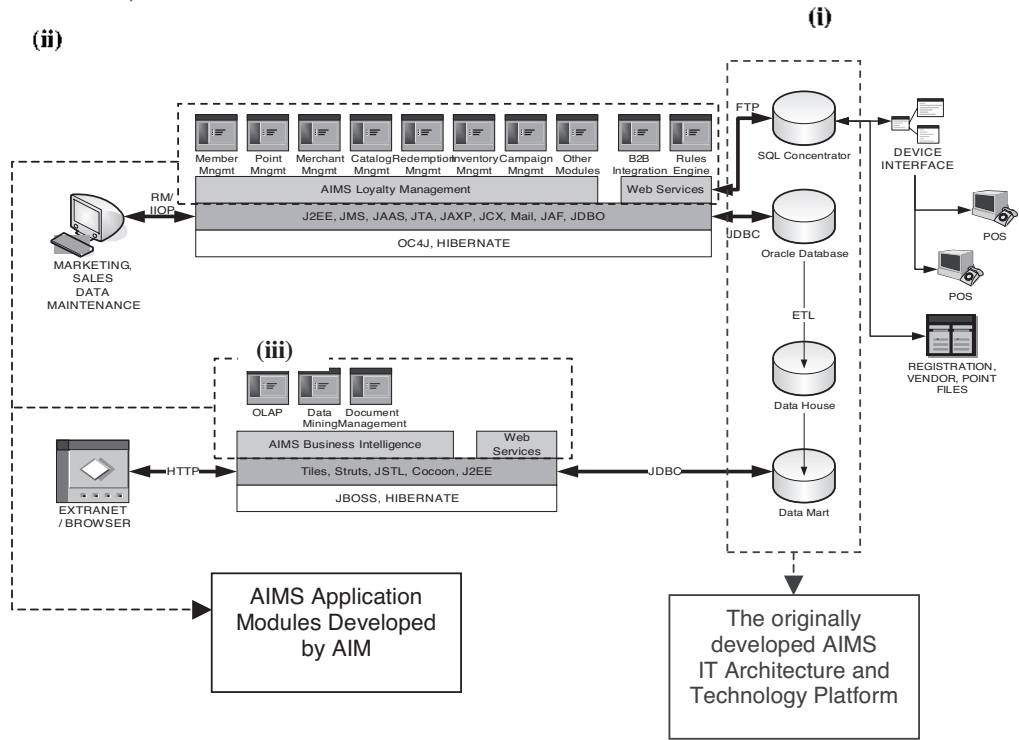
The technology solution developed by us is called the Advance Information Marketing System ("AIMS").

The AIMS not only addresses drawbacks seen in a conventional loyalty management solution but also adds to it new functions and capabilities befitting the needs of companies today and in the future. It is developed based on a computing and technology platform, which allows the application to be scalable and extendable to meet future changes in technology and demands for new features.

The AIMS is a solution that extends beyond just the provision of loyalty management to include applications such as electronic procurement, business intelligence and others, which are designed to function on a modular as well as in an integrated manner.

6. INFORMATION ON OUR BUSINESS (Cont'd)

Overview of the system architecture of AIMS



The AIMS can be divided into two (2) core areas:-

(i) AIMS IT Architecture and Technology Platform

Details of the AIMS IT Architecture and Technology Platform are shown in the following table:-

Attributes	Current	Description/Benefits
Platform	Enterprise Linux AS	<ul style="list-style-type: none"> Reliable as it can support middle to high range PC servers which in turn can support large memory capacity, hard disk capacity and etc Cost effective Open source Readily available Rapid application development Quick time-to-market Extensive support/ ease of maintenance
Application Model	J2EE Multi-tiered Distributed Application	<ul style="list-style-type: none"> A scalable application module, able to accommodate future expansions and upgrades Allows integration across platforms Extensive support/ ease of maintenance
Language	Java and XML	<ul style="list-style-type: none"> Extensive support Scalable and reliable Readily available Provides support clusters

6. INFORMATION ON OUR BUSINESS (Cont'd)

Attributes	Current	Description/Benefits
		<ul style="list-style-type: none"> ▪ Open standard ▪ Allows integration across platforms
Database	Oracle	<ul style="list-style-type: none"> ▪ Efficient management of data when used in conjunction with OCI
Connectivity	JDBC	<ul style="list-style-type: none"> ▪ JDBC technology is an API (included in both J2SE and J2EE releases) that provides cross-DBMS connectivity to a wide range of SQL databases and access to other tabular data sources, such as spreadsheets or flat files
Processing Engine	J2EE	<ul style="list-style-type: none"> ▪ Enables high modularity
Processing Method	Batch and Real-Time	<ul style="list-style-type: none"> ▪ Batch process is the process of moving data in batches from the operational systems to the database ▪ Real-time processing is the process whereby data is transferred immediately into the database
User Interface	Java Foundation Classes and Swing	<ul style="list-style-type: none"> ▪ The Java Foundation Classes (JFC) are a set of Java class libraries provided as part of Java 2 Platform, Standard Edition (J2SE) to support building GUI and graphics functionality for client applications that will run on popular platforms such as Microsoft Windows, Linux, and Mac OSX
OR Mapping	Object/Relational Mapping (ORM)	<ul style="list-style-type: none"> ▪ Hibernate is a powerful object/relational persistence and query service for Java ▪ Hibernate enables the development of persistent objects following common Java idiom - including association, inheritance, polymorphism, composition and the Java collections framework
Electronic Data Interchange	EDI/XML	<ul style="list-style-type: none"> ▪ Goal of EDI/XML is to deliver clear and lasting business transactions via electronic means ▪ Provides a standard framework to exchange different types of data -- for example, an invoice, member transaction detail, member information for registration, etc
Web Services	SOAP	<ul style="list-style-type: none"> ▪ Web services provide a standard means of interoperating between different software applications, running on a variety of platforms and/or frameworks ▪ Web Services are used for processes involved in B2B integration and rules engine ▪ Allows for easy integration capabilities with an organisation's POS and/or with a stand-alone kiosk structure

6. INFORMATION ON OUR BUSINESS (Cont'd)

Attributes	Current	Description/Benefits
Report Writer	Cocoon	<ul style="list-style-type: none"> Cocoon, an XML-based server-side web application framework is used for rendering reports in multiple formats
Documentation	Apache-Forest	<ul style="list-style-type: none"> Apache-Forest, an XML standards-oriented project documentation framework will be used for documentation of records, reports and transactions Low cost of ownership
Internationalization	l18n	<ul style="list-style-type: none"> This protocol supports many languages
Security	FGAC, VPD, JAAS	<ul style="list-style-type: none"> Remote accesses to the system are controlled by range of IP addresses, which are authenticated Tightly coupled schema design without triggers and scheduled system synchronization test is introduced to the entire system design

(ii) Applications/Modules

The AIMS Applications can be further divided into three (3) main categories:-

a) AIMS Managed Loyalty Application

Since the inception of our Company, our R&D team has successfully developed and launched twelve (12) modules. Each module is integrated, yet scalable to address different client's buying requirements. The details of the modules are described in the table below:-

Name of Module	Description of Module	Year Rolled Out
Member Management	<ul style="list-style-type: none"> This module maintains member information, mailing address, demographic details, etc Enables batch registration through a robust backend system, which supports various file formats On-line Member Management, i.e. new member registration, profile update, etc., are handled by EJB and Oracle-stored procedure 	September 2004
Points Management	<ul style="list-style-type: none"> Points details from a terminal, a FTP and etc., are transferred and then loaded into the backend server as a flat file Point File processor validates the point files and loads the information into the members account Points transaction can be done via Front end GUI 	September 2004
Merchant Management	<ul style="list-style-type: none"> This module enables the registration and update of merchants, merchant locations, merchant purchase definitions, promotions, setting maximum limit for points and frequency, etc 	September 2004
Redemption Management	<ul style="list-style-type: none"> Members can redeem their points via Contact Center, In-Store Redemption Terminals, Online, etc 	September 2004

6. INFORMATION ON OUR BUSINESS (Cont'd)

Name of Module	Description of Module	Year Rolled Out
	<ul style="list-style-type: none"> • These redemption activities are captured in the system through both front and back end • This module checks the availability of the catalogue products and alert the stock level based on the limit set 	
Fraternal Program	<ul style="list-style-type: none"> • This module enables points to cross- over from different loyalty programs. Web services enable this process automated by EDI/XML 	September 2004
Inventory Management	<ul style="list-style-type: none"> • Generate pick slips, back-ordered items report and inventory planning report • Receive items into inventory • Create purchase orders to replenish stock • Assign approved suppliers for inventory items, item locators and sub-inventory information • Enter return item accounting information • Update item-costing information 	November 2004
Catalogue Management	<ul style="list-style-type: none"> • Catalogue Management enables the maintenance of redemption products in groups, stores the point charges and cash amount for the items to redeem, vendor detail, back order detail, etc 	January 2005
Member Segmentation	<ul style="list-style-type: none"> • Customer segmentation and profiling capabilities consolidate insight at a member level to build and monitor critical strategic segments over time 	January 2005
Issues Tracker Reporting	<ul style="list-style-type: none"> • This Issues Tracker Reporting Module tracks the requests and enquiries received from our clients. We gave our clients access to this module so that they have first hand information on how their requests and enquiries are being handled 	July 2005
Track and Trace	<ul style="list-style-type: none"> • This web-based Track and Trace module provides online tracking of items delivery status. This module allows our clients to communicate with the members on the status of delivery of their redemption items 	August 2005
Integrated Communications	<ul style="list-style-type: none"> • This Integrated Communication Platform enables our call centre operators to manage consumer request through SMS, email and web-chat seamlessly 	August 2005
E-Auction	<ul style="list-style-type: none"> • Our E-Auction portal is a community centric platform that enables our members to participate in bidding exercise of our redemption items • Members can opt to pay using their loyalty points, or a combination of loyalty points and cash or credit card payments through our payment gateway 	December 2005

