

## 6. INFORMATION ON THE CBS GROUP

### 6.1 History and Principal Activities

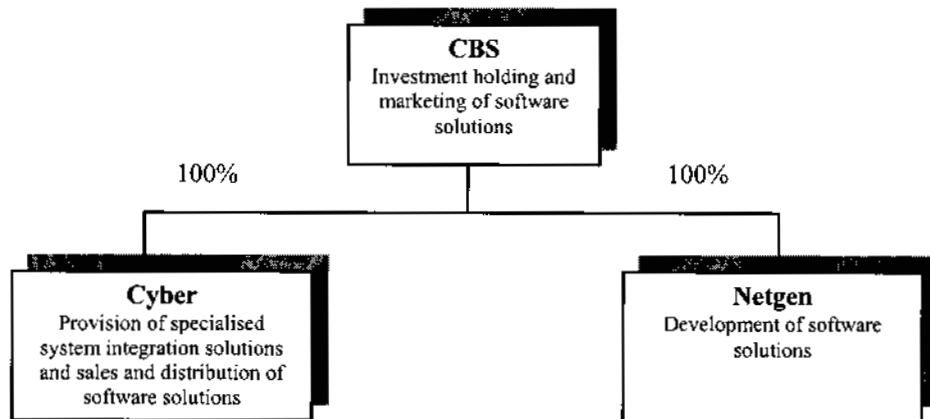
CBS was incorporated as a private limited company in Malaysia under the Act on 19 January 2001. It was subsequently converted into a public limited company on 10 September 2003 under its present name.

CBS's principal activities will involve investment holding as well as marketing of software solutions. The principal activities of the Group are the provision of specialised system integration solutions, software development, sales and distribution of software and other related professional services to various industries in Malaysia.

Cyber was incorporated in Malaysia on 27 July 1996 as a private limited company under the Act. Cyber is mainly involved in providing specialised system integration and sales and distribution of software solutions such as Paymate™ Secure Suite, Solmate™ and netPayroll of the CBS Group together with various foreign based Enterprise Productivity Software and TCM products such as, Mobius, Mackinney System, ASG and Barnard Software Inc.

Netgen was incorporated in Malaysia on 6 March 2000 as a private limited company under the Act. The company commenced operations by providing services in the area of turnkey software development projects. However, the changing marketplace and customer demands resulted in the company shifting its focus to provide e-security solutions with core focus to develop and provide secure electronics document management security solutions. The Company's existing products include Paymate™ Secure Suite, Solmate™ and netPayroll.

The CBS Group structure can be depicted as follows: -



**6. INFORMATION ON THE CBS GROUP (Cont'd)****6.2 Share Capital**

The authorised and issued and paid-up share capital of CBS as 15 March 2004 is as follows: -

Type	No. of CBS Shares	Par value RM	Total RM
Authorised	250,000,000	0.10	25,000,000
Issued and paid-up	67,232,260	0.10	6,723,226

Upon the completion of the Public Issue, the enlarged issued and paid-up share capital of CBS will be RM9,723,226 comprising 97,232,260 CBS Shares.

The details of the changes in the Company's issued and paid-up share capital since its date of incorporation are set out below: -

Date of allotment	No. of shares	Par value RM	Consideration	Cumulative issued and paid- up share capital RM
19.01.01	2	1.00	Subscribers' Share	2
01.08.01	999,998	1.00	Cash	1,000,000
19.01.04	3,223,226	1.00	Acquisition of Cyber	4,223,226
19.01.04	2,500,000	1.00	Acquisition of Netgen	6,723,226
20.01.04	67,232,260	0.10	Share Split	6,723,226

As at the date of this Prospectus, save for the option to be granted under the ESOS, no person has an option or is entitled to be given an option to subscribe for any shares of the Company or its subsidiaries.

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**6. INFORMATION ON THE CBS GROUP (Cont'd)**

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**6.3 Listing Exercise**

In conjunction with and as an integral part of the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company on the MESDAQ Market, the Company undertook a reorganisation exercise which was approved by the following authorities: -

- (i) MSEB vide its letter dated 31 December 2003;
- (ii) SC vide its letter dated 30 December 2003;
- (iii) FIC vide SC's letter dated 30 December 2003; and
- (iv) MITI vide its letter dated 31 October 2003

The reorganisation exercise involved the following:-

**(i) Acquisition of Cyber and Netgen by CBS**

Acquisition of the entire issued and paid-up share capital of Cyber comprising 3,223,226 ordinary shares of RM1.00 each for a total consideration of RM3,223,226 to be satisfied by the issuance of 3,223,226 ordinary shares of RM1.00 each in CBS. The purchase consideration of RM3,223,226 was arrived at on a "willing-buyer willing-seller" basis after taking into consideration the audited NTA of Cyber of RM3,223,226 as at 30 June 2003. The acquisition of Cyber was completed on 19 January 2004.

