
6. BUSINESS OVERVIEW

6.1. Overview of the Malaysian Economy

Monetary measures introduced in 2001 were aimed at stimulating domestic demand amid a less favourable external environment. With the global economic slowdown, exacerbated by the September 11 incident in the USA, there was further easing of monetary policy, with reduction in the Intervention Rate, to provide further support for domestic economic activity. Amongst the measures introduced to improve access to financing was the abolishment of the tax of RM50 on credit cards introduced in 1997 to promote greater use of credit cards. Banking institutions also continued to aggressively promote credit card facilities by selectively offering annual fee waivers and free gifts to widen their customer base. As a result, the number of credit cards in circulation increased by 625,801 or 22.2% to 3.4 million as at the end of 2001.

In 2001, BNM undertook several measures and enhancements to improve the efficiency of the payment systems operated by BNM as well as other domestic payment systems in co-operation with participating banks and the payment consortium. These efforts were important to ensure that the country's payment systems remain efficient, stable and reliable, while keeping abreast with technological developments. BNM together with banks and credit card associations have implemented various measures to address credit card fraud. These measures included close monitoring of credit card activities through the issuance of guidelines and supervision, formation of a Risk Management Coordination Unit by the industry to coordinate fraud data collection, increasing the awareness of credit card fraud activities among merchants and cardholders, promoting cooperation and enhancing the investigative capabilities of banks in combating credit card fraud, and upgrading the banks' card surveillance system.

The Malaysian economy entered 2002 on a stronger footing, after recovering from a downturn experienced in the last two quarters of 2001. Riding on the back of an earlier-than-expected recovery of the USA economy and a stronger outturn in the later half of 2002, the Malaysian economy is expected to register a higher but moderate growth in gross domestic product ("GDP").

The year 2002 began with optimism as the world economy recovered, led by the USA on account of better demand for housing, motor vehicles, increased public expenditure on defence and a turnaround in the demand for electronics. The high expectations of a strong recovery for the year were, however, marred by a series of uncertainties, particularly a weak second quarter performance, reflecting a slower USA GDP growth and lower corporate earnings. Elsewhere, the euro area's moderate expansion and Japan's recovery from recession are envisaged to remain on track, despite increasing risks. With global economic growth intact and supported by a strong domestic sector, Malaysia's economy is expected to further strengthen, particularly during the second half of 2002.

In light of the above, the Malaysian economy expanded at a stronger pace in the third quarter of 2002. Real GDP growth in the Malaysian economy strengthened in the third quarter of 2002 to an annual rate of 5.6%, following growths of 3.9% and 1.1% in the second and first quarters of 2002 respectively. Strong domestic demand was reinforced by a stronger export performance.

The positive and cumulative effects from the monetary and fiscal stimulus, higher commodity prices that benefited a wider section of consumers across the country and a stronger recovery in external demand were the factors sustaining private sector domestic demand in the third quarter of 2002. Indicators of private consumption spending recorded increases during the third quarter of 2002, including sales tax, imports of consumption goods, credit card spending and loans approved and disbursed by the banking system for consumption credit.

The expansion in economic activity was reflected in the broad-based growth across all sectors. All sectors experienced positive growth. For the second consecutive quarter, the manufacturing sector emerged to provide the main impetus to higher output growth. In the face of strong external demand, value-added growth in the manufacturing sector strengthened to 7.3%. Supported by the underlying strength in demand conditions and the pick up in trade-related activities, value added in the services sector increased by 3.4% (second quarter 2002: 4.2%). Activity in the construction sector continued to expand, while the agriculture and mining sectors turned around to register positive growth.

Overall, the performance of the Malaysian economy in the third quarter of 2002 was stronger. The latest leading and coincident indices for the month of August 2002 indicated a favourable near-term outlook for the country. The six-month growth rates of both these indices suggest that economic growth would extend into the first quarter of 2003. The strength of the economic expansion, however, would be influenced by global developments.

Continued gradual recovery in the USA economy is expected going into 2003. The Government policy in the USA has been proactive in supporting growth, including the recent interest rate cut by 50 percentage points. A number of positive developments have increased the resilience of the Malaysian economy. In the fourth quarter of 2002, the domestic demand is expected to remain strong. Seasonal factors, with three (3) festivals in the fourth quarter of 2002, and bonus payments including the one-month bonus for the civil servants which will be disbursed towards the end of 2002, are expected to sustain consumer spending at a high level. Furthermore, the prevailing favourable financial conditions continue to be supportive of further expansion in consumption spending.

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 for 2003. Output expansion is anticipated in all sectors of the economy, with the GDP envisaged to chalk 6% to 6.5%, arising from a broader based economy with growth emanating from a more pronounced role of a revitalised and dynamic private sector.

(Sources: Bank Negara Malaysia Annual Report 2001, Bank Negara Malaysia – Economic and Financial Developments in the Malaysian Economy in the Third Quarter of 2002 and Economic Report 2002/2003)

6.2. Group Mission

The Group's mission is to be a business and technology leader in online transactions, with emphasis on payment, transaction processing and loyalty solutions. With products and services ranging from merchant acquisition within the credit card industry, online payment solutions and loyalty solutions to prepaid airtime reload services, the Group's overall strategy is to build businesses around a focus technology core and service infrastructure in order to obtain maximum leverage of its core competencies.

6.3. Technology Trends

The banking and finance industry has seen many changes in recent years. With the explosive growth of the internet, banks and financial institutions have moved to capitalise on this trend, as evidenced by the constant introduction of new payment services and packages to consumers, ranging from the traditional methods such as credit card, cheques and ATM withdrawal to e-commerce payments, internet banking, POS debit and smart card-based payment methods. Card associations such as Visa and MasterCard have also been driving change in the industry.

The growing concern of credit card fraud, particularly in the Asia Pacific region, has led to the introduction of new technologies and programs such as SET, 3D-Secure and SecureCode for internet payments, and EMV for physical card payments. In the near future, chip technology-based smart cards, such as EMV-compliant cards, will replace the magnetic stripe-based cards, which are currently the industry standard.

In the area of OLTP, today's applications demand increasingly sophisticated support for distributed processing that spans across different geographical regions, heterogeneous environments and organisational boundaries. Furthermore, no longer are OLTP systems limited to major organisations. Medium-sized and smaller corporations are starting to use OLTP systems in areas such as e-commerce applications and loyalty programs. Trends are also emerging that address the increasing need for cross-platform, cross-organisation integration solutions. For an OLTP solution to be competitive today, it must be affordable, scalable, robust, fault-tolerant, extensible, flexible, standards-based and speedily implementable.