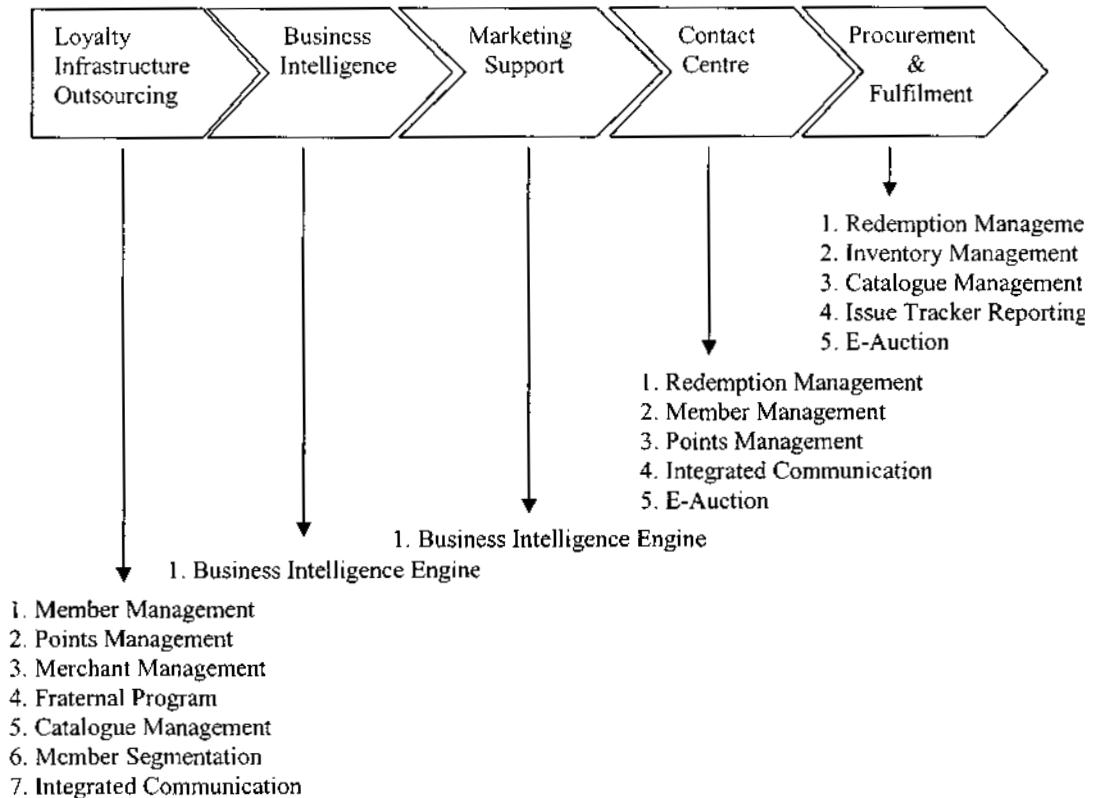
6. INFORMATION ON OUR BUSINESS (Cont'd)

b) AIMS Business Intelligence

We have also developed three (3) modules that makes up the AIMS Business Intelligence core area of the AIMS which is described below:-

Name of Module	Description of Module	Year Rolled Out
Business Intelligence Engine	<ul style="list-style-type: none"> • Our Extranet provides a framework for the on-line business intelligent tool written in J2EE, struts, Cocoon and etc • This module allows our clients to analyse their customers spending and lifestyle data 	September 2004
Executive Dash Board	<ul style="list-style-type: none"> • Online tool for Management to analyse/monitor consumer transaction behaviour • This tool is very useful for line managers to monitor stock holdings, product pricing decision, campaign management, redemption activities and more 	July 2005
AIMS OLAP Module	<ul style="list-style-type: none"> • Our Online Analytical Processing portal (AIMS OLAP) is an advanced reporting tool that allows customized reports to be produced according to the needs of the user • It has powerful drill down features to present customers' transactional behaviour by geographical, demographic and psychographic dimensions 	September 2005

By using the above application modules, we are able to provide our services as illustrated in the following service value chain.



6. INFORMATION ON OUR BUSINESS (Cont'd)

c) Enterprise Application

Our R&D focus in year 2006 will be to continue to enhance our existing suite of application products and to introduce new service packages under the following enterprise application components:-

Components	Progress	Proposed Roll out dates
AIMS OLAP Enhancement	We shall continue to enhance the drill down features of our AIMS OLAP to facilitate the presentation of multi-dimensional data in the format specified by the users	April 2006
SKU Tracking Module	We shall be introducing our SKU Tracking Module that will enable us to provide analyse of customer transactions by SKU level	June 2006
Datamining	We shall be initiating R&D efforts on the possibility of developing an artificial intelligence tool that enables the user to look for hidden patterns in a group of data and simulate these patterns to predict future behaviour on redemption items	August 2006

6.5 Marketing Strategies

The following marketing strategies are being applied to enhance our service offerings and to create client or industry awareness:-

- (a) To maintain and expand on our existing client base through our dedicated sales and marketing team, who are well trained with our solutions and products;
- (b) To explore joint ventures, strategic alliances and possible acquisitions of existing loyalty program operators in overseas markets such as Indonesia, China and Thailand;
- (c) To embark upon a number of media relationship building exercises, including interviews with journalists, media lunches and the provision of by-line articles related to the loyalty management industry to ensure our prominence in the media;
- (d) To tailor our services according to our client's needs with competitive pricing based on their affordability; and
- (e) To deepen our relationship with our existing clients by introducing similar solutions to their other business segments. Simultaneously, we broaden our service offering to our existing clients by providing additional services accordingly.

Our services have been well received by our clients. This is proven with the renewal of contracts and the broadening of usage by our existing clients. In addition, new clients have been added to our client portfolio every year. Our clients have specifically given us commendations and appreciation for our services. All these are testimonies of our service reliability and quality.

6. INFORMATION ON OUR BUSINESS (Cont'd)

6.6 R&D

Objectives

Our Group's technology development objective is to develop a single IT architecture and technology platform that will allow for the convergence of computing, communication and enterprise applications developed using BPM tools to enable us to provide a one stop business process outsourcing solution to our clients.

R&D Team

Our current R&D team consists of nine (9) full time professionals led by Mr Palani Selvam (his profile is set out in **Section 9.2.2** of this Prospectus) who has more than fifteen (15) years of experience in ICT solution R&D and implementation. Our team has an average of 8.5 years of experience.

We expect to enlarge the R&D team with the addition of a programmer and a database analyst in the next two (2) years.

Facilities

Our R&D facility is presently located at Unit B1-08, SME Technopreneur Centre, 2270 Jalan Usahawan 2, 63000 Cyberjaya.

R&D Achievements

Our team was the original team that developed the AIMS IT Architecture and Technology Platform acquired from CGAS. Since joining us, they have developed and launched twelve (12) AIMS Managed Loyalty Application modules and three (3) AIMS Business Intelligence modules as set out below:-

- (i) Member Management Module;
- (ii) Points Management Module;
- (iii) Merchant Management Module;
- (iv) Redemption Management Module;
- (v) Fraternal Program Module;
- (vi) Inventory Management Module;
- (vii) Catalogue Management Module;
- (viii) Member Segmentation Module;
- (ix) Issues Tracker Reporting Module;
- (x) Track and Trace Module;
- (xi) Integrated Communications Module;
- (xii) E-Auction Module;
- (xiii) Business Intelligence Engine Module;
- (xiv) Executive Dash Board; and
- (xv) AIMS OLAP Module.

Present status of the R&D

Currently our R&D activities include:-

- (i) enhancing the AIMS IT Architecture and Technology Platform to allow remote access to AIMS application and our services via handheld devices; and
- (ii) developing new application modules as discussed under 6.4(c) above.

6. INFORMATION ON OUR BUSINESS (Cont'd)R&D Plan

Our future direction is to tap into opportunities in grid computing and mobile technology development that will benefit us as follows:-

- (i) Achieve lower cost of operations via reducing the infrastructure cost

Grid computing is a form of distributed computing that involves coordinating and sharing computing, application, data, storage, or network resources across dynamic and geographically dispersed organisations. This will result in more cost-effective use of our Group's hardware and software resources.

