4 INFORMATION ON THE COMPANY

4.1 HISTORY

4.1.1 BACKGROUND

Global Soft was incorporated in Malaysia on 30 November 2000 under the Act as a private limited company with the name of Competitive Design Sdn. Bhd. On 27 March 2001, the name of the Company was changed to Global Soft (MSC) Sdn. Bhd. It was subsequently converted into a public limited company on 22 October 2001 and assumed its present name. The current authorised and issued and paid-up share capital of the Company is RM5,000,000 comprising 50,000,000 Global Soft Shares and RM3,280,000 comprising 32,800,000 Global Soft Shares respectively.

The Group is principally involved in the R&D of software, system design, integration and installation, and provision of IT services.

Recognising the market potential for ERP software for the SME market in South East Asia, the founders of Global Soft, namely Koh Kean Mum and Low Kok Thai, established Jestell in 1997, which carried out software development and provision of software consultancy services. Jestell commenced business in October 1997 with an integrated financial accounting software comprising six (6) modules, namely General Ledger, Accounts Payable, Accounts Receivable, Inventory Control, Sales Management and Purchases Management.

In November 1998, the financial accounting software was improved and expanded to encompass an enterprise wide solution, forming the "Global Soft ERP Solution" as detailed in Section 4.3 of this Prospectus. The "Global Soft ERP Solution" has been continuously improved with increased functionality and applications by the Group's R&D team. It comprises 20 different modules which covers business departments such as finance, logistics, distribution, manufacturing, procurement and storage.

Global Soft and Jestell undertook a restructuring exercise to facilitate the Company's bid for MSC status. The restructuring exercise involved the transfer of the businesses, assets and liabilities of Jestell to Global Soft (save for a minimal amount) for a consideration of RM256,231. Global Soft, then a dormant company, acquired the business of Jestell in order to maximise tax incentives granted in conjunction with the MSC status. Upon completion of the restructuring exercise in February 2001, Global Soft immediately commenced business while Jestell ceased to be involved in software and IT activities.

In March 2001, Global Soft expanded its suite of business solutions to encompass software for the haulage and logistics industry, which is marketed under the product name "Global Soft Prime Haulage Solution". The move to focus on the transportation sector is part of the Group's strategy to develop software for key growth industries in Malaysia.

In September 2002, Global Soft completed the development of a new software targeted at the entertainment and leisure industry namely "Global E-Ticketing System". This software is a point of sales ticketing solution targeted at amusement parks, theme parks, carnivals, fun fairs and other leisure industry which involves the sale of tickets.

4   INFORMATION ON THE COMPANY (Cont'd)

The Company has one (1) subsidiary as follows:-

Name of company	Date and place of incorporation	Equity interest (%)	Date of acquisition	Principal activity
Global Soft (PG)	9 October 1999/ Malaysia	90.0	16 May 2001	Marketing of Global Soft ERP Solution

Global Soft has no associated companies.

4.1.2   RESTRUCTURING EXERCISE

In conjunction with and as an integral part of the listing of and quotation for the entire issued and paid-up share capital of the Company on the MESDAQ Market, the Company undertook a restructuring exercise which was approved by the SC and KLSE on 19 August 2002 and 21 August 2002 respectively. The restructuring exercise involved the following steps:-

(i)   Share Sub-Division

The Share Sub-Division involved the sub-division of the Company's 1,500,000 ordinary shares of RM1.00 each into 15,000,000 ordinary shares of RM0.10 each.

The Share Sub-Division was effected on 13 September 2002.

(ii)   Dividend Declaration

Global Soft declared an interim tax exempt dividend of 57.1% for the financial year ended 31 December 2002 to the existing shareholders of Global Soft on 11 November 2002. The dividend was declared out of the retained earnings of the Company and completed on 18 November 2002.

(iii)   Rights Issue

The Company carried out a rights issue of 17,800,000 new Global Soft Shares at an issue price of RM0.10 each on the basis of approximately 1.19 new Global Soft Shares for every one (1) existing Global Soft Share held before the Rights Issue. The Rights Issue was completed on 18 November 2002 and all shares pursuant to the Rights Issue rank pari passu in all respects with the then existing Global Soft Shares.

Upon completion of the Rights Issue, the issued and paid-up share capital of Global Soft increased from RM1,500,000 comprising 15,000,000 Global Soft Shares to RM3,280,000 comprising 32,800,000 Global Soft Shares.

4   **INFORMATION ON THE COMPANY (Cont'd)**

(iv)   **Private Placement**

In conjunction with the listing of and quotation for its entire issued and paid-up share capital on the MESDAQ Market, Global Soft will issue 10,000,000 new Global Soft Shares at an issue price of RM0.495 per share to pre-identified eligible employees of the Group, individuals, companies, societies, co-operatives and institutions by way of private placement. The issue of new shares is the subject of this Prospectus.

Upon completion of the Private Placement, the issued and paid-up share capital of Global Soft will increase from RM3,280,000 comprising 32,800,000 Global Soft Shares to RM4,280,000 comprising 42,800,000 Global Soft Shares.

(v)   **Listing and Quotation on MESDAQ Market**

Upon completion of the Private Placement, the entire issued and paid-up share capital of Global Soft of RM4,280,000 comprising 42,800,000 Global Soft Shares will be listed on the MESDAQ Market.

4.2   SHARE CAPITAL

The authorised share capital of Global Soft is RM5,000,000 comprising 50,000,000 Global Soft Shares. As at 31 December 2002, the issued and paid-up share capital of the Company is RM3,280,000 comprising 32,800,000 Global Soft Shares credited as fully paid-up. Upon completion of the Private Placement, the issued and paid-up share capital of the Company will increase to RM4,280,000 comprising 42,800,000 Global Soft Shares credited as fully paid-up.

Details of the changes in the issued and paid-up share capital of the Company since its incorporation are as follows:-

Date of allotment	No. of ordinary shares allotted	Par value RM	Consideration	Resultant Issued and paid-up share capital (Cumulative) RM
30.11.2000	2	1.00	Subscribers' shares	2
16.04.2001	99,998	1.00	Settlement of advances	100,000
31.07.2001	467,401	1.00	Settlement of advances	567,401
12.08.2001	682,599	1.00	Capitalisation from retained profits	1,250,000
17.08.2001	250,000	1.00	Cash	1,500,000
13.09.2002	13,500,000	0.10	Subdivision of RM1.00 par value shares to RM0.10 par value shares	1,500,000
18.11.2002	17,800,000	0.10	Cash and settlement of debts	3,280,000

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

4   **INFORMATION ON THE COMPANY (Cont'd)**

4.3   **BUSINESS OVERVIEW**

4.3.1   **PRINCIPAL ACTIVITIES**

The Group is principally involved in the research and development of software, system design, integration and installation, and provision of IT services. The business software solutions of the Group are developed in-house by its team of application developers and consists of the following:-

(i)   Global Soft Finance Solution;
(ii)   Global Soft Distribution Solution;
(iii)   Global Soft Logistics Solution;
(iv)   Global Soft Manufacturing Solution;
(v)   Global Soft Quality Management Solution;
(vi)   Global Soft Prime Haulage Solution; and
(vii)   Global E-Ticketing System.

The Global Soft Finance Solution, Global Soft Distribution Solution, Global Soft Logistics Solution and Global Soft Manufacturing Solution can be integrated to collectively form the Global Soft ERP Solution, which is the Group's principal product. Global Soft ERP Solution is also capable of integrating with third party software but this is dependent on the technology used and the availability of integration modules.

As part of its total solutions services, the Group also sources and provides third party software and hardware to its customers.

4.3.2   **PRODUCTS AND SERVICES**

PRODUCTS

The details of the abovementioned business software solutions of Global Soft are as follows:-

(i)   **Global Soft Finance Solution**

The Global Soft Finance Solution can be integrated with the Global Soft Distribution Solution, Global Soft Logistics Solution and Global Soft Manufacturing Solution. By utilising this application software, transactions within an organisation can be automatically updated and viewed through common input procedures. Extensive financial reports across all ledgers, accounts and accounting periods can be generated to facilitate financial analysis and timely decision making. Global Soft Finance Solution caters for up to eight (8) levels of cost/profit centres to be set up within the system, enabling management of an organisation to derive specific data by "zooming" down to each defined cost/profit centres. In addition, it allows users to monitor and track every order entry, in order to streamline workflow and facilitate resource allocation. The Global Soft Finance Solution supports a multi-user environment and provides fully automated order entry and inventory processing.