6.4 Business Model

The business model of the Group is based on building a strong technology infrastructure to support its products and services; the front-end client technology is based on the EDC, internet and SMS channels, whilst the back-end technology is based on scalable Windows-based transaction processing technologies.

The Group focuses on businesses that centre around the payment and OLTP technologies and services, which are currently spearheaded by the Group's strategic business units, namely the EDC Pool Program, EDC Corporate Sales, Software Solutions Sales and Hosting Services, and *WHOOPS* Operation. The array of products and services complement one another, and automate the operations and processes within an ASP organisation, thus making the Group a comprehensive solutions provider for payment and OLTP.

6.4.1. EDC Pool Program

The EDC Pool Program is a merchant acquiring shared services business that was formulated to transform the traditional merchant acquiring business paradigm. The program is structured in such a way that when banks outsource the provision of EDC services to the Group, the cost of providing EDC services is transferred from the banks to the merchants, and the banks can avoid the high capital outlay for the purchase of EDC terminals.

The Group also assists banks in their merchant recruitment activities, and helps potential merchants in their applications to the acquiring banks. Once the applications are approved, the Group will install and rent the EDC terminals to the merchants at their outlets. A higher service level is provided through this outsourcing model as compared to the service level traditionally provided by banks, and the merchants are charged a monthly rental for the EDC services.

6.4.2. EDC Corporate Sales

This business unit caters to banks that follow the traditional acquiring model, whereby the banks themselves acquire the merchants rather than outsourcing this exercise to external parties. Under this model, the Group either sells EDC terminals to banks to be deployed at merchants' outlets, or rents them to banks and assists the banks in installing the rented EDC terminals at merchants' outlets. After-sales service will be provided by GHL Systems and GHL Transact to the merchants under either option via maintenance contracts with the banks.

6.4.3. Software Solutions Sales and Hosting Services

The business focus of this unit is to market and sell software solutions offered by the Group and GHL Systems' online credit card payment hosting service, which goes by the market brand name of *PayDirect*. Currently, the Group offers and sells the software solutions developed by the Group, namely *PivotPoints*, *NetMerchant*, *NetAccess* and *NetSync*.

PivotPoints, a ready-to-deploy Web-based program, is designed for and targeted at large organisations that require sophisticated end-to-end loyalty programs. The Group has successfully marketed and sold this loyalty program to BP Malaysia Sdn. Bhd. and BP Singapore Pte Ltd, known in the market as the BP EZ-Card.

The Group's *NetMerchant* is targeted at large organisations that process large daily volumes of online credit card transactions for their large customer bases, and has been deployed at Malaysia National Insurance Berhad.

NetAccess was developed for and is targeted at acquiring banks that need to deploy "multi-lane EDC solutions" at their merchants' outlets, such as supermarkets and departmental stores.

The Group's *NetSync* is targeted at service providers such as financial institutions and telecommunications companies, that need to set up multi-channel delivery systems for the provision of their services.

6.4.4 WHOOPS Operation

The *WHOOPS* Operation unit focuses on the marketing and sales of *WHOOPS*, an innovative prepaid reload service that, amongst others, enables participating mobile operators to offer their customers the convenience of replenishing prepaid mobile airtime, using the Group's extensive EDC terminal network. Through *WHOOPS*, the GHL Systems Group was the first local service provider to offer the capability of re-loading mobile airtime without the need for any physical prepaid reload cards or personal identification numbers. *WHOOPS* also caters for IDD / STD prepaid and internet prepaid reloads.

Pursuant to an agreement dated 28 October 2002 entered into by CelINX International Ltd ("**CelINX**") and the Company ("**Agreement**"), CelINX agreed to purchase and GHL Systems agreed to sell the 'GHL Prepaid Reload Software' for a consideration of USD2,100,000. The purchase consideration shall be paid by CelINX to the Company in the following manner:-

- (a) A non-refundable sum of USD10,000 on the date of the signing of the Agreement, which has been paid by CelINX to the Company; and
- (b) The sum of USD2,090,000 upon completion or deemed completion of an acceptance test as set out in the Agreement to be jointly carried out by CelINX and the Company, or within 180 days from the date of execution of the Agreement, whichever is earlier.

Effective from the execution of the Agreement, CelINX shall grant to the Company an exclusive licence (in Malaysia only) to use *WHOOPS* for the purposes of processing prepaid transactions in Malaysia only, and in consideration thereof, the Company shall pay to CelINX a one-time royalty fee of USD1,310,000 on the date of acceptance of *WHOOPS* and the delivery of the source code by the Company and full payment of the purchase consideration by CelINX within the time stated above.

6.5. Market Outlook

The Group is involved in the following markets:-

- (a) Merchant acquiring market within the credit card industry;
- (b) Online payment market within the internet industry;
- (c) Loyalty market within the retail industry; and
- (d) Prepaid airtime reload services market within the telecommunications industry.

6.5.1. Merchant Acquiring Market

Credit cards circulation has enjoyed favourable growth in Malaysia; from 1.56 million cards in 1994, to 4.36 million cards as at 31 December 2002. However, the credit card penetration rate is still relatively low, at approximately 18% of the population (*Source: Monthly Statistical Bulletin, Malaysia published by the Department of Statistics, Malaysia*). The Group estimates that there are approximately 40,000 merchants with credit card facilities in Malaysia, of which 35,000 have online EDC terminals installed at their outlets.

The credit card industry is made up of two (2) segments, namely credit card issuing and merchant acquiring. Local banks tend to place more emphasis on issuing credit cards than acquiring merchants, with the viewpoint that the former is more profitable than the latter, taking into account the high operational costs of managing the merchant database, as well as the maintenance of and support services for the EDC terminals. In addition, the high capital investment outlay for the EDC terminals and the corresponding high depreciation charge are deterrents to the local banks. Therefore, the outsourcing of EDC services to third parties has become a very attractive alternative for the merchant acquiring banks.

GHL Systems' EDC Pool Program changes the cost dynamics of the merchant acquiring business. The program is structured to provide the banks with a larger market pool, beyond just focusing on the larger merchants. The cost of providing EDC services is transferred from the bank to the merchant, allowing the bank to embark on a relatively more aggressive merchant recruitment program, without the normal high capital outlay and the large headcount of officers to recruit merchants. With the higher service level provided through the GHL Systems outsourcing model as compared with the traditional service level provided by the banks, the merchant is charged a reasonable monthly rental for the EDC services. However, for the large merchants with high sales volumes, the acquirer bank can choose to absorb this cost on the merchants' behalf.

