
7. BUSINESS OVERVIEW (CONT'D)

7.1.6 Hardware and Systems Integration

The ISB Group carries out contracting and sourcing of computer hardware equipment and undertakes integration projects for customers. Hardware sourced for customers include computer servers, routers, network hubs and switches, personal computers, printers, modems, wireless network devices, and fibre-optic converters and devices. The ISB Group also hosts customer's hardware resources in RCC's data centre. The integration projects which have been carried out for customers includes, inter alia data centre building projects, comprising features and equipment such as generator sets, UPS, precision air-conditioning, raised-flooring, electrical works, fire-fighting systems and monitoring systems.

7.1.7 Software Development and Maintenance

The ISB Group also carries out software development and maintenance for customers. Examples of these are as follows:

(i) Lotus Notes Applications

This is an OA software which provides electronic workflow and management information system. It employs electronic workflow technology, and consists of the following modules:

- Tour Operation, which allows its users to monitor tour bookings in a distributed environment, and provides management with a time-stamped view of current tour operation and financial status;
- Leave Application, which allows the human resource department of a company to automate all leave submissions and approvals online, and possesses the ability to allow all individual company employees to view and generate reports of their own leave utilisation and status; and
- Attendance System, which is an electronic version of the traditional "clock-in" system, and allows all employees in the company to clock-in and manage their individual punctuality and average number of hours worked, and for management, it has the ability to generate an attendance report on all the employees of the company.

(ii) Hotel/XL Software Maintenance

The Hotel/XL software is a sophisticated hotel operations software which provides front-office reservation, check-in, and check-out functions and back-office account management. It also integrates with various PABX system and point-of-sale systems. The ISB Group provides maintenance services for this software.

7.1.8 Hotel PMS

The ISB Group, through RCC, is an authorised distributor and maintenance service provider for Hotel/XL software and HIS PC Innovation software, which the ISB Group, where applicable, modifies to suit local business environments and work processes in the hospitality industry.

Hotel/XL is a sophisticated yet easy to use hotel management system running on a Unix (AIX or SCO) platform. It was developed in 1982 by CMS, an Australian-based hospitality solutions provider. RCC has exclusive rights to distribute, market and enhance Hotel/XL in Malaysia. Hotel/XL automates a hotel's front-end work processes with its modules like Front Office, Guest History, Food & Beverage, Housekeeping, Kitchen, Central Reservation System, Accounts Receivable and PABX interfaces.

7. BUSINESS OVERVIEW (CONT'D)

HIS PC Innovation is a comprehensive PMS running on a DOS platform with a Microsoft Corporation Windows screen. HIS PC Innovation can manage the flow of guest information with key features such as Room Reservations, Front Desk and Cashier, Housekeeping, Marketing Analysis, Accounts Receivable and Back-Office. RCC has exclusive rights to distribute, market and enhance HIS PC Innovation in Malaysia.

7.1.9 Other Services

The ISB Group, through RCC, also:

- provides ICT technical support to customers; and
- designs and implements LAN and WAN solutions.

RCC has entered into ICT service and maintenance agreements with various customers.

7.2 COMPETITION AND COMPETITIVE ADVANTAGES

IMSB's main competitors include, among others, Siebel Systems Inc, Onyx Software Corporation, SAP AG and ACCPAC International Inc. Companies like Siebel Systems Inc, Onyx Software Corporation and SAP AG are represented in Malaysia by value-added resellers.

RCC's main competitors for its hotel management solutions include IFCA MSC Berhad and Integrated HOS (M) Sdn Bhd.

The ISB Group believes that it has the following competitive advantages:

- (i) The ISB Group's proprietary technology and system architecture allows its software solutions to better fit into organisational requirements. This is achieved as ISB Group's products are adaptable to the client's business-specific and special needs, independent from any third party technology;
- (ii) The ISB Group is able to deliver its products at competitive prices. The cost of the ISB Group's software solutions are only a fraction of the cost of other like solutions, for example solutions from the USA such as Pivotal, Siebel, Remedy and ACCPAC;
- (iii) The ISB Group is able to rapidly deploy its products. Implementation requires relatively low timeframes. Customers can benefit from lower customisation costs and quicker implementation with minimal disruption to their business;
- (iv) The ISB Group has domain knowledge of local industry, particularly in the automobile distribution, education, hospitality and services sector. The ISB Group's established clientele also provide continuous feedback on future product development plans direction;
- (v) The ISB Group commits heavy investment in research and development on product improvement and intellectual property rights development to maintain the intrinsic value of solutions offered. The ISB Group maintains its pricing policy by product enhancement and currently does not pass on these development cost to end-users. These costs are presently defrayed from the MSC research and development grant received by IMSB;
- (vi) The ISB Group believes that it has "first mover" advantage, and believes that it is one of very few local software companies that provides a complete suite of integrated end-to-end solutions;