- (ii) All remote access to AIMS applications and our services via handheld device

Integrating VSAT (Very Small Aperture Terminal) technology and developing AIMS for clients using handheld devices, remotely access our server through handheld devices in mobile unit and perform all AIMS services. In other words, technology enables borderless interaction and not being constrained by the physical presence of support services personnel.

- (iii) Increase the overall transaction efficiency using grid computing technology

The use of grid computing frees up resources, storage capacity and therefore improves the overall system efficiency and human efficiency. Hence, productivity will improve.

- (iv) Increase the efficiency of remote and dial-up transaction with AIMS

There will be significant reduction in travelling time and fewer resources required in deploying personnel for on-site troubleshooting. Time would be spent in the most cost effective way, faster response time to client's needs and improvement in customer satisfaction. This would translate into potential cost savings to our Group.

- (v) Develop interfaces for integration of AIMS Managed Loyalty Applications

As the applications being developed by AIMS are in modular form, our Group will continue to develop interfaces to integrate these modules and customize to individual client's requirement and business environment.

R&D Commitments

Our Group acquired all the hardware and IT rights relating to the first phase of the AIMS development at a cost of RM1.2 million on 29 September 2004.

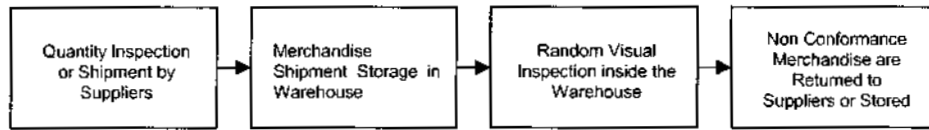
The R&D expenditure incurred by us since our incorporation on 8 March 2004 up to 30 September 2005 is as follows:-

	FPE 31 December 2004	FPE 30 September 2005
R&D Expenditure (RM)	987,659	400,543
R&D Expenditure as a percentage of revenue	5.4%	1.5%

6. INFORMATION ON OUR BUSINESS (Cont'd)

6.7 Quality Management

(a) Quality Control Plan for Merchandising Services



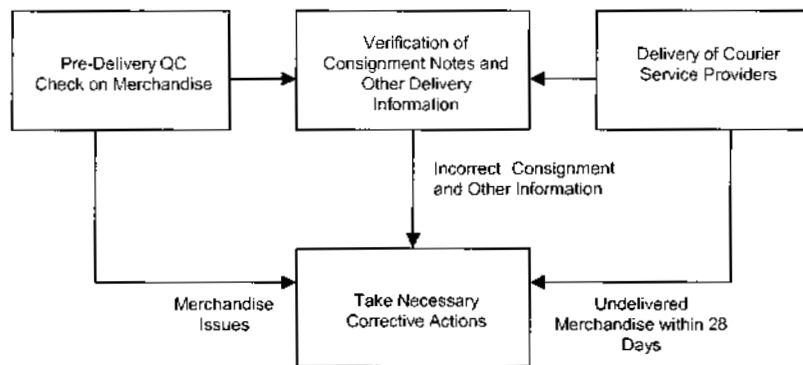
Our quality plan put in place for our merchandising services include steps such as:-

- Inspection and counting for the correct quantity in every shipment of merchandise from our suppliers; and
- Conducting random sampling of merchandise delivered to our warehouse and visual inspection of the physical conditions of the merchandise for any damage or non-conformance to purchase specifications such as model, size and colour.

Merchandise that do not meet our specifications in terms of quality are returned to the supplier.

We also maintain an updated list of preferred suppliers with respect to product quality, payment terms and competitive pricing. We periodically review and update this list to ensure our suppliers will continue to provide and ensure high quality products are delivered.

(b) Quality Control Plan for Fulfilment Services

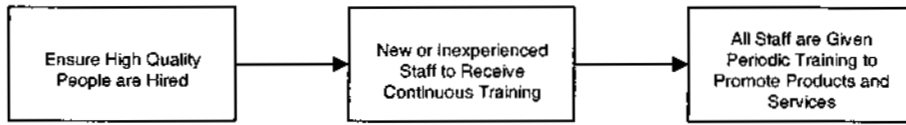


The quality control activities with regards to the fulfilment services are as follows:-

- Quality Control Executives will first conduct pre-delivery checks on all redemption items to be delivered to loyalty program members of our clients to ensure that the correct item is retrieved and the redemption item is in good condition;
- Those items that do not meet the required specifications are immediately replaced. Information on the consignment note and the loyalty program member's details are also verified. The package will only be released for pick up by courier services to be dispatched to the address of the loyalty program member after confirmation that the consignment notes and the merchandise are in order; and
- Our service standard requires that we deliver the merchandise to loyalty program members within fourteen (14) days from the receipt of the redemptions order. For merchandise that have yet to be delivered within the stipulated period, a review of the delivery process and remedial actions will be taken to prevent a recurrence of a lapse in service.

6. INFORMATION ON OUR BUSINESS (Cont'd)

(c) *Quality Control Plan for Contact Centre Services*



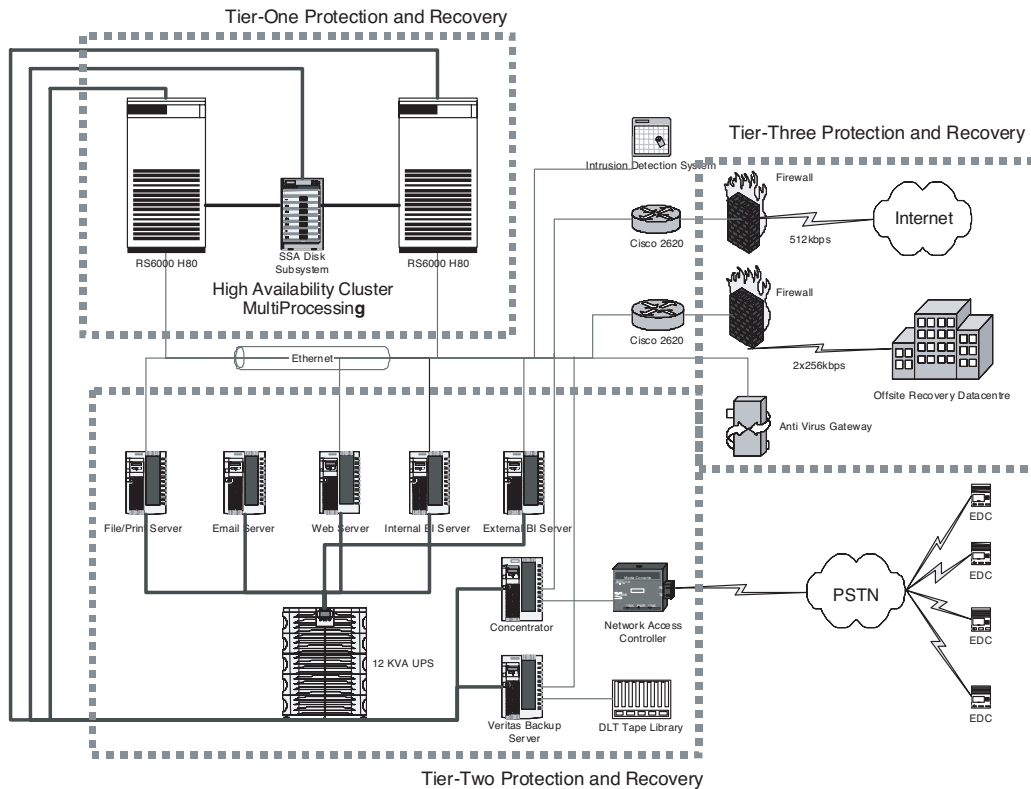
We believe that a professional team of contact centre personnel is a critical success factor for our business and our emphasis is to recruit experienced personnel for our contact centre operations. Prospective candidates for the position must have prior call centre and/or sales experiences and those with the ability to speak at least two languages are preferred. The recruitment stage is the first quality checkpoint to ensure the quality of services provided is top notch.

Regular trainings are provided for our call centre personnel to ensure that they continue to be able to provide high quality services to our clients and their loyalty program members. New staff with little or no prior experience are trained by senior call centre personnel to familiarise them with the business and operations before they are deployed on the job.

Product trainings will also be given to call centre personnel who are designated to promote our clients' products. The product training will equip the call centre personnel with the necessary knowledge to promote the products effectively and ensure that their performances meet the expectations of our clients. An incentive scheme is implemented to reward personnel who meet predefined Key Performance Indicators ("KPI").

6.8 Disaster Recovery Plan

We have in place a 3-tiered disaster recovery plan to ensure that our ICT network used to support our various services is constantly protected from situations that may cause disruptions to our business operations.



6. INFORMATION ON OUR BUSINESS (Cont'd)*Tier-One Disaster Protection and Recovery Plan*

Disruptions at Tier-One would encompass minor disruptions to services provided through the ICT network that are caused by brief power outage/surges/burnouts, accidental file deletion or overwrite, disruptions in the air conditioning system, single HDD crash, destruction of one server, etc. Normally this type of disruptions will cause minimal downtime in terms of the service delivery.