In an attempt to curb credit card fraud in the Asia Pacific region, Visa and MasterCard are mandating member banks to adopt the EMV standard with a higher level of security. On the local front, BNM has set deadlines for all local banks to comply with its directive to have all bank-issued cards to be EMV-compliant by 2005. The first implementation of this exercise will begin in early 2003.

With the impending complete changeover to smart-card EDC terminals, the current magnetic stripe EDC terminals, estimated by the Group to number 35,000 units, present a ready market and sales opportunity for companies providing EDC services. The Group, spearheaded by its EDC Pool Program and EDC Corporate Sales units, being the distributor of VeriFone EDC terminals in Malaysia currently, will benefit from this opportunity, capitalising on the fact that VeriFone is a manufacturer of EMV-compliant EDC terminals. The directors believe that being the pioneer in EDC terminal outsourcing in Malaysia, coupled with the Group's in-depth knowledge of and experience in this market segment have helped to entrench the Group's position in the market as one of the leading merchant acquiring shared services companies in Malaysia.

Furthermore, the high fraud level in both magnetic stripe credit and ATM cards had also prompted BNM to mandate local banks to issue the Payment Multi Purpose Card (“PMPC”) by January 2003. BNM, through MEPS, had requested local banks to support the MEPS CASH and Debit ePOS, and the PMPC initiatives by purchasing EDC terminals that can support the three (3) aforementioned card schemes besides the credit card. The Group has been appointed by MEPS as a business partner in the rollout of the EMV-compliant EDC terminals, and this is a recognition that the Group is a reputable EDC outsource company. The expansion of debit cards in Malaysia will further drive the demand for smart-card EDC terminals with multi-application functions.

6.5.2. Online Internet Payment Market

The robust growth of the internet has created many opportunities and new avenues of doing business, i.e. conducting business online, and with it, the need for online payment methods has surged. One of the first methods for internet payment involved the use of credit cards as it was accepted universally and it is still the most common online payment method.

The usage of credit cards for purchases in Malaysia has increased from RM3.84 million in 1994 to RM101.97 million as at 31 December 2002 (*Source: Monthly Statistical Bulletin, Malaysia published by the Department of Statistics, Malaysia*). In Malaysia, the number of internet subscribers has grown tremendously, from approximately 0.21 million subscribers and a 0.9 persons penetration rate per 100 population in 1997, to approximately 2.46 million subscribers and a 10.0 persons penetration rate per 100 population in the third quarter of 2002 (*Source: The Malaysian Communications and Multimedia Commission – Statistics & Records*).

In Malaysia, BNM has mandated that all internet payments are to be channelled through MEPS’ SET Payment Gateway, and MEPS acts as an interface for SET-related activities with the rest of the world. Currently, the Group believes that its online payment hosting service, *PayDirect.com.my*, is the largest individual third party payment processor in Malaysia. Despite the initial strong competition, *PayDirect* has continued to retain its top market position, mainly due to a dedicated software development and professional services team with in-depth knowledge of online payment technologies and vast hands-on experience in the implementation of SET payment solutions. *PayDirect* is also recognised by MEPS as one of the leading online payment service providers in Malaysia.

However, due to the shortcomings of SET such as the complexity of the model and the cumbersome user experience, Visa has developed the 3D-Secure protocol and MasterCard has developed the SecureCode program, with the former being the most likely successor of SET. The 3D-Secure protocol uses a centralised host for authenticating cardholders during payment transactions.

With SET being retired by the card associations, the future direction of Malaysia’s internet payment market remains unclear, as BNM has yet to issue any directive concerning SET.

6.5.3. Retail Loyalty Market

In today’s competitive market, it is becoming increasingly important for companies to differentiate themselves from their competition. Differentiation can take two (2) forms – physical (where changes are made to the products and/or services) or perceptible (where the marketing methods are different). One of the perceptible forms of differentiation is through establishing a dynamic customer loyalty program that attracts recurring customers.

In the local retail loyalty market, there are two (2) large multi-merchant multi-outlet loyalty operators: BonusKad Loyalty Sdn. Bhd. operating BonusLink, and Electronic Commerce Technology Sdn. Bhd. operating RealRewards. The major supermarket and departmental store chains have their own loyalty programs such as Jaya Jusco's J-Card and Isetan's I-Card. So do the petrol companies, such as BP's EZ-Card, Mobil's Lifestyle Card and Esso's Express Card.

The Group has two (2) forms of engagement in the retail loyalty market. The Group is currently renting EDC terminals with terminal loyalty software to the loyalty operators such as BonusLink, RealRewards and BP. In the case of BP, the Group had provided the end-to-end solution to enable BP to operate its EZ-Card program. The Group had also enhanced the BP EZ-Card loyalty program to be able to inter-operate with Genting Berhad's World Card loyalty program, this being the first inter-company loyalty program in Malaysia.

The retail loyalty market in Malaysia is still at the early adoption stage, and there are still many opportunities in the market, particularly with regards to the medium-sized chain-outlet retailers. Currently, many retailers are still using paper-based or plain-vanilla-plastic redemption or discount cards, and are waiting for the right solutions at the right prices to adopt the electronic version of loyalty programs. The Group, with its end-to-end solution and network infrastructure of EDC terminals, is in a favourable position to address the retail loyalty market with its *PivotPoints* loyalty program. The Group believes that *PivotPoints*, being a highly customisable loyalty program which is capable of handling voluminous transactions, easily accessible by users and requires minimal maintenance, has advantages over its competition.

6.5.4. Prepaid Airtime Reload Services Market

In Malaysia, the falling prices of mobile telephones and the introduction of affordable call plans offered by the local mobile communications operators have made mobile telephone ownership more attractive. Furthermore, with the increasing availability of pre-paid telephone cards, mobile communications users are not automatically disqualified from using the service due to lack of creditworthiness.

In the third quarter of 2002, prepaid mobile users constituted 66.9% of Malaysia's 8.58 million mobile subscribers, increasing from 49.3% out of the total mobile subscriber base of approximately 5.12 million in 2000. (Source: *The Malaysian Communications and Multimedia Commission – Statistics & Records*). The Group estimates that the prepaid mobile users market generates approximately RM120 million worth of reload transactions per month.

The existing prepaid airtime reload methods in the local market have several inherent disadvantages for the mobile service operators, the retailers selling the prepaid reload cards as well as the prepaid mobile users, namely maintaining a sufficient inventory of prepaid cards offered by the local mobile communications operators for each particular reload denomination for each prepaid reload brand; having to pay for the inventory in advance or on a cash-on-delivery basis; and the exposure to the potential threat of theft and fraud.