7. BUSINESS OVERVIEW (CONT'D)

- (vii) The ISB Group believes that it is customer-centric. Due to the digital divide and easy availability of information, customers are smarter and well informed. As a result of this, businesses continuously strive to maintain their competitive edge by adopting their own operational procedures that are proprietary to their trade. The ISB Group believes that, save for companies like Microsoft Corporation, software companies can no longer solely offer off-the-shelf solutions to their customers in the near future as it will only address a fraction of the customer's requirements. The ISB Group believes that its software architecture differentiates itself from the pack by being able to offer the customers what they need at a competitive price and with faster turnaround time; and
- (viii) The ISB Group believes that it has marketing advantage; if the need arises, the ISB Group can compete aggressively by offering very competitive prices and features proposals to win over contracts. This is possible, as the ISB Group does not need to pay any royalty or licensing fees to any third party in respect of its own software solutions, which are proprietary to it.
- (ix) The ISB Group is focused on delivering software solutions that are in-line with market directions and growth trends. Based on IDC's annual end-user survey, large opportunities appeared to be still available for CRM in the Malaysian market. The total ICT market in Malaysia reached USD2.1 billion in 2002, in which the small- and medium-enterprises industry constituted 33.6% of this market. With the increased focus on ICT, the small- and medium-enterprises industry looks set for more growth. There is a growing trend for small- and medium-enterprises to invest in ICT solutions to enhance their business processes, and software and services spending is expected to account for 46.6% of the market by 2007. (Source: IDC, July 2003)

7.3 MODES OF MARKETING

Given the smaller ICT budgets for many companies as a result of the recent global market economic slowdown, the ISB Group is well-positioned as a cost-effective solutions provider offering products and services with functionalities that were previously affordable only to large corporations with sizeable ICT budgets. The desire of mid-tier to large businesses to increase their market reach, reduce transactional and operational costs, improve market intelligence through data-mining as well as to automate their business processes will form a sizeable market with considerable growth prospects for the ISB Group.

The ISB Group's current customers are small and medium-sized enterprises and large multinational corporations from the industrial and commercial sectors, in particular (but without limitation) the automobile distribution, education, hospitality and service sector.

In the financial period ended 30 September 2003, 99.5% of the ISB Group's products and services were sold in Malaysia. The ISB Group has plans to expand to other countries, and has commenced discussions with the view of establishing representative offices in Singapore, Indonesia and China.

Currently, the ISB Group's products and services are marketed and supplied directly through IMSB and RCC.

7. BUSINESS OVERVIEW (CONT'D)

7.4 MAJOR CUSTOMERS

The ISB Group, through IMSB and RCC, provides enterprise software solutions, computer hardware and related consultancy services to customers in the automotive, education, hospitality, manufacturing, trading and services industries.

The ISB Group's top ten customers for the financial period ended 30 September 2003 are as follows:

Customers	Contribution to revenue (%)	Length of relationship (years)
Reliance Pacific Berhad	9.6	5
Destination Management Consult (HK) Ltd	2.6	10
Suria KLCC Sdn Bhd	2.2	2
Systematic Group of Colleges (via Educational Management Software Sdn Bhd)	2.0	2
KLF Total Assist Sdn Bhd	1.5	<1
Joven Marketing Sdn Bhd	<1	2
NAZA Motors group of companies	<1	3
Deloitte KassimChan Tax Services Sdn Bhd	<1	2
A'Famosa Sales and Marketing Sdn Bhd	<1	<1
Proton and Perodua sales dealers	<1	2

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7. BUSINESS OVERVIEW (CONT'D)

7.5 MAJOR SUPPLIERS

As the ISB Group is a software solutions and services provider, there is no major supplier that individually supplies 10% or more of the ISB Group's total purchases for the financial period ended 30 September 2003.

The ISB Group's suppliers provide it with various hardware and software. The ISB Group procures most of its supplies on a back-to-back basis, when its customers place their orders for such materials. In this regard, the ISB Group does not hold substantial inventory of such supplies and is not reliant on any particular supplier for such supplies.