The protection measures and recovery plans that are put in place to address and provide solutions to these issues are the installations of:-

- High Availability Cluster Multiprocessing server architecture
- Redundant power supply
- Redundant network interface
- Redundant disk interface
- Mirrored operating system HDD
- RAID 5 Data HDD

Tier-Two Disaster Protection and Recovery Plan

Disruptions at level two will typically cause a downtime in the system not exceeding 24 hours and can be caused by dropped database table, theft of media, damage to program and application executables files and prolonged loss of power and cooling to the servers and data storage servers.

The normal recovery procedures needed to address these disruptions include restoring data and information from backup media among others. Mitigation measures put in place are the installation of:-

- Veritas Network Backup and Restore system
- Fire-proof safe
- Offsite tape storage as backup media

Tier-Three Disaster Protection and Recovery Plan

Level three disasters are situations are remote but if it happens, can cause major disruptions to our services. The disruptions downtime can range from 24 to 48 hours long and are caused by theft of major equipment and storage devices, flood or fire, vandalism, terrorism and action of nature.

As part of our mitigation strategy for arresting and recovering from this level of disruptions to our services, we plan to set up an offsite recovery centre at Cyberjaya that has compatible hardware and software and make available redundant data line for immediate recovery connection.

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6. INFORMATION ON OUR BUSINESS (Cont'd)

6.9 Our Key Achievements/Milestones/Awards

Year	Month	Development Milestones
2002	August	<ul style="list-style-type: none"> BT was incorporated in Singapore to undertake the procurement and distribution of a wide range of merchandise for loyalty programs.
2003	April to June	<ul style="list-style-type: none"> CLS was incorporated in April to provide loyalty management solutions.
	July	<ul style="list-style-type: none"> CLS commenced its contact centre operations with twelve (12) staff. Its first customer is ECT who outsourced their outbound call centres services to us.
	July	<ul style="list-style-type: none"> ASCS was incorporated with the objective of providing logistics, marketing communications and mail order services.
	August	<ul style="list-style-type: none"> CLS commenced the management of our first hybrid program.
	October	<ul style="list-style-type: none"> CLS commenced the offering of mail order program.
2004	March	<ul style="list-style-type: none"> AIM was incorporated.
	April	<ul style="list-style-type: none"> CLS commenced the management of private label loyalty program.
	April	<ul style="list-style-type: none"> AIM's founding shareholders in Singapore decided that the enterprise application for the managed loyalty solutions shall be developed in Malaysia.
	June	<ul style="list-style-type: none"> AIM were awarded MSC Status.
	July	<ul style="list-style-type: none"> CLS upgraded and relocated its contact centre to Subang Jaya. The seating capacity increased to 38 seats and CLS invested in a new computerised call centre software that enables the handling of multiple clients call centre environment.
	July	<ul style="list-style-type: none"> CLS commenced the offering of outbound call service.
	August	<ul style="list-style-type: none"> The setting up of ASCS procurement and logistics depot in Glenmarie, Selangor.
	September	<ul style="list-style-type: none"> AIM acquired all the hardware and IP rights relating to the development of AIMS.
	September	<ul style="list-style-type: none"> CLS commenced offering of outbound telemarketing service.
	September	<ul style="list-style-type: none"> AIM rolled out the Member Management, Points Management, Merchant Management, Redemption Management and Business Intelligence Engine module as well as Fraternal Program of AIMS.
	October	<ul style="list-style-type: none"> ASCS commenced Shah Alam warehouse operations.
	November	<ul style="list-style-type: none"> AIM rolled out the Catalogue Management and Inventory Management modules.
	December	<ul style="list-style-type: none"> AIM acquired a 100% stake in CLS and ASCS as part of our restructuring plan to prepare for a proposed listing on the MESDAQ Market.

6. INFORMATION ON OUR BUSINESS (Cont'd)

Year	Month	Development Milestones
2005	January	<ul style="list-style-type: none"> ▪ AIM acquired a 100% stake in BT as part of our restructuring plan to prepare for a proposed listing on the MESDAQ Market. ▪ CLS commenced the management of the first hybrid B2B loyalty program. • CLS successfully renewed its first hybrid loyalty program and expanded the contract to include staff incentive program. ▪ AIM rolled out the Member Segmentation module that enables the automated identification and classification of members by the value and frequency of the transactions.
	February	<ul style="list-style-type: none"> ▪ CLS successfully secured the contract to manage the end-to-end integrated loyalty program for a leading financial institution credit card portfolio.
	April	<ul style="list-style-type: none"> ▪ CLS commenced the management of first loyalty program using Identity Card as membership card for the wholesale Emporium segment. CLS successfully secured the IT licensing and maintenance contract with a leading F&B chain restaurants where we provide our AIMS IT Architecture and Technology Platform.
	May	<ul style="list-style-type: none"> ▪ CLS conceptualised the strategic partnership between RealRewards and AmBank and assumed the role of Program Manager for the launch of first co-brand loyalty credit card program in Malaysia. ▪ AIM launched an innovative staff incentive program that awards incentive points to staff who meets their performance targets. This program is managed on a continuous basis throughout the year. ▪ AIM successfully integrated the call centre redemption requests to the backend order processing and inventory management modules that enables ASCS to improve its order processing and delivery time.
	June	<ul style="list-style-type: none"> ▪ CLS commenced the management of the merchant rewards program for a major international credit card institution in Malaysia.
	July	<ul style="list-style-type: none"> ▪ AIM launched a web-based Issues Tracker Reporting Module that tracks requests and enquiries received from our clients. We provide our clients access to this module so that they have first-hand information on how their requests and enquiries are being handled. ▪ AIM launched the Executive Dash Board Module, an online tool for Management to analyse/monitor the consumer transaction behaviour. This tool is very useful for line managers to monitor stock holdings, product pricing decision, campaign management, redemption activities and more.
	August	<ul style="list-style-type: none"> ▪ AIM successfully implemented the web-based Track and Trace Module that provides online tracking of items delivery status. This module allows our clients to communicate with the members on the status of delivery of their redemption items. • AIM roll out the Integrated Communication Platform that enables our call centre operators to manage consumer request through SMS, email and web-chat seamlessly.
	September	<ul style="list-style-type: none"> ▪ CLS successfully rolled out the first off-site redemption fair for its private label loyalty program client. ▪ AIM launched the Online Analytical Processing portal (AIMS OLAP) which is an advanced reporting tool that allows customized reports to be produced according to the needs of the user. It has

6. INFORMATION ON OUR BUSINESS (Cont'd)

Year	Month	Development Milestones
		powerful drill down features to present customers' transactional behaviour by geographical, demographic and psychographic dimensions.
	December	<ul style="list-style-type: none"> ▪ CLS is awarded the Winner of SMB Emerging Business Award 2005. ▪ AIM rollout E-Auction engine. Our E-Auction portal is a community centric platform that enables our members to participate in the bidding exercise of our redemption items. Members can opt to pay using their loyalty points, or a combination of loyalty points and cash or credit card payments through our payment gateway. ▪ We obtained approval from the SC for listing.

6.10 Interruption to Our Operations

We have not experienced any major interruptions to our business since our inception.

6.11 Employees

As at 28 February 2006, we have eighty-three (83) full-time employees and no contractual employees in the following functions:-

Category of employees	Total Malaysian	Non-Malaysian	Total	Average number of years of service in our Group
Managerial and professional	24	2	26	2 years
Technical and supervisory	26	4	30	Less than 1.5 years
Total Knowledge Workers	50	6	56	
Clerical and related occupations	22	-	22	Less than 1.5 years
General workers	5	-	5	Less than 1.5 years
TOTAL	77	6	83	
% of Knowledge Workers	65%	100%	67%	

We recognise the importance of our employees and encourage our employees to attend training courses or seminars to upgrade their skills or keep up with developments in the industry. The training courses or seminars provided up to 28 February 2006 are as follows:-

Customer Service and Marketing Related Training Courses/Seminars	Particulars
Ensemble Pro Director Training	Call centre system user and administration training at director level.
Direct Marketing Asia 2004	Conference covered topics such as Direct Sales Promotions, Loyalty by Design, Business to Consumer, Financial Services, Understanding Customer Behaviour, Maximizing Data-Rich Environment, etc.
Co-Brand Forum	Forum and case study on co-brand business opportunity.
Asia Pacific Concerto Software	Training on Concerto Software for Call Centre opportunity in Asia Pacific region.
Financial for Non-Financial	Training on financial statement reading for non-finance person.

6. INFORMATION ON OUR BUSINESS (Cont'd)

Customer Service and Marketing Related Training Courses/Seminars	Particulars
Power Direct Marketing	Training on powerful tools for direct marketing such as new technology, collaterals and etc.
Advanced Negotiation Techniques	Seminar to update our marketing executives on latest techniques and case studies in marketing and negotiations.
CRM Analytics & Performance Measurement	Seminar to teach our staff the key processes of CRM analytics and the use of performance measurement to track relationship management with customers.
Locking Loyalty	Seminar for entry level staff to understand the concept of loyalty management in today's business environment.
Colloquy 2005 Loyalty Summit in US	This summit conducted annually in Florida, US, brings together loyalty management experts and practitioners worldwide to share their experiences as well as networking for our senior executives.