Acquisition of the entire issued and paid-up share capital of Netgen comprising 35,000 ordinary shares of RM1.00 each for a total consideration of RM2,500,000 to be satisfied by the issuance of 2,500,000 ordinary shares of RM1.00 each in CBS. The purchase consideration of RM2,500,000 was arrived at on a "willing-buyer willing-seller" basis after taking into consideration the potential earnings and Intellectual Property of Netgen. The audited NTA of Netgen as at 30 June 2003 is RM99,535. The acquisition of Netgen was completed on 19 January 2004.

**(ii) Share Split**

Upon the completion of the Acquisitions, a Share Split involving issuing the shareholders of CBS with ten (10) new CBS Shares in exchange for every one (1) existing ordinary share of RM1.00 each held in CBS was carried out.

Following the completion of the Share Split on 20 January 2004, CBS's issued and paid-up share capital increased from 6,723,226 ordinary shares of RM1.00 each in CBS to 67,232,260 ordinary share of RM0.10 each in CBS.

**(iii) Public Issue**

CBS will issue 30,000,000 new CBS Shares at an issue price of RM0.32 per Public Issue Share to individuals, companies, societies, co-operatives and institutions by way of private placement and public offer, subject to the terms and conditions of this Prospectus.

Upon completion of the Public Issue, the issued and paid-up share capital of CBS will increase from RM6,723,226 comprising 67,232,260 CBS Shares to RM9,723,226 comprising 97,232,260 CBS Shares credited as fully issued and paid-up.

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**6. INFORMATION ON THE CBS GROUP (Cont'd)**


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**(iv) Listing and quotation on the MESDAQ Market**

Upon completion of the Public Issue, the entire issued and paid-up share capital of CBS of RM9,723,226 comprising of 97,232,260 CBS Shares will be listed on the MESDAQ Market.

**(v) ESOS**

In conjunction with the listing of the Company on the MESDAQ Market, the Company proposes to implement an ESOS involving up to 10% of the Company's issued and paid-up share capital at any time during the existence of the ESOS, to be issued pursuant to the Options to be granted to the eligible employees and Directors of the Group.

On the date of the listing of the Company on the MESDAQ Market, the Directors of the Company propose to grant up to 3,000,000 Options to the eligible employees and Directors of the Group ("Initial Grant"). The exercise price of the ESOS Options which are the subject matter of the Initial Grant is RM0.32 per Share, being the issue price for the Public Issue Shares.

In addition to the Initial Grant, the Board of Directors of the Company shall, within the duration of the ESOS, make offers to grant ESOS Options to the eligible Directors and employees of the Group in accordance with the Bye-Laws adopted by the shareholders of the Company. Each such ESOS Option which is not part of the Initial Grant shall be exercisable at a price which is the weighted average market price of the Company's Shares for the five (5) market days immediately preceding the date on which the ESOS Option is granted less, if the Directors of the Company shall decide at their discretion from time to time, a discount of not more than 10%.

The ESOS shall be in force for a duration of five (5) years. However, the ESOS may be extended for up to ten (10) years at the discretion of the Board of Directors of the Company upon the recommendation of the ESOS Committee. The new Shares to be issued upon the exercise of the ESOS Options will, upon allotment and issue, rank *pari passu* in all respects with the existing issued and paid-up Shares of the Company, except that the new Shares will not be entitled to any dividends, rights, allotments or other distributions, the entitlement date of which is prior to the date of allotment of the said Shares. The new Shares will be subject to all provisions of the Articles of Association of the Company.

**6.4 Business Overview of the CBS Group****6.4.1 Products and Services**

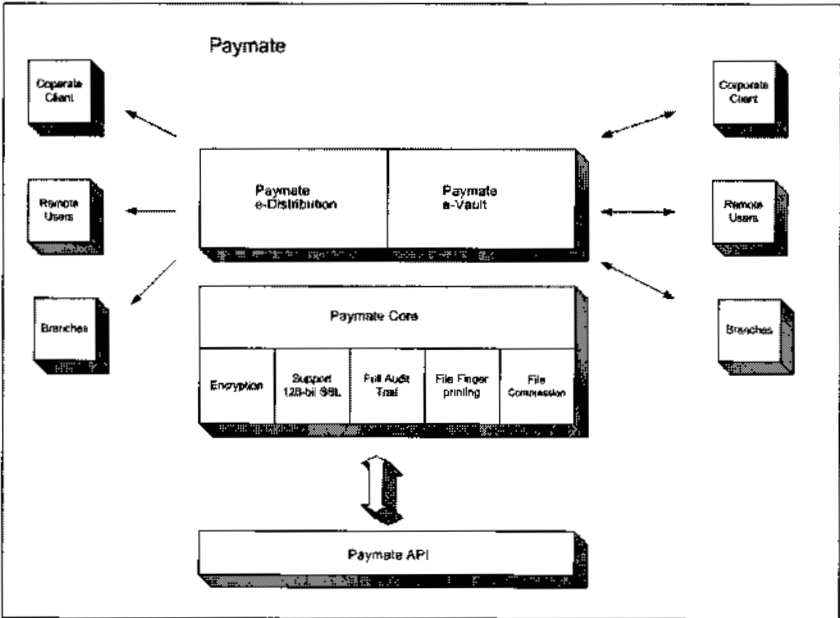
The solutions offered by the Group comprise e-security solutions under the Group's own pitch known as Paymate™ Secure Suite, that consist of Paymate™ Core Technology, Paymate™ e-distribution, Paymate™ e-vault, and recently developed netPayroll as an additional add-on and Solmate™ respectively. At the same time, the Group is also the only value added distributor of foreign-based software products for Mobius and ASG, whereby CBS Group's solutions complement the existing two (2) foreign strategic partners' products.