From an analysis of the Malaysian prepaid airtime reload market, the Group has created *WHOOPS*, a unique service which allows prepaid mobile subscribers to reload airtime via POS terminals. With the growing prepaid subscriber population, the Group's prospects in this market are promising. Despite the low barriers of entry, the Group believes that *WHOOPS* is able to compete successfully in the market due to the fact that the Group is the pioneer in Malaysia in offering the capability of reloading mobile airtime using EDC terminals and has the ability to leverage on its vast EDC terminal network. With telecommunications companies reducing the number of physical coupon distributors and placing more emphasis on virtual distribution channels, the Group believes in the success of *WHOOPS*.

6.6. Products and Services

6.6.1. EDC Pool Program

Under the EDC Pool Program, the Group's team of Merchant Service Managers / Executives ("**MSMs**") systematically recruits both large and small merchants on behalf of partner acquiring banks. The MSMs also educate the potential merchants on the benefits and risks involved in providing credit card payment facilities.

The Group's authorised personnel will then download the merchants' details (name, address, merchant identification, terminal identification and the acquiring bank's NAC telephone number) upon receiving the merchant approval letters from the acquiring banks and install the EDC terminals at the merchants' outlets. Training on the usage of the EDC terminals will be provided, which includes fraud prevention. Post-installation support services are provided and the MSMs will also undertake three-month service cycles to ensure that the merchants are receiving the best possible service from the Group as well as the acquiring banks. The merchants pay the Group a monthly EDC rental and a one-time sign-up fee for the utilisation of the EDC terminals, whilst the acquiring banks pay the Group monthly connection fees for the terminals deployed by the Group.

Being the distributor of VeriFone EDC terminals in Malaysia currently, the Group deploys the following four (4) models at merchants' outlets: Omni 395 and Omni 460, and Omni 3350 and Omni 3750 (both EMV-compliant). Acquiring banks that currently participate in the Group's EDC Pool Program are Affin Bank, AmBank and RHB. The Group's current offering to the market includes EDC terminals for credit card, MEPS CASH, Debit ePOS, loyalty program and *WHOOPS*.

The Group also offers value-added software applications that enhance the value of its EDC terminals to the merchants as well as to their customers, such as *PivotPoints* and *WHOOPS*.

6.6.2. EDC Corporate Sales

The Group assists the acquiring banks in installing and maintaining the EDC terminals that are purchased from the Group, under maintenance contracts signed by the acquiring banks with the Group. There are two (2) types of maintenance contracts: the "24x7", whereby the acquiring banks' merchants have access to a helpdesk 24 hours a day, seven days a week, with a 4-hour response time; and the "9-to-6", whereby the acquiring banks' merchants have access to the Group's personnel from nine in the morning to six in the evening, from Mondays to Fridays, should they encounter problems with the EDC terminals, with a next working day response time. The VeriFone terminals that are available for purchase by the banks include the Omni 3750 and Omni 3350, both EMV-compliant models, and the reconditioned Omni 395 and Omni 460.

6.6.3. Software Solutions Sales and Hosting Services

(a) *NetMerchant*

NetMerchant is a high volume credit card processing software that allows applications to process credit card transactions without using physical POS terminals, emulating multiple POS terminals on the software level in such a way that it appears transparent to the bank's host. Consequently, banks do not need to make any changes to their back-end systems to accommodate *NetMerchant*. The benefits offered by *NetMerchant* include:-

- (i) Seamless integration to software applications through standard programming interfaces;
- (ii) Easy scalability without the hardware costs of POS terminals;

- (iii) Smart processing capabilities such as on-us transaction routing and automated settlement; and
- (iv) Extensibility through the addition of value-added modules such as recurring payment, instalment management, etc.

Since its inception in October 2001, *NetMerchant* has garnered interest from insurance companies, banks and companies in sectors that require high volume automated card processing services.

NetMerchant runs on standard Windows 2000 servers with a MSSQL2000 database and is significantly more cost efficient than similar mainframe-based solutions.

(b) *NetSync*

NetSync is a customisable OLTP engine, utilising a scalable, modular architecture and is implemented on standard technologies such as Windows. *NetSync* allows applications to scale out horizontally by distributing the transaction load among a group of homogenous application servers or by sectioning parts of a transaction to specialised servers.

NetSync is usually used in conjunction with other systems to provide a front-end transaction sink for receiving in-coming transaction requests and relaying transaction responses as output. When used in conjunction with *NetMerchant*, *NetSync* provides an infrastructure for clients to deploy transaction-based applications requiring payment capabilities. *NetSync* can also be used in tandem with *NetMerchant* for custom applications involving ATMs and cash deposit terminals.

(c) *NetAccess*

NetAccess is a network communications device that performs transaction routing and protocol switching for various client transactional devices that need to be connected to one or more transaction processing hosts. One of the most advanced features of *NetAccess* is that when one *NetAccess* is out of commission, another connected and specifically configured *NetAccess* will be able to assume the role of the out-of-commission *NetAccess* and service the EDC terminals. The users do not notice the fault, as the system will appear to be running normally.

Typical applications of *NetAccess* include connecting EDC devices in a LAN topology to one or more bank hosts for financial transaction processing. *NetAccess* employs an open, high-speed messaging protocol to deliver transactions from client devices to the clients' hosts, and is ideal for environments, such as hypermarkets, that do not have a computing network but still require a cost-effective LAN for connecting its EDC devices.

(d) *PivotPoints*

PivotPoints allows the loyalty operators and participating merchants to recognise and value their customers by awarding loyalty points. The program achieves this by providing customers with the ability to accumulate loyalty points and redeem them for gifts from participating outlets.

PivotPoints' flexibility in catering for the various business requirements of the loyalty operators includes allowing the loyalty operators to issue principal and supplementary cards, defining specific privileges depending on card type and providing cash top-up redemption. Unlike other loyalty programs which may require prior notice to be given to the loyalty operator before any point redemption, the real-time online redemption feature of this system allows the cardholder to redeem his accumulated points as soon as they have been awarded (without prior notification or a waiting period).

The *PivotPoints* application has at least three (3) variants, which serve as solutions to three (3) different segments of the market: the small-, medium- and large-sized customers. *PivotPoints* is the standard version of the solution that has all the required base modules. *PivotPoints* Enterprise Edition is the premium version of the solution which is targeted at the large-sized customers. *PivotPoints* Hosted Service caters to the small to medium-sized customers who would like to have their own loyalty program but cannot afford to purchase a system.