4   **INFORMATION ON THE COMPANY (Cont'd)**

The Global Soft Finance Solution consists of the following six (6) modules:-

- General Ledger System;
- Debtor Ledger System / Accounts Receivable;
- Creditor Ledger System / Accounts Payable;
- Cash Book & Bank Reconciliation;
- Financial Statement; and
- Fixed Assets.

(ii)   **Global Soft Distribution Solution**

The Global Soft Distribution Solution is designed to address the information systems requirements of the distribution and inventory management processes of an organisation.

The Global Soft Distribution Solution consists of the following seven (7) modules:-

- Inventory Control System;
- Lot Tracking System;
- Distribution Costing System;
- Purchase Control System;
- Sales Control System;
- Purchase Pricing System; and
- Sales Pricing System.

The Global Soft Distribution Solution:-

(a)   tracks stock movements from the time an internal requisition is raised until the goods are sold. It supports the weighted average and standard material costing methods;

(b)   allows for the entering and approval of internal requisitions up to purchase orders. It also provides information on suppliers and their quality of services, agreed pricing, purchasing trends and lead time requirements; and

(c)   enables customers' information, discount structure, agreed pricing, sales orders and invoicing be automated.

(iii)   **Global Soft Logistics Solution**

The Global Soft Logistics Solution offers features such as warehouse optimisation and zoning, transportation fleet management, transportation cost management and shipment scheduling. This allows users to have on-line information on their day-to-day logistics operational tracking. It can be integrated with a bar-code system as may be implemented by customers for a more efficient management of cargo movements. The Global Soft Logistics Solution combined with the Global Soft Distribution Solution provides a useful and efficient operational tool for a customer's distribution and logistics operations.

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4   **INFORMATION ON THE COMPANY (Cont'd)**

(iv)   **Global Soft Manufacturing Solution**

The Global Soft Manufacturing Solution addresses the information systems requirements of the manufacturing process of an organisation. The Global Soft Manufacturing Solution consist of the following six (6) modules:-

- Bill of Material;
- Shop Floor Control;
- Master Production Scheduling;
- Material Requirement Planning;
- Capacity Requirement Planning; and
- Production Costing.

The Global Soft Manufacturing Solution allows the user to support both the manufacturing and engineering bills so that the user may track engineering, manufacturing, and re-manufacturing types. In addition, with effective change order capabilities, the user has complete control over the products and process definitions. Purchasing bills are also available to provide detailed information on the suppliers and their quality of services.

The Global Soft Manufacturing Solution also helps to predict, monitor and control production work flow to ensure production is on schedule. The system also caters for the outsource of work-in-process to vendors for assembly. The system is useful in enabling commitment to sales delivery schedules. In addition, the system has a production floor scrap control system which prompts for action when scrap levels are above acceptable range.

The Master Production Scheduling module:-

(a)   provides an organisation with the functions and flexibility to cater for the changing economic demand in managing sales forecasts and production scheduling; and

(b)   allows a user to assess the organisation's resource capacity using the rough-cut capacity scheduling.

The Global Soft Manufacturing Solution encompasses a Material Requirement Planning system that:-

(a)   helps a user to plan and control an organisation's production processes;

(b)   supports flexible production period;

(c)   enables a user to receive timely information to manage and control supplies and production to meet customers demands, while taking into account the – production changes and costs; and

4   **INFORMATION ON THE COMPANY (Cont'd)**

(d)   enables the evaluation of the impact of Material Requirement Planning orders against available production capacity so as to assist a user in making production decisions. It will automatically alert the user to any exceptions, over or under capacity of productions based on the user's predefined requirements.

The Production Costing module allows the calculation of the actual cost of a single product including the costs of raw material and production. The Global Soft Manufacturing Solution is able to handle two (2) types of costing methods namely the weighted average cost method and the standard cost method.

(v)   **Global Soft Quality Management Solution**

Manufacturers and organisations have long regarded ISO certification as a testimony of stringent quality management procedures.

The Global Soft Quality Management Solution is designed to assist an organisation in obtaining and maintaining its ISO certification. The Global Soft Quality Management Solution enables an organisation to track and monitor its business documentation at each level of approval in the corporate hierarchy. The software reduces substantially paperwork, time and costs taken in each transaction process.

The key features of the software include, amongst others, on-line updated manual, workflow approval cycles, documents version control, internal quality audits and ranking of vendors in terms of quality of service. The workflow approval cycle can track the approval status for each document and at which stage of the approval the document is at. The document would automatically escalate to a higher authority should the original approver fail to review the document within the given time frame which is set in the system.

(vi)   **Global Soft Prime Haulage Solution**

In March 2001, Global Soft expanded its suite of business solutions to encompass software for the haulage and logistics industry, which is marketed under the product name "Global Soft Prime Haulage Solution". The move to focus on the transportation sector is part of the Group's strategy to develop software for key growth industries in Malaysia.

The Global Soft Prime Haulage Solution facilitates the management of logistics operations. The key modules of this software include consignment management, transportation scheduling, prime-mover tracking, haulage rate management and incentive management, which would allow a user to plan, control, manage and optimise resources. The Global Soft Prime Haulage Solution can be integrated with the Global Soft Finance Solution to deliver up-to-date information of financial reports and analysis for decision making.

4   INFORMATION ON THE COMPANY (Cont'd)

(vii)   **Global E-Ticketing System**

In September 2002, Global Soft expanded its suite of business solutions to encompass a software which is marketed under the product name "Global E-Ticketing System". The Global E-Ticketing System provides a point of sales ticketing solution targeted at amusement parks, theme parks, carnivals, fun fairs and other leisure industry which involve the sale of tickets. The Global E-Ticketing System is developed and designed using the Microsoft Windows platform. The system can be easily customised through its built–in parameter control module whereby the front-end icons can be user defined with unlimited sub-levels of icons, thus facilitating maintenance.

The system can be integrated with most of the available hardware such as cash registers, customer display units, turnstiles, wrist band printers, bar code scanners and magnetic stripe readers, allowing for greater flexibility to mix and match hardware components required. The Global E-Ticketing System also runs on a network environment. This allows on-line real-time information on the operations such as the number of visitors at any one point in time.

As the Global E-Ticketing System is also designed to support touch screen monitors, the system is user friendly, therefore only minimal training is required. Graphical images can be added into the system to make learning more interesting.

The Global E-Ticketing System consists of the following modules:-

- Tickets Sales Module;
- POS Module;
- Access Control Module; and
- Card Membership System.

(a)   **Tickets Sales Module**

The Ticket Sales Module caters for various types of ticket sales such as:-

- Agent ticket sales – pre-determined discount amount can be set for different tiers of agents;

- Membership entries – the system can be setup from the membership system to allow for free entry and the parameter settings would be able to define the number of times the member is allowed to gain entry by day, week, month or year;

- Pre-sold tickets – from the backend ticket sales module, pre-sold tickets can be printed, tracked, scanned and validated before entry is permitted;

- Discount cardholders – Discount cardholders would be able to get the appropriate pre-determined discount; and

4   INFORMATION ON THE COMPANY (Cont'd)

- Special passes – where required, special free of charge entries would be allowed. This function is for authorised users only.

Its front end system offers different modes of payment such as:-

- Credit customers – where regular customers such as tour agents would be able to use this credit facility up to a pre-determined amount;

- Debit customers – Agents and large organisations would be able to debit payment and utilised it later. Statement of Accounts would also be issued;

- Cash customers;

- Credit card payments – the system can accept major credit cards; and

- Cash/Gift vouchers – visitor can choose to pay with a valid cash or gift voucher.

(b)   POS Module

The Global E-Ticketing System has a special option called e-credit whereby a pre-determined credit can be loaded on to the users' wristband. The user can then make purchases within the designated outlet by utilising the credits on the wristband. This transaction is done via the e-credit POS module which can be integrated with an existing POS system or run on its own. As such, the user can travel around the theme park without carrying cash.

(c)   Access Control Module

The Access Control Module controls entry via the turnstile. The turnstile would have a bar code reader to read the wristband of the visitor. Upon entering a designated place such as a theme park, the Global E-Ticketing System would not allow re-entry for a visitor whose wristband has been registered. This would reduce fraudulent entries. However, should the visitor require to exit and re-enter the park, the Global E-Ticketing System would capture the exit and allow an entry later.

The system can also keep track of individual wristbands sold but not used. Should a visitor try to enter the theme park at a later date, the Global E-Ticketing System can programme the setup to allow or deny access. This is particularly useful in preventing tickets sold during a promotional period from being utilised during a non-promotional period.

4   INFORMATION ON THE COMPANY (Cont'd)

(d)   **Card Membership System**

The Card Membership System allows the creation and maintenance of membership and employee cards. Information on members and employees can be electronically stored in the magnetic strip on the card. This would facilitate validation of cards. Lost or stolen cards can also be traced easily thus preventing fraudulent use of cards. The system also caters for renewal of membership and replacement of lost cards.

SERVICES

Global Soft also provides the following services:-

(i)   **Software design, customisation and implementation**

As business processes and management information systems requirements vary for each customer, the Global Soft ERP Solution is normally customised to suit each customer's specific requirements. The customer may require additional specific features which are not available in the Global Soft ERP Solution. In such instances, Global Soft would then design and develop such required additional modules.

(ii)   **Software training**

Global Soft provides software training services to customers upon completion of the installation phase of its software. The Group would send staff to train the customers on the usage of software.

(iii)   **Software maintenance**

Upon completion of a software implementation project or the expiry of warranty period, the Group may enter into contracts with customers to provide maintenance services. Currently the maintenance contract is not compulsory and is only signed upon the request of customers.

(iv)   **Supply of third party software and hardware**

In an effort to provide a total solution to customers, the Group also sources for and supplies the following:-

(a)   Software such as Microsoft Windows, Microsoft Windows NT Server, Microsoft Windows 2000 Server, Microsoft Office Professional, Microsoft Visual Basic, Seagate Crystal Report Writer, Oracle Database, Lotus Notes, Lotus Domino and WEB Mail; and

(b)   Hardware such as IBM Netfinity Servers, IBM Desktop PCs, Twinhead Notebooks, Toshiba Notebooks, Intel Processor based Personal Computers, LAN structured cabling, D-link Network Equipment, Data Storage Equipments, 3COM Network Equipment, HP Servers and HP Desktop Personal Computers.

4   **INFORMATION ON THE COMPANY (Cont'd)**

Global Soft sources the abovementioned third party software and hardware from the following:-

(a)   Jardine OneSolution (2001) Sdn Bhd, a distributor of hardware and software for major suppliers such as Microsoft, Compaq, 3Com, HP, Citrix, Veritas, Xircom etc; and

(b)   Mesiniaga Berhad, an authorised distributor of IBM products.

Currently, the Company is a business partner of IBM. Under the IBM Business Partnership, Global Soft can:-

(a)   have access to IBM's special project pricing;

(b)   participate in events and exhibitions organised by IBM; and

(c)   attend seminars for IBM's business partners which provide updates on IBM's latest products and services.

Training sessions are provided by IBM to enhance the sales and technical knowledge of its business partners. IBM also provides its business partners with the facility of resources for product demonstration.

4.3.3   TECHNOLOGY AND INTELLECTUAL PROPERTY

Technology

The Group's ERP solution is a modern resource planning system which replaces older MRP-II solutions with a single, packaged software solution that integrates all traditional enterprise management functions.

For system design, Global Soft adopts a client server architecture which is a newer technology compared to older server architecture. Server technology is where the server would have to carry out all the data manipulation and processing while the client workstation would only have the "display" function in presenting the information to the user. In such a design, the server would have very heavy processing tasks and this would cause undesired output when it comes to performance measurement. In addition, there would be a risk of system failure whereby if the server is disrupted or better known as "system hang" due to the heavy processing, the entire client workstations would have to stop work until the server is recovered. Usually to overcome some of these issues, users often end up upgrading the servers and would end up with a higher cost of investment.

Client server architecture utilises data processing and calculation processing capabilities of the individual desktop computer (client) whereas the server would only require to serve the database information to the respective clients. With the client server architecture, users of the Group's software are not required to consistently upgrade their servers, thus reducing hardware investment costs. More importantly, processing ability is kept to an optimum as the processing is shared throughout the entire network clients. Furthermore, in the event of a client workstation breakdown, it would not affect other client workstations and the system would still be able to operate.

4   INFORMATION ON THE COMPANY (Cont'd)

Global Soft also adopts an open platform database structure whereby users have the option of selecting their preferred database such as Microsoft SQL and Microsoft Access. Some of the Group's competitors are running on proprietary database systems which often does not allow the users to switch to a third party database system. This would present a limitation in terms of scalability and the ability to upgrade their systems.

In terms of Global Soft's software development platform, database design, system architecture and operating systems adapted, the Group uses open technology which would allow for future improvements and enhancements to be incorporated. In its software programming, the Group also adopts the object-oriented programming technology for building applications based on reusable objects or components. The Board believes that the usage of object-oriented programming technology has greatly reduced the development cycle and lowered development and maintenance costs of its software compared to the traditional programming methods.

The Group utilises various software development tools for R&D such as Microsoft Visual Basic, Microsoft Access, Microsoft SQL Server and Crystal Report. Visual Basic is a set of tools to simplify rapid application development. Microsoft Access and SQL Server are relational database management systems used for storage of large volumes of transaction-based data. Crystal Report is a development tool to deliver various reports in both Windows and web applications.

Intellectual Property

On 6 February 2002, Jestell entered into two (2) deeds of assignment with Global Soft. The first assigned the copyright of the business software solutions developed by Jestell to the Company. No consideration was payable as the assignment formed part of the MSC Restructuring Exercise.

The second deed of assignment involved the transfer by Jestell to Global Soft all rights relating to the "GLOBAL & Device" and "Global Soft" trademarks including unlimited global rights to use and apply for registrations of the said marks in relation to all classes of goods and services for a cash consideration of RM400,000. Application to register "GLOBAL & Device" and "Global Soft" trademarks were submitted to the Registrar of Trademarks, Malaysia on 17 January 2002. The purchase consideration of RM400,000 was arrived at on a willing-buyer willing-seller basis after taking into consideration the total PAT of Jestell from 3 September 1997 (date of incorporation) to 31 December 2000 of approximately RM568,000 as follows:-

Financial year ended 31 December	Profit/(loss) after taxation RM'000
Period from date of incorporation (3 September 1997) to 31 December 1998	(51)
1999	184
2000	435
Total	568
Purchase consideration at	**400**

4   **INFORMATION ON THE COMPANY (Cont'd)**

The purchase consideration of RM400,000 represents a discount of 29.6% to the abovementioned total PAT of approximately RM568,000. The Board is of the view that the trademarks carry the goodwill of the business, which was profitable for the two (2) financial years ended 31 December 2000.

4.3.4   OPERATING MECHANISMS

The Group bids for new contracts through direct and indirect marketing approaches and through referrals from its customers and strategic partners such as IBM. The Group would first review the customer's requirements and conduct a system study and then determine if the Group is able to meet the requirements. The Group also negotiates and finalises any contractual agreements with third party hardware/software vendors, if required before preparing and submitting a proposal to the prospective client.

4.3.5   MARKET COVERAGE, POSITION AND SHARE

Based on IDC's Malaysia ERM 2001 report, in terms of vendor share, SAP finished at the top of the list in the Malaysian ERM applications market. SAP increased its market share from 38.2% in 1999 to 41.4% in 2000. The second was JD Edwards with 5.3% and the third was PeopleSoft, which improved their market share by 1% from 1999 to 3.3% in 2000. The top ten ERM vendors which are all overseas software developers accounted for 67% of total market in Malaysia in year 2000.

The Group does not have a substantial market share and position currently as its products were only sold from November 1998 under Jestell, thereby having a short product history. Nevertheless, the Board believes that it is one of the few locally-owned companies with proprietary ERP software and possessing R&D capability to develop such software. As the ERP software market in Malaysia is very dependent on imported foreign software, the Board believes that opportunities exist for the Group to increase its market share.

4.3.6   SIGNIFICANT NEW PRODUCTS OR SERVICES

Global Soft's next milestone is to web-enable its entire ERP application. The web-enablement of the software would allow its customers to have B2B and B2C communication. Furthermore, with the web-enabled capabilities, Global Soft would be able to implement the software for sites which may geographically cover a large area or separate locations. For example, some manufacturers may have one or more manufacturing plants located at different locations operating under one management. A web-enabled version would allow easier access for the remote factory to gain access into the ERP system to gather the necessary information or job order for the production planning to commence.

The web-enabled version would also allow for B2B transactions whereby customers of the manufacturers, after due security validation, can connect to the database of the manufacturer and look for the latest products. The end customer can then place an order on-line without needing to go through the traditional steps of obtaining a sales quotation from the manufacturer and then later having to issue a purchase order. The end customer would also be able to access certain information such as knowing the production phase of their order and make the necessary enquiry on the status of their order.

4   **INFORMATION ON THE COMPANY (Cont'd)**

As for the management team of the manufacturer, they would be able to monitor and manage their business remotely via the Internet. They would be able to gain access to the central ERP system and obtain the necessary information for decision making such as knowing their current sales figures as well as the expenses of their organisation. The system may be utilised for their salesman to gain access into the system to enquire any detailed product information as well as the latest pricing quotations without requiring physical presence in the office premises.

4.3.7   PRINCIPAL MARKETS

The Group's software solutions are primarily targeted at four (4) sectors of the Malaysian economy, i.e. manufacturing, trading and distribution, transportation and entertainment and leisure. The target markets are illustrated as follows:-
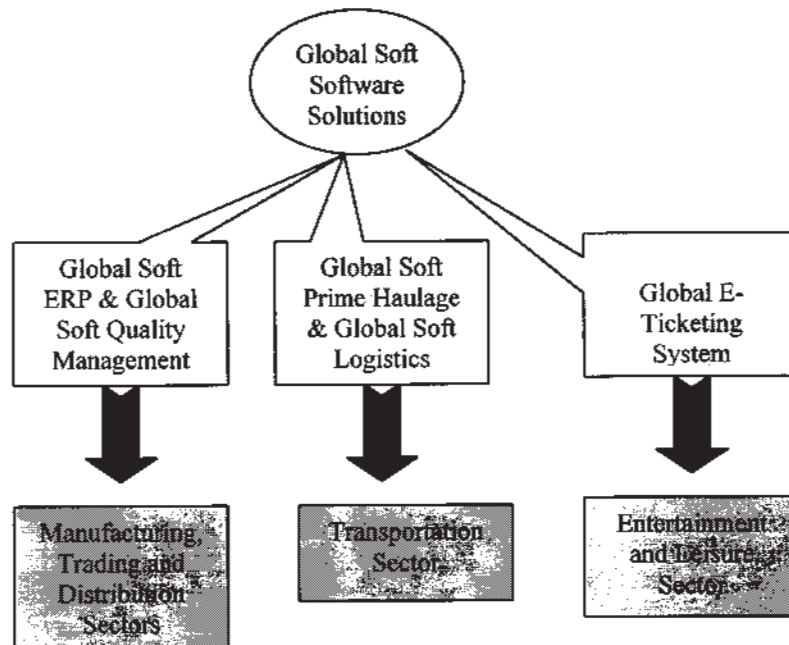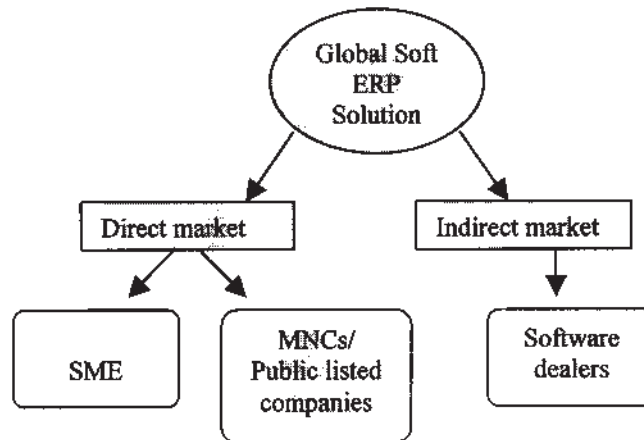

Global Soft ERP Solution

Global Soft ERP Solution software is targeted mainly at the manufacturing industry as the manufacturing industry forms the backbone of the Malaysian economy. The manufacturing sector is expected to contribute approximately 30.4% to the GDP of Malaysia in 2002. *(Source: Economic Report 2002/2003)*. It is generally recognised that ERP solutions form the backbone of manufacturing companies IT requirements. The Global Soft ERP Solution, after modification, is also usable in other sectors such as the trading and distribution, construction and property sectors. Nevertheless, the Company's immediate focus is on the manufacturing, trading and distribution sectors due to its vast experience in servicing these sectors and its database of software configurations available for these sectors.

4   INFORMATION ON THE COMPANY (Cont'd)

Global Soft positions itself as an IT solution provider of ERP software to three (3) distinct market segments as follows:-

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                    ┌─────────────┐
                    │ Global Soft │
                    │    ERP      │
                    │  Solution   │
                    └─────────────┘
                    ╱             ╲
        ┌───────────────┐   ┌─────────────────┐
        │ Direct market │   │ Indirect market │
        └───────────────┘   └─────────────────┘
          ╱         ╲                  │
    ┌───────┐  ┌──────────┐     ┌──────────┐
    │       │  │  MNCs/   │     │ Software │
    │  SME  │  │ Public   │     │ dealers  │
    │       │  │ listed   │     └──────────┘
    └───────┘  │ companies│
               └──────────┘
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(a)   SME

The first market segment that Global Soft focuses on is the SME market. SME assumes a vital role in the overall economic development as they can contribute significantly in terms of employment generation, value added and output of the manufacturing sector.   In order to further enhance their contributions to the economic growth of the country, the Government has established SMIDEC to further promote the development of SME through the provision of advisory services, fiscal and financial assistance, infrastructural facilities, market access and other support programmes.

(Source: www.smidec.gov.my)

In approaching this market segment, the Company positions its ERP software solution as an entry-level ERP software which is affordable to the SMEs.   Based on the experience of Executive Directors of Global Soft, the SME sector is characterised with a lower IT budget and has low awareness of ERP solutions.   Hence, the SME sector is largely untapped, as SME companies could not afford more expensive ERP software offered by foreign software developers such as SAP, Baan, Oracle, Peoplesoft, JD Edwards, etc.   Global Soft has been successful in this market segment due to its market positioning as an affordable entry-level ERP software solution and lower competition from the foreign software developers who find the SME sector difficult to penetrate due to lower pricing and product awareness on ERP software.

4   INFORMATION ON THE COMPANY (Cont'd)

SMIDEC's E-Manufacturing Grant

In March 2002, SMIDEC introduced the E-Manufacturing Grant. The E-Manufacturing Grant provides financial assistance to SME to use ICT to improve competitiveness, efficiency and productivity. The E-Manufacturing Grant provides financial assistance to assist SMEs to:-

(i)   acquire ERP software;
(ii)   subscribe to on-line ERP system;
(iii)   cover the implementation costs inclusive of training, customisation and system study; and
(iv)   purchase related networking equipment and server.

The financial assistance is given in the form of a matching grant whereby 50% of approved project cost up to a maximum of RM500,000, whichever is the lesser is borne by the Government and the remainder by the applicant. With the E-Manufacturing Grant, the Government is providing assistance to the SME sector to be better equipped with the latest manufacturing related software.

The Group is poised to capitalise on this opportunities and its revenue base is expected to improve since Global Soft is one of the eligible ERP vendors pertaining to the E-Manufacturing Grant.

(b)   Public listed company ("PLC") and MNCs

The second market segment that Global Soft focuses is the PLCs in Malaysia and MNCs. The Global Soft ERP Solution can be tailored to meet the specific requirements of the customers. Such product positioning is realisable as the Global Soft ERP Solution is designed on a modular and scalable platform, and uses object-oriented programming technology for building applications based on reusable objects or components.

(c)   Software Dealers

The third market segment that the Group focuses is the IT solution provider companies who would act as the Global Soft authorised solution provider. As part of the Group's marketing strategy, it intends to establish a distributor network with other IT solutions provider companies to penetrate a wider geographical area. Especially for overseas markets, the Board believes that such a strategy would minimise the risks of opening new branch offices or subsidiaries which may require massive cashflows and exposure to overseas market risks

While the principal market of the Group is still Malaysia, it has begun to develop its business regionally. In March 2002, Global Soft completed the customisation and installation of the Global Soft ERP solution in Vietnam. In addition, the Group has commenced installation of the Global Soft ERP solution in client sites in India, South Korea and Japan during the financial year ended 31 December 2002, which would be completed in the financial year ended 31 December 2003.

4   INFORMATION ON THE COMPANY (Cont'd)

Global Soft Prime Haulage Solution

The Global Soft Prime Haulage Solution caters for companies in the transportation industry that require tracking of their transport vehicles. Examples of such companies are haulage, freight forwarding and logistics based companies. In most cases, tracking of transportation vehicle movement is done manually.

As most of the manufacturers in Malaysia rely on third party transportation companies, having such a system would enable the haulage, freight forwarding and logistics based companies to track and monitor the movement of their customers' containers, thus enabling them to provide their customers with the status of delivery and the whereabouts of their containers. Even if the manufacturers have an in-house logistics department, the Global Soft Prime Haulage Solution can be utilised as an internal tracking system for the manufacturer's transport vehicles which would provide timely response to their customers on the status of delivery.

Global Soft Quality Management Solution

In the recent years, the number of manufacturers and private organisations striving to achieve the ISO certification has been increasing steadily. This is due to the need to have quality management based on international standards. However, the process of maintaining such quality management can be tedious if the process is manually driven. The Board believes that the Global Soft Quality Management Solution is able to cater for the quality management needs of ISO certified organisations.

Global E-Ticketing System

The Board believes that the entertainment and leisure industry is a growth industry in Malaysia. In this respect, the Global E-Ticketing System is a solution targeted at the entertainment and leisure industry. This solution is especially useful for theme parks, amusement parks, carnivals, fun fairs and other leisure industries which involves the issue and management of tickets.

The Government's efforts to expand and develop the tourism industry have succeeded in increasing its contribution to the services sector. To further capture a bigger share of the tourism market, greater emphasis has been given to tourism promotion and product development with the setting up of the Tourism Fund totaling RM400 million by injecting an additional RM200 million in 2002. New tourism products in the pipeline are yachting, eco-tourism, agro-tourism, cultural and heritage tourism, sports tourism and health tourism. Tourist arrivals are expected to continue to show an improving trend in 2002 *(Source: Economic Report 2002/2003)*.

The Global E-Ticketing System is targeted regionally at the Asian market as the software requires only minimal configuration to suit the needs of the customers.

4   INFORMATION ON THE COMPANY (Cont'd)

4.3.8   TYPES,   SOURCES   AND   AVAILABILITY   OF   RAW MATERIALS/INPUT

As the Group is a software solutions provider, the Group's ability to deliver its products and services are dependent on its ability to hire and retain competent skilled IT staff. The Group hires personnel to accommodate any increase in the number and size of clients and projects and any increase in the size of the Group's operations. The management also conducts weekly management meetings in which human resource requirement is one of the key agenda for discussion.

To-date, the Company has not encountered any difficulty in hiring new staff to meet its expansion needs. The Board believes that the risk of insufficient qualified IT personnel will be mitigated by offering a competitive salary package and conducive working environment. In addition, due to its MSC status, the Company is eligible to employ foreign skilled workers should the need arise.

4.3.9   QUALITY CONTROL PROCEDURES

To ensure that the results of the software solution set up by the Company for its customers meet their respective requirements, the Company conducts design reviews by comparing design specifications against customers' requirements. These ongoing reviews and checks are achieved through regular in-house meetings between the technical team and customers in relation to system requirements. The Company's testing and quality control elements include:-

- Specification study to record the system requirements;
- Design specification according to customer's requirements;
- Test plans; and
- Change request to record any request for a change of requirements and design.

The Company's project team would then test the customised solution thoroughly to ensure that it is free from defects, when integrated with other system components and/or sub-modules. After internal testing, the system is installed at the customer's premises for a site acceptance test. The site acceptance test is conducted on site to ensure that the developed system, functions and operates without any disruption, error or data integrity problems. Any system defects detected during the internal and site acceptance tests will be resolved and re-tested.

4.3.10   R&D

The Board believes that continuous R&D activities are crucial to the Group to compete effectively. Hence, the Group places great emphasis on the development of cost-competitive software solutions in response to the rapid technological changes and changing needs of customers. Prior to the R&D of a new module or software solution, the Group will conduct a feasibility study to explore the market potential for such a product. Product enhancement requirements and feedback are gathered from the customers, sales and marketing team and product development team. With such market research data, the Group would subsequently formulate a software development plan.

The Group's R&D team currently comprise ten (10) staff including Low Kok Thai, the Director of R&D. The R&D team consists of system analysts of various experiences and strengths, of which all are degree holders in the fields of IT and computer science. The profiles of the key R&D staff are included in Section 8 of this Prospectus.

The key R&D strategies of the Group are as follows:-

(i)   Increase R&D manpower, training and resources

The Group intends to employ additional experienced R&D staff. This would enable the Group to further enhance its ability to develop products and shorten the product development cycle and hence increasing the speed of introducing a product to market. Continuous staff training and development would be emphasised to update the technical knowledge of employees.

(ii)   Keep abreast with new development tools and technologies

The Group's R&D team constantly keeps abreast with new releases of development tools such as Microsoft Visual Basic, Microsoft Access, Microsoft SQL Server and Crystal Report and new technologies in IT. The Group believes that it has to continuously redevelop and update its products to incorporate any new developments in system design, programming and development tools and database management. As such, the Group would invest in new development tools and hardware to ensure the competitiveness of its products.

(iii)   Invest in businesses with technologies or R&D

The Group intends to invest in companies or business with new technologies or R&D which can support the business of the Group should such opportunities arise. As a product development cycle is generally long (normally from three (3) months to more than a year to develop a software, depending on the complexity and features of the software), the Group has to reduce its software development cycle to keep abreast with or to stay ahead of its competitors.

Global Soft intends to acquire companies that have developed or are in the late stage of development of products that are in-line with the Group's R&D product development plan or which are marketable to a growth industry. Technically, the software that is sourced should have the same technology platform as the current Global Soft ERP Solution or a higher level of technology, as this would allow for faster integration and technology transfer which, may further enhance and upgrade Global Soft's technology.

(iv)   Emphasise on development of pre-configured solutions

The Group would capitalise on its experience on current projects to develop more pre-configured solutions for specific industries such as the wire harness and cable industry and pharmaceutical industries. The Group would also focus on enhancing the features of the existing pre-configured solutions for the plastics, metal stamping and automotive components industries.

4   **INFORMATION ON THE COMPANY (Cont'd)**

(v)   **Utilisation of object oriented programming technology**

In software programming, the Group adopts object-oriented programming technology for building applications based on reusable objects or components. The Board believes that the usage of object-oriented programming technology has significantly reduced the development cycle and lowered development and maintenance costs of its software as compared to the traditional programming methods.

(vi)   **Collaborating with other software developers**

The Group plans to collaborate with other software developers to develop new applications or software should such opportunities or needs arise. The Group believes that such collaboration may be necessary especially if the Group's products needs to be customised to meet an overseas market's requirements.

The Group incurred an amount of RM0.41 million on R&D expenses in the financial year ended 31 December 2002, representing an investment of approximately 12% of sales. The Board envisages that the investment in R&D will fuel the Group's products development in the coming years and that R&D will continue to be an essential focus of the Group in the future.

4.3.11   INTERRUPTIONS IN THE BUSINESS DURING THE PAST TWELVE (12) MONTHS

There has been no interruption to the Group's business or operations in the past twelve (12) months.

4.3.12   KEY EMPLOYEES

As at 19 February 2003, the Group has 33 staff employed in the following capacity:-

Department	Number	Average years of service*
Executive Directors	3	4
Finance and Administration	2	1.2
Technical Support	15	1.0
Sales and Marketing	4	1.4
R&D	9	1.1
Total	33	

*   *Inclusive of employment with Jestell.*

Having attained the MSC status and with sufficient funds raised from the Private Placement, the Group will be able to strengthen the management team and increase the number of knowledge workers it employs and increase expenditure for R&D activities.

4   INFORMATION ON THE COMPANY (Cont'd)

Global Soft currently provides staff training via in-house conducted training sessions and on-the-job training. The Board believes that staff development is crucial and therefore, employees are given job rotations to be acquainted with the Group's R&D and software implementation. Promotions are usually within the Group and the Group will train junior managers to become middle and top management by giving them the opportunity to accept more responsibilities.

The key management positions of the Group are as follows:-

Staff Name	Position
Koh Kean Mum	Managing Director
Low Kok Thai	Executive Director
Liu Sai Sum	Executive Director
Abdul Razak bin Bakar	Senior Consulting Manager
Lee See Bee	Finance Manager
Tan Tow Boon	Branch Manager
Choo Khan Mein	Business Development Manager
Tan Yu Lian	Assistant R&D Manager
Chen Sing Chuan	R&D Developer
Tam Mooi Aie	R&D Developer
Foong Chee Kin	R&D Developer
Lee Kam Teen	Application Developer
Teh Chee Siong	Consultant
Lim Ai Shiang	Senior Consultant
Justine Hoo Hui Yuan	Consultant

The employees of the Group do not belong to any labour union and enjoy a cordial relationship with the management. There is and has been no labour or industrial dispute between the employees and management.

4.3.13   KEY MILESTONES

Year	Key Milestone
1997	Recognising the market potential for ERP software for the SME market in South East Asia, the founders of Global Soft, Koh Kean Mum and Low Kok Thai, established Jestell which is principally involved in software development and provision of software consultancy services in 1997.

Jestell commenced business in October 1997 with an initial financial accounting software comprising 6 modules, namely General Ledger, Accounts Payable, Accounts Receivable, Inventory Control, Sales Management and Purchases Management.

4   INFORMATION ON THE COMPANY (Cont'd)

Year	Key Milestone
1998	In November 1998, the financial accounting software was improved and expanded to encompass an enterprise wide solution called Global Soft ERP solution.
2000	In November 2000, Jestell was appointed by IBM as its Business Partner.
2001	Jestell transferred its businesses, assets and liabilities (save for a minimal amount) to Global Soft in February 2001 pursuant to the MSC Restructuring Exercise.
	On 20 February 2001, Global Soft obtained its MSC status from the MDC.
	In March 2001, Global Soft expanded its suite of business solutions to encompass software for the haulage and logistics industry that falls under the transportation industry, which is marketed under the product name Global Soft Prime Haulage software.
	In June 2001, Global Soft was appointed by IBM as its business partner.
2002	In September 2002, Global Soft expanded its suite of business solutions to encompass software for companies using ticketing system which is marketed under the product name Global E-Ticketing System.

4.3.14   OPERATING CAPACITIES AND OUTPUT

As the Group is principally involved in software development and marketing, its operating capacity is determined by the number of skilled IT employees that it has.   As such, the Group constantly monitors the requirements of skilled IT employees to ensure that contracts secured could be delivered to customers as scheduled.   To-date, the Group has neither encountered any constraints in operating capacity nor has it encountered any difficulty in increasing its headcount to meet an increase in contracts.

4.3.15   MODES OF MARKETING AND DISTRIBUTION

The marketing and sales of the Group's products and services are headed by the Managing Director, Koh Kean Mum and supported by a team of marketing and sales staff. The Managing Director, based on feedback from the marketing and sales team, is responsible for formulating the Group's overall marketing and sales strategy. Given that investments in IT normally involve many levels of decision making, the Group's sales personnel are trained in strategic selling, which entails marketing efforts that are targeted at various management levels of the clients. The marketing and sales team together with an experienced staff from the Company's Technical Support Department would then conduct product demonstrations to potential clients. The product demonstrations would involve an experienced technical staff as the extent of the customisation could be assessed and any technical queries on the solution could be addressed.

4   INFORMATION ON THE COMPANY (Cont'd)

The Group continually studies the competitive factors in its target segments and strives to differentiate and take advantage of its strengths. The marketing and sales team will formulate its marketing objectives and focus its marketing and sales efforts in developing a strategic marketing approach. The team also constantly reviews marketing and sales strategies to ensure that the right strategies and techniques are deployed. The marketing and sales team uses the following two (2) marketing and sales approaches:-

Direct Approach

The Group sources customers via referrals from the existing customers and cold calls. The Group then conducts presentations and product demonstration to potential customers. From time to time, the Group also sends product brochures to potential customers to create product awareness.

Indirect Approach

This approach involves the following channels:-

(i)   The Group's intends to reach out to the SMEs through business contacts, business associations such as the Federation of Malaysian Manufacturers ("FMM"), Association of Chinese Chamber of Commerce and Industry, Malaysian International Chamber of Commerce and Industry and etc; trade shows, seminars and advertisements;

(ii)   The Group intends to liaise with business associations to conduct presentations on the benefits of ERP software. Subsequent to seminars, sales calls would be made to those business associations who are interested in the products of the Group. The Group would then conduct presentations on its products and services to these potential customers;

(iii) The Group will participate in the relevant IT exhibitions and advertise in trade publications such as FMM, Computer ERA and Computer World; and

(iv)   Product publicity. The Group conducts publicity events to highlight the Group's successful completed projects. For example, Jestell held a publicity event for Hunter Dunglas project in December 2000 and the launching of Global E-Ticketing System for Sunway Lagoon Sdn. Bhd. in November 2002 respectively.

4.3.16 LOCATION OF PRINCIPAL ASSETS AND PRINCIPAL PLACE OF BUSINESS

The Group's operations and principal assets are currently situated at its headquarters at 13A-10 (Penthouse), Block B, Pusat Dagangan Phileo Damansara II, No. 15, Off Jalan 16/11, Off Jalan Damansara, 46350 Petaling Jaya, Selangor Darul Ehsan and its R&D office at Suite 5F, Ground Floor, 2320 Century Square, Jalan Usahawan, 63000 Cyberjaya.

4   INFORMATION ON THE COMPANY (Cont'd)

4.3.17   EXCEPTIONAL FACTORS AFFECTING THE BUSINESS

Save for the risk factors highlighted in Section 3 of this Prospectus, the Group does not foresee any exceptional factors, which may affect its business.

4.3.18   MAJOR CUSTOMERS

As mentioned in section 4.3.7 of this Prospectus, the Group's suite of software solutions is targeted mainly at four (4) growth sectors of the Malaysian economy, i.e. the manufacturing, trading and distribution, transportation and entertainment and leisure sectors.   In addition, its customer base is mainly the SME sector. The Group does not rely on any major customer due to the nature of its business and it has to continuously secure new contracts to generate revenue.

A major customer of the Group is Hunter Douglas Manufacturing (Malaysia) Sdn. Bhd. which has been a customer for more than one and a half years. Other notable new customers include Sunway Lagoon Sdn Bhd and Caelygirl (M) Sdn Bhd.

4.3.19   MAJOR SUPPLIERS

As the Group's software solutions are proprietary and developed in-house, the Group does not have any supplier for its software solutions. For the third party software and hardware, these products are sourced from Jardine OneSolution (2001) Sdn. Bhd., a distributor of hardware and software for major suppliers such as Microsoft, Compaq, 3Com, HP, Citrix, Veritas, Xircom, etc and Mesiniaga Berhad, an authorised distributor of IBM's products. The Company has been dealing with Jardine OneSolution (2001) Sdn. Bhd. for more than one and a half years.

4.4   INFORMATION ON GLOBAL SOFT (PG)

Global Soft (PG) was incorporated on 9 October 1999 under the Act as a private limited company in Malaysia. The company is principally engaged in the marketing of Global Soft ERP Solutions.

The authorised share capital of the company is RM100,000 comprising 100,000 ordinary shares of RM1.00 each all of which are fully issued and paid-up. Global Soft (PG) is a 90.0% owned subsidiary of Global Soft whilst the remaining 10.0% is held by Choo Khan Mein.

Details of the changes in the issued and paid-up share capital of the company since its incorporation are as follows:-

4   INFORMATION ON THE COMPANY (Cont'd)

Date of allotment	No. of ordinary shares allotted	Par value RM	Consideration	Resultant Issued and paid-up share capital (cumulative) RM
09.10.1999	3	1.00	Subscribers' shares	3
28.01.2000	9,997	1.00	Cash	10,000
16.05.2001	90,000	1.00	Settlement of advances	100,000

Global Soft (PG) does not have any subsidiary or associated companies.

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

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5   INDUSTRY OVERVIEW

5.1   OVERVIEW OF THE MALAYSIAN ECONOMY

The Malaysian economy rebounded strongly during the first half of 2002, after experiencing negative growth during the second half of 2001. The strong recovery was led by robust domestic sources of growth which had mitigated the adverse impact on the economy from a weaker external sector.   During the period, macroeconomic fundamentals further strengthened with external balance remaining in surplus, international reserves registering significant increases as well as inflation and unemployment continuing to remain low.   Coupled with strengthened corporate and banking sector performance, the nation is well positioned to face a more challenging external environment.   As such, the Malaysian economy is expected to register a stronger growth of around 4 percent in 2002, significantly higher than the 0.4 percent achieved in 2001.

(Source: Economic Report 2002/2003)

5.2   OVERVIEW OF THE MALAYSIAN IT INDUSTRY

The IT industry in Malaysia has shown signs of recovery from the economic downturn that has been affecting its performance since the contagion effect spread to the country in 1998. Market billings have stabilised and are expected to grow again in tandem with economic revival in a number of service-centric sectors.   The revenue growth for the Malaysian IT industry from 1997 to 2002 are below:-

Malaysian IT Industry's Domestic Billings

Year	RM' millions
1997	5,380
1998	4,840
1999	5,230
2000	5,910
2001	6,510
2002 (forecast)	7,151

(Source: PIKOM)

The IT industry is expected to grow in tandem with the improvement in the local economy and the government's encouragement to strengthen the IT capabilities of the nation. PIKOM has forecasted that the total domestic market billings for the IT industry for the year 2002 will increase by 10% from RM6.5 billion in 2000 to RM7.2 billion.

5   INDUSTRY OVERVIEW (Cont'd)

Knowledge-based Economy

In cognisance of the role of a knowledge-based economy in promoting growth and productivity, the Government has implemented the Knowledge-based or K-based Economy Master Plan. The Master Plan, launched in September 2001, outlines seven strategic thrusts comprising recommendations to accelerate the shift towards the knowledge-based economy. The strategic thrusts focus on areas that are salient for the transformation to the new economy, encompassing human resource development, institutional framework, info-structure and infrastructure, science and technology capacity, role of the private sector, a knowledge-based civil service as well as bridging the knowledge and digital divides. In providing the infrastructural support for the development of a K-based economy and ICT industries, the development of the MSC has covered further grounds. As at July 2002, 745 companies (2001: 621 companies) have been awarded MSC status. Investment in the MSC has reached RM9.7 billion, an increase of 42% compared with 2001, and has provided employment to 18,550 workers, out of whom 84% or 15,594 are knowledge workers. Thus far, there are 53 world-class companies operating in the MSC.

Skilled and knowledge workers are prerequisites for the country to propel itself into the K-based economy as well as enhance competitiveness. In this regard, education and training programmes continued to be given emphasis to address the issue of manpower shortage in ICT and related areas. In promoting computer literacy and improving students' accessibility to ICT, a sum of RM441.8 million was provided for the construction of 2,874 computer laboratories and facilities in both urban and rural areas. By mid-2002, a total of 1,977 projects or 68.8% were completed. In addition, as a brain-gain strategy, incentives were offered to attract highly skilled Malaysian working abroad to return. As of August 2002, 474 applications were received and 171 were approved covering expertise in the fields of accounting and finance, medicine, IT, industry as well as science and technology.

(Source: Economic Report 2002/2003)

5.3   INDUSTRY PLAYERS AND COMPETITION

Due to the encouragement of the Malaysian Government to grow the IT industry, there are low barriers to entry to the IT industry. Hence, foreign and local IT companies could set up operations and market their software and services in Malaysia without any barriers to entry. As such, the IT industry in Malaysia faces keen competition due to the large number of players.

(Source: Board of Directors of Global Soft)

Within the ERP software market, there are several players in the market that competes on different market segments. The ERP market is generally divided into two (2) distinct markets, i.e. the high end ERP and the low-medium end ERP segments, which are segregated mainly on price and features.

(Source: Board of Directors of Global Soft)

Based on IDC's Malaysia ERM 2001 Report, in terms of vendor share, SAP finished at the top of the list in the Malaysian ERM applications market. SAP increased its market share from 38.2% in 1999 to 41.4% in 2000. The second was JD Edwards with 5.3% and the third was PeopleSoft, which improved their market share by 1% from 1999 to 3.3% in 2000. The other ERM software vendors who had performed better than 1999 were CA, Macola, Intentia and IFS. The top ten (10) ERM vendors accounted for 67% of total market in Malaysia.

5   INDUSTRY OVERVIEW (Cont'd)

Based on the table below, extracted from the IDC Malaysia ERM 2001 Report, the top ten vendors in the ERP market is dominated by overseas ERP software developers such as SAP, Baan, JD Edwards, Peoplesoft, Oracle, SSA, QAD, etc.

Examples of other local and foreign ERP software developers are Karen Soft Solutions Bhd., Dignersys.Com R&D Sdn. Bhd., Total Business Solutions Sdn. Bhd., Accpac International Inc, Acctrak 21 Inc, Macola Software Inc and Syspro Impact Software Inc.

(Source: Board of Directors of Global Soft)

The major vendors are as follows:-

Malaysia ERM Revenue Market By License And Maintenance, 1999 & 2000

Vendors	1999 Revenue (US$million)	% share	2000 Revenue (US$million)	% share
SAP	21.00	38.2	27.81	41.4
JD Edwards	3.08	5.6	3.58	5.3
Peoplesoft	1.20	2.2	2.20	3.3
Oracle	2.50	4.5	1.99	3.0
QAD	2.15	3.9	1.84	2.7
CA	1.70	3.1	1.77	2.7
SSA	2.20	4.0	1.76	2.6
Macola	0.73	1.3	1.59	2.4
Intentia	0.85	1.6	1.53	2.3
IFS	0.11	0.2	0.96	1.4
Others	19.49	35.4	22.1	32.9
Total	55.01	100.0	67.14	100.0

Notes:-

Key Assumptions:-

● *The software revenue includes license and maintenance revenues only. Revenue does not include hardware and services revenues.*

● *Revenues are captured within the calendar year and not at fiscal years of software vendors financial reporting.*

(Source: IDC Malaysia ERM 2001 Report)

Nevertheless, the Board believes that local software developers have the advantage of providing customisation and implementation services as the software is proprietary and they are based locally. Local software developers can provide better software support compared to the foreign software developers that rely on their local dealers. In terms of customisation and implementation services, the local dealers that distribute products for the foreign software developer would normally encounter problems as the dealers do not have access to the source codes of the software, and would need to rely on their foreign principals to customise the software. This leads to higher costs and longer implementation time.

5   INDUSTRY OVERVIEW (Cont'd)

5.4   RELEVANT LAWS AND REGULATION GOVERNING THE INDUSTRY AND PECULIARITIES OF THE INDUSTRY

There are currently no specific regulations governing the ERP software industry nor is the Board currently aware of any specific material peculiarity in the said industry.

Recognising the importance of IT as the foundation of national development in the future, the Government has introduced various policies and incentives to encourage the growth of the IT industry. The most important milestone of the IT development programme is the MSC. The MSC will provide the catalyst for the synergistic expansion of related IT industries/products and create the enabling environment for orderly development of IT in the country. The MSC has led to the emergence of new service-based industry clusters, including software development, telecommunications, animation, production and broadcasting, provision of on-line services, education and training, R&D, and networks and broadband applications. In order to promote the MSC, several flagship applications have been identified such as electronic government, smart schools, multipurpose card and telemedicine. The flagship applications for multimedia environment development are R&D clusters, worldwide manufacturing webs and borderless marketing.

In addition, the National Information Technology Council ("NITC") has been established with the vision of creating an information-rich society in line with the aspiration of Vision 2020. The NITC aims to enhance the development and utilisation of IT as a strategic technology for national development. The NITC will act as a think-tank at the highest level and advise the Government on matters pertaining to the development of IT in Malaysia.

(Source : NITC's website at http://www.nitc.org.my/)

The Malaysian government has taken actions to encourage the SME sector uptake on IT which include providing tax incentives, improving IT infrastructure and setting up of R&D sites, and benefits to attract technology experts. Several technology-related financial grants or assistance schemes are available for local SMEs, which are made available through various government agencies including SMIDEC. SMIDEC is a specialized agency, who promotes the development of SMEs through the provision of advisory services, fiscal and financial assistance, infrastructure facilities, market access and other support programs. SMIDEC has set up E-Manufacturing Grant for the SMEs in manufacturing industry as mentioned in Section 4.3.7 of this Prospectus.

(Source: Board of Directors of Global Soft)

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5   **INDUSTRY OVERVIEW (Cont'd)**

5.5   **DEMAND AND SUPPLY CONDITIONS**

The demand and supply of Global Soft's product, the ERP Solution software is mainly dependent on the growth of the manufacturing industry in the country.

External developments and domestic factors point to stronger recovery of the manufacturing sector. Growth of the electronics industry, the main driver of the manufacturing sector, is envisaged to gain strength. The Semiconductor Industry Association forecasts that semiconductor sales are likely to accelerate and grow by 23.2% in 2003, led by strong growth in the Asia-Pacific region, a reflection of stronger intra-Asian trade in electronics and domestic demand growth within Asia. Likewise, growth in domestic-oriented industries is also expected to pick-up. This is on account of robust income effect from higher export earnings as well as positive wealth effect given that the stock market is anticipated to trend up in 2003. This trend is expected to spur higher private consumption. Demand of consumer durables including passenger cars should stimulate strong output growth. Thus, the overall value added of the manufacturing sector is expected to register a stronger growth of 8.5% in 2003 (2002:5.1%).

(Source: Economic Report 2002/2003)

5.6   **SUBSTITUTE PRODUCTS AND SERVICES**

The software industry is characterised by numerous local and foreign competitors with proprietary software. Hence, substitute software is available due to the low barriers of entry into the local software market. A foreign competitor could market its products in Malaysia either directly or via a local value added reseller or distributor. Due to competition, the software market is normally differentiated by the features and pricing of the software.

(Source: Board of Directors of Global Soft)

5.7   **INDUSTRY'S RELIANCE AND VULNERABILITY TO IMPORTS**

Based on IDC's Malaysia ERM 2001 report, in terms of vendor share, SAP finished at the top of the list in the Malaysian ERM applications market. SAP increased its market share from 38.2% in 1999 to 41.4% in 2000. The second was JD Edwards with 5.3% and the third was PeopleSoft, which improved their market share by 1% from 1999 to 3.3% in 2000. The other ERM software vendors who had performed better than 1999 were CA, Macola, Intentia and IFS. The top ten (10) ERM vendors who are overseas software providers account for 67% of total market in Malaysia.

Based on such statistics, it can be noted that the ERM market in Malaysia is very much dependent on foreign software as the top ten (10) vendors are overseas software developers.

5   **INDUSTRY OVERVIEW (Cont'd)**

5.8   PROSPECTS AND OUTLOOK

5.8.1   The Malaysian Economy

The Malaysian economy, with the stronger macroeconomic fundamentals already in place and complemented by more resilient corporate and financial sectors, is now poised to benefit from the much-improved global economic environment projected in 2003. Output expansion is anticipated in all sectors of the economy, with GDP envisaged to chalk 6%-6.5%, arising from a broader based economy with growth emanating from a more pronounced role of a revitalised and dynamic private sector. The manufacturing sector is expected to continue its expansion to record 8.5% increase in output and contribute 2.6 percentage points to GDP growth while the services sector, with a projected increase of 5.9%, remains the major contributor to growth with 3.3 percentage points. The construction sector is forecast to expand 4.5% while the agriculture and mining sectors are envisaged to improve by 3.4% and 2.5%, respectively.

The government will accelerate the transition to ICT in line with efforts to achieve a new knowledge-based economy. The implementation of the MSC has succeeded in developing infrastructure and infostructure, implementing flagship applications as well as creating a world-class multimedia centre to attract international corporations to MSC. Total sales of MSC companies are expected to surge to nearly RM5.7 billion in 2002 compared with RM3.4 billion in 2001. In addition, a total of 18,900 employment opportunities is expected to be created by the year end, of which 85% are skilled workers and 88% local workers.

According to the 2003 Budget, the government is taking a new approach, focusing on domestic business and industrial activities to generate higher growth. The shift that the country has taken from agriculture to manufacturing has succeeded in increasing Malaysia's per capita income from US$300 when Malaysia achieved its independence to US$4,000 today. By enhancing the value-add of Malaysian products, GDP and consequently, the per capita income will also increase.

(Source: Economic Report 2002/2003)

5.8.2   The ERP Software

Based on the IDC Malaysia ERM 2001 report, IDC estimates that the ERM applications market in Malaysia was the seventh largest in 2000 in Asia Pacific, with total ERM application publisher revenues of US$ 67.14 million (RM255.13 million). This market is expected to grow at a compound annual growth rate of 9.4%, resulting in total ERM applications publisher revenues of US$ 105.12 million (RM399.46 million) in 2005. The Malaysian ERM software market forecast from 1998 to 2005 (figures denominated in US$ millions) is as follows:-

5   INDUSTRY OVERVIEW (Cont'd)
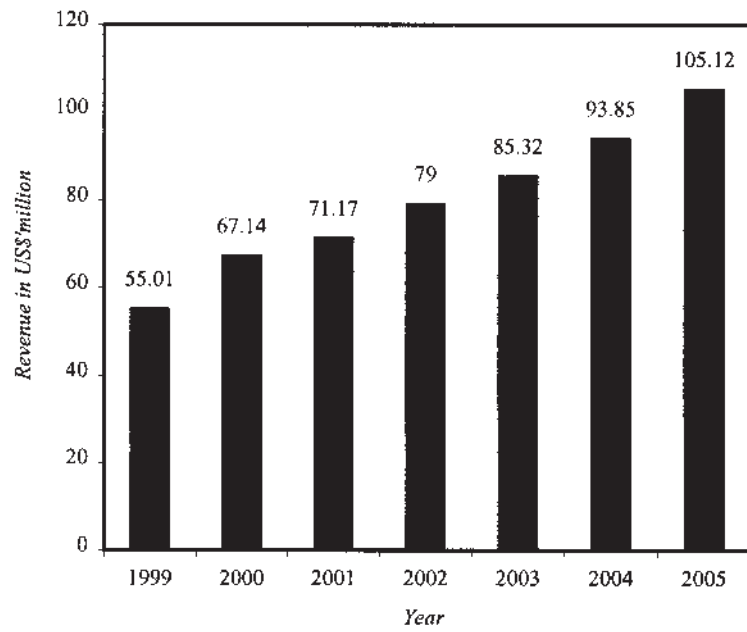
Based on the above, the Board of Global Soft believes that the Company is well poised to capitalise on the abovementioned opportunities.

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