The ISB Group's top ten suppliers for the financial period ended 30 September 2003 are as follows:

Suppliers	Contribution to cost of sales (%)	Length of relationship (years)
Time Dotnet Bhd	7.4	4
Jardine OneSolution (M) Sdn Bhd	6.6	4
MIMOS Berhad	5.3	4
Sime Darby Systems Sdn Bhd	2.5	6
Digiland Distribution Sdn Bhd	2.5	2
Micro D (M) Sdn Bhd	1.6	10
MTCS Asia Sdn Bhd	1.6	3
ECS Astar Sdn Bhd	1.6	3
TT Dotcom Sdn Bhd	1.2	4
Enhanced Comm Sdn Bhd	<1	1

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7. BUSINESS OVERVIEW (CONT'D)

7.6 LOCATIONS OF OPERATIONS

The ISB Group maintains its head office, and marketing and sales operations, in Kuala Lumpur, Malaysia. The research and development activities of the ISB Group are located in Technology Park Malaysia, Bukit Jalil, Malaysia.

7.7 TECHNOLOGY, INTELLECTUAL PROPERTY AND LICENCES

The ISB Group's proprietary software architecture, **INGENUITY®**, is developed based on fourth-generation open software development tools. The development follows an Extensible and Distributed Internet Architecture strategy being executed by the major relational database providers driving the majority of Internet e-businesses. This architecture allows the complete front-to-back functionality within the ISB Group's proprietary software to be extended over the Internet, Intranets and Extranets. Thus, the acknowledged low-cost benefits of Internet processing can be extended to an organisation's employees, customers and partners in their provision of products and services.

The **INGENUITY®** proprietary software architecture takes advantage of open software technologies to further enable the rapid development of business enterprise software solutions. Using open Web services and leveraging on XML-based Web integration standards, the ISB Group is able to lower customers' automation costs and accelerate the delivery of software modules.

The technology architecture of the ISB Group's proprietary software conforms to major technology standards. This provides a technology framework through an open architecture infrastructure on multiple layers, allowing the integration of "best of breed" technologies.

The ISB Group regards its intellectual property rights as crucial to its continued success and has taken steps, which it believes to be necessary and customary in its industry, to protect its rights to that intellectual property.

Apart from the software developed by the ISB Group, the ISB Group's intellectual property includes, inter alia, the following:

- copyrights in relation to the proprietary software which the ISB Group designed and developed;
- the brand name "**INGENUITY®**" was registered by IMSB with the Registrar of Trademarks on 16 April 2001; the registration is valid for a period of ten years from 16 April 2001;
- marketing and development plans, price and cost data, price and fee amounts, pricing and billing policies, quoting procedures, marketing techniques and methods of obtaining business, forecasts and forecast assumptions and volumes, and future plans and potential business strategies; and
- trade secrets and other confidential business information which is used in the ISB Group's business and which gives it competitive business advantage, the opportunity of obtaining such advantage or the disclosure of which could be detrimental to the conduct of its business.

The ISB Group relies on a combination of trademark applications and common law copyright protection and contractual restrictions to protect its intellectual property rights. The ISB Group also procures that its employees execute agreements which seek to ensure that the confidentiality of the ISB Group's proprietary information is maintained, and which effectively limit the possibility of direct copying of its products by employees who leave the ISB Group.

7. BUSINESS OVERVIEW (CONT'D)

7.8 RESEARCH AND DEVELOPMENT

The ISB Group has established a strong and committed team of research and development engineers to develop advanced innovations in the following:

- business intelligence analytics and predictive CRM; and
- Financial Data Interchange Protocol.

IMSB was awarded a MSC research and development grant of approximately RM2.5 million on 30 August 2002 for the purposes of the research and development in these areas.

The ISB Group has also established research and development programmes in respect of:

- the on-line integration of companies with existing hotel PMS using XML technology; and
- Lotus Notes work process system;

which are carried out through RCC.

The ISB Group has also appointed a Research and Development Advisory Panel, comprising members from the ISB Group and industry and technical experts, in order to advise the ISB Group on technological and industry developments and directions. Details of the Research and Development Advisory Panel are set forth in Section 6.6 of this Prospectus.

The ISB Group's research and development efforts are aimed to fast-track the commercialisation of newer, greater-value and more robust business intelligent applications. For the period from 2003 to 2005, IMSB has embarked on a research and development programme that has been approved by MDC to ensure product development sustainability and relevance to the software industry. These comprise both software and technical documentation for the following areas.

