
6. BUSINESS AND OPERATIONAL OVERVIEW

6.1 History of the Group

The business of the Group was founded in January 1994 through the setting up of Damansara Women's Clinic / Damansara Fertility Clinic by SS Lee, a 75% owned company of its founder, Dr Colin Lee.

The clinic, initially located at No. 14, Jalan SS21/35G, Damansara Utama, Petaling Jaya, Selangor, has a floor area of approximately 1,000 sq. ft. and was operated by its founder together with 2 nursing aids. Within the next year, the staff force of the clinic expanded to include a resident embryologist and 2 trained nurses.

Acknowledging that having a good IVF laboratory is one of the key factors to the success of fertility treatment, the clinic engaged the assistance of internationally renowned embryologists to advise on the setting-up of the clinic's IVF laboratory and its procedures in 1994 as well as provide training for its embryologist.

The clinic offered a wide range of fertility services, including investigation of infertility, and medical advice and treatments to help women conceive, which include artificial insemination such as IUI and various ART procedures such as IVF, GIFT, FET, embryo and sperm banking and egg and sperm donation. Apart from performing fertility procedures, it also offered general O&G services. The clinic does not only function as a fertility treatment centre, it is also a research centre which, since its inception, has pioneered some of Malaysia's advances in fertility services. Its initiatives in R&D have enabled the clinic to make numerous medical achievements in Malaysia. Among the early successes of the clinic were to produce what the Group believes to be South-East Asia's first reported IVF surrogate baby in 1996 and Malaysia's first conception twins (born 1½ years apart) through GIFT/FET procedures in 1996/1998.

As the clinic began to gain recognition from the local community, especially in the Klang Valley, and demand for the clinic's fertility services increased, the clinic shifted to the current premises located at No. 55, Jalan SS21/56B, Damansara Utama in 1997. This new premises occupies a floor space of approximately 9,900 sq. ft. and with this physical expansion, the clinic was able to expand its fertility services to include the latest fertility procedures such as ICSI and blastocyst transfer.

In August 1999, SS Lee underwent a corporate restructuring exercise to streamline its activities which resulted in it ceasing its clinic business. The same business was immediately recommenced by DWSC in August 1999. DFC, currently the only subsidiary of DWSC, was incorporated in May 2003 to manage the operations of all its branches / centres. Besides the main centre in Petaling Jaya, the Group has established a centre in Kepong in January 2004 and a branch in Johor Bahru, Johor in March 2004.

To rationalise the Group's structure, a restructuring exercise, as described in Section 7.1 of this Prospectus, was undertaken and TMC Life Sciences became the holding company of the Group. As part of the restructuring exercise, TMC Life Sciences acquired DWSC and IVF Tech. IVF Tech, incorporated in March 1996, acts as the R&D arm of the Group. Among the main focus of IVF Tech is to undertake R&D on fertility technologies. Any successful innovation carried out by IVF Tech will be duly commercialized and put into clinical use.

The Group will continue to provide a spectrum of the latest, most technologically advanced fertility treatment options. With a trained and dedicated team of doctors, embryologists, urologists and nursing and administration staff, as well as with its specialised facilities and continuous R&D initiatives, the Group is confident that it can continuously produce successful and consistent results through various ART procedures.

6.2 Industry Overview

The principal activities of the Group are to offer a comprehensive range of fertility services. The Group also provides services for other areas of women's health, including that of laparoscopic surgery.

Infertility is defined as a failure to conceive after 12 months of frequent and unprotected sexual relations. Causes of infertility include endometriosis, damaged fallopian tubes and abnormal sperm parameters. One of the significant factors responsible for the high incidence of infertility is the increasing tendency of women to delay childbearing for reasons including pursuing a career. Fertility for a woman peaks in her early 20s. After age 35, fertility potential declines. This deterioration accelerates after age 40.

The WHO Report has estimated that infertility affects more than 80 million people worldwide. It has also estimated that in general, 1 in 10 couples experiences infertility. Many of them would remain childless if not helped by some form of assisted reproductive techniques or more commonly known as the "test-tube baby" technologies. In an ART procedure, eggs are surgically removed from a woman's ovaries and are manipulated in the laboratory before being placed back into her body.

There are various methods of ART, for example IVF, GIFT, ICSI, embryo freezing, and blastocyst culture and transfer.

IVF is the earliest technique of ART and the birth of Louise Brown, the world's first test-tube baby, born in 1978 in the UK, has revolutionized therapy for infertile couples. Since then, the use of IVF and other ART procedures have increased exponentially worldwide and ART has today become an integral part of fertility practice. A medical establishment that offers the services of ART is generally referred to as an IVF clinic or centre. According to the WHO Report, since 1978, nearly one million babies have been born worldwide as a result of ART of one form or another. It has been estimated that in some European countries, up to 5% of all births are now the result of ART.

Based on the Speech by the then Minister of Health, there were more than 20 centres offering ART in Malaysia as at 3 June 2003. In the public sector, ART is available at Lembaga Pendudukan dan Pembangunan Keluarga Negara (LPPKN), Universiti Malaya Medical Centre, Hospital Universiti Kebangsaan Malaysia and Hospital Kuala Lumpur. In the private sector, there were 21 centres offering ART, of which 13 are in the Klang Valley, 5 in Penang and 1 each in Melaka, Ipoh and Kuching. The Group believes it is a leading fertility centre in Malaysia with about 20% of the market share of ART cases. The Group believes it is also responsible for at least 1/3 of all test-tube babies ever produced in Malaysia.

There are various methods of ART available in Malaysia today, the more common ones being IVF, GIFT and ICSI. The Group believes it is one of the very few centres in Malaysia that provide a comprehensive range of ART services ranging from IVF, GIFT, ICSI, blastocyst transfer, FET, egg donation, sperm donation, embryo donation and sperm bank and embryo bank. The Group believes that it is responsible for having successfully introduced several of the more innovative assisted reproductive technologies, such as FET, blastocyst transfer and blastocyst freezing to Malaysia.

There are no official national statistics on the success rates of ART procedures in IVF centres in Malaysia. However, the Group has documented and reported their pregnancy success rates, for example, in the Malaysian Journal of Obstetrics and Gynaecology. The results reported by the Group were comparable to those reported by other world-class centres.

THE REMAINDER OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

6.3 Principal Activities

The Group's primary activities are in the provision of fertility services and technologies. The Group estimates that its fertility services accounted for approximately 80% of its revenue for the financial year ended 31 December 2004.

For the convenience of its patients and to enable the centre to be a "one-stop" health care facility for women, the Group also provides general O&G services.

6.3.1 Fertility Services

The Group offers a comprehensive range of services to manage infertility problems as follows:-

(i) Principal ART Procedures

The principal ART procedures offered by the Group are as follows:-

(a) IVF

In IVF, eggs are aspirated from the female's ovaries in a surgical procedure and mixed in the laboratory with the sperm from the male partner. The eggs are then incubated overnight to allow fertilisation. The resulting embryos are then left for 24-48 hours to allow further cell division, after which the resultant embryos are placed back into the female's uterus for the embryos to develop until delivery. IVF is performed after the female has undergone hormonal treatment to stimulate her ovaries to produce more eggs.

IVF is usually the treatment of choice for females with damaged or absent fallopian tubes.

(b) GIFT

In GIFT, the sperm of the male and the harvested eggs of the female partner are placed next to each other in a catheter. These are then transferred into the fallopian tubes of the female where fertilisation occurs naturally. This is opposed to IVF where the eggs are fertilized in the laboratory. In addition, GIFT requires a minor surgical procedure called laparoscopy (see Section 6.3.1(iv) below for further details) in order to gain access to the fallopian tubes. As with IVF, GIFT is performed after the female has undergone stimulation of her ovaries to produce more eggs.

GIFT is usually performed on patients with unexplained infertility or patients with mild sperm problems or endometriosis and where the female has at least one healthy fallopian tube. GIFT may also be performed when religious considerations permit fertilisation in the body but not outside the body, as with IVF.

(c) ICSI

ICSI is indicated for male factor infertility in which the sperm is unable to fertilise the egg, either due to low sperm count or poor quality of the sperm. ICSI is also used on patients who have experienced failed fertilisation in prior IVF attempts.

During routine IVF, by incubating eggs and sperm together, fertilisation occurs on its own. With ICSI, the embryologist surgically micro-injects a single sperm directly into each egg which has been retrieved from the female for fertilisation. The resulting embryo is then placed in the female's womb.