6. INFORMATION ON THE CBS GROUP (Cont'd)

A brief summary of the individual functions of these products is listed below: -

(a) Paymate™ Secure Suite

Paymate™ Secure Suite is a software solution enabling the security management of sensitive document and data through compression, data finger printing and encryption procedures. These processes facilitate the 2-way secure distribution of such files between the server and users via the Internet which is easily accessible to users. Paymate™ Secure Suite comprises three components, namely Paymate™ Core Technology, Paymate™ Secure e-Distribution and Paymate™ Secure e-Vault. These components can be sold bundled together as a complete package/suite or separately. This accords potential customer with the flexibility to purchase individual modules and then install products or entire suite of products as and when the demand arises or budget permits.



**Paymate™ Core Technology**

This module combines the modular process of compression with data finger printing and encryption. Data finger printing and encryption respectively ensures document integrity and privacy. The modular architecture and processes facilitates the addition of new modules and prompt implementation of the latest algorithms into the engine. Paymate™ Core Technology can also be utilised by other software solutions providers for the purpose of added security to their existing applications.

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**6. INFORMATION ON THE CBS GROUP (Cont'd)**


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**Paymate™ Secure e-Distribution**

Paymate™ Secure e-Distribution is a file security system that enables files to be transmitted via the Internet through a compressed highly protected executable program. Preceding transmission, the encrypted and finger print files are transferred from a designated folder to a compressed self-extract executable program. File extraction requires an authentication pin code with the program safeguarding files from being corrupted by data fingerprint verification. Other forms of authentication such as digital certificates can be stored in smart cards of iKey USB Security Tokens to offer a secondary layer of protection.

Essentially, the utilisation of this program requires no application software of decryption and decompression tools on the computers receiving the encrypted file. An internet browser would suffice, thereby enhancing ease of utilisation for users without compromising security, integrity and privacy of the data transmitted.

Tabulated below is Paymate™ Secure e-Distribution's potential target market and the type of information which can be transferred by the target market using the software:-

<b>Target market</b>	<b>Type of information for distribution</b>
1. Financial institutions	<ul style="list-style-type: none"> <li>- Accounts/Credit cards statements to clients</li> <li>- Instruction confirmations</li> </ul>
2. Insurance	<ul style="list-style-type: none"> <li>- Payment receipts</li> <li>- Claim documents</li> </ul>
3. Stock brokers	<ul style="list-style-type: none"> <li>- Transaction slips</li> <li>- Account statements</li> </ul>
4. Manufacturing and outsourced manufacturers	<ul style="list-style-type: none"> <li>- Productions status</li> <li>- Work order to OEM factories</li> <li>- Quality data</li> </ul>
5. Government institutions, i.e. Employees Provident Fund ("EPF"), Inland Revenue Board ("IRB"), etc.	<ul style="list-style-type: none"> <li>- Statements to companies, i.e. EPF statements, income tax statements, etc.</li> </ul>

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**6. INFORMATION ON THE CBS GROUP (Cont'd)**


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**Paymate™ Secure e-Vault**

This product is similar to Paymate™ Secure e-Distribution, albeit enabling users to send files instead of receiving them. The need to install application software is nullified by the product design which can run on one or multiple servers environment to provide high support and availability to high volume of users.

Tabulated below is Paymate™ Secure e-Vault's potential target market and the type of information which can be received using the software:-

Target market	Type of information for receivable
1. Financial institutions	- Instructions from clients
2. Government institutions, i.e. EPF, IRB, etc.	- Tax collections from banks - EPF collections from banks - Tax return forms from the public

**(b) netPayroll**

netPayroll is built on the Paymate™ Secure e-Vault platform and hence, is similar to Paymate™ but is customised to enable financial institutions to receive secured payroll instructions via the internet from their corporate customers. netPayroll assists in the crediting of salaries, EPF and SOCSO contributions, income tax payments and deductions and the collections of zakat.

**(c) Solmate™**

Solmate™ is a suite of products that leverages the usage of RFID technology. With this technology, the Company developed a complementing software with the entire solution aimed at enhancing operations in process centric organisations. The five main components used the solution to manage the flow of inventory are identification, tracking and tracing, possession, authentication and storage.