(e) ***PayDirect***

PayDirect is a seamless online payment hosting service specifically designed to make electronic commerce more convenient while providing greater ease of use and a higher level of security for merchants accepting payments on the internet.

The key features of *PayDirect* include facilitating online payment processing for products and services purchased via the internet, fast and easy integration without major rework to merchants' websites and the provision of web-based reporting and transaction-tracking capabilities.

6.6.4. WHOOPS

WHOOPS is designed to ensure that retailers are able to meet end-users' demand for any pre-fixed denomination of any participating brand of prepaid service, at all times.

The benefits of *WHOOPS* to consumers include prepaid airtime reload convenience at any outlet installed with *WHOOPS* and payment flexibility (credit card or cash). The added security feature also ensures that the value purchased is always tied to the customer's mobile phone, thus eliminating the risk of theft or loss of prepaid airtime. Retailers having *WHOOPS* installed at their outlets do not have to maintain an inventory of physical coupons with stored value, thus significantly reducing the threat of theft and fraud, as well as operating costs.

WHOOPS currently offers three (3) main categories of product type: *WHOOPS Prepaid Reload*, *WHOOPS IDD / STD* and *WHOOPS X-tra*. *WHOOPS Prepaid Reload* covers all the mobile operators in the country as well as Jaring internet access, whilst *WHOOPS IDD / STD* covers DiGi's Chatz, TIMEKontakt, NasionCall and P2P. *WHOOPS X-tra* allows a customer to purchase a wide selection of ringtones, operator logos, picture messages, etc using prepaid credits.

6.7. Growth and Marketing Strategy

6.7.1. EDC Pool Program

In order to expand the market for EDC terminal rental, the Group will diversify the applications of the EDC terminals and its business partners. The Group's initial target is its existing base of approximately 6,858 merchants, and the Group aims to maintain them by providing value-added services such as *WHOOPS*, ePOS, MEPS CASH, quarterly visitations and telephone surveys.

By the fourth quarter of 2003, the Group will develop an electronic cash register ("ECR") software application that utilises EDC terminals, which will convert EDC terminals into a dual-function equipment, i.e. an EDC terminal as well as an ECR.

With the impending migration to EMV standard bank-issued cards and the complete changeover to EMV-compliant terminals, the Group has already commenced negotiations with acquiring banks on the rental of EMV terminals. It is projected that mass scale deployment of EMV terminals will take place in the years 2004 and 2005. A long-term EDC terminal rental package with lower rates is offered to banks, large and medium-sized chain merchants, loyalty program operators and their merchants, prepaid airtime reload distributors and healthcare service providers. Under this plan, interested parties will commit to fixed tenure-based rental rates, ensuring constant income and stable cash inflows to the Group.

In order to consolidate and expand its position in the market, the Group will establish additional business partnerships in its EDC Pool Program, such as partnering the acquiring banks in the Debit ePOS and MEPS CASH merchant recruitment program, as well as renting multi-application EDC terminals to small and medium-sized merchants. The Group has formed a joint venture company, i.e. Card Pay, with BSNC to be a third party merchant acquirer for MEPS CASH and Debit ePOS, in order to reduce the Group's dependency on partner acquiring banks, as the banks often change their merchant recruitment policies, which directly impact on the Group's merchant acquiring business.

6.7.2. EDC Corporate Sales

The EDC terminal hardware platform adopted by the Group is VeriFone, a company with more than 20 years of track record in the manufacture of EDC terminals and a high production volume, as VeriFone is able to provide the Group with high quality EDC terminals at a reasonable cost. The Group's focus is and will be on developing terminal software applications and add-on hardware to deliver total solutions to customers.

The Group has adopted the following EMV strategy on the sales of EDC terminals to the acquiring banks:-

(a) EMV Migration Trade-In Program

Acquiring banks are able to trade-in their non-EMV compliant terminals if they purchase new VeriFone Omni 3750 terminals.

(b) Multi-Application EMV Terminals

The Group has positioned the VeriFone Omni 3350 as a true multi-application EDC terminal that can support magnetic stripe applications as well as smart card applications.

(c) EMV Upgrade Program

With an estimated number of more than 5,000 units of old VeriFone Omni 395 terminals in the market, the planned introduction by VeriFone Inc. of a new EMV smart card pinPAD ("Pulsar") upgrade will transform these old terminals into EMV-compliant terminals that are capable of handling new applications as required by the industry.

(d) Low Cost EDC Strategy

To cater to some acquiring banks that are not concerned about the impending EMV issue, the Group plans to sell reconditioned VeriFone Omni 395 and Omni 460 terminals to them.

(e) Leasing Facility

The Group will also be partnering BSNC Leasing (M) Sdn. Bhd. to provide finance and operating leases of up to five (5) years to acquiring banks which purchase VeriFone EDC terminals.

(f) Security and Service Quality

The Group will also aim to impress upon the acquiring banks that it has established a very high level of security as well as a comprehensive service organisation.

6.7.3. Software Solutions Sales and Hosting Services**(a) NetMerchant**

NetMerchant is a product that enables a bank's credit card merchants to connect to the bank for high-volume card processing. *NetMerchant* is targeted at medium to large-sized merchants. *NetMerchant* adds value to customers looking to automate their back-end processes for greater efficiency, cost saving and streamlining. Some of the problems currently faced by companies performing credit card transaction processing include:-

- (i) Processing through manual data entry means;
- (ii) Decentralised transaction origination points, resulting in problems such as settlement and user accountability;
- (iii) High investment costs as transaction load grows; and
- (iv) Manual data entry of card transactions for recurring payments.

NetMerchant can help to automate credit card transaction processing without substantial and costly changes to the bank's host. The Group believes that the Malaysian market for *NetMerchant* is relatively untapped. The potential for *NetMerchant* extends beyond banks and insurance companies. Other segments, which the Group is targeting, include telecommunications companies, airlines, highway toll operators, healthcare service providers, utilities and multi-level marketing companies. As *NetMerchant* is priced lower than similar solutions available in the market, the Group is penetrating into markets that previously could not afford or justify such systems.

The Group has begun to realise the need to package *NetMerchant* specifically for different market segments:-

- (i) *NetMerchant-In-A-Box*, a lightweight credit card processing off-the-shelf application bundled with *NetAccess*, the viability of which the Group is currently researching. The main target customers are companies with multiple outlets such as supermarket chains and petrol kiosks;
- (ii) *NetMerchant*, the standard product which is customisable and can be integrated into other systems; and
- (iii) *NetMerchant Enterprise*, for customers requiring a high degree of redundancy and scalability in their card processing applications.