(ii) Specialised ART Procedures

The Group's principal ART procedures are often supplemented by additional specialised procedures. These specialised ART procedures, which commonly define the quality of an ART programme, are as follows:-

(a) Blastocyst Transfer

The blastocyst transfer is an ART procedure that results in the highest pregnancy success rate possible. In blastocyst transfer, the embryos are allowed to grow beyond the typical 2-3 days of culture and developed to the blastocyst stage (i.e. 5 or 6 days after fertilisation) before they are being transferred to the female's womb.

Blastocyst transfer does not only increase pregnancy rates, it also decreases the risk of multiple pregnancies. By allowing embryos to grow in a highly developed culture medium, it is possible to identify those embryos that are healthier and therefore are more likely to result in a pregnancy following transfer. Furthermore, during natural conception, the embryos normally reach the uterus on the 5th day after fertilisation. In blastocyst transfer, embryos are therefore transferred into the womb at a time when the lining of the womb is at its maximum receptivity, therefore resulting in the highest pregnancy rates possible.

The Group believes it is the first to successfully introduce blastocyst transfer in Malaysia in June 2002.

(b) Cryopreservation and FET

Cryopreservation is used for the freezing of excess good quality embryos arising from ART procedures. These frozen embryos, which are stored in liquid nitrogen, may then be subsequently thawed and transferred into the female's uterus in a FET cycle.

FET gives patients undergoing an ART programme an additional chance of pregnancy. It is also less costly than the generation of fresh embryos through a new ART cycle as it is a simpler procedure and does not require expensive superovulation drugs.

The Group successfully introduced this technology in Malaysia in 1996 and believes it has remained a market leader in the successful provision of this service.

(c) Egg Donation

In this procedure, a female donor undergoes ovulation induction, and donates her eggs to another couple. The retrieved eggs are then fertilized with the sperm of the recipient's husband. The resultant embryos are then transferred into the recipient's womb. In this procedure, both the recipient and donor are treated with hormones to synchronize their cycles.

This procedure is indicated for patients with medical or surgical menopause or genetic disorder that may affect their offspring. Donors must be, amongst others, physically and mentally healthy and without major genetic diseases in their family.

Formal consents from both the donor and the recipient couples are mandatory. If the recipient couple chooses, the egg donation programme may be conducted anonymously. Only non-Muslim couples are eligible for this programme.

(d) Sperm Donation

The Group has a sperm bank with good quality sperm from healthy individuals available for donation. Again, only non-Muslim couples are eligible for this programme. Sperm donation may be indicated for men who does not have sperm of his own as in those whose testes has been damaged by mumps, radiotherapy, chemotherapy or cancer.

Formal consents from both the donor and the recipient couples are mandatory. Frozen sperm is released for use only after the donor has been assessed for Human Immunodeficiency Virus (HIV) 6 months after the sperm has been frozen. The Group's sperm donation programme is conducted according to guidelines by the American Society for Reproductive Medicine (ASRM).

(e) Embryo Donation

In an embryo donation programme, excess embryos originally created by a couple through ART and frozen in liquid nitrogen, are donated to another infertile couple. The embryo recipient is then treated in a manner similar to that of a recipient in an egg donation programme. Only non-Muslim couples are eligible for this programme.

(f) Sperm Banking and Embryo Banking

These services are provided to store frozen sperm or embryos. These frozen sperm or embryos may be subsequently thawed for future use.

(g) MESA / TESA / PESA

In these procedures, the sperm is aspirated or extracted directly from different areas of the testicle, and microinjected directly into the harvested eggs of the female in an ICSI cycle.

Using these methods, pregnancies and births are possible with sperm from men who have had vasectomies, have had unsuccessful or failed vasectomy reversals, and in those men with an absence of the vas deferens, and those with extremely low sperm counts, very poor motility or, in some cases, even men with no sperm motility or no sperm in their ejaculated semen.

(iii) IUI

IUI is one of the earlier fertility treatments. IUI is a procedure in which the sperm collected from the male are processed in the laboratory, i.e. the sperm are separated from other components of the semen and concentrated into a small amount of fluid, and injected directly into the female partner's womb. IUI is usually performed after the female has been stimulated with fertility medication to enable multiple egg production.

IUI is often offered as an initial fertility procedure as it is less invasive and less expensive than ART treatments. As IUI relies on the natural ability of the sperm to fertilise an egg within the female reproductive tract, the procedure is performed when the male have reasonable sperm parameters and when the female partner has at least one functioning fallopian tube.

(iv) Advanced Laparoscopic Surgery

Laparoscopy is a surgical procedure in which an incision the size of a keyhole or smaller is made to the woman's pelvis to enable the surgeon to peep into the internal organs with the aid of a sophisticated camera and an advanced digital video monitor that can visualise and magnify the internal organs. This is used for investigation of infertility, pelvic pain, suspected ectopic pregnancy and diagnosis of conditions such as damaged fallopian tubes, endometriosis, cysts and tumours.

Laparoscopic surgery is a method of treating conditions in the pelvis such as those mentioned above via laparoscopy. Patients with amendable pelvic conditions detected during video laparoscopy have corrective surgery in the same sitting. This includes removal of endometriosis, cysts, fibroids and ectopic pregnancy; division of fallopian tubes and intestines; relief of blocked fallopian tubes; and ligation of tubes.

Compared to open surgery (laparotomy), laparoscopic surgery is less invasive, less traumatic and requires virtually no hospitalization.

In the area of infertility management, laparoscopic surgery can be used to help patients to improve their chances of getting pregnant naturally, or at worst, increase their chances of having a successful ART procedure should that be necessary.

As at LPD, the Group's medical team has performed about 3,000 laparoscopic surgeries. These surgeries have been performed for a wide range of gynaecological and infertility conditions at varying levels of complexity, with effective results including hundreds of ensuing pregnancies.

6.3.2 Obstetrics and Gynaecology Services

The Group also provides a range of other O&G services including the following:-

- Well-women check-ups;
- Ante-natal and post-natal check-ups;
- Pregnancy tests;
- Pap smear;
- Ultrasound scanning, including 4-dimension (4-D) scanning;
- Breast examination;
- Gynaecological check-ups;
- Intra-uterine contraceptive device insertion;
- Hormone replacement therapy;
- Treatment for ectopic pregnancy, cysts and fibroids; and
- Family planning.

6.4 Pregnancy Rates

The Group has a proven track record in producing high pregnancy rates. The Group's most recent pregnancy rates that have been documented and published in the Malaysian Journal of Obstetrics and Gynaecology (supplementary) are as below:-

	IVF	FET	Blastocyst Transfer
No. of embryo transfer ("ET")	105	56	18
Clinical pregnancy rate per ET	54.3% (57/105)	32.1% (18/56)	77.7% (14/18)
Live birth rate / delivery rate per ET	41.0% (43/105)	26.8% (15/56)	66.7% (12/18)
Number of babies taken home per ET	64.8% (68/105)	35.7% (20/56)	88.9% (16/18)

As it is not mandatory under the law for IVF centres in Malaysia to report their pregnancy rates, statistics of other IVF centres are not available publicly. However, the Group has always been transparent in its success rates, as it believes that any couple considering ART can best evaluate an IVF centre when they have adequate information on the outcome of the ART programmes offered.

The Group believes its pregnancy rates are comparable to other IVF centres in the UK and the USA. Of the 152 IVF cases performed in 2001, of which 129 reached embryo transfer, the Group achieved a delivery rate of 40.3% per embryo transfer. In comparison, the best of the 67 centres in the UK had a delivery rate of 38.8% according to the latest results (year 2000) published by the UK Human Fertilisation & Embryology Authority. The latest results from the Society for Assisted Reproductive Technology (SART) in the USA, which documents the 400 IVF centres there, also show that the pregnancy rate by the Group's centre is comparable with the top few American IVF centres. (Source: Speech by the then Minister of Health Malaysia)

The Group believes that its centre has also produced ICSI, FET and blastocyst transfer rates comparable to top centres in the UK and USA.

The Group believes it is a market leader in ART in Malaysia, accounting for at least 1/3 of all test-tube babies ever produced in Malaysia and a market share of about 20% amongst local IVF centres.

The success rates of the Group's fertility treatment are principally related to 3 key factors – the expertise of its medical team and embryologists, the high quality of its facilities and its emphasis on R&D activities. These are further detailed in Sections 6.6, 6.7 and 6.8 of this Prospectus respectively.

6.5 Achievements

6.5.1 Medical Achievements

The Group believes that it has over the years earned itself a reputation in Malaysia as a market leader in the field of fertility treatment.

The following are some of the achievements of the business since its commencement in 1994. The information is compiled based on the Group's understanding of the local industry as little official statistics are available.