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**6. INFORMATION ON THE CBS GROUP (Cont'd)**

Summarised below is Solmate™ potential target market and its usages:-

Target market	Available functions
1. Manufacturing	- To track work-in-progress material - To track machines utilisation and maintenance
2. Warehouses	- Stock movement tracking - Stock search
3. Logistics	- Packages movement tracking

**(d) Mobius solutions**

The Group is the only value-added distributor of foreign-based software products for Mobius, a US based document management software company which offers TCM solutions. This software uses the latest technology in integrating all enterprise content to support e-business and internal processes. This particular software allows an organisation to leverage their information assets more effectively resulting in shortened time to market product improvement and enhanced efficiency. Other benefits include lower labour costs and increased productivity and enhanced knowledge management. Together with the add-on features offered by Paymate™ Secure Suite, it also generates document history and leaves an audit trail to meet government and regulatory requirements. This will not only enhance the security features of the software, but at the same will bring about overall improvement to CBS Group's clients system.

**(e) ASG solutions**

The Group offers a complete suite of Enterprise Productivity Solutions by being the sole distributor and sole integrator for ASG. The Enterprise Productivity Solutions comprises software solutions for security management, applications management, operations management, information management, performance management, and infrastructure management. These software solutions assist organisations to mobilise their resources to boost productivity, enhance performance through intelligent use of technology and provide the assurance that organisational systems, applications, and networks are available as and when needed to power the business's functions.

The Paymate™ Secure Suite developed by the Group complements ASG's security management and application management, where Paymate™ Secure Suite eliminates security concerns while ensuring that the sensitive information are secure.



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**6. INFORMATION ON THE CBS GROUP (Cont'd)**


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**6.4.2 Technology Utilised**

The solutions offered by the CBS Group, namely Paymate™ Secure Suite and Solmate™, were developed with modular architecture that allows the Group's software to integrate with other complementary software.

A brief summary of the technology utilised by Paymate™ Secure Suite and Solmate™ is listed below: -

**(i) Paymate™ Secure Suite**

One of the main proposed activities of the Group will be in the area of R & D on the existing products and developing new or improved products focusing on security for file system.

In order to enable CBS Group to stay competitive in the market, the Group has planned R & D activities ranging from design right up to implementation and monitoring on the following areas for Paymate™ Secure Suite: -

- Data Encryption
- Data Distribution
- Add-on Security Module
- Compression
- Data Packaging
- Platform Independence

The Group's goal is to continually develop solutions that will ensure their clients receive greater security, productivity, competitiveness and profitability in their businesses.

**(a) Data Encryption/ Distribution**

Currently, the CBS Group has successfully developed the Paymate™ Secure e-Distribution version.

Even though the e-Distribution version is currently being released to the market, its development will still be an on-going process as there are new enhancements to be made. These enhancements are essential to keep up with the latest security needs. The enhancements can be classified under the following categories:-

- Encryption with other common algorithms:-
  - (i) Rijndael (AES)
  - (ii) Elliptic Curve
  - (iii) BlowFish
- Key generation algorithms

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**6. INFORMATION ON THE CBS GROUP (Cont'd)**

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- Interfacing with hardware components
  - (i) Finger scanner, which uses fingerprint minutiae recognition to authenticate access to a network server, personal workstation or notebook computer.
  - (ii) Optical Scanner, a device to read text or illustrations printed on paper and translates the information into a form that the computer can use.
  - (iii) Signature Touch Pad, an efficient method of confirming a customer's identity by touching finger to Signature Touch Pad, then to the document.
- Platform specific enhancement
  - (i) Unix – AIX, HP, Sun
  - (ii) Linux
  - (iii) IBM Mainframe
- New Languages – The product will support Chinese and other languages.

**(b) Add-On Security Module**

Using Paymate™ Core Technology that includes the Paymate™ API, the Group has developed some application interface to some of the major application in the market. This interface will provide the application with additional security features ranging from secure communication to encrypted data.

The Group will market this application interface together with Paymate™ Core Technology as Paymate™ Add-On Security Module.

Currently, the Group plans to develop interfaces to a document management system widely used in most banks in Malaysia. This add-on module provides features like encrypting data file (archive file), encrypting database entries, secure communication and two-factor authentication.

The Group plans to develop more add-on modules for other applications. Many applications in the market do not have a comprehensive protection. They tend to rely on the Operating System (therefore in the mercy of the system administrator) to provide the necessary protection.

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**6. INFORMATION ON THE CBS GROUP (Cont'd)**

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With the flexibility and scalability of Paymate™ Core Technology, it could be deployed in many environments to fill in such security gaps.

The add-on modules would provide the following features:-

- (i) Secure information (encryption)
- (ii) Better password protection (encryption and hashing)
- (iii) File protection - against accidental/intentional deletion of files

The Group's objectives for the Add-On Security Module are to:-

- (i) Provide a better service to their customers and enforce the group as a software security provider.
- (ii) Market the add-on module to all other installation site globally.

**(ii) Solmate™**

Solmate™ is a new product range that the Group is embarking upon. The initials of SOL are the acronym for Secure Operations & Logistics. The aim of this group of products is to provide facilities for securing operations and logistic processes. The leveraging factor is the use of RFID and smart card technologies thereby allowing Solmate™ to built its application on a cross industry basis.

The Group aims to provide solutions in the following areas:-

- Track and Trace
- Identification
- Store & Update

Based on the experience in developing the Paymate™ suite products, the Group will utilise their methodology to create a core platform based on robust building blocks. These specific solutions will adopt and enhance the basic building blocks for specific applications.

As the web becomes ubiquitous and technology becomes a commonplace to the daily lives of each person, the Group needs to ensure that the usability interface is easy and does not require large amount of data entry for authentication for simple web services.

## 6. INFORMATION ON THE CBS GROUP (Cont'd)

The Group aims to research in the area of access control and authentication using a web interface and RFID as the device for authentication and for access control for logging into web sites and consuming web services.

This area of research will entail an in-depth study on how common people can use these devices to access the web services securely without having much training.

This area also directly complements the research work of the Group's Paymate™ Secure Suite as the results of this research can be used for further enhancements to the features that are currently available.

### 6.5 Information on Subsidiary Companies

Information on the subsidiary companies of the CBS Group is set out below: -

#### 6.5.1 Information on Cyber

##### (a) History and Business

Cyber was incorporated in Malaysia on 27 July 1996 as a private limited company under the Act. Cyber is mainly involved in providing specialised system integration and sales and distribution of software solutions such as Paymate™ Secure Suite, Solmate™ and netPayroll of CBS together with various foreign-based Enterprise Productivity Software and TCM products such as, Mobius, Mackinney System, ASG and Barnard Software Inc.

##### (b) Share capital

As at 15 March 2004, the authorised and issued and paid-up share capital of Cyber are as follows: -

Type	No. of shares	Par value RM	Total RM
Authorised	5,000,000	1.00	5,000,000
Issued and paid-up	3,223,226	1.00	3,223,226

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**6. INFORMATION ON THE CBS GROUP (Cont'd)**

Details of the changes in Cyber's issued and paid-up share capital since its date of incorporation are as follows: -

Date of allotment	No. of shares	Par value RM	Consideration	Cumulative issued and paid-up share capital RM
27.07.96	3	1.00	Subscribers' shares	3
09.05.97	29,997	1.00	Cash	30,000
02.09.98	70,000	1.00	Settlement of book debt	100,000
21.12.99	100,000	1.00	Settlement of book debt	200,000
28.07.00	100,000	1.00	Settlement of book debt	300,000
30.06.03	2,923,226	1.00	Bonus issue of 9.7440867 for 1	3,223,226

**(c) Directors and Substantial Shareholders**

As at 15 March 2004, the directors of Cyber and their respective shareholdings are set out below: -

Name	No. of shares			
	Direct	%	Indirect	%
Sun Chee Kong	-	-	3,223,226* <sup>1</sup>	100.0
Tan Chong Chew @ Tan Ying Ying	-	-	3,223,226* <sup>2</sup>	100.0

Notes:-

\*1 Deemed to have interest by virtue of his shareholding and Tan Chong Chew @ Tan Ying Ying's (spouse) shareholding of more than 15% in CBS.

\*2 Deemed to have interest by virtue of her shareholding and Sun Chee Kong's (spouse) shareholding of more than 15% in CBS.

As at 15 March 2004, Cyber is a wholly-owned subsidiary of CBS.

**(d) Subsidiary and Associated Companies**

As at 15 March 2004, Cyber does not have any subsidiary or associated companies.

**(e) Employees**

As at 15 March 2004, Cyber has 7 employees.

## 6. INFORMATION ON THE CBS GROUP (Cont'd)

### 6.5.2 Information on Netgen

#### (a) History and Business

Netgen was incorporated in Malaysia on 6 March 2000 under the Act. The company commenced operations by providing services in the area of turnkey software development projects. However, the changing marketplace and customer demands resulted in the company shifting its focus to provide e-security solutions with core focus to develop and provide secure electronics document management security solutions. The Company's existing products include Paymate™ Secure Suite, Solmate™ and netPayroll.

#### (b) Share capital

As at 15 March 2004, the authorised and issued and paid-up share capital of Netgen are as follows: -

Type	No. of shares	Par value RM	Total RM
Authorised	100,000	1.00	100,000
Issued and paid-up	35,000	1.00	35,000

Details of the changes in Netgen's issued and paid-up share capital since its date of incorporation are as follows: -

Date of allotment	No. of shares	Par value RM	Consideration	Cumulative issued and paid-up share capital RM
06.03.00	2	1.00	Subscribers' shares	2
12.10.01	34,998	1.00	Cash	35,000

#### (c) Directors and Substantial Shareholders

As at 15 March 2004, the directors of Netgen and their respective shareholdings are set out below: -

Name	No. of shares			
	Direct	%	Indirect	%
Sun Chee Kong	-	-	35,000* <sup>1</sup>	100.0
Wong Kang Sai	-	-	-	-
Lee Siew Ken	-	-	-	-

Notes:-

\*1 Deemed to have interest by virtue of his shareholding and Tan Chong Chew @ Tan Ying Ying's (spouse) shareholding of more than 15% in CBS.

As at 15 March 2004, Netgen is a wholly-owned subsidiary of CBS.

**6. INFORMATION ON THE CBS GROUP (Cont'd)****(d) Subsidiary and Associated Companies**

As at 15 March 2004, Netgen does not have any subsidiary or associated companies.

**(e) Employees**

As at 15 March 2004, Netgen has 4 employees.

**6.6 Major Customers**

The CBS Group provides services mainly to clients in Malaysia and Singapore. The Group's major customers based on the latest audited financial year ended 31 December 2003 are as follows: -

Name of customer	Length of relationship (years)	Contribution to the Group's revenue (%)
Lembaga Hasil Dalam Negeri	2	25.84
RHB Bank Berhad	6	18.33
IBM Malaysia Sdn Bhd	5	12.33
Stratasoft Sdn Bhd	1	6.62
EDS IT Services (M) Sdn Bhd	2	6.00
HeiTech Padu Berhad	1	4.68
Malayan Banking Berhad	6	4.55
S.E.H (M) Sdn Bhd	6	3.31
Bumiputera Commerce Bank Berhad	6	3.01
Sony Electronics (M) Sdn Bhd	6	1.66

For the financial year ended 31 December 2003, Lembaga Hasil Dalam Negeri, RHB Bank Berhad and IBM Malaysia Sdn Bhd each contribute more than 10% of the Group's turnover. However, as the Group's business is project-based, revenue derived from a particular customer may fluctuate from year to year. As such, the Group's business is not dependent on any single customer or group of companies.

**6.7 Major Suppliers**

The Group is a solutions provider, there is no major supplier who individually supplies 10% or more of the Group's total purchases for the financial period ended 31 December 2003.

**6.8 Location of Operations**

The current head office of the Group is situated at No. 15, Jalan Ara SD 7/3A, Bandar Sri Damansara, 52200 Kuala Lumpur.

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**6. INFORMATION ON THE CBS GROUP (Cont'd)**

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**6.9 Intellectual Properties**

Pending the issuance of the Certificate of Registration of Trademark, the Group had on 4 July 2003 submitted applications to the Intellectual Property Corporation of Malaysia for the registration of trademarks in relation to Paymate™ and Solmate™. As at to-date the application for registration of Trademark is still pending the approval of the Intellectual Property Corporation of Malaysia.

To mitigate the risk of confidential product information being divulged, the Group's employees are required to sign a declaration which prevents any replication of the Group's products during the tenure of their employment as well as after resignation from the Group.

**6.10 R&D***Personnel*

As at 15 March 2004, the Group has 7 staff dedicated to innovation and the development of new solutions. The Company plans to increase its R&D human capital from 7 knowledge workers currently to 15 knowledge workers in the next five years, thereby increasing its human capital by 114% to ensure that the Company maintains its competitive advantage in the long term.

The Group's R&D team is spearheaded by Mr. Sun Chee Kong, its Group's Managing Director and Chief Executive Officer and Mr. Lee Siew Ken, the Group's Chief Operating Officer. On a collective basis, Mr. Sun and Mr. Lee have between the two of them more than 30 years of experience in the information technology industry, particularly in the aspect of system integration and software development. Mr. Wong Kang Sai is the Group's Chief Technology Officer and has extensive technical training in terms of product development.

*Policy on Research and Development*

Netgen is the research and development arm of the Group and conducts the core R&D activities for the Group which comprise enhancement of existing products features (namely Paymate™ and Solmate™), development of new products, increase of product range and most importantly continuous quality control testing on existing products. Netgen was accorded MSC Status on 10 September 2003 and being an MSC Status company it is able to leverage on the series of incentives provided to MSC Status companies by the Malaysian Government via the Bill of Guarantees. These incentives include, inter-alia, ICT-driven infrastructure, corporate tax exemption, funding opportunities as well as incentives to recruit and retain knowledge workers, both abroad and locally.

The Group's foremost strategy in terms of R&D is to continuously create innovative software solutions which are able to provide the Group with a competitive edge in the market. On this basis, the Group has continuously strived to develop products, which are marketable and most importantly create value for its customers. This is evidenced through the successful development and launch of Paymate™ Secure Suite and Solmate™, which represent the current core of the Group's Intellectual Property. To achieve its strategic objectives, the Group has established a R&D programme which focuses on continuous innovation and improvements in the Group's current product offerings as well as creation of new software solutions and new modules for its existing products.



**6. INFORMATION ON THE CBS GROUP (Cont'd)**

During the last three (3) financial years ended 31 December 2003, the Group has invested approximately RM521,415 into research and technological innovation and expects to invest more than RM4.0 million over the next 5 years to keep the Company at the forefront of e-security software solutions regionally. Such investment is also necessary to ensure that its partners, corporate customers and end-users of the technology continue as trusted business partners. Details of the amount spend on R&D over the last three (3) financial years ended 31 December 2003 are as follows:-

	<-----Financial year ended 31 December----->		
	2001	2002	2003
R&D cost (RM)	287,223	119,616	114,576
Revenue (RM)	4,742,740	4,381,420	8,313,476
%	6.06	2.73	1.38

*R & D Facilities*

The Group's current R&D operations are as follows:-

Details	No. of units
Research Laboratory	1
Servers	3

*Plans for future R & D Activities*

It is the Group's ultimate objective to formulate, research and develop world-class e-security as well as Enterprise Productivity Software and TCM solutions. As a strategic initiative, the Group will also globalise its existing and future software solutions for implementation in other countries and regions such as Thailand and China. As a first step, the Group has initiated plans to develop software solutions in Chinese and Arabic character. To further enhance the scalability and usability of its products and solutions, the Group has instituted plans to continuously upgrade and simplify the installation procedures of its products and solutions. This will result in value creation for its customers, as minimal time will be required for product installation and maintenance as well as user training.

Based on the above, it can be seen that the Group is poised for a quantum leap in its R&D activities in view of the existence of highly technical and experienced human capital as well as sound and consistent R&D policies and procedures. All these factors augur well for the Group's development into a world-class software solutions provider.

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**6. INFORMATION ON THE CBS GROUP (Cont'd)**


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**6.11 Key Achievement/Awards**

The Group has obtained awards and recognition for its products and services from various organisations. The Group's key achievements are set out as follows: -

Year	Accreditation/ Awards	Awarded by	Country
1999	Outstanding achievement	Landmark Systems Corporation	US
2000	Recognised Allen Systems Group Partner in producing world-class technology and services	Allen Systems Group	US
2003	Excellence in e-security solutions available in the market	S.E.H. (M) Sdn Bhd	Malaysia

**6.12 Strategies and Future Plans****Broad Management and R&D Strategies**

The CBS Group's long-term vision is driven by two distinct objectives.

Firstly, the Board believes that the growth will be spurred by Malaysia as well as surrounding countries in the ASEAN region and global markets. This is encouraged by globalisation as well as the exponential need for speed in doing business via electronic means. The marketplace for the Group's products in these countries is nascent, thus opportunities abound. The Group has begun creating its overseas presence through establishing relationship with its strategic partners in Malaysia, Thailand and Sri Lanka respectively.

Secondly, the Group will continue to provide high quality products with excellent value and service. In fact, the Group's R&D activities will be in continuous motion, as the Group continues to be focused in sending their key staff for suitable technology training. The Group will incorporate new standards as they become available and determine to use the best practices and leading edge methods for all their products. The Group also strives to study the incorporation of hardware components to enhance their complete solution suites. In the area of service, the Group continues to train strategic partners to provide the highest quality support and services in their respective local countries.

In addition, the Group also believes that the TCM and Enterprise Productivity Software solutions (currently foreign-based) should be enhanced in terms of the technology used. In this regard, management believes that its R&D team is capable to develop new software solutions for TCM and Enterprise Productivity Software solutions for Malaysian and regional enterprises. By doing so, TCM and Enterprise Productivity Software solutions will take the Group to the forefront of the software solutions industry as distribution of sensitive documents can be carried out in a more secured and reliable environment.

## 6. INFORMATION ON THE CBS GROUP (Cont'd)

### Marketing Strategies

The Group's main product and value-added services include its innovative solutions system such as Paymate™ Secure Suite, which offer highly reliable and secured features to client's existing system, and Solmate™, that leverages on the usage of RFID which can be applied to various industries.

It is the aim of the Group to market its products to the immediate target group, including the banks, electronic companies, government and semi-government agencies. At the same time, the Group also intends to market its products overseas, particularly in ASEAN region and China.

The Group's marketing strategy focuses on provision of quality service in a timely manner. In this regard, management will capitalise on the relationships built over the years with existing clients to ensure continuous support through enhancement and maintenance contracts. In addition, the marketing team will also leverage on its established track record (in terms of quality service and excellent delivery time) to cultivate new clients.

Recently, the Group has appointed and entered into agreements with some local as well as foreign distributors for the Paymate™ products. Among others, they are as follows: -

Distributors	Date signed
Orisoft System (M) Sdn Bhd	1 February 2003
Softech Consulting Company Limited (Thailand)	1 November 2002
Computerland International (Pvt) Ltd (Sri Lanka)	14 November 2002

In addition, the Group believes that Solmate™ can be incorporated into different sectors such as the logistic, automobile and manufacturing industries. In addition, this particular product has great potential as it is easily customised to other languages and hence has the potential to be marketed regionally.

This uniqueness of Solmate™, is that it not only reduces the complexity of keeping track of products in a manufacturing industry, but it is easily customised to complement the client's existing system. It would thus improve client's productivity as it can provide more effective tracking of work-in-progress as well as enhance quality control during the production process.

### 6.13 Competition

The enterprise market is confined to large corporations for example, banking industries, multi-national companies and government agencies. In most countries, the ICT industry is highly competitive with ever-improving technologies being introduced from time to time. Whilst there are many competitors in the industry, the management is of the opinion that the Group does not presently have a direct competitor who competes in all of the Group's products and services especially in terms of feature offerings of the e-security software solutions. The Directors believe that the Group's major competitors who are currently dominating the market are IBM Malaysia Sdn Bhd, Computer Associate (Malaysia) Sdn Bhd, BMC Software Asia Sdn Bhd, and HeiTech Padu Berhad. As a mitigating factor, the Group has successfully implemented unique solutions in the area of e-security solutions software such as Paymate™ Secure Suite and Solmate™ to complement Enterprise Productivity Software as one of the many strategies adopted by the Group to overcome this adversity. As a result, the Group will be in an advantageous position to understand better their respective client's need. Thus, this will provide value-added services, one-stop solutions and attractive pricing for all its products and services.

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**6. INFORMATION ON THE CBS GROUP (Cont'd)**

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**6.14 Growth Strategies and Future Prospects**

It is the aim of the Group to be a leading international software solutions provider specifically in the area of content management, enterprise productivity as well as e-security software solutions. In this regard, the Group has embarked on the following key strategies to ensure future growth:-

**(a) Continuous Investment in R&D**

It has been the Group's policy to constantly improve its products and services so as to stay competitive in the current IT industry. As a testament to its R&D initiatives, the Group has been working diligently to enhance the intellectual property value of the software solutions offered. Unlike many of its competitors, the Group always maintains an affordable pricing policy, without sacrificing quality in its products. This can be achieved due to cost containment measures undertaken by its technology-driven management team, which focuses on utilising local IT talent whilst stressing on on-the-job training.

**(b) Emphasis on Customised Solutions**

The Group's products namely, Paymate<sup>TM</sup> Secure Suite and Solmate<sup>TM</sup> have been developed in a modular basis whereby, they can be easily adapted to the Group's existing clients system without the need of additional hardware and software to be installed. These solutions are also customisable according to clients' needs in that they are upgradeable based on the core-technology and add-on features.

**(c) Marketing Advantage**

Management believes that the Group has an established customer base in terms of e-security software solutions in the country. This is evidenced by the list of major banks (both locally and internationally) that are currently the Group's clients. Over the years of services with these clients, the Group has built upon a strong reputation in terms of excellent service delivery and hence, has been able to capture a substantial market share in the financial institutions, insurance companies, government and semi-government sectors.

The Group also possesses a competitive edge over its competitors since the Group has entered into exclusive distribution agreements with various value-added distributors/ partners for a few major US based companies such as Mobius, ASG and Mackinney.

The Group believes that it will be able to grow together with its local and foreign strategic partners, as they are able to support each other in future growth.

**(d) Technology Transfer from Strategic Partners**

The Group will also benefit from the present partnership or strategic alliances with its foreign partners. The Group tends to gain in the area of technology transfer as the Group continues to send its knowledge workers for training with partners such as Mobius, ASG and Datatrain. In turn, these knowledge workers will pass on the latest knowledge to their local and more junior counterparts after attending training courses overseas.

**6. INFORMATION ON THE CBS GROUP (Cont'd)**

Based on the above, the Group believes that its future prospects are encouraging as there is an enormous market and demand for its products and correspondingly, the management also is of the opinion that its team is able to rise to the challenge of developing greater and more robust software solutions.

**6.15 Employees**

As at 15 March 2004, the Group has 11 employees. The employees of the Group do not belong to any union and the employees' relationship with the management of the Group is amicable.

In line with the Group's expansion and commitment to tap on the global markets, the present staff force will need to be increased to almost three times the current capacity, in particular the technical staff. It is the Group's intention to actively recruit and train knowledge Malaysian staff to be part of the Group in order to deploy, support and carry out R & D on the products.

The Group plans to expand its work force with its projected growth in staff over the next three years as follows:-

	2003	2004	2005	2006*	2007*
<b>Management</b>					
1) Chief Executive Officer	1	1	1	1	1
2) Chief Technology Officer	1	1	1	1	1
3) Chief Operating Officer	1	1	1	1	1
4) Chief Financial Officer	1	1	1	1	1
<b>Technical Staff</b>					
1) System Analysis	1	2	3	3	3
2) Application Developer	2	4	5	5	5
3) R & D Engineers	1	2	3	3	3
4) Technical Support Engineer	-	1	1	1	1
<b>Sales Staff</b>					
1) Marketing Manager	1	1	1	1	1
2) Sales and Marketing Executive	-	2	3	3	3
<b>Administrative / Support Staff</b>	1	2	2	2	2
<i>Total workers</i>	10	18	22	22	22
<b>Total knowledge workers</b>	7	12	15	15	15

Note:-

\* Based on the assumption that the Group will have sufficient permanent core knowledge workers. Management is of the opinion that it will recruit contract workers to supplement its requirements for additional technology workers. In addition, Netgen will utilise the "MSC knowledge worker programme" under MDC's incentive scheme.