3. INTRODUCTION AND PARTICULARS OF THE PUBLIC ISSUE

This prospectus is dated 29 March 2004.

A copy of this Prospectus has been registered with the SC. A copy of this prospectus, together with the Application Forms, has also been lodged with the Registrar of Companies, who takes no responsibility for its contents.

Approval has been obtained from the SC for the listing of CBS on 30 December 2003. Approval has also been obtained from MSEB on 31 December 2003 for the listing of CBS and for the admission to the Official List of the MESDAQ Market and for permission to deal in and quotation for the enlarged issued and paid-up ordinary shares of CBS including the Public Issue, which is the subject of this Prospectus. These ordinary shares will be admitted to the Official List of the MESDAQ Market and official quotation will commence upon receipt of confirmation from MCD that all the CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all the successful applicants.

The approvals of the SC and MSEB shall not be taken to indicate that the SC and MSEB recommend the Public Issue and that investors should rely on their own evaluation to assess the merits and risks of the Public Issue.

Under the MESDAQ's trading rules, effective from the date of listing, trading in all MESDAQ listed securities can only be executed through an ADA who is also a MSEB member.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, MSEB has prescribed the CBS Shares as a prescribed security. In consequence thereof, the Public Issue Shares offered through this Prospectus will be deposited directly with the MCD and any dealings in these Shares will be carried out in accordance with the Securities Industry (Control Depositories) Act, 1991 and Rules of the MCD.

All applicants must have a CDS Account and an applicant should state his CDS Account number in the space provided in the Application Form.

The SC and MSEB assume no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus. Listing of CBS Shares and admission to the MESDAQ Market is not to be taken as an indication of the merits of the Company and its subsidiary companies or its Shares.

Pursuant to the MMLR, the Company needs to have at least 25% but not more than 49% of the enlarged issued and paid-up share capital in the hands of public shareholders and a minimum number of 200 public shareholders at the point of admission to the MESDAQ Market. The Company is expected to achieve this at the point of admission to the MESDAQ Market. However, in the event that the above requirement is not met pursuant to this Public Issue, the Company may not be allowed to proceed with its listing plan. In the event thereof, monies paid in respect of all applications will be returned in full without interest if the said permission is not granted.

No person is authorised to give any information or to make any representation not contained herein in connection with the Public Issue and if given or made, such information or representing must not be relied upon as having been authorised by CBS and/or PMBB. Neither the delivery of this Prospectus nor any Public Issue made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of CBS or the Group since the date hereof.

3. INTRODUCTION AND PARTICULARS OF THE PUBLIC ISSUE *(Cont'd)*

The distribution of this Prospectus and the sale of the Public Issue Shares in certain other jurisdictions outside Malaysia may be restricted by law. Persons into whose possession of this Prospectus may come are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an invitation to subscribe for the Public Issue in any jurisdiction in which such invitation is not authorised or lawful, or to any person to whom it is unlawful to make such an invitation.

Acceptance of applications will be conditional upon permission being granted to deal in, and quotation for all the Public Issue Shares. Monies paid in respect of any application accepted will be returned if the said permission is not granted.

The written consents of the Adviser, Sponsor, Placement Agent, Underwriter, Solicitors, Principal Banker, Issuing House, Share Registrar and Company Secretaries to the inclusion in this Prospectus of their names in the form and context in which their names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.

The written consent of the Auditors and Reporting Accountants to the inclusion in this Prospectus of its name, Accountants' Report and letter relating to the Proforma Consolidated Balance Sheets in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

The written consent of the Expert to the inclusion in this Prospectus of its name and letter in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

If you are unsure of any information contained in this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers.

3.1 Opening and Closing of Application Lists

The Application Lists will open at 10.00 a.m. on 29 March 2004 and will remain open until 5.00 p.m. on 5 April 2004 or for such further period or periods as the Directors of CBS in their absolute discretion and the Underwriter may mutually decide.

3.2 Dates of Special Events

Event	Date
Opening of the applicant list for the Public Issue Shares	29 March 2004
Closing of the applicant list for the Public Issue Shares	5 April 2004
Tentative balloting	9 April 2004
Tentative despatch of notice of allotment to successful applicant	15 April 2004
Tentative listing	20 April 2004

These dates are tentative and are subject to changes which may be necessary to facilitate the implementation procedures. Application for the Public Issue Shares will be accepted from 10.00 am on 29 March 2004 to 5.00 pm on 5 April 2004 or for such other period or periods as the Directors of CBS together with the Underwriter in their absolute discretion may mutually decide.

In the event of any changes to the closing date of the application, such date would be published in a widely circulated daily English and Bahasa Malaysia newspaper within Malaysia. Should the closing date of the application be extended, the dates for the allotment and listing of CBS's entire issued and paid-up share capital on the MESDAQ Market would be extended accordingly.

3.3 Number and Class of Securities to be Issued

	RM
Authorised	
250,000,000 ordinary shares of RM0.10 each	25,000,000
Issued and fully paid-up as at the date of this Prospectus	
67,232,260 ordinary shares of RM0.10 each	6,723,226
To be issued pursuant to the Public Issue	
30,000,000 ordinary shares of RM0.10 each	3,000,000
Enlarged share capital upon listing	
97,232,260 ordinary shares of RM0.10 each	9,723,226
To be issued pursuant to full exercise of ESOS Options*	
9,723,226 ordinary shares of RM0.10 each	972,322
Enlarged share capital upon full exercise of ESOS Options	
106,955,486 ordinary shares of RM0.10 each	10,695,548

The Public Issue price of RM0.32 per ordinary share is payable in full on application.