Year	Achievements	Remarks
1994 to 2004	Produced at least 1/3 of all test tube babies born in Malaysia so far.	This represents an extraordinarily high contribution by a single IVF centre.
1995	Produced South-East Asia's first reported IVF surrogate baby.	This represents the successful carrying out of a difficult ART procedure due to the need to synchronise the cycles of both the genetic and the host mothers.
1996	Produced Malaysia's first frozen embryo transfer baby.	This represents the successful carrying out of a difficult but very useful ART procedure.
1997	Produced Malaysia's first conception twins (born 1½ years apart).	This achievement requires successful embryo freezing and thawing technology and optimal patient preparation.
1999	Produced the first donated frozen embryo pregnancy in Malaysia.	This technology allows a woman to adopt a frozen embryo and carry it to a successful delivery.
2001	Produced 11 consecutive ART pregnancies.	This is considered outstanding as the chance of achieving this in an average IVF centre is about 1 in 4,200,000.
2001	Obtained higher IVF pregnancy rates compared to all 67 IVF centres in the UK (2001).	This is a major achievement by a local IVF centre, illustrating the "Malaysia Boleh" spirit.
2002	Produced Malaysia's first blastocyst transfer IVF baby and first sperm-donor blastocyst transfer IVF baby	This represents the successful overcoming of the difficulties in culturing embryos to the 5 th day, which results in maximum implantation potential.
2002	Produced Malaysia's first blastocyst transfer ICSI baby and first MESA-ICSI blastocyst transfer baby.	This represents the successful overcoming of the difficulties in culturing embryos to the 5 th day, which results in maximum implantation potential.

Year	Achievements	Remarks
2003	Produced Malaysia's first conception quadruplets.	This represents the successful carrying out of a technology which allows many babies to be born from 1 fresh cycle of ART without the dangers of higher order multiple pregnancies.
2003	Produced Malaysia's first freeze-thaw blastocyst transfer pregnancy.	This represents the successful carrying out of a combination of 2 difficult ART procedures.
2004	Produced Malaysia's & Singapore's 1 st pregnancy following PGD	Demonstrates the Group's ever-advancing cutting-edge technologies.
2005	Produced Malaysia's & Singapore's 1 st PGD twins.	This represents the successful application of a cutting-edge technology in producing babies without certain chromosome abnormalities.
	Produced Malaysia's & Singapore's 1 st blastocyst biopsied PGD baby.	This demonstrates the Group's continuing impressive track record in leading the field of IVF technologies.

6.5.2 Business Achievements

Apart from the abovementioned medical achievements, the Group has also been recognized as a successful business establishment when DWSC was conferred the Golden Bull Award 2003. The award, organised by the Nanyang Siang Pau, was given to recognize the outstanding performance and achievements of 100 Malaysian small-medium enterprises. The criteria for selection of winners for the award was based on, amongst others, the demonstration by the enterprise of its ability in management outlook; product/service innovation and use of information technology; and that the enterprise has good market share.

Furthermore, in 2004, DWSC won the Malaysia Canada Business Council Business Excellence Award for the category of **Best Company for Science & Technology Award 2004**. This award is awarded to the company or institution which has contributed in the development of services or goods equal to one of the following categories:-

- (i) A company or institution which has been particularly innovative in supporting science and technology through donations of money, services, goods or assigned personnel; or
- (ii) A company or institution which has provided sustained corporate involvement in support of science and technology over several years.

The criteria for this award are as follows:-

- (i) Contribution to the scientific community in the past year;
- (ii) Introduction of new programmes or services;
- (iii) Contributing to Malaysia's scientific and technological development;
- (iv) A commitment to excellence through high standard; and
- (v) Contribution to social well-being / corporate responsibility.

The Group has also obtained the internationally recognized ISO 9001-2000 certification for DWSC and DFC.

6.6 Facilities

The Group's current main business premises, which houses both its medical and research centres, is located at No. 55, Jalan SS21/56B, Damansara Utama, Petaling Jaya, Selangor.

The layout of the 4-level rented corner shop-lot building, with a floor space of approximately 9,900 sq. ft, is as follows:-

	Floor Area (sq. ft)
Level 1 Lobby, international patient centre and business office of Tropicana Medical Centre	1,500
Level 2 PGD laboratory, FISH laboratory, conference room and office	1,500
Level 3 Patient waiting and registration areas, consultation rooms, treatment rooms, counseling bays, dispensary and administration area	3,500
Level 4 Embryology laboratory, Andrology laboratory, R&D office, operating theatres, recovery room, semen analysis room, and beds	3,400
Total	9,900

The centre is staffed from 8.00 a.m. to 9.30 p.m. on weekdays, and from 8.00 a.m. to 3.00 p.m. on Saturdays.

The Group's centre in Kepong, Kuala Lumpur has been operational since 6 January 2004. This centre has a floor area of approximately 1,500 sq. ft.

The Group has also set up a fertility centre in Johor Bahru, Johor in March 2004. The facilities of this clinic include operating theatres, embryology laboratory, Andrology laboratory, freezing laboratory, semen analysis room and beds. The Johor centre has a floor area of approximately 5,000 sq. ft.

The centres have IVF and related laboratories, including embryology laboratories, Andrology laboratories, a PGD laboratory and a FISH laboratory. These laboratories are equipped with the following sophisticated equipment:-

Equipment	Principal Functions
K-System laminar flow work station	For the manipulation of eggs and embryos
Eppendorf Transferman motorised and computerised micromanipulators	For performing ICSI and embryo biopsy
Heracell incubators including tri-gas	For the culture and incubation of eggs, sperms and embryos
Planar freezers	For the freezing of sperms, embryos and blastocysts
Saturn laser system with Cronus 2000 software	For performing assisted hatching and for the opening of the zonal during an embryo biopsy
Interscience Hybrite Denaturation / Hybridization System	For the denaturing and reanelling of chromosomes for PGD purposes
Olympus fluorescence microscope with Cyto Vision software	For the detection of chromosomal abnormalities in the embryos and sex selection

The Group believes that it is one of the few fertility centres in Malaysia that is equipped with comprehensive equipment comparable to established centres in the world. Consistent with industry practice, the said laboratories are used for both clinical and R&D applications.

Presently, IVF laboratories in Malaysia, including that of the Group, do not require any certification under any legislation. Notwithstanding this, its medical team and embryologists have always strived to conduct the laboratories' procedures in accordance with international standards of accuracy and quality control. Amongst others, its resident embryologists are given training by the Group's visiting consultant embryologist, Dr John Keith, in accordance with standards laid down by the Association of Clinical Embryologists ("ACE"), UK. The ACE, of which Dr John Keith is a founding member, is the professional body of and for embryologists. It was founded to promote high standards of practice in clinical embryology and to support the professional interests of embryologists working in the UK, including providing a nationally recognized training programme to enable the embryologists in the UK to become state registered.

The Group currently has 20 hospital / day-care beds and 4 operating theatres with video laparoscopy systems to perform advanced laparoscopic surgery. By having its own operating theatres, the Group is in control of every aspect of its workflow. This is important especially in ART procedures where timing is vital for the success of a treatment.

For cost effectiveness, the Group uses off-site hospital facilities for deliveries and planned open surgeries. The Group's doctors have contractual arrangements with at least 7 local hospitals/specialist centres, the main ones being Damansara Specialist Hospital, Sunway Medical Centre and Subang Jaya Medical Centre, to utilise their facilities when deliveries and planned open surgeries are required.

6.7 Medical and Professional Team

The Group believes that its successful implementation of the ART programmes is largely attributable to the significant teamwork of its medical professionals. Its team, comprising qualified and experienced doctors, embryologists, urologists and supported by a team of well-trained nurses and administrators, are committed to the fertility programmes which often call for irregular working hours.

The responsibilities of each of the team members are clearly defined, right from the inception of a programme. The following persons, who are all experts in their areas of specialisation, form the key medical and professional personnel of the Group:-

(i) Doctors

The Group is founded and headed by Dr Colin Lee, who is in charge of the Group. Dr Colin Lee is an obstetrician and gynaecologist with specialisation in the areas of infertility management and laparoscopic surgery.

Currently sitting on a number of local and international fertility bodies, Dr Colin Lee is an advisory board member of the Asia-Pacific Initiative of Reproductive Endocrinology (ASPIRE) and the President-Elect of the Malaysian Society of Assisted Reproductive Technologies.