IT Related Training Courses/Seminars	Particulars
Oracle Database 10g Grid Control	Learn the issues involved in planning, designing, building, populating and maintaining a successful data warehouse. Learn the basic concepts, fundamental issues and techniques for the design of a data warehouse or data mart.
Oracle Data Warehousing	Learn to use the Grid Control to manage the Application Server and Database Server. Learn how to install and configure the Grid Control Product and get a head start in adopting this in our production environment.
Red Hat Enterprise System Monitoring and Performance Tuning	Hands-on lab course covering system architecture, performance characteristics, monitoring, benchmarking, and network performance tuning. Understanding the implications of system architecture on system performance, methods for testing the effects of performance adjustments (benchmarking), open source benchmarking utilities, methods for analyzing system performance and networking performance, tuning configurations for specific application loads. Where possible, emphasis will be placed on using tools that are provided as part of Red Hat Enterprise Linux and Red Hat Network.
Red Hat Enterprise Deployment and Systems Management	Deploy and manage Red Hat systems to enterprise standards of reliability, availability, scalability and manageability (RASM). Central to the course is hands-on training in the high availability and load-balancing capabilities of Red Hat Enterprise Linux.
Benchmark other CRM application	Understanding the concepts used by the industry leading CRM software like Siebel, Oracle Applications, SAP and etc.
Application Server administration, Configuration and Deployment	Install, maintain, tune, and troubleshoot the OC4J/Jboss application servers.
Network Security	Acquire expert level knowledge of IP and IP routing as well as specific security protocols and components.
AIMS OLAP Training	Install, configure and deploy cognos web-transformation server and imputronics.

6. INFORMATION ON OUR BUSINESS (Cont'd)

All new employees are required to undergo an in-house orientation on our Group's corporate philosophy, culture and policies.

Our employees are not members of any labour unions and the employees have a cordial working relationship with our Management. There have not been any industrial disputes in the past between the employees and our Management.

6.12 Location of Operations

Company	Locations of Operations
AIM	<p><u>Headquarters</u></p> <ul style="list-style-type: none"> ▪ Unit SC 13-3, 3rd Floor, the Boulevard Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Wilayah Persekutuan <p><u>R&D Centre</u></p> <ul style="list-style-type: none"> ▪ Unit B1-08, SME Technopreneur Centre, 2270 Jalan Usahawan 2, 63000 Cyberjaya
CLS	<p><u>Operation Centre</u></p> <ul style="list-style-type: none"> ▪ Unit SC 13-3, 3rd Floor, The Boulevard Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Wilayah Persekutuan <p><u>Contact/Operation Centre</u></p> <ul style="list-style-type: none"> ▪ Lot 10.04, 10th Floor, Heitech Village, Persiaran Kewajipan, USJ 1, UEP, 47600 Subang Jaya, Selangor Darul Ehsan
ASCS	<p><u>Operation Centre</u></p> <ul style="list-style-type: none"> ▪ Lot 28, Jalan Pemberita U1/49, Temasya Industrial Park, Seksyen U1, Glenmarie, 40150 Shah Alam, Selangor Darul Ehsan <p><u>Warehouse</u></p> <ul style="list-style-type: none"> ▪ 30 Jalan Sepadu, 25/123, Section 25, 40400 Shah Alam <p><u>Procurement Centre (local) and Logistics Depot</u></p> <ul style="list-style-type: none"> ▪ Lot 28, Jalan Pemberita U1/49, Temmasya Industrial Park, Seksyen U1, Glenmarie, 40150 Shah Alam, Selangor Darul Ehsan
BT	<p><u>Procurement Centre (international)</u></p> <ul style="list-style-type: none"> ▪ 70 Bendemeer Road, #01-03 Hiap Huat House, Singapore 339940

6. INFORMATION ON OUR BUSINESS (Cont'd)

6.13 Competition and Competitive Strengths

Our competitive strengths are set out below:-

(i) A Total, One-Stop Provider of Outsourced Loyalty Management Services

According to the Independent Market Research Report by Frost & Sullivan, our Group has the advantage of being one of the only two (2) companies in Malaysia which are able to provide the full range of outsourced loyalty management services. Frost & Sullivan defines 'total one-stop provider' as a company which is able to offer services for all components of the outsourced loyalty management value chain as stated in **Section 6.2** of this Prospectus.

We are able to achieve the status of a total, one-stop provider due to the fact that we have:-

- a technology platform/infrastructure which is able to support the AIMS application in the provision of all the services in the outsourced loyalty management value chain; and
- key directors and management with proven track record and knowledge in the loyalty management and relevant industries.

By offering a one-stop solution, we are able to assist our clients in formulating a loyalty program which leverages upon the latest technology in order to facilitate the convergence of computing, communications and enterprise applications. This will bring about an increase in the efficiency of the programs information management, directly impacting the programs' effectiveness.

(ii) A First Mover Advantage

Our Management believe that our Group possesses a first mover advantage in the industry due to the following facts:-

- We have built a significant presence in the financial, retail and FMCG industry;
- We are one of the first movers in the convergence of computing, communications and enterprise applications in the provision of loyalty programs; and
- The MSC award which we obtained was for our pioneering efforts in the outsourced loyalty management industry.

This first mover advantage allows us to market our products and services with more confidence, due to our experience and knowledge of the industry.

(iii) Ease of Integration / Rapid Deployment of Managed Loyalty Programs

We are able to rapidly deploy our managed loyalty program, requiring approximately only six (6) weeks for full deployment. This is made possible due to the fact that:-

- We have in place a technology platform/IT infrastructure which is OS and software independent. This allows us to connect/integrate our managed loyalty program with any type of IT environment;
- The twelve (12) core modules which make up the managed loyalty program have already been developed and deployed; and
- We have also, via our marketing team, pre-developed a number of different product catalogues to suit various industries. These catalogues can be easily and readily integrated into a new loyalty program when the need arises.

These advantages are able to benefit our clients by significantly reducing the cost of IT investment required in setting up a loyalty program.

6. INFORMATION ON OUR BUSINESS (Cont'd)

(iv) Ability to Leverage Upon Past Experiences

We have gained valuable experience through the provision of our services to prominent companies such as L'Oreal, F&N Coca-Cola and UOB. As a result of these past and current projects:-

- We have managed to tap into the experience gained to improve upon our managed loyalty program;
- We are able to cater to clients in a large number of different industries; and
- We have conceptualized the basic 'blueprints' of a managed loyalty program, allowing it to rapidly deploy such program in an efficient and effective manner.

(v) Innovation Through Continuous System And Product Development

We continuously strive to further improve and streamline our internal processes, technology platform and managed loyalty programs. This strategy also ties in with our R&D activities with regards to new service offerings.

(vi) Experienced Management Team

We possess a strong and far sighted management team with a vast array of technical and business experiences relevant to our business and industry. Our founding shareholders and key management have an average of 18 years of experience in the diverse industries.

Our management team has also proven itself adept at managing and improving on key procedures and technologies utilized as evidenced by the progress made in the recent years.

(vii) Skilled Employees

We recognize the need for skilled employees in view of the technical nature of our business. We have in our employment, experienced and capable programmers, technical, marketing, purchasing, finance and human resource personnel, and top management staff who are competent in their respective roles. Our employees also possess a keen understanding of our client's requirements and are able to translate them into deliverables that meet the clients' specifications.

(viii) Efficient Client Support Services

As a testament of our commitment to efficient client support services, we sign service level agreements with our clients. We continuously strive to ensure that we deliver at least 90% of the redeemed products to our clients' customers within fourteen (14) days of first receiving the order.

(ix) Recognition by SMI Association of Malaysia

We have recently received the SMB Emerging Business award from the SMI Association of Malaysia in December 2005. According to the SMI Association of Malaysia, the Emerging SME award is bestowed to "non-listed SMBs which are rising fast or making a big impact in the business world in recent years. These should be companies whose products/services/innovations have come out of age and are now in great demand, whether locally or overseas markets".

6. INFORMATION ON OUR BUSINESS (Cont'd)**6.14 Principal Markets**

Currently, our main principal market is in Malaysia. However, we plan to market our services to overseas market such as Singapore, Brunei, China and Indonesia in the near future. The breakdown of total revenue into local and overseas markets is as follows:-

	For the 9-month period ended 30 September 2005	
	Total Sales (RM'000)	%
Local Markets	25,822	98.9
Overseas Markets	287	1.1
Total	26,109	100.0

6.15 Market Positioning

The market for managed loyalty in 2005 was considerably small compared to the overall loyalty market (6.04% of overall loyalty market) and is reflective of the scope for tremendous growth. Managed loyalty is expected to take off in a big way in Malaysia with more than 60% of all loyalty programs over the next five (5) years being outsourced to a certain degree.