Note:

* *The ESOS will only be implemented i.e. the Options under the ESOS will only be offered to the eligible directors and employees of the Group, on the date of the Company's listing on the MESDAQ Market.*

There is only one class of shares in CBS, namely ordinary shares of RM0.10 each, all of which rank pari passu with one another. The Public Issue Shares will rank pari passu in all respects with the other existing issued and paid-up ordinary shares of RM0.10 each in CBS including voting rights, dividends and distributions that may be declared subsequent to the date of this Prospectus.

Subject to any special rights attaching to any shares that may be issued by the Company in the future, the shareholders of ordinary shares in the Company shall, in proportion to the amount paid-up on the shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends, distributions and the whole of any surplus in the event of liquidation of the Company in accordance with its Article of Association.

At every general meeting of CBS, each shareholder shall be entitled to vote in person or by proxy or by attorney, and on a show of hands, every person present who is a shareholder or representative or proxy (a shareholder is entitled to appoint two (2) proxies to attend the same meeting. If two (2) proxies are appointed, only one (1) specifically nominated by the shareholders and if no such nomination, the proxy whose name ranked first in the alphabetical order, is allowed to vote on a show of hands) or attorney to a shareholder shall have one vote and on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each ordinary share held. A proxy may but need not be a member of the Company. If the proxy is not a member, he need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.

3.4 Purposes of the Public Issue

The purposes of the Public Issue are as follows: -

(i) To raise funds for the Group's continued operations and expansion, details of which are elaborated in Section 3.8 below;

(ii) To obtain listing of and quotation for the entire issued and paid-up share capital of CBS on the MESDAQ Market, which is expected to enhance the business profile and future prospects of the Group;

(iii) To provide the Group with access to the capital markets to raise funds for future expansion and growth; and

(iv) To provide an opportunity for Malaysian investors and institutions, business associates, eligible employees and directors and the public to participate in the continuing growth of the CBS Group.

3.5 Details of the Public Issue

The Public Issue of 30,000,000 CBS Shares at an issue price of RM0.32 per CBS Share is payable in full on application subject to the terms and conditions of this Prospectus.

Upon acceptance, the Public Issue Shares will be allocated in the following manner:

(i) Malaysian Public

3,750,000 of the Public Issue Shares will be made available for application by the public.

(ii) Eligible Directors, employees and business associates of the CBS Group

3,125,000 of the Public Issue Shares have been reserved for eligible Directors, employees and business associates of the CBS Group and other persons who have contributed to the success of the CBS Group.

(iii) Private Placement

23,125,000 of the Public Issue Shares will be made available for placement to selected investors.

The Public Issue Shares under paragraphs (i) and (ii) above have been fully underwritten by the Underwriter. Details on the brokerage and underwriting commission relating to the Public Issue are set out in Section 3.10 of this Prospectus.

If there are any undersubscription in respect of paragraph (i) and (ii) above, the undersubscribed Public Issue Shares will be made available for subscription by the Placees referred to in paragraph (iii) above. Thereafter, any Public Issue Shares not subscribed for as set out in (i) and (ii) above, will be made available for subscription by the Underwriter as specified in the Underwriting Agreement dated 15 March 2004.

The basis of allocation to be determined shall take into account the desirability of distributing the Public Issue to a reasonable number of applicants with a view of broadening the shareholding base of the Company to meet the public spread requirements and to establish a liquid and an adequate market in the Shares. To ensure compliance with the MMLR, the final allocation to any single applicant shall not breach 5% or more of the enlarged share capital of the Company upon listing, regardless of the amount of Shares applied for. Applicants will be selected in a manner to be determined by the Directors of CBS.

3.6 Allocation of Public Issue Shares to eligible Directors, employees and business associates of the CBS Group

The Public Issue Shares in respect of Section 3.5(ii) above, have been reserved for allocation to the eligible Directors, employees and business associates of the CBS Group and have been allocated based on their respective positions, length of service and number of years of relationship with the Company.

The number of Public Issue Shares that have been allocated to the Directors of CBS are as follows:

Name of Directors	Number of Public Issue Shares allocated
Tuan Haji Osman bin Haji Ismail	640,000
Sun Chee Kong	320,000
Lee Siew Ken	320,000
Wong Kang Sai	320,000
Lai Soon Onn	320,000
Total	**1,920,000**

3.7 Pricing of the Public Issue Shares

Prior to the offering, there has been no public market for the shares of CBS. The issue price of RM0.32 per Public Issue Share was determined and agreed upon by the Company and the Underwriter. Among the factors considered in determining the issue price of the CBS Shares, in addition to prevailing market conditions, were the CBS Group's estimates of business growth potential and revenue prospects, an assessment of the Group's management, investment made and the consideration of the above factors in relation to market valuation of companies in similar businesses.

However, investors should also note that the market price of CBS Shares upon listing on the MESDAQ Market, are subject to the vagaries of market forces and other uncertainties, which may affect the price of CBS Shares when they are traded.

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3.8 Proposed Utilisation of Proceeds

The Company expects the gross proceeds of the Public Issue will amount to approximately RM9.6 million. The proceeds shall accrue to the Company and the Company shall bear all expenses relating to the listing of and quotation for the entire issued and paid-up share capital of CBS on the MESDAQ Market.

	Note	RM'000	Expected timeframe for utilisation
Overseas expansion	(i)	2,000	24 months
Research & development	(ii)	2,500	36 months
Working capital	(iii)	3,500	36 months
Listing expenses	(iv)	1,600	6 months
		9,600	

Notes:

(i) *Recognising the need to globalise its target markets in order to remain competitive, the Group intends to allocate a portion of the gross proceeds from the Public Issue for overseas expansion. As a start, the Group has begun marketing its products in Singapore and Thailand. In the immediate and medium term, it is the Group's intention to set-up marketing offices as well as R&D labs in China (e.g. Shanghai and Beijing) to develop new e-security software products as well as customisation of its existing products in Chinese character software. The allocation of RM2 million will be primarily allocated as initial set-up costs and operating expenses for the next 24 months.*

(ii) *As part of the Group's on going efforts to maintain technological advantage over its competitors, the Group will be allocating RM2.5 million of the proceeds raised for the development of its Payment™ Secure Suite, Solmate™ and netPayroll as well as continuing enhancement of existing range of products and customisation of its existing products into other languages (e.g. Arabic) for the next 36 months. The allocation will cover the R&D team's salary cost, computer hardware and software and related overheads.*

(iii) *The allocation of RM3.5 million as additional working capital for the Group is necessary to allow the Group to secure new contracts, including utilising the capital for project financing purposes. The Group also intends to intensify its marketing efforts by directing part of the working capital for purposes of employment of additional sales and marketing staff in order to provide services in the countries that the Group plans to operate in.*

(iv) *Expenses incidental to the listing of the Company is estimated at RM1.6 million which includes professional fees, underwriting commission, brokerage fees, authorities' fees and other costs associated with the IPO.*

It is intended that the abovementioned proceeds of RM9.6 million will be utilised within 3 years from the listing date.

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3. INTRODUCTION AND PARTICULARS OF THE PUBLIC ISSUE *(Cont'd)*

3.9 Listing Expenses

Details of the estimated listing expenses are as follows:

	RM'000
Professional fees	700
Fees to authorities	30
Issuing house fee and disbursement	50
Brokerage, placement fees and underwriting commission	200
Advertisement and printing	150
Contingencies	470
Total	**1,600**

3.10 Brokerage, Underwriting Commission and Placement

(a) Brokerage Fee

Brokerage relating to the Public Issue Shares will be borne by the Company at the rate of 1% of the issue price of RM0.32 per share in respect of successful applications bearing the stamp of either PMBB, member companies of MSEB, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIDFCCS. No brokerage is payable on the 23,125,000 Public Issue Shares to be placed out to selected investors.

(b) Underwriting commission

A conditional Underwriting Agreement was entered into between the Company and PMBB on 15 March 2004 to underwrite 6,875,000 CBS Shares of the Public Issue Shares which are available for application by the eligible Directors, employees, and business associates of the CBS Group and the Malaysian Public.

The underwriting commission is payable by the Company at the rate of 2% of the issue price of RM0.32 for each of the Public Issue Share underwritten.

(c) Placement fees

Placement fees are payable by the Company to the Placement Agent at a rate of 2% of the Public Issue price of RM0.32 per share in respect of the 23,125,000 Public Issue Shares to be issued by way of private placement.

3.11 Salient Terms of the Underwriting Agreement

The following are extracts of some of the salient terms contained in the conditional Underwriting Agreement dated 15 March 2004 including clauses which may allow the Underwriters to withdraw from obligations under the agreement after the opening of the offer:

(Note: Unless otherwise stated all definitions should bear the same meanings as prescribed in the Underwriting Agreement dated 15 March 2004).

*"3.5 (a) **Breaches & Termination:** In the event of*

(i) any breach of the warranties or representations set out herein; or

(ii) failure on the part of the Company to perform any of the obligations herein contained; or

(iii) any change rendering any of the said warranties or representations inaccurate in any respect; or

(iv) if any material information shall have been withheld and coming to the notice of the Underwriter prior to the Closing Date

the Underwriter shall be entitled to treat such breach, failure or change as releasing or discharging it from its obligations hereunder and will be entitled to terminate this Agreement by notice to the Company.

*(b) **Consequences of termination:** On delivery of the notice under clause 3.5(a), this Agreement will terminate and thereafter each party's rights and obligations will cease and none of the parties will have any claim against each other, except for the liability of the Company under Clauses 3. 5(c) and 10.1.*

*(c) **Indemnity:** Without prejudice to the other rights and remedies of the Underwriter, the Company undertakes with the Underwriter that it will hold the Underwriter fully and effectually indemnified from and against any and all losses, liabilities, costs, claims, charges, actions, proceedings, damages, expenses and demands which the Underwriter may incur or which may be made against them as a result of or in relation to any breach by the Issuer of the representations, warranties or agreements under this underwriting agreement and such indemnity will extend to include all costs, charges and expenses which the Underwriter may reasonably pay or incur in disputing or defending any such claim or action or other proceeding.*

4. CONDITIONS PRECEDENT FOR UNDERWRITING

4.1 ***Conditions Precedent:*** *The several obligations of the Underwriter under this Agreement shall further be conditional upon: -*

(a) ***Registrar of Companies & SC:*** *the lodgment and acceptance for registration with the Registrar of Companies and the SC respectively of the Prospectus together with copies of all documents required under Section 42 of the Companies Act prior to the issuance of the Prospectus to the public;*

(b) ***Issue of Prospectus:*** *the issuance of the Prospectus to the public (including advertisement of the Prospectus and all other procedures, requirements, letters and documents required under Chapter 8 of the Listing Requirements) have been complied with within three (3) months from the date hereof or such extension as consented by the Underwriter;*

(c) ***Material Adverse Condition:*** *there having been, as at any time hereafter up to and including the Closing Date, no material adverse change, or any development involving a prospective material adverse change, in the condition, financial or otherwise of the Company and its subsidiaries (which in the reasonable opinion of the Underwriter are or will be material in the context of the issue of the Public Issue Shares) from that set forth in the Prospectus, nor the occurrence of any event nor the discovery of any fact rendering inaccurate, untrue or incorrect an extent which is or will be material in any of the representations, warranties and undertakings contained in* ***Clauses 3.1 and 3.2*** *if they are repeated on and as of the Closing Date;*

(d) ***No Prohibition by Laws on IPO:*** *the issue, offering and subscription of the Public Issue Shares in accordance with the provisions hereof not being prohibited by any statute, order, rule, regulation, directive or guideline (whether or not having the force of law) promulgated or issued by any legislative, executive or regulatory body or authority of Malaysia (including the MSEB);*

(e) ***Approvals:*** *all necessary approvals and consents required in relation to the IPO including but not limited to governmental approvals having been obtained and are in full force and effects;*

(f) ***Payment of Expenses:*** *the Underwriter having been satisfied that arrangements have been made by the Company to ensure payment of the expenses referred to in* ***Clause 14;***

(g) ***Resolutions:*** *the delivery to the Underwriter prior to the date of registration of the Prospectus of (aa) a copy certified as true copy by an authorised officer of the Company of all the resolutions of the directors of the Company and the shareholders in general meeting approving this Agreement, the Prospectus, the Public Issue and authorising the execution of this Agreement and the issuance of the Prospectus; (bb) a certificate dated the date of the Prospectus signed by duly authorised officers of the Company stating that, to the best of their knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as referred to in Clause 4.1(e); and*

(h) ***Report & Confirmation:*** *the delivery to the Underwriter on the Closing Date of such reports and confirmations dated the Closing Date from the board of directors of the Company as the Underwriter may reasonably require to ascertain that there is no material change subsequent to the date of this Agreement that will adversely affect the performance or financial position of the Company or its subsidiary.*

4.2 ***Non-Fulfillment of Conditions Precedent:*** *In the event any of the conditions set forth in **Clause 4.1** are not satisfied, the Underwriter shall, subject as mentioned below, thereupon be entitled but not bound to terminate this Agreement by notice given to the Company not later than one (1) day after the Closing Date and upon such termination, the liabilities of the Company and the Underwriter shall become null and void and none of the parties shall have a claim against the other save that each party shall return any and all moneys paid to the other or others under this Agreement within seventy two (72) hours of the receipt of such notice (except for monies paid by the Company for the payment of the expenses as provided in **Clause 14**). The Underwriter reserves the right to waive or modify any of the conditions aforesaid and such waiver or modification shall not prejudice the Underwriter's rights under this Agreement.*

13. FORCE MAJEURE

13.1 ***Force majeure:*** *It will be an event of force majeure if in the reasonable opinion of any Underwriter: -*

(a) *the success of the IPO is seriously jeopardised by the coming into force of any laws or Governmental regulations or directives which seriously affect or will seriously affect the business of the Company; or*

(b) *there is a change in national or international monetary, financial, political or economic conditions or exchange control or currency exchange rates that would prejudice materially the success of the offering of the Underwritten Shares and their distribution or sale (whether in the primary market or in respect of dealings in the secondary market); or*

(c) *the success of the IPO is seriously jeopardised by the Kuala Lumpur Composite Index falling below 600 points and remaining below 600 points for 3 consecutive market days at any time between the effective date of this underwriting agreement and the Closing Date.*

13.2 ***Consequence of force majeure:***

(a) *In the event of a force majeure under clause 13.1, any Underwriter may, subject to prior consultation with the Company, at any time prior to the Closing Date: -*

(1) *terminate this underwriting agreement by notice to the Issuer; or*

(2) *request that the Closing Date be extended to such reasonable date as the Underwriter may decide.*

(b) *Upon delivery of the notice under clause 13.2(a)(1), this Agreement will terminate and thereafter each party's rights and obligations will cease and none of the parties will have any claim against each other.*

(c) *Upon delivery of a request under clause 13.2(a)(2), the Company will procure that the Closing Date be extended as requested.*

(d) *The delivery of a request under clause 13.2(a)(2) will not preclude the giving of further request under Clause 13.2(a)(2) or the giving of a notice under Clause 13.2(a)(1).*

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4. RISK FACTORS

Notwithstanding the prospects of the Group as outlined in this Prospectus, applicants for the Public Issue Shares should carefully consider the following factors (which may not be exhaustive) that may have a significant impact on the future performance of the Group in addition to other information contained elsewhere herein, before applying for the Public Issue Shares:-

4.1 No Prior Market for CBS Shares

Prior to the Public Issue, there has been no public market for shares in CBS. There can be no assurance that an active market for shares in CBS will develop upon its listing on the MESDAQ Market or, if developed, that such market will be sustained. There can also be no assurance that the issue price will correspond to the price at which the shares in CBS will be traded on the MESDAQ Market upon or subsequent to its listing or that an active market for shares in CBS will develop and continue upon or subsequent to its listing.

The issue price of RM0.32 per Public Issue Share was determined and agreed upon by the Company and the Underwriter. Among the factors considered in determining the issue price of the CBS Shares, in addition to prevailing market conditions, were the CBS Group's estimates of business growth potential and revenue prospects, an assessment of the Group's management, investment made and the consideration of the above factors in relation to market valuation of companies in similar businesses.

4.2 Delay in or Abortion of the Listing

The occurrence of any one or more of the following events (which may not be exhaustive) may cause a delay in or abortion of the Listing Exercise:

(a) the Underwriter fails to honour its obligations under the Underwriting Agreement; or

(b) the Company is unable to meet the public spread requirement, that is, at least 25% of the issued and paid-up capital of the Company must be held by a minimum number of 200 public shareholders at the point of its admission to the MESDAQ Market.

Although the Directors of CBS will endeavour to ensure compliance by CBS of the various listing requirements, including, inter-alia, the public spread requirement imposed by the SC and MSEB, for the successful Listing Exercise, no assurance can be given that the abovementioned factors will not cause a delay in or abortion of the Listing Exercise.

4.3 Control by Substantial Shareholders

Following the Public Issue, the Company will be controlled by 3 substantial shareholders, namely Sun Chee Kong, Tan Chong Chew @ Tan Ying Ying and Common Direction, who/which will collectively control 54.16% of the enlarged issued and paid-up share capital of CBS. As a result, the said shareholders will be able to effectively control the outcome of certain matters requiring the vote of CBS shareholders including the constitution of the Board of Directors of CBS and thus, the direction and future operations of the Group, decisions regarding acquisitions and other business opportunities, the declaration of dividends and the issuance of additional shares and other securities, unless they are required to abstain from voting by law and/or the relevant authorities.

4.4 Reliance on Major Relationships

The Group's performance to some extent depends on its current relationship with its strategic partners/vendors (e.g. Mobius and ASG). Hence, the Group's business will be materially and adversely affected if these vendors cease to offer its products. The Group has successfully secured exclusive distribution agreements with Mobius and ASG, which provide the Group with sole distributorship rights. Under these agreements, the Group is permitted to freely distribute the said products within Malaysia. The Group would be unable to continue sales of its strategic partners' products should these agreements be terminated and this may adversely affect the Group's turnover and profits. In addition, any unfavourable terms offered by these strategic partners/vendors on renewal of these agreements may adversely affect the pricing and competitiveness of the Group's services.

However, the management of the Group is of the opinion that its reliance on its strategic partners/vendors is mitigated to a certain extent, as it has established cordial relationships with its partners dating back to 1998. As the Group's main value proposition to its customers is its ability and skill to customise and provide system integration services of these products, management is therefore, of the view that its reliance on these strategic partners is not critical. In addition, the Group has its own software solutions, which can be sold independently or may also be customised to complement the products offered by the abovementioned strategic partners and/or vendors.

Whilst the Group may be unable to control risks associated with its strategic partners/vendors, it is mindful of maintaining the good working relationships with its strategic partners/vendors.

4.5 Dependence on Key Personnel

The Group believes that its continued success will depend, to a significant extent, upon the abilities and continued efforts of its existing Executive Directors and senior management personnel. The loss of any of the Group's Directors or key members of the Group's senior management could adversely affect the Group's continued ability to compete. Furthermore, the Group's planned expansion could place a significant strain on the Company's key personnel, the services and support operations, the sales and administrative personnel and other resources. Every effort is made by the Group to groom younger members of the management team to take over from the senior management to ensure a smooth transition. They will be provided with the necessary experience and exposure in the management team should changes occur in order to maintain the Group's continued ability to compete.

It is the Group's practice to retain the services of these Directors and senior management whenever possible and to also attract and retain experienced personnel by providing a conducive working environment with emphasis on safety, health and positive working cultures.

4.6 Operational Risks

There is no assurance that the Company will be profitable in the future, or that it will achieve increasing or consistent levels of profitability. The Group's revenue and operating results are difficult to forecast and could be adversely affected by many factors. These includes, amongst others, changes in Group's operating expenses, the ability of the Group to develop and market new products and services to control costs, market acceptance of the new products and services and other business risks common to the Company's going concerns.

Barring any unforeseen circumstances, the Directors of CBS believe that the Group should be able to maintain its profitability record. While substantial management and financial resources have been devoted to launch its products and grow its operations in the new market, the Group cannot be assured that the new ventures will be successful and able to generate significant revenue. The Group adopts a prudent cash flow management which includes, inter-alia, regular monitoring of debtors position, sustaining long term relationships with its customers and business partners and careful consideration of any proposed capital expenditure or borrowings which would affect the Group.

4.7 Competition

The market for application software and services in which the Group operates is highly competitive. The Group expects to face more intense competition from existing competitors and new entrants into the market in the future. The principal elements of competition include technical competence, delivery cycle, pricing, quality, scalability, conformity with industry standards, reliability, brand name and customer service.

The Group competes with a variety of firms, some which may have longer operating histories, larger clientele, better products, larger teams of professional staff and greater financial, technical, marketing and other resources. The Group's competitors may be able to devote more resources to the development, promotion and sale of their products and services. In the event that the Group is unable to compete effectively, revenues and profits will be adversely affected.

The Group's continued success depends on its ability to compete effectively with its existing and future competitors and to adapt rapidly to changing market conditions and trends by providing application software and services that meet the needs and requirements of its clients.

In view of the competition, the Group intends to sharpen its competitive edge by continually looking into and monitoring closely factors such as pricing, quality, distribution, branding and customer satisfaction.

4.8 Future Growth

The Group's potential expansion may significantly strain the Group's management, financial, customer support, operational and other resources. In order to achieve the Group's growth mission targets as set out in the Five-Year Business Plan in Section 8 of this Prospectus, management would need to adopt an aggressive sales and business development plan. However, there can be no assurance that management would be successful in implementing the plan or that the plan would not give rise to other problems.

The Group's proposed future plan will be dependent upon, among other things, the Group's ability to enter into strategic marketing or other arrangements on a timely basis and on favourable terms, hire and retain skilled management, financial, technical and marketing personnel, successfully manage growth which includes including monitoring of operations and controlling of costs, among other things and obtaining adequate financing when needed. There can, however, be no assurance that the Group will be able to successfully implement its business plan or that unanticipated expenses, problems or technical difficulties will not occur which would result in material delays in the implementation of or deviation from the original plans.

4.9 Rapid Technological Changes / Product Change

The Group's ability to keep pace with rapid technological changes will affect its revenues and profits. As the Group's business is in information technology, its business may be affected by rapid technological changes due to changing market trends, evolving industry standards, new technologies and emerging competition. Future success will be dependent upon the Group's ability to enhance existing software products and services and introduce new products and services to respond to the constant changing technological environment. There is no assurance that the Group will be able to successfully identify, develop or where applicable, obtain the licence for the technology that is necessary to be integrated into the Group's products and services in order to remain current and competitive.

As with other technology-related companies, the Group is continuously engaged in R&D activities to keep up with technological trends. However, there is no assurance that such activities will result in the Group developing commercially viable products and services by itself or jointly with other parties that will keep pace with the technological demands of the market place.

4.10 Continuing Demand for the Group's Product and Services

The Group's future results will substantially depend on market acceptance of the application software products it develops. A reduction in demand or an increase in competition in the market for these products, or the Group's other existing or future products, will have a material adverse effect on the Group's business, results and financial condition. There is also no assurance that the Group will be able to develop and introduce new products and services or enhancements in a timely manner in response to changing market conditions or client requirements or that process will not encounter unforeseen problems.

The Group expects that continued road shows and training sessions to clients, along with enhancements and improvements of features, should ensure continuous acceptance and development of the Group's application software.

4.11 Protection of Group and Third Party Proprietary Technology/ Intellectual Property Rights

At present, the Group has intellectual property rights over its software, in which protection is accorded by copyright law and at common law, including the Copyright Act, 1987.

The Group's success is dependent upon its ability to protect its proprietary technology. However, there can be no assurance that the Group will be able to protect its proprietary rights against unauthorised third party copying, use or exploitation, any of which could have a material adverse effect on the Group's business, operating results and financial condition. There is a risk that other parties may attempt to copy the Group's software and service information, which the Group considers as information proprietary to the Company.

However, the risk of intellectual property infringement is substantially reduced in view that the Group's software is mostly sold as customised software, which is tailored to the specific needs of the Group's customers. In this regard, the Group's technical expertise in systems integration, packaging of other products and services specific to the customers' industry needs and its customisation skills is the critical success factor in guaranteeing the protection of its intellectual property rights.

In order to mitigate the risk of infringement of the Group's intellectual property, Netgen had on 4 July 2003 submitted applications to the Intellectual Property Corporation of Malaysia for the registration of trademarks in relation to Paymate^{TM} and Solmate^{TM} which is pending the issuance of the Certificate of Registration of Trademark. As at to-date the application for registration of Trademark is still pending the approval of the Intellectual Property Corporation of Malaysia.

4.12 Political, Economic and Regulatory Considerations

Like all other business entities, adverse developments in political, economic and regulatory conditions in Malaysia and other countries in which the Group has direct business links could materially and adversely affect the financial and business prospects of the Group. Other political uncertainties that could unfavourably affect the Group include changes in political leadership, expropriation, nationalisation, re-negotiation or nullification of existing sales orders and contracts, changes in interest rates and methods of taxation and currency exchange rules and contracts.

Whilst the Group strives to continue to take effective measures such as prudent financial management and efficient operating procedures, there is no assurance that adverse political and economic factors will not materially affect the Group.

4.13 Foreign Exchange Risk

The Group's historical and current revenue base is mainly generated from the local market. However, of recent years, the Group has begun to market its products in the South East Asian region and it is the Group's intention to expand its reach to include the nascent China market. In this regard, there is a potential that the Group may be exposed to foreign exchange risk due to its regional expansion. However, currency fluctuations are naturally hedged as foreign sales are denominated either in United States Dollar ("USD") or the relevant local currencies.

In terms of the Group's current purchases for the local market (e.g. purchase of products from Mobius and ASG), all transactions are conducted in the USD. Currently, the Ringgit is pegged to the USD at an exchange rate of RM3.80 for every USD1.00, thus eliminating any currency fluctuation. However, there is no assurance that the currency peg will continue indefinitely and as such, any future significant fluctuations in exchange rates may have a significant impact on the Group's turnover and profitability. In addition, it should also be noted that where the Group's sales comprise purchase of foreign products, the Group would bill its customers in USD, thereby creating a natural hedge against any possible currency fluctuation.

4.14 Project Risks

The Group's contracts with clients are generally entered into on a project basis. Due to the complexity of the projects that the Group undertakes, the projects are subjected to the following risk factors:-

(a) Most of the Group's services are based on fixed price contracts of which the price is determined at bid time, based on estimates. The Group may under-estimate project costs in tendering or bidding for a project. In such events, the Group may incur cost overruns which will reduce profits or incur losses.

(b) Clients may delay or cancel their projects due to unforeseen circumstances. Delays may arise from incomplete specifications or unanticipated difficulties in developing the solutions. Project delays will affect profit margins as time spent negotiating and resolving issues will delay the recognition of revenues. Additional costs may also be incurred as a result of these delays. Further, any changes in the clients' management may also cause cancellation of awarded projects; and

(c) Failure to implement projects that fully satisfy the requirements and expectations of the clients may lead to claims being made against the Group, adversely affecting the profitability of the Group. This usually arises from technology deficiencies, staff turnover, human errors, misinterpretation of information and failure to adhere to specifications and procedures. However, the risk of potential claims made by its customers will be limited to a percentage of the amount of the contract value.

A key component of the Group's strategy is to rapidly develop overseas markets for its application software. However, the Group is dependent on the acceptance of its solutions in these new markets and its ability to assess project risks for the new markets. Any failure to accurately assess these risks will have an adverse impact on operating results of the Company.

To mitigate the above risks, the Group will conduct studies on the complexity and the specification of each project in order to ensure smooth implementation and minimise cost overrun.

4.15 Future Capital Injections

It is management's opinion that the net proceeds of the Public Issue, together with cash flow from operations and other existing sources of liquidity will be sufficient to meet the Group's projected working capital and other cash requirements. However, the Group, subsequent to this offering, may need to raise substantial additional capital to fund the ongoing development and expansion of its business, including its research, development, marketing and sales efforts and attain profitability, the amount of which cannot be quantified at this juncture. There is no assurance that any additional funds needed will be available to the Group on favourable terms, or at all. Although based on assumptions that the Group considers reasonable, there is also no assurance that the Group's estimate of its anticipated liquidity needs is accurate or that new business developments or other unforeseen events will not occur, resulting in the need to raise additional funds. In addition, it is probable that raising additional funds via equity issues result in a substantial dilution and reduction in returns, if any, to investors.

The Directors of CBS believe that, upon the listing of the Company on the MESDAQ Market, the Company would have the option of tapping the debt capital market or further raising equity capital, if required. As such, there would be the availability of further funding options upon its successful listing on the MESDAQ Market to meet its requirements.

4.16 Acquisitions and Joint Ventures

If appropriate opportunities present themselves, the Group intends to acquire businesses, products or technologies or enter into synergistic joint ventures that the Group believes will be in the interest of its shareholders. There can be no assurance that the Group will be able to successfully identify, negotiate or finance such acquisitions and joint ventures, or to integrate such acquisitions and joint ventures with its current business, or to benefit from such acquisitions and joint ventures. The acquisitions and joint ventures may cause the Group to seek additional capital which may or may not be available on satisfactory terms.

4.17 Conditions of the MSC Status

Netgen, a wholly-owned subsidiary of CBS, was granted MSC status on 10 September 2003 by Multimedia Development Corporation Sdn Bhd ("MDC"). Presently, all MSC status companies are granted financial and non-financial incentives. The MDC is the body responsible for monitoring all MSC designated companies. There can be no assurance that the Group will continue to retain its MSC status or that the Group will continue to enjoy or not experience delays in enjoying the MSC incentives granted to all MSC status companies, all of which could materially and adversely affect the Group's business, operating results and financial condition.

4.18 Forward Looking Statements

Certain statements in this Prospectus are based on historical data which may not be reflective of future results and other statements which are forward looking in nature, and are subject to uncertainties, contingencies and other exogenic factors. All forward statements are based on estimates and assumptions made by the Group and although believed to be reasonable, are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward looking statements. Such factors include, inter-alia, general economic and business conditions, competition, the impact of new laws and regulations affecting the Group and industry, changes in interest rates and changes in foreign exchange rates.

Any differences in the expectations of the Group from its actual performance may result in the Group's financial and business performance and plans to be materially different from those anticipated.

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5. INDUSTRY OVERVIEW

5.1 Overview of the World Economy

World growth expanded by a modest 3% in 2002 while world trade growth turned positive to grow by 2.9% (2001: -0.1%). The performance of the global economy was lower than expected although growth remained stronger than in 2001 (2.3%). Economic outturn was uneven throughout the course of the year and across regions. Recovery in the United States (US) was lower than earlier expectations and the performances of Japan and the euro area slowed down further, while growth in the East Asian region rebounded. The lower than expected growth in the US was due to the slow pick-up in investment amid continued excess capacity and uncertainties over the strength and sustainability of economic recovery, the threats of terrorist attacks, corporate scandals and declining stock prices.

Co-ordinated accommodative monetary and fiscal policies have helped sustain consumer demand, which was the main driver of economic recovery. In the first-half year, overall growth in the major industrial economies recovered and turned positive (2H 2001: -0.5%) due mainly to stronger US growth, which accounted for about 42% of GDP of the major industrial countries. In the second half of the year, the improvement in the performances of other major industrial economies partially offset the slower growth in the US.

(Source: Bank Negara Malaysia Annual Report 2002)

5.2 Overview of the Malaysian Economy

Recovery of the Malaysian economy gained momentum in 2002 amidst a more challenging external environment. Real economic growth turned positive in the first quarter and strengthened to 5.6% in the fourth quarter. For a year as a whole, real gross domestic product (GDP) expanded by 4.2% compared with 0.4% in 2001.

Economic growth was broad based, driven by strong domestic demand and reinforced by improved export performance. While public expenditure was strongly supportive of economic activity, growth was reinforced by sustained strength in consumer spending and external demand. Low interest rates, improved access to financing and the significant improvement in commodity prices provided strong stimuli for private sector expenditure to grow.

Reflecting the continued expansionary fiscal stance, real public consumption increased substantially by 13.8%, while real public investment rose by 4.6%. In aggregate, public sector expenditure contributed 2.7% to total GDP growth. Higher fiscal spending, reduction in income taxes, low interest rates and improved employment and income prospects resulted in private sector expenditure to recover strongly to contribute 1.2% to overall GDP growth. Real private consumption grew at an encouraging pace at 4.2% while the more moderate decline in private investment reduced its contractionary impact on growth.

External demand recovered in 2002 and provided an important contribution to overall growth. Real exports of goods and services turned around to increase by 3.6% after contracting by 7.5% in 2001. The main impetus for stronger export performance in 2002 was from the manufacturing and tourism sectors. At the same time, the significant improvement in prices for several primary commodities helped increase rural incomes substantially and, consequently, due to the high multiplier impact, consumption expenditure strengthened.

(Source: Bank Negara Malaysia Annual Report 2002)

5.3 Overview of the Malaysian IT Industry

The objective of promoting venture capital, apart from generating new sources of growth and stimulating a domestic-driven economy, is to nurture entrepreneurial development in new ICT investment. As at April 2003, from a total of RM500 million allocated to Malaysian Venture Capital Management Berhad (MAVCAP), a sum of RM132.83 million has been committed for investment. Under the Package, an additional allocation of RM100 million was provided to MAVCAP to spearhead investment in seed ventures through the Cradle Investment Program (CIP), which was launched in July 2003. This ICT-related fund has been utilised to provide bridging finance for venture companies involved in ICT in the form of zero-interest loans for durations of up to 10 years. There were 35 projects in six main categories, namely information technology, network and communications, biotechnology, electronics, medical and health as well as semiconductors. MAVCAP has invested in eight companies for direct ventures and twelve for seed ventures. In order to widen the network for sourcing more quality and capable entrepreneurs, the Government, through MAVCAP has appointed four companies under its outsourcing program.

The Multimedia Super Corridor (MSC) continues to show progress in providing infrastructural support for the development of ICT industries as the country moves towards a knowledge-based economy. By August 2003, 914 companies, comprising 20% foreign companies, were awarded MSC status. Planned investment in the designated areas covering activities of IT services and software development has reached RM13 billion, an increase of 34% against the previous year. The MSC has since created 21,270 jobs, out of which 86% involves knowledge workers. Currently, 59 world-class companies operate in MSC as against 53 the year before. Reflecting improved demand in the technology sector, total sales generated from the MSC amounted to RM5.85 billion, of which 17.5% were from exports.

(Source: Economic Report 2003/2004)

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 stabilized 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:-

Malaysia IT Industry's Domestic Billings

Year	RM' millions
1997	5,380
1998	4,840
1999	5,230
2000	5,910
2001	6,501
2002	7,151

(Source: Persatuan Industri Komputer Dan Multimedia Malaysia (PIKOM))

5.4 Prospects of the e-Security Solutions Market

The implementation of the Electronic Government (EG) programme will be pursued actively during the Eighth Malaysia Plan (2001-2005) period to move towards a knowledge-based work culture. New technologies will be introduced in areas such as workflow management, security network, document management and systems management. In order to ensure that these will be successfully implemented, more effective measures in terms of change management, training and transfer of technology will be introduced.

The roll-out of the EG pilot projects to all agencies at the Federal, State and local government levels is expected to begin in 2001. In order to ensure a successful roll-out, efforts will be taken to address issues related to integration requirements across projects, legacy systems, improving and consolidating network communications across agencies as well as putting in place the necessary ICT security framework and infrastructure.

The implementation of the Government ICT Security Policy will enable agencies to safeguard electronic-based Government information and assets to ensure the secrecy, integrity, validity as well as the availability of information for approved users. In this regard, the Malaysian Government ICT Security (MyMIS) Handbook will be issued to provide comprehensive guidelines to agencies on the necessary ICT security measures in respect of the relevant ICT components. Agencies will also be required to appoint an Information Security Officer to co-ordinate ICT security. Training and awareness programmes for these officers will be conducted to ensure that they are able to carry out their responsibilities effectively.

The public sector will also undertake the network security auditing (NSA) programme to test the robustness of ICT infrastructure against breaches of security. Recognizing that ICT security systems can be penetrated, the public sector will also establish an Incident Response Handling (IRH) Unit, which will provide assistance in the event of ICT security incidents. In this regard, a mechanism for reporting security incidents in the public sector will be established and guidelines on the business resumption plan will be prepared. These efforts will ensure the availability and reliability of services and outputs of the public sector.

(Source: Eighth Malaysia Plan)

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5.5 Government Incentives for the Information Technology Industry

Malaysia has offered a 10 point Bill of Guarantees. The Government of Malaysia has formally provided the following incentives to "MSC Status" companies, in order to facilitate and assist the development of a truly IT and multimedia environment:

(a) Provide a world-class physical and information infrastructure;

(b) Allow unrestricted employment of local and foreign knowledge workers;

(c) Ensure freedom of ownership by exempting companies with MSC status from local ownership requirements;

(d) Give the freedom to source capital globally for MSC infrastructure and the right to borrow funds globally;

(e) Provide competitive financial incentives including no income tax for up to 10 years or an investment tax allowance and no duties on the import of multimedia equipment;

(f) Become a regional leader in intellectual property protection and cyberlaws;

(g) Ensure no Internet censorship;

(h) Provide globally competitive telecommunications tariffs;

(i) Tender key MSC infrastructure contracts to leading companies willing to use the MSC as their regional hub; and

(j) Provide an effective one-stop agency – MDC.

(Source: MSC website extracted on 15 March 2004)

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