Dr Colin Lee was involved in various international engagements, including being appointed as a member of the international advisory board for the 3rd Conference of the Pacific Rim Society for Fertility & Sterility 2002 and a member of the advisory committee for the 1st Global Chinese Conference on Reproductive Medicine 2002. He also speaks and lectures in various international forums in the area of fertility services.

Additionally, he is a director of the Company and holds a substantial stake in the Company.

Apart from him, the Group has 4 other obstetricians and gynaecologists, namely Dr Wong Pak Seng, Dr Surinder Singh, Dr Dev Kumar Menon and Dr Tan Hoo Seong.

Dr Wong is an obstetrician and gynaecologist with special interests in infertility management services as well as laparoscopic and hysteroscopic surgery.

Dr Surinder is an obstetrician and gynaecologist who specialises in fertility treatment and laparoscopic surgery. Dr Surinder heads the centre's first regional branch in Johor Bahru where he and his team of scientists, nurses and other support staff will work both independently and cohesively with the main centre in providing fertility services.

Dr Menon and Dr Tan Hoo Seong are obstetricians and gynaecologists with special interests in infertility management services as well as laparoscopic and hysteroscopic surgery.

Due to the possibility of liability implications in the event its doctors face litigation by the patients, the latter 4 doctors are not employed by the Group. Instead, there are contractual agreements/arrangement between DWSC and these doctors for their services rendered to the Group.

(ii) Embryologists

The Group presently has 7 resident embryologists. Its embryologists are responsible to carry out reproductive technologies, and performing specialised procedures as such semen analyses and preparation for ART procedures.

The Group also has a visiting consultant embryologist, Dr John Keith. He was senior embryologist at Edinburgh Royal Infirmary and is a scientific inspector for the Human Fertilisation and Embryology Authority in the UK with a role in the licensing process for IVF units and ICSI practitioners. He is also a founding member of the Association of Clinical Embryologists ("ACE"), UK and a member of the Executive Committee and Training Committee and Examination Board of ACE from 1993 to 2002.

(iii) Urologists

The Group has 2 visiting consultant urologists. The urologists conduct procedures dealing with male infertility and the treatment of impotency.

(iv) Nursing and Support Team

The Group has a team of 19 nursing and support staff, who are trained and experienced in fertility and treatment procedures. The nursing staff are principally responsible for the co-ordinating of cycle monitoring. The nurses also provide counselling to help infertile couples understand and cope with the emotional and psychological aspects of infertility and treatment processes.

(v) Administrators

The medical team is supported by a team of professional administrators who work with the medical and nursing staff to co-ordinate the services needed to support the clinical needs of its patients. This allows the medical and nursing staff to concentrate primarily on the treatment and provision of medical care for its patients.

6.8 R&D Activities

Focusing in life sciences and biotechnology, the Group has carried out a string of R&D activities to increase the value that it can bring to its clients.

The Group's on-going R&D into fertility technologies have been translated into increasing pregnancy rates for its patients. Pregnancy rates are undoubtedly the gold standard for assessing the quality and effectiveness of a fertility institution.

The following are some of the R&D projects that the Group has completed or is currently undertaking or planning to embark on:-

(i) Gonal-F and Metrodin HP

This involved a research work comparing Gonal-F and Metrodin HP in achieving pregnancy rates during IVF cycles for the year 2000. The Group's research findings indicated that Gonal-F results in a higher pregnancy rate during IVF cycles as compared to Metrodin HP. As such, the Group has been using Gonal-F or its equivalent since 2001, which has led to higher pregnancy rates thereafter. This R&D project was published in the Medical Journal of Malaysia, Vol.58, No.1, 2003 pgs. 94-98.

(ii) Technique, Protocol and Communication System in Embryo-Transfer

This R&D project involves the development of a technique, protocol and communication system in embryo-transfer, which is the final and crucial step in an IVF programme. The successful implementation of this development has resulted in the continual improvement of IVF results, substantially contributing to the Group's achieving pregnancy rates comparable to the world's best centres. The results of this development have been accepted for publication to the American Society for Reproductive Medicine and the Canadian Fertility and Andrology Society.

(iii) Blastocyst Culture & Transfer

This is one of the latest assisted reproductive technologies introduced to Malaysia. Blastocyst culture and transfer maximizes the pregnancy rates enabling the highest possible pregnancy rate from any method available. The culture involves the use of equipment such as Heracell incubator, K-System workstation and Eppendorf Transferman micromanipulator. The Group's R&D includes comparing different sequential media to determine the most effective way of achieving higher implantation and pregnancy rates. Successful blastocyst culture will allow the Group to harvest embryonic stem cell for research and treatment purposes. The Group successfully introduced this technology to Malaysia in 2002 and the Group's initial results were published in the Malaysian Journal of Obstetrics and Gynaecology (supplementary), Vol.8, No.4, June 2003, pg. 92.

(iv) Cryopreservation of Oocytes, Embryos & Blastocysts

This involves different methodologies of cooling eggs, embryos and blastocysts, including experimenting with different rates of cooling and deployment of different cryoprotectants.

The benefits of oocytes, embryos and blastocysts cryopreservation or freezing include, amongst others, providing an option for pregnancy at a later date, particularly for women fearful of the "biological clock" issue as well as helpful in donor oocyte programmes by allowing the quarantine of oocytes until appropriate infectious disease screening is completed on the donor.

The centre achieved the 1st cryopreserved blastocyst pregnancy in 2003, which the Group believes is the first such success in Malaysia.

(v) Pre-Fertilisation Sex Selection

This would involve various sperm separation methods, including using different methods of swim up gradient system, specified timing of insemination with respect to ovulation and the assessment of sperm after various methods of separation by using Fluorescent In-Situ Hybridization (FISH).

(vi) PGD

The Group has introduced PGD services to Malaysia to provide screening of chromosomal and genetic abnormalities. In particular, the Group plans to conduct research into areas involving the screening of thalassemia which is relatively common in the Malaysian population. As thalassemia is relatively uncommon in western countries, the Group hopes to contribute to society via new R&D findings in this area.

(vii) New Protocol for Poor Responders

This project involves the use of a novel method combining the strengths of various existing protocols in hyperstimulating the ovaries of patients who produce very few eggs for ART.

Under this new combination protocol, standard stimulation regimes will be used for infertile patients, in particular, elderly women who produce very few eggs (5 or less). The resultant number of eggs and subsequent pregnancy rates of these patients will then be assessed. It is hoped that the introduction of this method will bring higher pregnancy prospects for patients with poor egg response.

(viii) Development of a Patentable Mechanical System to Improve Embryo Quality

The Group plans to develop a patentable mechanical system intended to improve the quality of embryos in culture. This R&D project aims to improve fertilisation rate and embryo quality ultimately resulting in higher pregnancy rates.

(ix) Stem Cell Research / IVF-Based Molecular Genetics / Cytogenetics

Stem Cell Research includes the use of embryonic stem cells in the differentiation and culture of different body tissues and parts for the replacement and regeneration of damaged body organs. Possible applications include, amongst others, treatment for diabetes, Parkinson's disease and cardiac muscle regeneration following a heart attack.

With Tropicana Medical Centre slated to be operational in 2008, it is envisaged that the Group will have a wider application of its R&D efforts and capabilities.

6.9 R&D International Advisory Panel

The Group has forged an alliance with internationally renowned fertility specialists by setting up an R&D International Advisory Panel.

This committee is to advise the Group on its R&D plans and projects. It is envisaged that the R&D International Advisory Panel will help the Group's operations meet internationally recognised standards and help propel the Group's R&D activities into the international scene with cutting edge fertility technologies.

The panel comprises the following experts:-

- (i) Professor Emeritus Bruno Lunenfeld**
- 1st person in the world to introduce injections to promote fertility
- (ii) Professor Roger Gordon Gosden**
- Scientific Director of Jones Institute which produced USA's 1st Test-tube Baby
- (iii) Professor Moon Shin Yong**
- National Director of Stem Cell Research Centre, South Korea
- (iv) Professor Ramli Abdullah**
- Local leader in animal cloning technologies
- (v) Dr Tongtis Tongyai**
- Founder and Director of Blastocyst Centre, Bangkok
- (vi) Dr John Keith**
- Scientific Inspector for the Human Fertilisation and Embryology Authority in UK

Professor Emeritus Bruno Lunenfeld MD, FRCOG, FACOG, is best known for being the 1st person in the world to introduce Human Menopausal Gonadotropins (injections to promote fertility) for helping infertile couples to achieve parenthood. He was instrumental in the creation of an international standard for fertility promoting drugs and the classification of infertile patients. He has published numerous books, more than 300 scientific papers, delivered more than 700 lectures and chaired more than 100 sessions at scientific/ medical meetings all over the world. His scientific achievements received include, amongst others, the special recognition award of the United States Public Health Service in recognition of his outstanding contribution in the promotion of health, the Pliskin Prize, the Yoffe Prize, the Michaelis Raute Medal, the Jacob Henley Medal, the Order of Distinction by the President of Germany and the Bertarelli Foundation Award for his lifetime achievements in women's health.