There are various companies offering services such as reward marketing, application development, procurement and logistic in order to manage loyalty programs in Malaysia. Currently there are over 170 companies operating in Malaysia, delivery at least one component of the loyalty management value chain. However, only a few of them have end-to-end solutions to take care of the entire value chain. These are AIM and Edasu Hiromori Sdn. Bhd.

(Source: Independent Market Research Report dated 28 February 2006 by Frost & Sullivan)

6.16 Major Customers

Our top (10) customers during the 9-month FPE 30 September 2005 are as follows:-

Name of Customers	Type of Program	Percentage Contribution to our Group's Total Sales (%)	Years of Business Relationship
ECT [^]	Coalition	39	4
UOB	Private label	14	2
AmBank Berhad	Private label	11	1
F & N Coca-Cola	Private label	8	2
AHA	Hybrid	4	2
OCBC Bank (Malaysia) Berhad	Private label	4	1
Mydin Mohamed Holdings Bhd	Private label	3	1
L'Oreal	Hybrid	3	3
Chieh Pao Electrical Sdn. Bhd.	Coalition	3	4
Standard Chartered Bank	Private label	3	3

Notes:-

[^] ECT and us share the same shareholders as at 28 February 2006.

We currently have a broad base of customers with which we enjoy a strong and stable relationship, some of which are located in Singapore and Indonesia. Save for ECT, who accounts for 39% of our total sales for the 9-month FPE 30 September 2005, we are not overly dependent on any customer. Please refer to Section 4.2.12 for further details and our mitigating factors.

6. INFORMATION ON OUR BUSINESS (Cont'd)**6.17 Major Suppliers**

Our top ten (10) suppliers for the 9-month FPE 30 September 2005 are as follows:-

Name of Supplier	Percentage Contribution to our Group's Total Purchases (%)	Years of Business Relationship
Amtek Marketing Services Sdn. Bhd.	12	2
Panasonic System Engineering (M) Sdn. Bhd.	7	2
Enzer Electronics Sdn. Bhd.	7	2
Superior Press Sdn. Bhd.	4	2
Philips Malaysia Sdn. Bhd.	4	2
Senheng Electric (KL) Sdn. Bhd.	4	2
Skynet Worldwide (PKG) Sdn. Bhd.	3	1
TT Food Manufacturing Sdn. Bhd.	2	2
Kenwood Appliances (M) Sdn. Bhd.	2	2
To-Day Telecommunications Sdn. Bhd.	2	2

We are a service provider. As such, the supplier of products required is mainly in respect of the purchase of redemption products in relation to our procurement and fulfilment services offered.

We have a large supplier base and we are not overly dependent on any single supplier. This is to ensure that our supply stream will not be easily disrupted. We do not hold any long term contracts with our suppliers due to the widespread availability of products purchased by us.

Amtek Marketing Services Sdn. Bhd. accounted for more than 10% of our total purchases for the 9-month FPE 30 September 2005 as they provided more favourable terms as compared to our other suppliers. Notwithstanding this, the items supplied are easily sourced from other sources. As such, we are not overly dependent on the said supplier.

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7. INDUSTRY OVERVIEW AND OUTLOOK

7.1 Overview of the Malaysian Economy

The Malaysian economy strengthened in the third quarter of 2005, expanding by 5.3%. Private sector activity continued to provide the main impetus to growth. Domestic demand strengthened, expanding at an annual rate of 9.4%, due mainly to stronger private consumption and investment activities. Private consumption expenditure remained a significant source of growth, expanding by 10.4%. Stable labour market conditions, competitive credit environment and high commodity prices continued to support consumer spending. Major consumption indicators, particularly credit card spending and consumption credit extended, pointed to sustained consumer spending. The number of new passenger cars sold also remained high.

Gross fixed capital formation strengthened to increase by 9.6%. Private sector investments remained strong due to capacity expansion, upgrading, as well as new investments in downstream activities across most sectors of the economy. While Government consumption expenditure increased, Government development expenditure was lower and continued to be focused on the provision of essential services.

Reflecting the sustained private consumption spending, imports of consumption goods rose further by 5.3%. Strong growth in consumer spending is expected to bode well for the loyalty industry. Favourable external environment is therefore expected to support the expansion in domestic demand. Given these developments, the growth momentum in the Malaysian economy is expected to continue into the fourth quarter, supported by both strong external demand and sustained expansion in domestic demand, led by private sector activity. The electronics sector is expected to ride on the current recovery in the global semiconductor industry.

The rising spending power coupled with increasing education levels has had a deep impact on the lifestyle of the average Malaysian. The global advertising campaigns and media frenzy for international product ranges also affects the consumer behaviour.

There are a number of verticals other than manufacturing which are currently experiencing growth. Some of these include banking & finance, telecommunications, automotive and FMCG. As household and individual spending capacity increases, the options from which a consumer can choose also increase, thereby resulting in greater competition in the market. All verticals in Malaysia are experiencing this competition, not just for revenues but also for customers. A direct consequence of this has been the exponential increase in customer acquisition costs. These ever-burgeoning costs have forced companies to retain their customers and have them switch or upgrade from within their range of products rather than looking for deals from their competitors. This logic has firmly moved focus to managing customer relationships in order to ensure their "loyalty" to one brand.

(Source: Independent Market Research Report dated 28 February 2006 by Frost & Sullivan)

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7. INDUSTRY OVERVIEW AND OUTLOOK (Cont'd)

7.2 Outlook for the Malaysian Economy in 2006

The year 2006 will face greater challenges arising from high oil prices, tightening monetary policies especially in the US, widening global imbalances as well as continued geo-political tensions and security concerns. Nevertheless, given the resilience of major economies, the global economy is expected to expand at 4.3%, supported by China and the US. Economic growth in China is forecast to continue, but at a slightly lower rate of 8.2%, providing the impetus for growth in Asia in general and the ASEAN region in particular, while the US is projected to register a growth of 3.3%. In Japan, growth is projected to be firm at 2% as deflation eases and domestic demand sustains.

Economic activity in the euro area is also expected to improve, although uneven across the region, at 1.8%. The expected improvement is on account of favourable financing conditions, rise in business confidence amid signs of recovery in the services and manufacturing sectors and a strong external sector. As for the UK, growth prospects are envisaged to improve by 2.2% with the services sector spurring growth, supported by a more accommodative monetary policy.

The Malaysian economy is expected to maintain its growth momentum in 2006 in line with sustained private sector activities, favourable external environment and Government's continuing efforts to further diversify the economy through new sources of growth. Growth is expected to be broad-based with expansion in all sectors, driven by private investment spending and strong activities in the services sector. Accordingly, real GDP growth is forecast to expand by 5.5% in 2006 and per capita income envisaged to rise further by 7.1% to RM18,995 (2005: 6.8%; RM17,741). In terms of purchasing power parity, per capita income will increase by 6.9% to USD11,030 (2005: 7.2%; USD10,323).

(Source: Economic Report 2005/2006, Ministry of Finance, Malaysia)

7.3 Overview of the ICT Industry in Malaysia

The services sector will continue to strengthen with all sub-sectors recording positive growth. Growth in the services sector is expected to be supported by continued expansion in new services activities such as ICT-related and business outsourcing services, as well as private healthcare and education services.

Shared services and outsourcing (SSO) industry is a new source of growth for Malaysia. The industry has grown tremendously in the last few years, securing world recognition for Malaysia as a global outsourcing hub. A recent survey by Deloitte in 2005 ranks Malaysia as number one, ahead of Bangalore in customer support and back-office processing services.

The term "SSO" encompasses both outsourcing and offshoring activities. Shared services are an arrangement where common services are provided by a single organisation leveraging on economies of scale, such as outsourcing and call-centre consolidation. Outsourcing is to seek resources outside an organisational structure, usually to reduce costs and to exploit competencies of other entities. Offshoring is the provision of services from a country that is geographically removed from the client, for example, services provided to a US enterprise by a service provider located in a developing country.

As at end 2004, revenue of SSO companies in the MSC was RM2.04 billion. It is estimated that by end 2005 revenue from the same companies will increase to more than RM2.58 billion, representing an increase of 30%. Through its phenomenal growth, the SSO industry is now a pillar to the development of MSC.

(Source: Economic Report 2005/2006, Ministry of Finance, Malaysia)

7. INDUSTRY OVERVIEW AND OUTLOOK (Cont'd)

7.4 Overview and Outlook of the Loyalty Industry in Malaysia

The number of Malaysians signing up for loyalty reward programs has been increasing at an impressive rate when compared with the increase in the number of companies joining the loyalty bandwagon. This trend is indicative of the growing demand for loyalty programs in the country. As a result, more and more organisations are implementing loyalty programs, be it private label or coalition programs.

Currently 63.56 % of all loyalty programs in Malaysia are for private labels; i.e. for individual companies. This trend is expected to change rapidly with more number of companies starting to opt for coalition or multi-party loyalty programs. Coalition loyalty has many inherent cost advantages especially for smaller companies and manufacturers.