The Group's business strategies for *NetMerchant* are as follows:-

- (i) Partnering banks by approaching them with the *NetMerchant* solution to create awareness and eventually obtain the banks' endorsement of the product and referral of customers;
- (ii) Developing a track record by having *NetMerchant* deployed in large and reputable organisations;

- (iii) Developing vertical applications based on *NetMerchant*, such as applications for instalment payments, and split and recurring payments; and
- (iv) Developing a more sophisticated technical support structure to better service customers.

(b) *NetSync*

The sale of *NetSync* as a standalone package will only be a secondary goal. With the presence of more mature and full-featured OLTP products such as Microsoft's BizTalk Server and NetScape's Kiva Server, the market is highly competitive. Therefore, the aim of the Group is to bundle *NetSync* with other products developed by the Group such as *NetMerchant*, and present it to customers as a total custom solution involving consultancy and professional development services. Customers can then jumpstart the development of their custom OLTP applications with *NetSync*.

(c) *NetAccess*

NetAccess has two (2) different products that serve different market segments. The main market segments are:-

- (i) Retail / Commercial Market, where the deployment of *NetAccess* at the retail and chain stores will provide economies of scale and enable the retailers to negotiate for better discount rates from their banks for the high volume of payment transaction processing and thus increase their profitability; and
- (ii) Financial Institution ("FI") Market, where the main objective is to increase the speed of processing and create competitive facilities for the FI's medium and large-sized merchants.

The Group has launched *NetAccess (Retail)* and *NetAccess (FI)* in December 2002. *NetAccess (Retail)* connects EDC terminals through a LAN for instant connectivity to the bank and is able to support 64 EDC terminals per device, which is four (4) times as many as the Group's closest competitor, thus providing a savings of four (4) times for purchasers of *NetAccess*. Commencing from 2003, more advanced features for both *NetAccess (Retail)* and *NetAccess (FI)* will be introduced to the market.

The opportunities for *NetAccess* exist in three (3) areas which are synergistic to the Group's existing business: as a communications routing device for *NetMerchant* and *NetSync* to form a solution suite; as a LAN concentrator for EDC terminals deployed at supermarkets and hotels with leased-line connections to acquiring banks; and as a WAN concentrator deployed in a bank's payment network for the merchants' EDC terminals to dial to for payment transactions.

(d) *PivotPoints*

The market segments for loyalty programs are diverse, ranging from small to large-sized customers to the internet market, and opportunity exists if the solution can fulfil the requirements and budget of each segment. The Group therefore strategises to provide products or services that meet the technical and business requirements for a loyalty solution within the customer's budget.

(e) PayDirect

To entrench *PayDirect's* market position, the Group is working closely with MEPS and the local banks to improve end-to-end online payment processing and to minimise fraud, whilst enhancing the existing internal processes to improve efficiency and customer satisfaction, and continuously improving the technology behind *PayDirect* in line with developments in global online payment capabilities. The Group will be establishing a strategic partnership and forging a synergistic business alliance with OneEmpower Pte Ltd with the endorsement of MasterCard, to launch a new internet payment service in the first quarter of 2003 which supports both MasterCard's Secure Code initiative and the Verified by Visa initiative.

6.7.4. WHOOPS

The Group's business strategy for *WHOOPS* focuses on increasing its customer base, which is broadly segmented into the following three (3) payment categories:-

- (a) Cash. The Group has set up a dedicated sales team and an agent scheme (*WHOOPS* agents are independent contractors who will focus on marketing *WHOOPS* as well as recruiting and servicing their own base of retailers) to increase the *WHOOPS* retailer base;
- (b) Credit card, whereby customers can choose to purchase *WHOOPS* products via SMS and charge the purchases automatically to their credit cards which have been pre-registered in the *WHOOPS* system; and
- (c) Auto-debit (*WHOOPS Direct*), whereby customers can purchase *WHOOPS* products via SMS and charge the purchases to their personal savings or current accounts.

Customers registered under the credit card and auto-debit schemes will eventually be able to make *WHOOPS* purchases via other direct channels such as banks' ATMs and the internet. The Group continuously strives to establish partnerships with different service providers to increase *WHOOPS* products and services.

To increase the *WHOOPS* customer base, the Group is embarking on an aggressive marketing campaign through newspaper and magazine advertisements, and also providing *WHOOPS* retailers with various promotional materials such as posters, signages and brochures to create public awareness.

6.8. Distribution Network and Service Infrastructure

GHL Systems markets and sells all the software solutions and hosting services, with the subsidiary companies concentrating on providing merchant acquiring and EDC terminal services. The after-sales services for the banks and merchants are provided by GHL Systems and GHL Transact.

The Group's service infrastructure that has been put in place to support its business model comprises merchant recruitment teams, nationwide support with sixteen (16) service centres owned by the Group and eleven (11) third party service centres in the major towns in Malaysia, a customer response centre providing 24x7 helpdesk service as well as a bench repair centre to service, repair and upgrade EDC terminals.

WHOOPS is distributed through a network of about 900 retailers in Peninsular Malaysia.

6.9. Competition

6.9.1. EDC Pool Program

To the best knowledge of the Directors, currently there are no direct competitors that provide full outsource services similar to the Group's EDC Pool Program. However, the Group believes that there are two (2) companies, namely Paysys (M) Sdn. Bhd. and Aspire Standard Sdn. Bhd., which rent EDC terminals to merchants. The Group has no official sources of information on its current market share or that of its competitors. The Group's competitive advantages in this market are as follows:-

- (a) Pioneer in EDC terminal outsourcing in Malaysia with more than three (3) years of experience;
- (b) In-depth knowledge of and experience in payment technology and current market requirements;
- (c) Reliability of VeriFone EDC terminals, of which the Group is currently the only distributor in Malaysia, and the stability of the Group's terminal applications;
- (d) Strong customer and business partner bases which include the acquiring banks, MEPS, BP Malaysia Sdn. Bhd. and BonusLink, amongst others; and
- (e) 24x7 nationwide support services.

6.9.2. EDC Corporate Sales

The Group believes that there are currently two (2) competitors in direct competition with the Group in this market segment: Nera Infocom (M) Sdn. Bhd. ("**Nera**"), which distributes the Hypercom brand of EDC terminals, and the local branch office of Ingenico S.A. ("**Ingenico**"), which distributes the Ingenico brand of EDC terminals.

The many opportunities that have recently presented themselves have attracted many new terminal vendors, particularly the low cost terminals from Taiwan, China and Korea. Furthermore, VeriFone does not have a multilane EDC terminal for large merchants such as supermarkets, departmental stores and hotels. However, the Group has developed a multilane solution in *NetAccess* that enables the existing VeriFone EDC terminals to function as multilane EDC terminals.

The Group's competitive advantages over its existing competitors as well as new entrants to the market are as follows:-

- (a) Reliability coupled with reasonable pricing of VeriFone EDC terminals, of which the Group is currently the distributor in Malaysia; and
- (b) Dedicated terminal software development team that has delivered many high quality and stable value-added applications.

6.9.3. Software Solutions and Hosting Services

(a) *NetMerchant*

The Group is of the view that the market for software-based POS products in Malaysia is relatively untapped, and the increasingly competitive environment in service-oriented corporations is forcing these organisations to move towards greater automation in an effort to improve efficiency. This trend opens opportunities for products like *NetMerchant*.

There is currently no direct competitor for *NetMerchant*. However, the Group believes that the nearest competitors are Genesys Software Sdn. Bhd., which uses EDC terminals and computers as communicating devices, and OpenSys (M) Sdn. Bhd.'s solutions, which is a module of a whole backend system that performs multiple tasks. There is also the risk of the entry of similar foreign, more mature products such as Postilion and Trintech.

The Group's competitive advantages in this market are as follows:-

- (i) *NetMerchant* is built on a flexible technology architecture, thus allowing it to be easily customised and extended;
- (ii) *NetMerchant* can be coupled with *NetAccess* and *NetSync* for more flexibility and power; and
- (iii) *NetMerchant* is more cost effective than mainframe solutions.

(b) *NetSync*

NetSync faces competition from more established and full featured OLTP solutions in the market such as Microsoft's BizTalk. However, *NetSync*'s plus point is its simple architecture that gives it flexibility and allows it to be highly customisable. To be competitive with the more mature products, *NetSync* requires further development and evolution. However, as explained in Section 6.7.3(b) above, the Group's current strategy is not to sell *NetSync* as a stand-alone product but to bundle it with other products such as *NetMerchant*.

(c) *NetAccess*

NetAccess, launched in December 2002, is a new product with no installed base as yet. The Group believes that *NetAccess* is competing with the Hypercom NAC which is distributed by Nera. Many opportunities exist in the market segment that *NetAccess* is targeting, such as banks and other financial institutions which are looking for cheaper alternatives and businesses seeking to connect with their acquiring banks or financial institutions to make immediate financial transactions. *NetAccess* will be able to address the requirements of this market, as it is a robust high-performance device that allows fast connection with most EDC terminals. Furthermore, *NetAccess* is easy to maintain.

(d) *PivotPoints*

The Group believes that there are currently three (3) competitors in direct competition with the Group in this market segment, being Axiomatique International, Cardlink Systems and IQ Sdn. Bhd., and their loyalty programs may be cheaper than *PivotPoints*.

PivotPoints' competitive advantages are as follows:-

- (i) Capable of handling 70,000 transactions per day with the potential to handle more, equivalent to the transaction load of a mid-sized bank in Malaysia;
- (ii) Easy access by users and easy maintenance for system administrators;
- (iii) Highly customisable to cater for different customers' needs; and
- (iv) Proven performance as installed in BP Malaysia Sdn. Bhd.

(e) *PayDirect*

Despite the initial strong competition, *PayDirect* has continued to retain its top market position and is recognised by MEPS as one of the leading online payment service providers in Malaysia.

The Group believes that the competitors of *PayDirect* are Camtech.Skali EC Payment by SKALI, Office Connect by Commerce Payment Sdn. Bhd., CIPAS.com by CIPAS.com Sdn. Bhd., NetMyne Commerce e-Pay by Telekom Malaysia Berhad and Financial Link by Financial Link Sdn. Bhd.

The Group believes that *PayDirect* is able to compete successfully due to the fact that it has a dedicated software development and professional services team with in-depth knowledge of online payment technologies and vast hands-on experience in the implementation of SET payment solutions. *PayDirect* also has good customer reference websites such as Keretapi Tanah Melayu Berhad, YTL e-Solutions Berhad, Hong Leong Assurance Berhad, Celcom, Astro and Maxis.

6.9.4. *WHOOPS*

The market segment that *WHOOPS* is operating in has very low barriers of entry, as competitors can provide reload services using a variety of methods such as SMS, the internet and facsimile machines. Furthermore, retailers still prefer the conventional method of selling physical reload coupons. The Group believes that there is currently one (1) principal competitor in direct competition with the Group in this market segment, being e-Pay (M) Sdn. Bhd.

However, the Group believes that *WHOOPS* is able to compete successfully in the market due to the following advantages:-

- (a) The Group is the pioneer in offering the capability of reloading mobile airtime using EDC terminals, without the need for any physical prepaid reload cards or personal identification numbers;
- (b) The Group has the ability to leverage on its vast EDC terminal network, which is a ready and proven infrastructure, owned and managed by the Group;
- (c) The Group provides nationwide on-site support services;
- (d) A growing customer base as well as established relationships with service partners such as telecommunications companies, and IDD and Voice over Internet Protocol service providers; and
- (e) The telecommunications companies are reducing the number of physical coupon distributors and placing more emphasis on virtual distribution channels, as well as monitoring the commission rates at distributor and retailer levels to eliminate undercutting and unhealthy price wars.

6.10. Research and Development

As at 21 February 2003, the Group employed 26 full-time professionals to conduct in-house R & D. The Group does not have any formal R & D policy. The qualifications and experience of the R & D personnel are set out in the following table:-

Qualification	No. of R & D Personnel	Average No. of Years of Experience
Higher Diploma	1	2
Bachelor's Degree	24	3
Master's Degree	1	3

The Group's R & D activities are housed under GHL Systems and the R & D centre is located in Technology Park Malaysia. The R & D activities are broadly categorised into four (4) sections: Back End System, Software Development, Device Computing and Prepaid Services. A software development team and software engineers support both the Back End System and Software Development sections. The Device Computing section consists of a terminal programming team, a loyalty development team and a *NetAccess* development team. The Prepaid Services section comprises a *WHOOPS* sales team and helpdesk, and includes business development and marketing design activities. The facilities at the R & D centre include servers and personal computers, development software such as Microsoft Visual Studio, as well as hardware such as motherboards, communication cards, biometrics and smartcards.

6.10.1. EDC Corporate Sales

The Group will be focusing on the development of terminal software applications and add-on hardware to deliver total solutions to its customers. In 2003, to target small and medium-sized merchants, the Group will explore the feasibility of developing a universal EDC with ECR function and EMV connectivity software to EMV hosts. In the following two (2) to three (3) years, the Group will be developing biometric identification.