Professor Roger Gordon Gosden BSc, PhD, DSc, is the Scientific Director of the Jones Institute for Reproductive Medicine, which produced USA's 1st Test-Tube baby. He is also the Howard & Georgeanna Jones Professor of Reproductive Medicine, Vice-Chair for Research at the Department of Obstetrics & Gynaecology, Eastern Virginia Medical School, Adjunct Professor at both McGill University, Montreal and Old Dominion University at Virginia and Visiting Professor at University of Leeds, UK. He is one of the world's leading researcher in egg and ovarian preservation as well as the recipient of 19 international Research Prizes and Awards. He has delivered more than 200 international lectures in the last 20 years, published 7 books and more than 300 research and other scientific articles. For his extensive contribution to the science of fertility, he is listed in International Who's Who, UK Who's Who, Canadian Who's Who, Who's Who in Theology & Science as well as Wilson Guide to Experts in Science and Technology.

Professor Moon Shin Yong MD, PhD, O&G, is the National Director of Stem Cell Research Centre, South Korea's ambitious 21st century frontier R&D programme. This extensive national project involves a wide selection of researchers from 47 R&D departments involving top Korean universities. He is also the Director of Institute of Reproductive Medicine and Population, Medical Research Centre as well as the Professor of Obstetrics and Gynaecology, College of Medicine, Seoul National University.

Professor Ramli bin Abdullah, Ph.D, is well known for his research on animal reproduction and biotechnology and has won a number of international awards including a 3-time recipient of the Japanese Scientific & Promotion of Science and the Duetscher Akademischer Austauschdienst. He has also won Gold Medal Awards for invention & innovation from Ministry of Science, Technology and Environment and a Gold Medal Award for invention from University Malaya ("UM"). He is currently the Deputy Dean of Institute of Postgraduate Studies, UM. One of his numerous current R&D projects is the cloning of goats.

Dr Tongtis Tongyai MD, BSc, O&G, is the founder and director of Blastocyst Centre, Bangkok which is currently the only IVF Centre in South East Asia where all ART cases are routinely targeted for blastocyst transfer.

Dr John Keith PhD, was a Senior Embryologist at Edinburgh Royal Infirmary, Glasgow until 2004. He is also a Scientific Inspector for the Human Fertilisation and Embryology Authority in UK, with a role in the licensing process for IVF units and ICSI practitioners in UK. His other positions include, amongst others, founder member of Association of Clinical Embryologists ("ACE"), UK and member of the Executive Committee and Training Committee and Examination Board of ACE from 1993 to 2002.

6.10 Quality Assurance and Control

Since its inception, the Group has always emphasized and maintained a quality assurance system of high standard. The Board believes that the quality of the services offered is one of the Group's key competitive strengths, and has helped to distinguish its fertility services from other medical centres and/or hospital operators, thus fencing off some competition in the industry.

DWSC was conferred the Golden Bull Award 2003 for Malaysia's 100 Outstanding Small-Medium enterprises organised by Nanyang Siang Pau and also won the Malaysia Canada Business Council Business Excellence Award for the category of **Best Company for Science & Technology Award 2004**.

The Group is committed to providing the highest quality of patient care. To maintain these standards, the Group has instituted the following quality assurance and quality control programmes:-

(i) Laboratory Protocols and Standards

The Group's IVF laboratories, comprising embryology laboratories, andrology laboratories and other laboratories, are staffed by a team of 7 trained resident embryologists.

The day-to-day running of the IVF laboratories are overseen by each respective centre's head embryologist, who is responsible for ensuring adherence to, and maintenance of, strict clinical protocols and compliance with health and safety requirements.

The Group has established the following documentation procedures:-

- The documentation of all protocols used in the laboratories for ART procedures and made available as manuals;
- The documentation of the entire procedure from the ovarian stimulation protocol to the egg retrieval as well as egg and sperm preparation, including evaluation of the morphology of the gametes, their number, timing of insemination, date of embryo transfer, number of embryos or gametes transferred and the fate of the embryos/gametes; and
- The detailed documentation regarding every patient treated and the maintenance of patient records in a secure filing system to ensure that patient confidentiality is maintained.

The Group has facilities for proper cryopreservation and safe storage of semen specimens, eggs and embryos. All semen, eggs and embryos are labelled with patient identification and the location records are filed.

The primary medical equipment is sourced from a list of preferred suppliers and manufacturers premised on, inter alia, the quality of their products, after-sale-services and reputation. The list of additional equipment to be procured is subject to periodic review and due consideration to ensure merely equipment of high quality are selected. Log books for the maintenance and periodic overhauling of all equipments are also maintained. Additionally, all critical equipment are protected by back-up systems and voltage stabilizers should a power failure occur.

The Group has obtained the internationally recognized ISO 9001-2000 certification for DWSC and DFC.

(ii) Recruitment and Training of Medical Professionals

The Group has set some stringent criteria for engaging/contracting medical professionals. This is to ensure that its medical team is suitably qualified to conduct and deliver its services. The engagement of its medical professionals' services is based on their relevant academic qualifications and industry experience. Presently, the Group's medical professionals comprise dedicated full-time doctors, embryologists and nurses, who are complemented by urologists on visiting basis.

The field of reproductive endocrinology is rapidly progressing, requiring constant upgrading and updating of the practitioner's skills and knowledge. In this regard, its doctors and embryologists regularly participate in and contribute to local and international scientific seminars and conferences, in order to keep abreast with the latest technology and development. The Group also sponsors its doctors and embryologists for overseas attachment with other IVF centres.

(iii) Customer Services and Feedbacks

The customer services staff constantly conduct routine and regular meetings with customers to obtain feedback on the quality of services rendered by the Group. Survey forms are distributed to its customers in order to collect their feedback on the different aspects of the services provided by the Group. The measurement and evaluation of this information are crucial in helping the Group to further enhance the level of services as well as to meet the increasingly higher demand and expectation from its customers.

6.11 Marketing Strategy

As at LPD, the Group's marketing activities are overseen by the Group Administrative Director and she is supported by a team of 3 personnel.

The Group proposes to increase its market presence, both locally and in the neighbouring countries, through the following strategies:-

(i) Increase Referrals

The Group largely relies on personal references from its existing network of patients and their family members, relatives and friends. References are also received from other doctors, clinics and hospitals. In order to increase these referrals, the Group continually seeks to maintain and improve its rapport through constant communication.

The Group maintains a database of all its patients and uses this database to update its patients with information on its centre. Newsletter, giving updates on the centre's latest treatment services, technologies, achievements, news and development of its centre, is sent out to its patients on a periodic basis.

Additionally, the Group and/or its doctors contribute articles and literatures for publication in local and international medical journals and bulletins. Such articles include reporting on the Group's results and achievements in fertility treatments.

(ii) Increase Public Awareness

The Group is aware of the general lack of public awareness on issues related to infertility and its treatment options. In addition, the Group believes that there is a general perception amongst Malaysians that advanced fertility treatment is not available locally.

The Group aims to increase public awareness and correct misconceptions through various activities. Amongst these activities are public talks, participation in public and medical seminars and conferences, and reporting of the Group's research findings and pregnancy rates in the medical literature.

Additionally, the Group has a website that provides information on treatment options. This website was set-up in January 2003 and has assisted couples looking for fertility treatment.

6.12 Competitive Strengths

The competition to the Group's activities comes mainly from local stand-alone private fertility clinics as well as private and government hospitals that provide ART facilities.

The Group has a total of 3 fertility clinics. Based on the types of facilities available, range of fertility services offered, and the size of its medical and professional team and customer base, the Group believes it is a leading private fertility centre in Malaysia with a market share of about 20%.

The Group believes that the following competitive strengths has contributed to its strong market share amongst the fertility centres in Malaysia and will enable it to grow its business and profitability:-

(i) Focus on Fertility Services

The Group focuses on the provision of fertility services. In contrast, most clinics or hospitals in Malaysia only offer fertility services as one of their sub-specialties. The Group believes its focus has enabled the Group to provide higher quality and comprehensive fertility services to its patients than its competitors.

This is evidenced from the Group's leading market position in the local fertility industry. The number of patients that the Group serves has also increased significantly from approximately 700 in 1994 to over 15,000 patients today.