Having loyalty rewards is not a new concept for Malaysian companies but outsourcing the management of such programs is. There are various companies offering services such as reward marketing, application development, procurement and logistics in order to manage loyalty programs in Malaysia. However, only a couple of them have end-to-end solutions to take care of the entire value chain. These are AIM and Edasu Hiromori Sdn. Bhd.

Spending on loyalty forms a significant portion of the total advertising and promotion ("A&P") money being spent in Malaysia. Money spent on loyalty rewards programs accounted for 19% of the total A&P expenditure in 2005.

The expenditure is expected to increase from around RM2.05 billion in 2005 to around RM3.53 billion in 2010. The managed loyalty services market is expected to see a much higher Compound Annual Growth Rate ("CAGR") of 15.22% in the same period to reach a level of RM273.4 million.

(Source: Independent Market Research Report dated 28 February 2006 by Frost & Sullivan)

7.5 Demand and Supply Conditions

With an increasing number of companies deciding to focus on their core competencies, the managed loyalty services market has been growing at an impressive rate. This trend of outsourcing loyalty programs is widely adopted, with many companies willing to spend in order to get efficient customer information management and quality of service for their consumers.

The market for managed loyalty in 2005 was considerably small compared to the overall loyalty market (6.04% of the overall loyalty market) and is reflective of the scope for tremendous growth. Managed loyalty is expected to take off in a big way in Malaysia with more than 60% of all loyalty programs over the next five (5) years being outsourced to a certain degree.

The contribution of managed loyalty services to the overall loyalty revenue is expected to increase from 6.04% in 2005 to 7.74% by the year 2010. The need for retaining customers is gaining prominence as the market becomes increasingly competitive. The rapidly increasing popularity is also reflected in the expected CAGR of 15.22% from 2006 to 2010, a high growth, even though the managed loyalty market is growing from small base.

(Source: Independent Market Research Report dated 28 February 2006 by Frost & Sullivan)

7. INDUSTRY OVERVIEW AND OUTLOOK (Cont'd)

7.6 Differing Segments/Sectors

The loyalty management service providers cater to two (2) niche segments in the Malaysian market. These service providers deal with customers that are either private labels or a coalition of merchants.

In Malaysia's current market scenario, more and more organisations are putting loyalty programs into effect, as they are made aware of their extensive benefits. Retail outlets, banks, airlines etc. are spearheading the loyalty program initiatives. In addition to this, there are five (5) large coalition loyalty programs in Malaysia, each with a wide range of participating merchants maintaining the loyalty of an even larger consumer base. These are 'BonusLink', 'RealRewards', 'RewardStreet.com.my', 'Club2020.com' and 'Yes2NS'. Presently 63.6% of the loyalty programs being run in Malaysia are private label programs, the remainder being coalition programs.

Each of these market segments has their own set of advantages and disadvantages that have varying effects on them. Some banks prefer to run their loyalty programs as private labels as they are concerned about the security of their customer information database. Other retailers may choose to form a loyalty program under a coalition of companies to share and expand their combined pool of targeted customers. However, it is forecasted that the number of coalition programs should increase as the Malaysian loyalty market matures. Organisations will become more aware of the advantages a coalition program has to offer. The pros and cons of both the segments have been elaborated in greater detail in the following sections.

i. Private Label Loyalty Program

A private label loyalty program refers to maintaining the loyalty of consumers to a single organisation. Consumers could earn points by buying the products sold by the organisation or patronising the services it provides.

Currently in Malaysia, many organisations are managing such systems in house. However, organisations that are maximising the potential of their loyalty programs are benefiting and growing rapidly. What is becoming more apparent now is a trend towards outsourcing the management of such loyalty programs. As the Malaysian loyalty industry is now growing very rapidly, organisations find it more cost effective to outsource the management of loyalty programs. Several categories in the value chain can be outsourced to independent vendors. As the industry continues to grow, it would however be more effective to outsource loyalty management to a company that can provide the complete set of services in the value chain. This refers to handling of information to award point allocation, procurement as well as delivery of the rewards. The loyalty management services company would manage the loyalty system for the private label, aiding in the maintenance of business to customer loyalty. With the outsourcing of loyalty management, organisations can focus on their core businesses thus creating an effective business cycle where customer relations are given top priority.

Example of organisations in Malaysia offering private label loyalty program are MAS, UOB and the online shopping loyalty program launched by Visa International Service Association and Leo Smart Loyalty Management Sdn. Bhd.

ii. Coalition Loyalty Program

A coalition loyalty program refers to a program that maintains the loyalty of customers to a host of organisations. A loyalty management services company would take care of the management of the program. This would entail the entire value chain, from database management to logistics and delivery of rewards. The prevalent business model for coalition loyalty programs is when a host of merchants offer rewards and privileges to customers holding on to a loyalty card. The purchasing patterns of the customer would be influenced by the reward system in such a way that loyalty is maintained with all the participating organisations. The number and size of coalition loyalty programs in Malaysia are expanding very rapidly.

7. INDUSTRY OVERVIEW AND OUTLOOK (Cont'd)

In coalition programs, the loyalty management services company maintains loyalty at two levels. The first is B2B loyalty where participating businesses in the coalition stand to gain not only from the increased traffic by the pool of card-members, but by the shared database of information they have regarding their customers. The next level is B2C loyalty, where card-members remain loyal to the host of participating businesses.

Examples of coalition of companies in Malaysia would be the loyalty program facilitated by 'RealRewards' and 'Club 2020'.

(Source: Independent Market Research Report dated 28 February 2006 by Frost & Sullivan)

7.7 Industry Players and Competition

According to Frost & Sullivan, our Company and Edasu Hiromori are the only major industry players who provide end-to-end managed loyalty solution services in Malaysia. However, there are more than 170 other companies offering services for at least one component of the value chain. Some of these competitors are:-

- i. iSynergy Sdn. Bhd., a subsidiary of Advance Synergy Bhd;
- ii. Cardlink Systems, an international software company based in New Zealand;
- iii. Vericardsys.com Sdn. Bhd.; and
- iv. CSA (M) Sdn. Bhd., a subsidiary of Computer Systems Corporation.

(Source: Independent Market Research Report dated 28 February 2006 by Frost & Sullivan)

7.8 Laws and Regulations Governing the Industry and Peculiarity of the Industry

One of the main issues concerning loyalty programs is the privacy of the consumer. Loyalty program managers collect and store personal information about the consumer. The organisation knows everything about the consumer, their right address, and family particulars of spending habits that reflect the consumption patterns of the individual. For this reason, the loyalty management service provider needs to have an effective data security system in place. The Malaysian government has regulations in place to ensure that this is the case.

The regulations for information security are reflected in the Communications and Multimedia Act of 1998. The act reflects the objective of data protection, which is to protect personal privacy. The act effectively preserves personal privacy and also enables the enforcement of information processing standards.

In handling data, there are two main players. These are the data users and the data protection registrar. The data users are responsible for the data. The act dictates that the personal data obtained must have been done so lawfully and fairly. Data users must be transparent in the fact that the obtained data is used only for the registered purposes, and is disclosed only to registered recipients. All personal data obtained has to be justified as adequate, relevant and not excessive. Data users need to ensure that all the data is accurate and not outdated. Where there is a time-frame involved, the data cannot be kept for a longer time than required. Lastly, the data must be stored appropriately with an adequate level of security.

The powers of the data protection registrar include the refusal of registration. They are authorized to serve data users an enforcement notice to comply with the principles of the act. Other notices include the transfer prohibition notice and de-registration notice. If the registrar is faced with a non-compliant data user, they will have grounds to prosecute.

Once a loyalty service provider has met with the requirements of the act, it can proceed with the data collection process. However, the customer is aware of the amount of personal information the service provider is carrying. Loyalty programs need to be managed in such a way that it is made obvious to the customer that their personal information is being used effectively. If the organisation running the loyalty program can do this, the customer is not likely to have any issues with divulging personal data.

(Source: Independent Market Research Report dated 28 February 2006 by Frost & Sullivan)

7. INDUSTRY OVERVIEW AND OUTLOOK (Cont'd)

7.9 Industry Review and Outlook in China

In 2005, China's official GDP growth rate is estimated to be at a little over 8%. China is presently the fastest growing economy and the world's third largest market. During the past three (3) years, China has accounted for one-third of global economic growth, twice as much as US. Its staggering growth has even helped lift the economies of many other countries, due to the large amount of imports into the country.

This tremendous growth is prevalent across the verticals in China. The country's industrial output has surged by 50% over the last three (3) years. It is also responsible for one-third of the growth in global oil consumption and 90% of the growth in world steel demand. Over the past couple of decades, China's retail industry has been booming. In 2005, retail sales growth in China was the highest ever since 1997, at 6.1 trillion Yuan (US\$752.16 billion), equivalent to RM2,826.24 billion. With the influx of foreign retailers, local companies are responding with matching prices, volume and quality of service.