7.8.1 Business Intelligence Analytics and Predictive Customer Management

This is a customer behavioural analytical engine, which will be developed based on the research and study of various aspects of customer typology and models. The ISB Group believes that the future of enterprise solution is to unlock the true value of the business, using business intelligence applications to retain, grow and build customers. The ISB Group hopes that research and development into business intelligence analytics via predictive modelling will transform businesses into market intelligent enterprises. The ISB Group believes that this venture is timely and has great commercial value, as organisations are finding it difficult to use traditional techniques to capture market share, and the cost of acquiring, retaining and growing a profitable customer-base is increasing as markets are becoming increasingly fragmented and commoditised.

7.8.2 Financial Data Interchange Protocol

This is a financial information exchange standard for electronic dealing and processing of customer financial information that will be built as an interface component within INGENUITY CRM. The research and development into this area will focus on the research into integrating the numerous financial applications found in the market and finding a common Protocol or standard in which financial information can be interchange across the enterprise. This will provide a seamless end-to-end solution with the INGENUITY CRM that will provide an industry-acceptable interchange Protocol to both major financial applications found in the market and to INGENUITY FMS. The technology platform for implementing this multipart system architecture involves methodical research into a Financial Data Interchange Protocol that allows the INGENUITY software applications to concisely integrate data (from both non-financial and financial sources) to its knowledge base, and decipher these data to provide a unified business rule and approach of the organisation's processes to its customers and partners alike.

7. BUSINESS OVERVIEW (CONT'D)

In line with the advancement of software development that requires less human interaction as a result of improved business intelligence, coupled with artificial intelligence, the ISB Group will embark on its second phase of research and development from 2005 and beyond, into the following areas:

- advance business intelligence, and
- improved human-computer interaction and wireless technology.

Through RCC, the ISB Group has also embarked on research and development plans in respect of enhancing RCC's existing software, and developing new software. First, it plans to upgrade the platform of the existing software to be compatible with new hardware in the future. Second, it has plans to develop new software in the following areas.

7.8.3 Integrating On-Line Companies with Existing Hotel PMS using XML Technology

This integration is done via the construction of a "technology bridge" between many different PMS solutions in the global market place. The "technology bridge" will permit two or more properties who are on a different platform to connect to one central database without having to change the existing PMS solution it is using. This will further enhance the distribution of rooms of multiple properties in a central database. This central database which contains the inventory and pricing of multiple hotels can be linked to many online companies. This integration will be researched and developed upon according to the customer's needs.

7.8.4 Lotus Notes Work Process System

The development of this Lotus Notes work process system is to construct some key components to add-on to RCC's existing Lotus Notes software development to create a total front- to back-office system for a hotel or property. The system will have the capability to manage and automate the hotel's work processes. The level of development may vary according to the customer's requirements.

The ISB Group has spent a total of RM4,485,448 on research and development in the last three financial years ended 31 March 2003 and the financial period ended 30 September 2003. The amounts spent on research and development represent approximately 22.4% of the proforma aggregate turnover of the ISB Group in line with its continuous product enhancement and development plans.

7.9 EMPLOYEES

As at 27 January 2004, being the last practicable date prior to the printing of this Prospectus, the ISB Group has a total of 59 full-time employees in the following categories:

Category of employee	←----- Malaysian citizens -----→				Total Malaysian	Foreigners	Total
	Bumiputera	Chinese	Indian	Others			
Managerial and professional	2	10	-	-	12	-	12
Technical and supervisory	4	25	-	-	29	-	29
Clerical and related occupations	2	15	-	-	17	-	17
General employee	1	-	-	-	1	-	1
	9	50	-	-	59	-	59

7. BUSINESS OVERVIEW (CONT'D)

ISB recognises the importance of its employees and continuously takes steps to update them on the latest developments in the ICT industry. These employees are also sent for training courses from time to time in order for them to update their technical knowledge.

The employees of the ISB Group are not members of any trade union, and the management of the ISB Group enjoys cordial relations with these employees. There has not been any material dispute to date between management and these employees.

The number of years in service of the employees of the ISB Group are as follows:

Years of service	Number of employees	% of total employees
Less than 1 year	16	27%
More than 1 year but less than 5 years	34	58%
More than 5 years	9	15%
Total	59	100%

7.10 INTERRUPTIONS TO BUSINESS DURING THE PAST 12 MONTHS

There has not been any material interruption to the businesses of the ISB Group in the 12 months preceding the date of this Prospectus.

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