(ii) Strong and Sustainable Market Position

With 11 years of experience in the fertility industry since the inception of the business in 1994, the Group has built up its reputation by consistently producing high pregnancy rates. Additionally, the Group has recorded a number of firsts in Malaysia's diary of fertility treatment procedures, which has further established its presence in the industry.

The Group's services have not only benefited local patients, but also patients from Indonesia, Singapore, Thailand, Philippines, Australia, USA and other developed countries.

(iii) Experienced Medical and Professional Team

The Group has an experienced medical and professional team who is dedicated and committed to the treatment of infertility. The team's skills and experience in fertility services and its strong teamwork among its members have been instrumental in the Group's successes in its fertility treatment.

Its medical team comprises 5 doctors, 7 embryologists and 2 visiting urologists.

(iv) Wide Range of Quality Fertility Services and Emphasis on Individualising Treatment

The Group offers a comprehensive range of high standard services to diagnose and treat fertility problems. By having a diverse choice of services, the Group is able to select the procedure that is most precisely suited to the individual patient at any particular stage of management.

Instead of applying a standard treatment protocol that is effective for the majority of cases, the fertility treatments are planned in a very individual way for each patient. The Group is able to match procedures to a particular patient in an appropriate fashion, including the accurate use of vaginal scanning to assist decision-making, and customising drug dosage regimen for each patient.

(v) Use of and Research into Latest Fertility Technologies

The Group is committed to continuing upgrading its equipment by investing in the latest technology. Its IVF laboratory was set-up with the assistance of world renowned embryologists. The Group believes that the appropriate culture condition in its laboratory has enabled the Group to produce successful and consistent results in its fertility treatments.

Through its R&D activities, the Group has been able to consistently introduce effective technologies in treating infertile patients. With 11 years of operations, the business has introduced various new methods of fertility treatment to Malaysia. Its recent successful introduction of blastocyst transfer to the local fertility scene has enabled the Group to achieve even higher pregnancy rates compared to conventional IVF with day-2 or -3 embryo transfer.

Additionally, the Group believes that its wide base of patients has provided the required statistical data for its R&D activities. Presently, most of the R&D activities in the field of infertility are carried out in institutions of higher learning.

(vi) Strong Financial Position

The Group has a strong financial position with low gearing. As at LPD, the Group has shareholders' funds of some RM24.02 million and RM6.62 million borrowings. This strong financial standing has provided the working capital required for the Group to expand its business. With the net proceeds from the IPO, its financial position will be further enhanced.

6.13 Major Licences, Certificates & Approvals

Being a private healthcare service provider, the Group's operations are subject to the provisions of the Private Hospitals Act, 1971 and Private Hospital Regulations, 1973. These Act and Regulation govern the licensing and conduct of, inter-alia, private hospitals such as that of the Group's specialist centre.

The Group is currently operating under the following license:-

Authority	Type of licenses	Date of issuance/ validity	Material conditions imposed	Status of compliance
Private Hospital Act 1971 and Private Hospital Regulations 1973	Licence granted to Dr Colin Lee to operate a private hospital known as Damansara Fertility Centre/ Damansara Women's Specialist Centre ⁽¹⁾ Licence no.: 08344	Issued on 26 October 2004 and valid until 25 May 2005. An application dated 3 May 2005 to renew the said licence has been submitted. ⁽²⁾	All practitioners must obtain their Annual Practising Certificates (APC) with Damansara Fertility Centre/ Damansara Women's Specialist Centre stated as the principal place of practice.	Complied

Notes:-

- (1) *The Damansara Fertility Centre / Damansara Women's Specialist Centre is the name of the medical centre owned by DWSC.*
- (2) *MOH has stated in the Consultative Panel Meeting between MOH and the Association of Private Hospitals of Malaysia on 8 November 2002 that once an application has been made and the licence is in the process of being issued, the hospital will be deemed to be operating legally in the event of any litigation and mishap.*

The building in which the Group is situated was awarded the Certificate of Fitness for Occupation ("CFO") by Majlis Perbandaran Petaling Jaya on 28 August 1979. The said certificate was awarded to Paramount Malaysia Sdn Bhd, being the developer of the building. Subsequent alterations, renovations and additions to the building were also awarded the CFO in the name of Dr Colin Lee pursuant to By-Law 25 of the Selangor Uniform Building Bylaws, 1986 on 21 September 1998.

6.14 Intellectual Property

Save for the trademark owned by the Group as shown below, the Group does not possess any other intellectual properties which are material to its business.



The above trademark has been registered by the Registrar of Trade Marks Malaysia in the name of Dr Colin Lee under Class 6 on 12 June 2002. Class 6 covers signboard of metal. Pursuant to an Assignment Agreement dated 23 May 2005, Dr Colin Lee has assigned this trademark registration to DWSC.

6.15 Dependency on Patents, Licences, Industrial, Commercial or Financial Contracts and New Manufacturing Processes

Like all private medical clinics / hospitals, the Group is dependent upon the licence to operate a private hospital, as set out in Section 6.13 above, in order to remain in business. This notwithstanding, the Board does not believe the Group faces undue risk of the licence either not being granted or being revoked. In testimony thereof, the Group's business has been in operations since January 1994.

As for its intellectual property, as set out in Section 6.14 above, although the Board believes its trademark is gaining recognition, it does not believe the Group is dependent on it for its continuing business operations.

THE REMAINDER OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

6.16 Landed Properties

As at 19 August 2005, the Group owned a piece of land, acquired for the purpose of constructing Tropicana Medical Centre.

The issue document of title in respect of the Land has yet to be issued by the relevant authorities. Pending the issuance of the document of title, DWSC's interest in the Land is secured and regulated by the sale and purchase agreement dated 29 September 2003 entered into between PKNS and DWSC. Details of the Land, as per the SPA, are summarised as follows:-

Beneficial Owner / Developer's Lot No.	Postal Address	Description / Existing Use	Age of Building (years)	Land Area (sq. ft.)	Built-Up Area (sq. ft.)	Tenure and Expiry Date	Cost as at 31.12.04 (RM'000)	Net Book Value as at 31.12.04 (RM'000)	Date of Valuation	Market Value (RM'000)
DWSC/ Lot No. 11, Jalan Teknologi, Taman Sains Selangor 1, Kota Damansara, Mukim Sungai Buloh, Daerah Petaling, Selangor	Lot No. 11, Jalan Teknologi, Taman Sains Selangor 1, Kota Damansara, Selangor	Land use: Building Express condition(1): Commercial building The Land is currently vacant. The construction of Tropicana Medical Centre on the Land is planned to commence in 2006.	-	261,360 sq. ft.	-	Leasehold for 99 years ⁽²⁾	9,666 ⁽³⁾	19,634 ⁽⁴⁾	18 December 2003	19,600 ⁽¹⁾

Notes:-

- (1) The valuation was carried out by C H Williams Taihar & Wong Sdn Bhd on the basis that the Express Condition is Private Medical Centre as per the letter to the Securities Commission, Malaysia dated 26th March 2004.
- (2) As the document of title has not been issued, the leasehold term of 99 years has yet to commence.
- (3) Includes interest capitalised of RM34,455 and other ancillary costs of RM411,781. The purchase price of the Land, as per the SPA, is RM9,219,902.
- (4) The revaluation surplus arising from the valuation of the Land as per Note 1 above of RM9,968,317 (before adjustment for deferred taxation) and the deferred taxation at 28% of RM2,791,129 have been incorporated in the financial statements of DWSC for the financial year ended 31 December 2003.

As set out in the SPA the Land shall be used for the purpose of approved building only and shall comply with the express conditions and the restrictions-in-interest, if any, endorsed on the document of title of the Land and special conditions mentioned in the SPA. The special conditions state, amongst others, that the Land is meant for building approved by PKNS. PKNS had in their letter dated 22 November 2001 indicated that the Land shall be used for medical centre.

The Land has been designated for institutional use.

The Land is currently assigned to Malayan Banking Berhad under an Islamic mortgage to secure banking facilities granted to DWSC to part finance the purchase of the Land.