With the current state of China's economy, there is a tremendous amount of opportunity for loyalty management services across all verticals. The expectations of the average Chinese consumer have increased and they no longer are comfortable to patronize state-owned stores and unsanitary outdoor markets. This presents a unique opportunity for a loyalty services provider, who could help companies operating in China capture the loyalty of its humongous customer base.

China is emerging as a viable location for BPO. The nation offers high economies of scale that many organisations would want to capitalize on. Aside from low labour costs, there is a growing population of skilled workers with the required linguistic skills. This translates into the country also establishing itself in the field of Loyalty Program Management. Companies operating in such a scenario are in a position to cater not only to the domestic market, but to the rest of the region as well.

Frost & Sullivan believes that the total expenditure for loyalty services in China is RM7.56 billion in 2005. This number is expected to grow as the China market becomes more saturated and competition increases. Companies will then start investing more money into the retention of regular customers. Companies offering effective loyalty programs to their customers would be able to capture the lion's share of the world's most populous nation. However, loyalty management companies that gain a foothold in China at this early stage will have an advantage as the barriers to enter the market now are lower.

(Source: Independent Market Research Report dated 28 February 2006 by Frost & Sullivan)

7.10 Industry Review and Outlook in Indonesia

Indonesia is a large nation with a variety of cultures and languages. The country is backed by a government that is said to be committed to maintaining sound macroeconomic policies that had been established under International Monetary Fund ("IMF") guidelines. In 2005, the country's GDP growth rate is estimated at 5.3%. Indonesia's improving financial situation has added resilience to the economy and put it in a good position to cope with the situation.

Indonesia's oil industry is one of the oldest in the world, dating back to 1883 and today has a production capacity of 1.7 million barrels per day. Today, the oil and gas sector is one of the verticals driving the Indonesian economy, along with the communications and retail sectors. Over the past few decades the Indonesian retail industry, borne out of traditional markets has blossomed into a plethora modern departmental stores and shopping malls. This development however, has been localized to Jakarta and several surrounding cities. These shopping malls, attracting a large consumer base of locals and tourists have significantly developed Indonesia's retail sector.

The BPO industry is expected to grow in Indonesia. The nation's low labor costs coupled with the improving financial situation make it increasingly attractive for foreign organisations. With BPO becoming more established, outsourcing management of loyalty programs will become an increasingly viable option to organisations having loyalty programs.

Where loyalty programs are concerned, the retail sector is the most promising. The industry was seriously hit in 1998 as a result of the severe depreciation of the country's currency, Rupiah, and the

7. INDUSTRY OVERVIEW AND OUTLOOK (Cont'd)

May 1998 riots. The industry began to recover in 1999 with the stabilization of Indonesia's social and political conditions. The recovery of the retail industry has also been driven by strong domestic consumption, which functions as a primary factor in improving the country's economy amid declining exports and investment. The expenditure on loyalty programs in Indonesia is RM4.3 billion for the year 2005. This number is expected to grow as the retail sector expands across the nation and competition becomes stiffer.

(Source: Independent Market Research Report dated 28 February 2006 by Frost & Sullivan)

7.11 Industry Review and Outlook in Thailand

The current economic scenario in Thailand is the best the country has seen since the global economic downturn of the late nineties. However, compared to the past GDP growth of 6.7% year on year, in 2005 the Thailand GDP saw a moderate growth of 4.7%. The net disposable income has also experienced a growth in the country with people willing to spend money on items other than necessities. The outbreak of Severe Acute Respiratory Syndrome in 2003 forced a small contraction in the growth of the Thai economy, but the markets picked up in the later years as many projects that were put on hold, were revived. The country now targets a 6% GDP growth in 2006 and export revenues of US\$130 billion (RM486.76 billion).

The vertical markets that are driving the economy currently are manufacturing, banking, telecom and outsourcing services. These industries have seen substantial growth over the past few years, and are expected to continue this dominant position in the economy. The manufacturing sector alone contributes 38% to the country's GDP, followed by services such as banking, tourism, communications etc. As the economy expands, both, the number of companies offering products and the number of people willing to buy has been increasing at a rapid pace. This has ensured stiff competition in the market, thereby forcing the manufacturers and service providers to look for ways to retain customers. The loyalty market in Thailand is currently in the early stages of its development. It is only in recent years in Thailand that loyalty is being seen not only as a tool for customer retention but also customer acquisition.

Most of the loyalty programs in Thailand are private labels, with coalition programs contributing a relatively small amount to the total loyalty revenues in the country. Frost & Sullivan estimates the loyalty program expenditure in Thailand to be worth RM1.46 billion in 2005. This is expected to increase considerably over the next five (5) years with double digit growth rates being experienced year-on-year.

The Thai government is encouraging BPO initiatives in the country, as it too strives to get on the profitable outsourcing bandwagon in South Asia. The country has the infrastructure and the skill set required for providing such services. An increasing number of companies are now looking for third party service providers for outsourcing their business processes. This trend will affect the loyalty industry as well, as companies would not be averse to the idea of outsourcing their loyalty programs.

The loyalty schemes currently being offered by even the largest of program managers are not as sophisticated as those being offered in other countries of the region. Thus, any company having the ability to structure and provide complete loyalty management stands to gain plenty in the Thai markets if it enters at this early stage of its development.

(Source: Independent Market Research Report dated 28 February 2006 by Frost & Sullivan)

7. INDUSTRY OVERVIEW AND OUTLOOK (Cont'd)

7.12 Our Future Prospects and Plans**7.12.1 Future Prospects**

We are confident of the future prospects of our Group and believe that we are ideally placed to capitalise on the present opportunities to achieve our future business development plans to fulfil our vision and mission.

The opportunities for our business are favourable, riding on the robust market of the niche segment to provide loyalty services outsourcing options for companies to better manage their customer database.

According to Frost & Sullivan, the Malaysian managed loyalty services market is expected to grow at a significant rate over the next few years. This would be mainly due to an increasing realisation on the part of companies of the benefits of outsourcing loyalty programs.

Our Directors believe that our Group's strength lies in our experienced management team, strong technical skills, proven track record with established players and our innovative services. Based on our track record, market presence and the list of our existing and potential customers for our BPO services in the loyalty-marketing solutions, our Directors believe that we are well positioned to increase our market share and achieve our mission.

7.12.2 Future Plans

In order to achieve our mission to become a leading BPO provider of integrated loyalty management solutions in the region, we plan to deploy the following strategies:-

- (a) To continue with our R&D activities to increase our service offerings by developing new applications and modules and enhancing current ones.

We will continue to develop and enhance our service offerings via our Company with the objectives to:-

- to provide an even more comprehensive and integrated BPO loyalty-management solution to our clients;
- to launch new services; and
- to enhance our current managed loyalty solutions such as the Business Intelligence Engine module in order to offer more advanced services.

- (b) Deepen and broaden relationship with existing clients

Via this strategy, we will bring the loyalty program to other business segments of our existing clients or offer other services to our existing clients. We will also broaden the range and brands of the redemption products in order to satisfy our clients.

- (c) Create direct channels to members of our clients' loyalty program

Our ranges of products are currently offered to our clients' customers as part of the procurement and fulfilment services for the redemption of points earned. As such, we would like to make use of this extensive range of goods to create new direct channels to members of our clients' loyalty program with the consent of the loyalty program owners. An example of this strategy is to create our own mail order catalogue and insert this catalogue into the reward program statement of our clients.

7. INDUSTRY OVERVIEW AND OUTLOOK (Cont'd)

(d) To acquire new clients

We have identified the following five (5) industries which have the greatest demand for customer loyalty services due to their competitive industry environment, and the exciting and potential growth opportunities that warrants companies in these industries to acquire and retain customers: -

- FMCGs (including oil & gas);
- Financial institutions (banks and insurance companies);
- Retail (including hypermarkets and department stores)
- Telecommunications; and
- Transport (including airlines and motor vehicle dealerships)

Our strategy will be to continue to build upon our market share by acquiring more clients in the FMCG, financial institutions and retail industries and by penetrating the telecommunications and transport industries for clients.

(e) To consider forming joint ventures, alliances and mergers and to acquire complementary businesses and distributorships

We plan to expand our business in the next five (5) years through acquisitions, joint ventures and strategic alliances that will complement our current and future businesses. Our Directors believe that suitable acquisitions, joint ventures and strategic alliances will give access to new markets and clients as well as new businesses.

Under this strategy, we will also pursue growth by actively seeking out companies to acquire or form joint ventures with in the field of public relation consultancy, online loyalty program portal development and integrated communication services.

(f) Regional expansion

We are also seeking to further broaden our geographical coverage by expanding and making inroads into countries such as Indonesia, PRC and Thailand in view of the opportunities present in these targeted countries as highlighted in the Independent Market Research Report by Frost & Sullivan.

(g) Brand building and promotion

We will continuously seek to build upon our brand, corporate image and reputation. By positioning and projecting ourselves as a Group which can offer one-stop, total integrated loyalty management solutions, we will be able to compete more effectively against our competitors and to also increase the barrier of entry to prospective players. We believe that consistent delivery of quality services and products and the ability to come up with new and/or enhanced services and products would set us apart in the industry and help grow our brand.