The Group is currently working on projects that will require add-on hardware to the existing VeriFone EDC terminals in order to deliver a complete solution to customers, such as the electronic cash drawer and keyboard on the ECR application and biometric modules to provide smart card identification terminals.

6.10.2. NetMerchant

In the next four (4) years, the Group plans to continue the evolution and enhancement of *NetMerchant*, in line with industry trends and customer requirements. This may include more advanced administration and development tools for *NetMerchant*, support for EMV transactions, host-initiated communications to enable services such as announcements and statement downloads, and support for other platforms such as Linux and other databases such as Oracle.

6.10.3. NetSync

Throughout the next one (1) to four (4) years, the Group plans to include more value-added base functionalities into *NetSync*'s library of functions, such as cryptographic functions for performing secure transactions, integration with Windows security, transaction auditing, analysis and reporting, and error management. The Group also proposes to develop *NetSync*-based vertical applications, and multiple instances of *NetSync* on a single server.

6.10.4. *NetAccess*

The development path for *NetAccess (Retail)* has three (3) phases and it is currently in its first phase. The three (3) phases are as follows:-

- (a) Phase 1: Innovation and Affordability. In this phase, *NetAccess* is introduced to the retail market with competitive standard capabilities and added features that the competition does not offer. The offering price is lower than the industry standard prices. *NetAccess (Retail)* has been launched in December 2002;
- (b) Phase 2: Enabling Technologies and Value-Added Features. In this phase, advanced features are introduced to the industry to gain new enabling technologies to enable businesses to provide more facilities and value to their customers, so as to set *NetAccess* apart from its competitors in terms of features-to-price ratio. Phase 2 will commence in mid-2003; and
- (c) Phase 3: Integrated Business Network. In this phase, *NetAccess* will evolve to become a transaction and application network device. It creates a seamless infrastructure between the financial transaction network, the back office network (intranet) and even extranets that provide additional services. In this phase, EDC terminals, ECRs, personal computers, servers and other devices will share a seamless network and be able to relate to one another's processes by utilising pre-defined building blocks or modules. Phase 3 will be introduced in 2004.

The development path for *NetAccess (FI)* has two (2) phases as follows:-

- (a) Phase 1: High Performance and Affordability. In this phase, *NetAccess* is introduced to the financial institutions at a competitive price. *NetAccess (FI)* has been launched in December 2002; and
- (b) Phase 2: Advance Featured Network Device. In this phase, new features and technologies will be added to the existing *NetAccess*. This phase will commence in the third quarter of 2003.

6.11. Intellectual Property

The Group has submitted two (2) applications to the Registrar of Trademarks, Malaysia for the registration of the *WHOOPS* and *PAYDIRECT* logos as servicemarks. The Group has also registered the domain names *www.whoops.com.my* and *www.paydirect.com.my*, which it uses in connection with its business, with the Malaysian Network Information Centre.

6.12. Major Customers

For the financial periods ended 31 December 2001 and 31 October 2002, there were no customers who individually contributed 10% or more to the Group's total turnover.

6.13. Major Suppliers

The Group has only one (1) major supplier for its EDC terminals and related spare parts, being VeriFone North Asia Limited ("**VeriFone NAL**"), which the Group has been sourcing from since 1999. The amount of purchases from VeriFone NAL ranges from approximately RM60,000 to RM2.50 million per month, depending on orders received from the Group's customers.

For its *WHOOPS* operations, the major supplier for the prepaid airtime reload coupons is DiGi Telecommunications Sdn. Bhd., which the Group has been sourcing from since May 2001. The amount of purchases from DiGi Telecommunications Sdn. Bhd. ranges from approximately RM5,000 to RM800,000 per month.

6.14. Employees

The Group has a flat organisational structure that keeps all levels of the organisation actively involved in contributing towards the Group's mission.

As at 21 February 2003, the Group had 122 full-time employees and 39 contract staff in the following categories:-

	Full-Time Employees			Contract Workers			Total Employees	
	No.	%	Average Length of Service (Years)	No.	%	Average Duration of Contract (Months)	No.	%
Management	2	1	4	-	-	-	2	1
Sales – EDC Pool	11	7	2	17	10	3	28	17
Sales – Corporate and Solutions	3	2	1	2	1	6	5	3
Service Centre	40	25	2	5	3	6	45	28
R & D and Business Development	26	16	2	4	3	6	30	19
WHOOPS	12	7	1	8	5	3	20	12
Finance, Administration and Operations	24	15	1	2	1	3	26	16
Human Resource	4	3	1	1	1	6	5	4
	122	76		39	24		161	100

Contract staff are employees who are under probation.

The Group recognises the importance of its employees and updates them on the latest developments in the industry as well as increases their skill and knowledge by sending them to various courses throughout the year as and when the need arises.

The Group has ambitious plans for growth and with the higher profile achieved through the listing exercise, the ability of the Group to attract qualified knowledge workers in the future to cater for the anticipated growth will be enhanced. In order to maintain its skilled staff force and other workers, the Group will be implementing the ESOS in conjunction with its listing on the MESDAQ Market.

The Group does not have any information of employees being members of labour unions and the employees enjoy cordial relationships with the management. There have not been any industrial disputes in the past between the employees and the management.

6.15. Premises

The Group currently operates from its 16,000 square feet office located at No. 37, 39 and 41, Cangkat Bukit Bintang, Kuala Lumpur and its 4,024 square feet office in Technology Park Malaysia. The Group has sixteen (16) service centres nationwide, of which five (5) are located in Ipoh, Johor Bahru and Penang, and 11 are based at the homes of the engineers in charge of these service centres, with one (1) engineer running each of these 11 service centres. In addition, the Group has three (3) salespersons operating from their homes in Kuching, Sarawak; Bentong, Pahang; and Seremban, Negeri Sembilan. Further details regarding the Group's premises are disclosed in the following table.

Premises	Status	Monthly Rental (RM)	Approximate Built-Up Area (square feet)	No. of Staff as at 21.02.2003
Head Office, Kuala Lumpur	Rented	41,000.00	16,000	97
R & D Centre, Technology Park Malaysia	Rented	13,882.80	4,024	34
Service Centre - Ipoh	Rented	600.00	1,200	4
Service Centre - Johor Bahru	Rented	600.00	1,540	5
Service Centre - Penang	Rented	750.00	600	7

6.16. Operating Licences

The Group's business activities do not presently require any special permit or licence from any authorities.