The Group currently rents the following properties for use as its medical centres:-

Description/Location	Tenure	Built-up Area (sq. ft.)	Monthly Rental (RM)	Tenant	Landlord
No.55, Jalan SS21/56B, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan	3 years from 1 January 2003 to 31 December 2005	9,900	35,000	DWSC	SS Lee
No.8, Jalan Prima, Metro Prima, Kepong, 52100 Kuala Lumpur	2 years from 1 December 2003 to 30 November 2005 ⁽¹⁾	1,500	4,800	DFC	Chan Swee Kwan
Unit 18, Level 1 City Plaza No.21, Jalan Tebrau 80300 Johor Bahru Johor Darul Takzim	3 years from 1 June 2004 to 31 May 2007	4,045	8,502 ⁽²⁾	DWSC	Hock Der Realty Sdn Bhd

Note:-

- (1) DFC is entitled to renew the tenancy for a further term of 2 years, subject to a maximum increase of 10% of the existing rental.
- (2) The rental shall increase to RM10,526 per month effective 1 June 2006.

6.17 Interruption in Business Operations

There has been no interruptions in the Group's business that have had a significant effect on its operations during the past twelve (12) months preceding the LPD.

6.18 Major Customers

Being a private healthcare service provider, the Group's customers comprise mainly couples and individual women. While a majority of the Group's patients are referred by existing and former clients, some of them are referred by other medical practitioners. These patients are normally referred to the Group for its fertility and O&G services. The referring medical practitioners may operate independently or may be in a group practice.

Based on the number of the patients that the Group serves, its customer base is broad, with a patient count of well over 2,000 for the financial year ended 31 December 2004. Due to the nature of its business, each patient does not individually account for more than 1% of the Group's proforma turnover for the financial year ended 31 December 2004. As such, the Group is not dependent on any individual customer.

6.19 Purchases and Major Suppliers

The Group's purchases comprise mainly female fertility drugs, culture media and disposables used in fertility procedures. The Group's 10 largest trade suppliers as at 31 December 2004, are as follows:-

Supplier / % Cost of Purchases	% of Purchases for the financial year ended 31 December 2004	Length of Relationship from January 1994 ⁽¹⁾ to December 2004 (Years)
Antah Pharma Sdn Bhd ("Antah")	43	11
Zuellig Pharma Sdn Bhd ("Zuellig")	23	11
Diethelm Malaysia Sdn Bhd	8	11
Emerging Pharma Sdn Bhd	7	11
Apex Pharmacy Marketing Sdn Bhd	6	11
Pathology & Clinical Laboratory	4	11
Gribbles Pathology Malaysia Sdn Bhd	2	6
Summit Company (M) Sdn Bhd	2	6
Labquip (M) Sdn Bhd	1	11
Rillins Sains Sdn Bhd	0.2	11

Note:-

(1) Being the date of inception of Damansara Women's Clinic / Damansara Fertility Clinic.

The above suppliers collectively contributed approximately RM2.78 million or 97% of the Group's total purchases for the said period.

Save for Antah and Zuellig, which accounted for approximately 43% and 23% respectively of the Group's total purchases for the financial year ended 31 December 2004, there were no other suppliers who individually contributed more than 10% of its purchases. Antah is currently the Group's largest supplier as it is the locally appointed distributor for Serono, a global pharmaceutical company that markets a number of female fertility drugs such as Gonaf-F, Metrodin, Serophene, Cetrotide, Pergonal and Profasi, all of which are normally used in the treatment of infertility. Please refer to Section 4.6 of this Prospectus on the steps taken by the Group to mitigate its dependency on Antah and Zuellig.

6.20 Employees / Workforce

As at LPD, the Group has 47 employees and 5 employed/contracted medical doctors, none of whom are members of any union or labour organisation. There has not been any event of work disruptions for the past twelve (12) months. Over the years, the Group has enjoyed a cordial relationship with its employees or doctors.

The following is a table setting out information on the categorical breakdown of the number of the Group's workforce as at LPD:-

Category of Workforce ⁽¹⁾	No.	%	Range of Years of Service (Years)
Medical professionals			
Doctors (including contracted doctors)	5	10	1 - 6
Embryologists	7	13	1 - 4
Nurses and support staff	19	37	1 - 6
Management / Administrative			
Senior Management	2	3	1 - 6
Managers	5	10	1 - 6
Executives and others	14	27	1 - 3
Total	52	100	

Note:-

(1) The above does not include employees who have resigned from the Group.

The above range of years of service is stated based on the incorporation of DWSC in 1999. Some of the medical professionals have been with the business since its early years.

To maintain a consistent level of high quality service to its clients and to increase the Group's competitiveness in this knowledge-intensive environment, the Group has engaged 31 medical professionals, representing 60% of its total workforce as at LPD.

Also, the Group places great emphasis in training and education in order to ensure that its staff are constantly kept abreast of the latest development in fertility technology. Staff are sent for overseas training, including conferences, seminars and attachments. In addition, foreign experts/consultants are brought in to provide in-house training. On the job in-house training are provided by senior staff to new staff.

6.21 Prospects and Future Plans

6.21.1 The Global Economy

World output, projected to grow by 4.6% in 2004, is close to matching the strong global growth of 4.7% at the beginning of the new millennium, the highest in the last two decades. The global economy recovered from the adverse effects of the 11 September incident, which drove the world into recession in 2001, and the subsequent fallout from the Severe Acute Respiratory Syndrome (SARS) epidemic, as well as the war in Iraq to attain broad-based growth. This recovery was supported by the accommodative monetary and fiscal policies pursued by major economies which revived confidence to fuel global growth.

The continued strengthening of the global economy is mainly driven by sustained consumption and export growth in the United States (US) and Japanese economies. Elsewhere, the vibrant economies in the Asia-Pacific region, in particular China and to a lesser extent India, further supported the strengthening of global growth. Amidst this optimistic development, world inflation continued to remain benign despite concerns over rising oil prices.

The growth momentum in the global economy in 2005 is expected to decelerate slightly as major economies tighten monetary policy to contain inflationary pressures. Concerns over the possibility of higher oil prices and the slowing down of China's economy are other factors that can dampen growth.

Notwithstanding these uncertainties, it is anticipated that the Federal Reserve Board would pursue a measured approach in raising interest rates. As for oil price hikes, the effort of the Organisation of the Petroleum Exporting Countries to raise supply to 26 million barrels per day effective 1 August 2004, will help contain the price increases. Against this backdrop, growth in the US is expected to moderate to 3.5%-4% (2004: 4.5%-4.7%), other emerging markets and developing economies at 5.9% (2004: 6%), while Japan is also expected to grow by 2.4% (2004: 4.5%). In contrast, recovery in the euro area is anticipated to strengthen further to post a real GDP growth of 2.3% (2004: 2%) with a gradual pick-up in domestic demand aided by favourable financing conditions. Overall, global growth is projected at 4.4% in 2005 (2004: 4.6%).

(Source: Economic Report 2004/2005)

6.21.2 Malaysian Economy

Malaysia's growth momentum continues into 2004 after recording a strong growth in 2003. Unlike 2003, when the global economy was affected by the war in Iraq and Severe Acute Respiratory Syndrome, the external environment in 2004 has improved markedly with upswing in the global electronics demand as well as favourable commodity prices. This enabled the Malaysian economy to expand steadily from 7.6% in the first quarter of 2004 to 8% in the second quarter, the highest since the third quarter of 2000.

The robust domestic economic activities, which supported growth in 2002 through to 2004, are further augmented by favourable external environment. Of significance, the domestic sector is buoyed by the expansion in private consumption and investment activities. The manufacturing sector registered a solid growth of 12.3% during the first half of 2004, while the services sector expanded strongly by 6.8% in the same period. With the Leading Index pointing towards further expansion in the second half of the year, both sectors are envisaged to contribute significantly to the economic growth.

The build-up in international reserves arising from larger current account surplus and inflows of foreign capital continues to strengthen Malaysia's macroeconomic fundamentals. Given this favourable scenario, the Malaysian economy is set to surpass its earlier estimate of 6.0 - 6.5% and post a stronger growth of 7% in 2004 (2003: 5.3%).

Entrenched domestic economic activities, coupled with a fairly favourable external environment, are expected to drive growth into 2005. Strong output growth is expected to emanate from all sectors, led by manufacturing and services with an increasingly higher contribution from private sector expenditure. Consequently, Malaysia is set to achieve another year of healthy growth of 6% in 2005.

(Source: Economic Report 2004/2005)

6.21.3 Fertility Services

Although infertility is currently not a public health priority in many countries, it is a central issue in the lives of the individuals who suffer from it. It is a source of emotional and psychological stress for both men and women and can place great pressures on the relationship within the couple. In many societies, particularly in the Asian society, a stable family structure and the desire for children is the norm and being childless often has a negative social, cultural and emotional repercussions. These include leading to unstable marriage, domestic violence, stigmatization and even ostracism. Although peer and social pressures to have children vary from country to country, what remains common is the desperate need for infertile people to give birth to a healthy baby.

The Group believes that fertility services in Malaysia presents vast opportunities due to the following reasons:-

(i) Demographic Trends

Based on the Population and Housing Census 2000 ("**Census 2000**"), out of a total population of 23.27 million, 14.62 million Malaysians are between the ages of 15 and 64. Extrapolating from this, 5.8 million are between the ages 20 and 40 years, the age group that is most likely to face infertility problems. Assuming 10% of the Malaysia's population is infertile, this translates into a total of 300,000 infertile couples in Malaysia. With the population growing at an average growth rate of 2.3% per annum, this figure will also increase in tandem.

The Census 2000 also revealed that young adults tend to marry at a later age. This, coupled with the recent tendency to delay childbearing in order to pursue a career, means that more women are trying to have their first child at ages when it is considerably more difficult. Given that fertility generally declines with the increase in a woman's age and because older couples have fewer years in which to achieve the desired family size, it is expected that a greater number of couples in Malaysia will seek fertility services to help them conceive.

Over the next decade, these demographic trends are expected to further compound the prevalence of infertility in the population and drive up the demand for fertility services in Malaysia.

(ii) Increasing Demand in Comparison with Supply

The Group believes that local patients have traditionally sought fertility treatment in Singapore as well as in Australia and the UK. However, with the proven pregnancies rates for ART procedures performed in Malaysia, such as those recorded by the Group, there is a trend that local patients are staying back to seek fertility treatment in Malaysia.

In addition to the demand for fertility treatment by the local patients, there is also an increasing trend of patients from neighbouring countries such as Indonesia and Singapore. Fertility treatment is more effective in Malaysia than in Indonesia. Compared with Singapore, fertility treatment is considerably cheaper in Malaysia.

In contrast to the large and rising demand, the supply of physicians trained to provide specialised fertility services is still relatively low in Malaysia. Based on the Speech by the then Health Minister, there were only 450 practicing gynaecologists in the country as at 3 June 2003, 35 of whom have training in assisted conception procedures. This represents an approximate ratio of 1 fertility specialist to about 11,400 infertile couples in the country. The Group believes that currently there are 750 practicing obstetrics and gynaecologists (including trainees) in Malaysia.

(iii) New Innovations

Since 1978, the field of ART has witnessed tremendous scientific advances and additional medical applications. Many new fertility drugs and treatment procedures have been developed in the last 2 decades. With the introduction of ICSI for example, ART now can help infertile couples with a severe male factor, a condition for which the results of traditional treatment have not been satisfactory. Services such as embryo and sperm banking can now offer couples the flexibilities to decide when they want to have a family and how to space out their children.

As new innovations continue to enhance fertility treatment and pregnancy outcome and with the publicity generated about infertility each time a new treatment option is introduced, it is anticipated that increasingly more infertile couples will be motivated to seek medical help to resolve their predicament.

(iv) Increasing Public Awareness

With increasing public awareness through information and education initiatives by both the medical profession and the media on the fertility services available and the success rates of ART procedures carried out in Malaysia, it is expected that the number of infertile couples seeking fertility services in Malaysia will continue to increase.

(v) Competitive Cost of Treatment

The Group believes the cost of ART treatment in Malaysia is affordable and competitive in comparison with other countries in the region and that IVF is affordable to a majority of the upper-middle class Malaysian families.

Further, with the rise of affluence of the economy of Malaysia and Asia, fertility treatments will be more affordable to a larger group of infertile couples.

(vi) Promotion of Malaysia as a Health Tourism Destination

The Government has taken efforts to promote Malaysia as the regional centre for healthcare. The National Committee on Health Tourism, formed in 1997, has been actively promoting the country's healthcare services abroad, particularly in the ASEAN and Middle Eastern countries. According to the Mid-Term Review of the Eighth Malaysia Plan 2001-2005, in 2002, foreign patients spent a total of RM150 million for healthcare and treatment services in Malaysia. The number of patients seeking treatment also increased significantly, totalling 191,900 in 2002 compared with 78,318 in 2000.

The Government is expected to continue to expand Malaysia's health tourism industry. In fact, in the Package of New Strategies Towards Stimulating the Nation's Economic Growth unveiled in May 2003, the Government has pointed out health tourism as one of the new sources of growth into which the Malaysian's economy will diversify. In this respect, the Group, with its modern facilities and broad range of successful fertility services, is well poised to contribute to the expansion in health tourism.

6.21.4 Summary of the Five (5)-Year Business Development Plan

The Group believes that its focus on the provision of fertility services has allowed the Group to be a leading provider of a wide range of successful fertility services in Malaysia. As such, in the foreseeable future, the Group will continue to focus on expanding its position in this niche market.

The Group's future plans for the next five (5) years, as embodied in its 5-Year Business Development Plans 2005-2009, will be focused on the following areas:-

(i) Local and Regional Expansion

The Group plans to expand the capacity of its existing fertility centre to meet the current and future demand for fertility services. This will be carried out through the expansion of its geographic coverage within the Klang Valley. To this end, the Group has set up a centre in Kepong, Kuala Lumpur, which has been operational since 6 January 2004, and a branch in Johor Bahru, Johor, which has been operational since March 2004.

As and when appropriate opportunities arise, the Group may set-up more clinics in major towns of the country.

Additionally, the Group plans to seek further growth through regional expansion. Target overseas markets include Indonesia, Singapore, Philippines and the Middle East. The Group's branch in Johor will not only cater to the Johor market but also to the Singapore market.

In the longer term, the Group aims to position Malaysia as a key destination for ART procedures, in line with the Government's call to promote health tourism. The Group aims to increase the number of its foreign patients in the near future, with most of them coming from South East Asia and the Middle East.

(ii) Increase Range of Services

In order to further enhance the growth in its business and improve its competitive position in the fertility services sector, the Group will continue to explore new services.

Amongst others, the Group intends to expand the service of PGD. This technique involves the testing of early stage embryos for chromosomal abnormalities such as Down's Syndrome, so that only healthy embryos are selected for transfer into the mother's womb. Furthermore, PGD allows the testing of various genetic conditions such as thalassaemia, which is a commonly inherited disease in South East Asia.

(iii) Establishment of Tropicana Medical Centre

In the longer term, the Group plans to relocate its entire operations to Tropicana Medical Centre, a proposed tertiary specialists medical centre with emphasis in the niche markets of women and children's health, particularly in the areas of fertility services, O&G and paediatrics. Tropicana Medical Centre will also function as a research centre to undertake R&D in fertility technologies and stem cell research.

Tropicana Medical Centre will be strategically located in the Klang Valley at Selangor Science Park I, Kota Damansara, Selangor and will be amongst the up-market and affluent neighbourhoods of Bandar Utama, Tropicana, Damansara Indah, Kota Damansara, Taman Dr Tun Ismail, Sunway Damansara, Damansara Perdana and Mutiara Damansara.

On the basis the Listing is completed by the 4th quarter of 2005, the construction of Tropicana Medical Centre is scheduled to commence in 2006. Upon completion, estimated to be sometime in 2008, the main centre (Damansara Utama) of the Group will be relocated to Tropicana Medical Centre.

Tropicana Medical Centre will be built on a piece of 6-acre land and is tentatively planned to have the below-mentioned facilities. The finalised facilities to be offered are dependent on the final development plans and the anticipated demand for such facilities.

- One-stop IVF centre (including embryology rooms and laboratory, and sperm and embryo banking facilities);
- Laboratories for molecular genetics and other R&D facilities;
- 120 in-patient beds, including 8 adult/neo-natal and paediatric intensive unit care beds and 6 high-dependency beds;
- Special care nursery and well-baby nursery;
- 4 operating theatres;
- 2 dedicated endoscopy suites;
- 10 labour and delivery suites;
- Clinical laboratories;
- Central diagnostic and imaging facilities;
- Dedicated day care surgery suites with 28 day care beds;
- 30 specialists' suites; and
- Other complimentary facilities such as food and beverage, admission and discharge office, pharmacy, central medical record, cafeteria, medical store, and plant and operation room.

(iv) Continued Emphasis on R&D

To continue to achieve even higher pregnancy rates and remain as a leader in the industry, the Group will continue to invest in R&D activities. To this end, it has formed an R&D International Advisory Panel of international standing to advise the Group on its R&D plans and projects. Further details of the R&D projects to be undertaken by the Group as well as the R&D International Advisory Panel are set out in Sections 6.8 and 6.9 of this Prospectus respectively.

Looking forward, with the Group's sound and strategic future plan, coupled with the favourable outlook of the fertility services market in Malaysia, the Group believes its prospects remain favourable.

THE REMAINDER OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK