

**CORPORATE INFORMATION****BOARD OF DIRECTORS**

<b>Name (Directorship)</b>	<b>Nationality</b>	<b>Address</b>	<b>Occupation</b>
Datuk Dr. Syed Muhamad bin Syed Abdul Kadir (Independent Non-Executive Director/ Chairman)	Malaysian	No. 10, Jalan SS5D/3 47301 Petaling Jaya Selangor	Director
Lim Yong Hew (Group Managing Director)	Malaysian	No. 4, Jalan SG 9/2, Taman Seri Gombak, 68100 Batu Caves, Selangor Darul Ehsan	Group Managing Director
Lim Hai Guan (Executive Director)	Malaysian	No. 4, Jalan SG 9/2, Taman Seri Gombak, 68100 Batu Caves, Selangor Darul Ehsan	Equipment Engineering Manager
Mohd Shahrin bin Saporin (Executive Director)	Malaysian	No. 16, Jalan Wirawati 7 Taman Maluri, 51500 Kuala Lumpur	R&D Manager
Lim Chiou Kim (Executive Director)	Malaysian	No. 4, Jalan SG 9/2, Taman Seri Gombak, 68100 Batu Caves, Selangor Darul Ehsan	Software Engineering Manager
Low Wei Ngee (Independent Non-Executive Director)	Malaysian	No. 31, Jalan Kenanga SD9/5C, Bandar Sri Damansara 52200 Kuala Lumpur	Chartered Accountant

**AUDIT COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Datuk Dr. Syed Muhamad bin Syed Abdul Kadir	Chairman of the Committee	Independent Non-Executive Director / Chairman
Lim Yong Hew	Member of the Committee	Group Managing Director
Low Wei Ngee	Member of the Committee	Independent Non-Executive Director

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**CORPORATE INFORMATION (Cont'd)**

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**Company Secretary** : Mr. Ong Whee Tiong [MAICSA No: 0739672]  
Suite 705, Block A  
Kelana Business Centre  
97 Jalan SS 7/2  
47301 Petaling Jaya  
Selangor Darul Ehsan

Tel: 03-7492-1166  
Fax: 03-7492-2299

**Registered Office** : Suite 705, Block A  
Kelana Business Centre  
97 Jalan SS 7/2  
47301 Petaling Jaya  
Selangor Darul Ehsan

Tel: 03-7492-1166  
Fax: 03-7492-2299

**Principal Office** : 3, Jalan TPK 2/4,  
Taman Perindustrian Kinrara,  
Puchong,  
47100 Selangor

Tel: (603) 8075 8000  
Fax: (603) 8075 5784  
E-mail: solution@solution.com.my

**R&D Office** G-2A, Incubator 3  
Technology Park Malaysia  
Bukit Jalil  
57000 Kuala Lumpur

Tel: (603) 8996 0023  
E-mail: solution@solution.com.my

**Website** : <http://www.solution.com.my>

**Principal Banker** : Malayan Banking Berhad  
Setapak Business Centre  
2nd Floor, Maybank Setapak  
343 Jalan Pahang,  
53000 Kuala Lumpur

Tel: (603) 4022 0784  
Fax: (603) 4022 0813

**Auditors & Reporting Accountants** : Ernst & Young (AF 0039)  
Level 23A Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
50490 Kuala Lumpur

Tel: (603) 2087 7000  
Fax: (603) 2095 5332

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**CORPORATE INFORMATION (Cont'd)**

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- Solicitor for the Listing*** : Zain & Co  
6<sup>th</sup> Floor, Bangunan Dato' Zainal  
23 Jalan Melaka  
50100 Kuala Lumpur  
  
Tel: (603) 2698 6255  
Fax: (603) 2693 6488
- Issuing House*** : Malaysian Issuing House Sdn. Bhd. (258345-X)  
27<sup>th</sup> Floor, Menara Multi-Purpose  
Capital Square,  
8, Jalan Munshi Abdullah  
50100 Kuala Lumpur  
  
Tel: (603) 2693 2175
- Share Registrar*** : PFA Registration Services Sdn. Bhd.  
Level 13 Uptown 1  
No 1, Jalan SS21/58, Damansara Uptown  
47400 Petaling Jaya  
Selangor Darul Ehsan  
  
Tel: (603) 7725 4888
- Independent Market Researcher*** : Infocredit D&B (Malaysia) Sdn Bhd (527570-M)  
Level 9-3A, Menara Millenium,  
Jalan Damanlela  
Pusat Bandar Damansara  
50490 Kuala Lumpur  
  
Tel: (603) 2718 1000  
Fax: (603) 2718 1001
- Adviser, Sponsor, Managing Underwriter and Placement Agent*** : Aseambankers Malaysia Berhad (15938-H)  
33<sup>rd</sup> Floor, Menara Maybank  
100, Jalan Tun Perak  
50050 Kuala Lumpur  
  
Tel: (603) 2059 1888  
Fax: (603) 2070 6521
- Underwriters*** : Aseambankers Malaysia Berhad (15938-H)  
33<sup>rd</sup> Floor, Menara Maybank  
100, Jalan Tun Perak  
50050 Kuala Lumpur  
  
Tel: (603) 2059 1888  
Fax: (603) 2070 6521  
  
Mercury Securities Sdn Bhd (113193-W)  
Lot 6-05, Level 6,  
Tower Block, Menara Milenium  
8 Jalan Damanlela, Bukit Damansara  
50490 Kuala Lumpur  
  
Tel: (603) 2094 2828  
Fax: (603) 2094 1919
- Listing Sought*** : MESDAQ Market of Bursa Securities

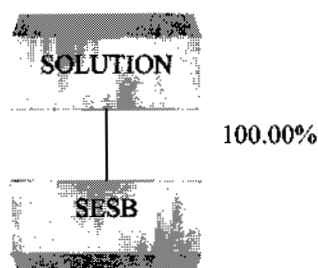
## 1. SUMMARY INFORMATION

THE SUMMARY INFORMATION SET OUT BELOW IS DERIVED FROM THIS PROSPECTUS AND SHOULD BE READ IN CONJUNCTION WITH THE FULL TEXT OF THIS PROSPECTUS. INVESTORS SHOULD READ AND UNDERSTAND THE WHOLE PROSPECTUS PRIOR TO DECIDING WHETHER OR NOT TO INVEST IN THE SHARES OF THE COMPANY.

### 1.1 History and Principal Activities

Solution was incorporated in Malaysia under the Act on 1 June 2004 as a private limited company under the name of Solution Engineering Holdings Sdn. Bhd. On 22 June 2004, Solution converted into a public limited company and adopted its present name. The authorised share capital of Solution is RM25,000,000 comprising 250,000,000 Solution Shares, of which 92,522,000 Solution Shares have been issued and fully paid up as at 26 May 2005.

Solution is principally an investment holding company and provider of management services. A diagrammatic illustration of the structure of the Solution Group is as follows:-



Details of SESB, Solution's sole subsidiary, are as follows: -

Name of Subsidiary	Date / Place of Incorporation	Issued and Fully Paid-Up Share Capital (RM)	Effective Equity Interest (%)	Principal Activities
SESB	13 October 1988 / Malaysia	1,000,000	100.00	<ul style="list-style-type: none"> <li>Design and development of equipment for engineering education and research; and</li> <li>Training and curriculum content development.</li> </ul>

The history of the Solution Group may be traced to the establishment of SESB in 1988 by Mr. Lim Yong Hew, its founder and now Group Managing Director, to provide automation solutions (utilising affordable IT solution based on personal computers) to process industries.

In 1992, leveraging on their expertise in instrumentation and implementation of personal computer-based process control, the Solution Group ventured into the education market. In 1996, based on its R&D focus, SESB was approved to be located in the incubator category in Technology Park Malaysia. In recognition of SESB's knowledge based activities in engineering education, SESB was accorded MSC status on 6 December 1999.

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**1. SUMMARY INFORMATION (Cont'd)**

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The Solution Group's business is driven by two core activities:-

- 1) **Design and Development of Equipment for Engineering Education and Research**
  - Encompasses both software (includes SOLDAS and SOLCAL which has been developed and commercialised and SOLSIM, which is currently in the R&D stage) and hardware development (under the SOLTEQ trademark); and
- 2) **Training and Development of Curriculum Content**
  - Encompasses close liaison with the end users of its engineering education equipment to develop the curriculum content and to identify the required training methods and tools.

Through the years, SESB has developed over 100 models of equipment for engineering education under the trademark of SOLTEQ. SOLTEQ products are also equipped with a data acquisition system called SOLDAS, which controls and monitors operations on the experiment processes and also used for experimental data analysis. Also complementing the SOLTEQ products is a state of the art training software called SOLCAL.

The trademark for SOLTEQ has been registered with SESB as the proprietor for a period of ten (10) years until 29 October 2011, in respect of laboratory and teaching equipment and apparatus for engineering education and research. The Company has also applied to register the trademarks SOLDAS, SOLCAL and SOLSIM with the Registrar of Trademarks, Intellectual Property Corporation of Malaysia, which are pending registration.

Solution also owns the copyright on all its self-developed software as follows: -

- |        |   |
|--------|---|
| SOLCAL | : SESB's self developed proprietary e-Learning software, used as a tool for computer aided learning |
| SOLDAS | : SESB's self developed proprietary data acquisition software                                       |
| SOLSIM | : SESB's self developed proprietary e-Learning software used for equipment simulation and modeling  |

Detailed information on the history and business activities of the Solution Group is further set out in Section 5 of this Prospectus.

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## 1. SUMMARY INFORMATION (Cont'd)

### 1.2 Ownership and Management

Based on the Register of Members of Solution as at 16 June 2005 (being the latest practicable date prior to the date of this Prospectus), the direct and indirect interests of the Promoters, Substantial Shareholders, Directors and key management of the Solution Group before and after the Public Issue are and will be as follows:

#### 1.2.1 Promoters

Name	Nationality / Country of Incorporation	No. of Solution Shares Held Before the Public Issue				No. of Solution Shares Held After the Public Issue			
		Direct	%	Indirect	%	Direct	%	Indirect	%
Lim Yong Hew	Malaysian	46,260,525	50.00	22,205,052 <sup>(1)</sup>	24.00	46,960,525 <sup>^</sup>	37.12	22,205,052 <sup>(1)</sup>	17.55
Lim Hai Guan	Malaysian	13,878,158	15.00	22,205,052 <sup>(1)</sup>	24.00	14,578,158 <sup>^</sup>	11.52	22,205,052 <sup>(1)</sup>	17.55
Mohd Shabrin bin Saporin	Malaysian	5,551,263	6.00	-	-	5,651,263 <sup>^</sup>	4.47	-	-
Lim Chiou Kim	Malaysian	2,775,630	3.00	22,205,052 <sup>(2)</sup>	24.00	3,475,630 <sup>^</sup>	2.75	22,205,052 <sup>(2)</sup>	17.55
Zainuddin bin Muhamad	Malaysian	925,211	1.00	-	-	925,211	0.73	-	-
Solvest	Malaysia	22,205,052	24.00	-	-	22,205,052	17.55	-	-

*Notes:*

- <sup>(1)</sup> Deemed interested pursuant to Section 6A of the Act via his substantial shareholding in Solvest  
<sup>(2)</sup> Deemed interested pursuant to Section 6A of the Act via her substantial shareholding in Solvest  
<sup>^</sup> Assuming full subscription by the eligible Directors on the Public Issue Shares allocated to eligible Directors, employees and business associates under the Public Issue

#### 1.2.2 Substantial Shareholders

Name	Designation / Principal Activities	Nationality / Country of Incorporation	No. of Solution Shares Held Before the Public Issue				No. of Solution Shares Held After the Public Issue			
			Direct	%	Indirect	%	Direct	%	Indirect	%
Lim Yong Hew	Group Managing Director	Malaysian	46,260,525	50.00	22,205,052 <sup>(1)</sup>	24.00	46,960,525 <sup>^</sup>	37.12	22,205,052 <sup>(1)</sup>	17.55
Lim Hai Guan	Equipment Engineering Manager	Malaysian	13,878,158	15.00	22,205,052 <sup>(1)</sup>	24.00	14,578,158 <sup>^</sup>	11.52	22,205,052 <sup>(1)</sup>	17.55
Lim Chiou Kim	Software Engineering Manager	Malaysian	2,775,630	3.00	22,205,052 <sup>(2)</sup>	24.00	3,475,630 <sup>^</sup>	2.75	22,205,052 <sup>(2)</sup>	17.55
Solvest	Investment Holding	Malaysia	22,205,052	24.00	-	-	22,205,052	17.55	-	-

*Notes:*

- <sup>(1)</sup> Deemed interested pursuant to Section 6A of the Act via his substantial shareholding in Solvest  
<sup>(2)</sup> Deemed interested pursuant to Section 6A of the Act via her substantial shareholding in Solvest  
<sup>^</sup> Assuming full subscription by the eligible Directors on the Public Issue Shares allocated to eligible Directors, employees and business associates under the Public Issue

## 1. SUMMARY INFORMATION (Cont'd)

## 1.2.3 Directors

Name	Designation / Principal Activities	Nationality / Country of Incorporation	No. of Solution Shares Held Before the Public Issue				No. of Solution Shares Held After the Public Issue			
			Direct	%	Indirect	%	Direct	%	Indirect	%
Datuk Dr. Syed Muhamad bin Syed Abdul Kadir	Independent Non-Executive Director/ Chairman	Malaysian	925,211	1.00	-	-	1,025,211 <sup>^</sup>	0.81	-	-
Lim Yong Hew	Group Managing Director	Malaysian	46,260,525	50.00	22,205,052 <sup>(1)</sup>	24.00	46,960,525 <sup>^</sup>	37.12	22,205,052 <sup>(1)</sup>	17.55
Lim Hai Guan	Executive Director/ Equipment Engineering Manager	Malaysian	13,878,158	15.00	22,205,052 <sup>(1)</sup>	24.00	14,578,158 <sup>^</sup>	11.52	22,205,052 <sup>(1)</sup>	17.55
Mohd Shahrin bin Saparin	Executive Director / R&D Manager	Malaysian	5,551,263	6.00	-	-	5,651,263 <sup>^</sup>	4.47	-	-
Lim Chiou Kim	Executive Director/ Software Engineering Manager	Malaysian	2,775,630	3.00	22,205,052 <sup>(2)</sup>	24.00	3,475,630 <sup>^</sup>	2.75	22,205,052 <sup>(2)</sup>	17.55
Low Wei Ngee	Independent Non-Executive Director	Malaysian	-	-	-	-	-	-	-	-

## Notes:

(1) Deemed interested pursuant to Section 6A of the Act via his substantial shareholding in Solvest

(2) Deemed interested pursuant to Section 6A of the Act via her substantial shareholding in Solvest

<sup>^</sup> Assuming full subscription by the eligible Directors on the Public Issue Shares allocated to eligible Directors, employees and business associates under the Public Issue

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## 1. SUMMARY INFORMATION (Cont'd)

## 1.2.4 Key Management

Name	Designation / Principal Activities	Nationality / Country of Incorporation	No. of Solution Shares Held Before the Public Issue				No. of Solution Shares Held After the Public Issue			
			Direct	%	Indirect	%	Direct	%	Indirect	%
Lim Yong Hew	Group Managing Director	Malaysian	46,260,525	50.00	22,205,052 <sup>(1)</sup>	24.00	46,960,525 <sup>^</sup>	37.12	22,205,052 <sup>(1)</sup>	17.55
Lim Hai Guan	Equipment Engineering Manager	Malaysian	13,878,158	15.00	22,205,052 <sup>(1)</sup>	24.00	14,578,158 <sup>^</sup>	11.52	22,205,052 <sup>(1)</sup>	17.55
Mohd Shahrin bin Saparin	R&D Manager	Malaysian	5,551,263	6.00	-	-	5,651,263 <sup>^</sup>	4.47	-	-
Lim Chiou Kim	Software Engineering Manager	Malaysian	2,775,630	3.00	22,205,052 <sup>(2)</sup>	24.00	3,475,630 <sup>^</sup>	2.75	22,205,052 <sup>(2)</sup>	17.55
Abu Bakar Ahmad Nasir	Sales and Marketing Manager	Malaysian	-	-	-	-	200,000	0.16	-	-

## Notes:

<sup>(1)</sup> Deemed interested pursuant to Section 6A of the Act via his substantial shareholding in Solvest

<sup>(2)</sup> Deemed interested pursuant to Section 6A of the Act via her substantial shareholding in Solvest

<sup>^</sup> Assuming full subscription by the eligible Directors on the Public Issue Shares allocated to eligible Directors, employees and business associates under the Public Issue

Detailed information on the Promoters, Substantial Shareholders and Directors, as well as the key management of the Solution Group is set out in Section 6 of this Prospectus.

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## 1. SUMMARY INFORMATION (Cont'd)

### 1.3 Products and Services

#### 1.3.1 Products developed and/or marketed by the Group

Through the years, SESB has developed products for a wide spectrum of engineering categories. At present it has over 100 types of equipment for engineering education under the trademark of SOLTEQ. SOLTEQ products are also equipped with a data acquisition system called SOLDAS, which controls and monitors operations on the experiment processes as well as used for experimental data analysis. Also complementing the SOLTEQ products is a state of the art training software called SOLCAL.

SOLTEQ products and equipment are divided into the following principal engineering categories:-

Category	Description
Process Control	: Basic equipment as well as pilot plant units equipped with electronic instrumentations and PCS. Units can be used for the study of industrial instrumentations and process control.
Unit Operations (in collaboration with QVF)	: Pilot plant equipment such as distillation columns, extractors, evaporators, absorbers, mixer settlers, etc. Units can be used for the study of mass and heat transfer, and the like.
Heat Transfer & Thermodynamic	: Equipment such as heat exchangers, thermal conduction units, refrigeration units, air conditional units, and the like. Units can be used for the study of heat transfer, energy balance and the like.
Fluid Mechanics	: Equipment such as hydraulic/ hydrostatic apparatus, flow and friction apparatus, pump test apparatus, and the like. Units can be used for the study of fluid mechanics.
Environmental Engineering	: Equipment such as cyclone, scrubber, spray chamber, bag filter for the study of air pollution control and ion exchange, aeration, corrosion studies for water treatment and control.
Reaction Engineering & Biotechnology	: Various types of reactors and fermenters for the study of reactions and biochemical processes. Food engineering processes such as physical refining fractionation, hydrogenation, deodorizer, neutralizer and margarine production.
Automation & Advanced Manufacturing	: CIM for advanced manufacturing studies involving CNC machines, robotics, PLC automation, and ASRS conveyor systems.
Wood Technology	: Equipment for the treatment of wood products such as kiln drying and impregnation plant.

Further details on the products and services are disclosed in Sections 5.6.14 to 5.6.17 of this Prospectus.

## 1. SUMMARY INFORMATION (Cont'd)

### 1.3.2 Technology, R&D and Intellectual Property

A deep knowledge of engineering principles is required for the engineering equipment produced by SESB. Therefore the process of designing, developing, systems integration, testing and commissioning plus preparation of manuals for these equipment requires a combined effort from many experts, particularly in the following areas:

- Computer hardware and software engineering
- Electrical engineering
- Mechanical engineering
- Chemical engineering and
- Automation and control engineering

Currently, SESB has six (6) dedicated R&D personnel, and on an ad-hoc basis, the technical personnel of the other divisions of SESB would assist in R&D.

The key R&D strategies of the Solution Group are as follows: -

- (i) Increasing R&D manpower, training and resources;
- (ii) Keeping abreast with new development tools and technologies; and
- (iii) Collaborating with strategic principals.

The initial R&D activity including the formulation and drafting of the conceptual and detailed designs of product in development takes up a major portion of the product development activity of the Solution Group. A product is developed in consultation with the end users of the equipment. As such, these activities are critical in laying the foundation for the Group's future business.

The emphasis is on development of new and improved products in line with the end users' current requirements based on their latest curriculum content. This focus on developing products that meet the evolving requirements of end users is essential in ensuring the commercialisation of the Solution Group's R&D efforts.

The Group utilises IT in its products and services development. The Group uses a Windows based operating system as a platform of development work. The development tools used by the group include Visual Basic programming language, Pro/Engineer 3D product design tool, MacroMedia Studio MX and InduSoft Web Studio, amongst others.

The trademark for SOLTEQ has been registered with SESB as the proprietor for a period of ten (10) years until 29 October 2011 under Class 9, in respect of laboratory and teaching equipment and apparatus for engineering education and research. The table below sets out the remaining trademarks that SESB has applied to register with the Registrar of Trademarks, Intellectual Property Corporation of Malaysia and their status thereon: -

No.	Trademark	Application Date	Classes Applied for in Malaysia	Status
1	SOLDAS	1 March 2004	9	Pending registration
2	SOLCAL	1 March 2004	9	Pending registration
3	SOLSIM	1 March 2004	9	Pending registration

Please refer to Section 5.9, 5.11 and 5.12 of this Prospectus for further details on technology, intellectual property and R&D of the Solution Group.

**I. SUMMARY INFORMATION (Cont'd)****1.4 Historical Financial Information**

The summary of the proforma revenue and profit records of the Solution Group for the past five (5) FYE 31 December 2004 as set out below was extracted from the Reporting Accountants' Report set out in Section 11 of this Prospectus, and should be read in conjunction with the accompanying notes and assumptions thereto as included in the Reporting Accountants' Report. For illustrative purposes only, the historical financial information of Solution and its subsidiary, SESB, have been presented assuming that SESB was a wholly owned subsidiary of Solution throughout the financial years under review.

	< ----- Year ended 31 December ----- >				
	2000 RM	2001 RM	2002 RM	2003 RM	2004 RM
Revenue	6,206,082	6,016,683	8,040,419	20,619,548	13,353,045
EBITDA	926,306	1,266,515	2,881,138	3,644,618	2,697,089
Amortisation and depreciation	(33,328)	(61,601)	(53,381)	(93,708)	(131,620)
Profit before interests and taxation	892,978	1,204,914	2,827,757	3,550,910	2,565,469
Finance costs	(67,005)	(54,406)	(143,796)	(137,826)	(127,261)
PBT*	825,973	1,150,508	2,683,961	3,413,084	2,438,208
Taxation	5,816	(6,321)	(8,632)	(18,799)	(24,619)
PAT**	831,789	1,144,187	2,675,329	3,394,285	2,413,589
Number of ordinary Shares <sup>+</sup>	92,522,000	92,522,000	92,522,000	92,522,000	92,522,000
Gross earnings per share (RM) ^	0.01	0.01	0.03	0.04	0.03
Net earnings per share (RM) ~	0.01	0.01	0.03	0.04	0.03

*Notes:*

\* Included in PBT are the profit/(loss) from jointly controlled operations, as follows:

	2000 RM	2001 RM	2002 RM	2003 RM	2004 RM
Profit/(loss) from jointly controlled operations	655,559	46,367	(22,745)	702,165	-

\*\* There were no minority interests for all the years/ period under review.

<sup>+</sup> The number of ordinary shares after the Acquisition but before the completion of the Public Issue.

<sup>^</sup> The Gross EPS has been calculated by dividing the PBT by the number of shares.

<sup>~</sup> The Net EPS has been calculated by dividing the PAT by the number of shares.

There were no extraordinary and exceptional items and audit qualifications for the periods under review.

Please refer to Section 11.4 of this Prospectus for more details of the proforma consolidated financial results of Solution for the past five (5) FYE 31 December 2004.

## 1. SUMMARY INFORMATION (Cont'd)

### 1.5 Proforma Consolidated Balance Sheets as at 31 December 2004

The proforma consolidated balance sheets set out below are extracted from the Proforma Consolidated Balance Sheets as at 31 December 2004, disclosed in Section 10.7 of this Prospectus and should be read in conjunction with the accompanying notes and assumptions included in the Proforma Consolidated Balance Sheets set out in Section 10.7 of this Prospectus.

The proforma consolidated balance sheets of the Solution Group are provided for illustration purposes only to show the effects of the Acquisition and the Public Issue on the assumption that the transactions were completed on 31 December 2004.

	(1) As at 31 December 2004	(2) The Group Proforma (1) After the Acquisition	(3) The Group Proforma (2) After (1) and the Public Issue	(4) The Group Proforma (3) After (2), and the Utilisation of Proceeds
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	-	4,067,586	4,067,586	4,567,586
Development Cost	-	37,270	37,270	2,137,270
	-	4,104,856	4,104,856	6,704,856
<b>CURRENT ASSETS</b>				
Inventories	-	389,129	389,129	389,129
Trade receivables	-	5,168,839	5,168,839	5,168,839
Other receivables and deposits	-	442,070	442,070	442,070
Tax refundable	-	4,261	4,261	4,261
Fixed deposits with licensed banks	-	3,941,675	3,941,675	3,941,675
Cash and bank balances	95	454,710	8,954,710	4,454,710
	95	10,400,684	18,900,684	14,400,684
<b>CURRENT LIABILITIES</b>				
Trade payables	-	933,929	933,929	933,929
Other payables and accruals	14,058	86,249	86,249	86,249
Borrowings	-	258,482	258,482	258,482
Dividends payable	-	2,427,647	2,427,647	2,427,647
Taxation	-	14,623	14,623	14,623
	14,058	3,720,930	3,720,930	3,720,930
<b>NET CURRENT (LIABILITIES)/ASSETS</b>				
	(13,963)	6,679,754	15,179,754	10,679,754
	(13,963)	10,784,610	19,284,610	17,384,610
<b>SHARE CAPITAL</b>				
	95	9,252,200	12,652,200	12,652,200
<b>SHARE PREMIUM</b>				
	-	-	5,100,000	3,800,000
<b>ACCUMULATED LOSSES/ RETAINED PROFITS</b>				
	(14,058)	(14,058)	(14,058)	(14,058)
<b>SHAREHOLDERS' EQUITY</b>				
	(13,963)	9,238,142	17,738,142	16,438,142
<b>NON-CURRENT LIABILITIES</b>				
Term loans	-	1,546,468	1,546,468	946,468
<b>NTA</b>				
	(13,963)	10,784,610	19,284,610	17,384,610
<b>No. of Shares in Issue</b>				
	950	92,522,000	126,522,000	126,522,000
<b>NTA per Share</b>				
	(14.70)	0.10	0.14	0.11

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**1. SUMMARY INFORMATION (Cont'd)**

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**1.6 Summary of Material Risk Factors**

An investment in the Solution Shares listed on the MESDAQ Market involves a number of risks, some of which, including market, industry, liquidity, credit, operations, legal and regulatory risks, could be substantial and are inherent in the business of the Group.

There are a number of risk factors (which may not be exhaustive), both specific to the Solution Group and relating to the general business environment, which may impact the operating performance and financial position of the Group. To appreciate the risk factors associated with an investment in Solution, this Prospectus should be read in its entirety. Investors should rely on their own evaluations and carefully consider the following risk factors (which may not be exhaustive) as disclosed in Section 4 of this Prospectus, before applying for any of the Public Issue Shares, which are subject of this Prospectus.

- (i) Business Risks
- (ii) Operating Risks
- (iii) Political, Economic and Regulatory Considerations
- (iv) Project Risks
- (v) Foreign Operations Risks
- (vi) Foreign Exchange Risks
- (vii) Competition
- (viii) Protection of Intellectual Property
- (ix) MSC Status
- (x) Dependency on the Public Sector
- (xi) Dependence on Key Personnel
- (xii) Borrowing Risks
- (xiii) Control by the Promoters and Substantial Shareholders
- (xiv) Breakout of Fire and Other Emergency
- (xv) No Prior Market for Solution Shares
- (xvi) Delay in or Abortion of Listing
- (xvii) Technology Changes
- (xviii) Forward Looking Statements

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**1. SUMMARY INFORMATION (Cont'd)**


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**1.7 Principal Statistics Relating to the Public Issue****(i) Share Capital**

	<b>RM</b>
<i>Authorised share capital</i>	
250,000,000 Solution Shares	<u>25,000,000</u>
<i>Issued and fully paid-up share capital</i>	<b>RM</b>
950 Solution Shares issued upon incorporation	95
92,521,050 new Solution Shares issued pursuant to the Acquisition	<u>9,252,105</u>
34,000,000 new Solution Shares to be issued pursuant to the Public Issue	3,400,000
<i>Enlarged share capital upon Listing</i>	<u><u>12,652,200</u></u>

**(ii) Issue Price per Public Issue Share** RM0.25

**(iii) Proforma Group NTA as at 31 December 2004**

	<b>Proforma Group NTA RM</b>	<b>NTA per Share RM</b>
After adjusting for the Acquisition, Public Issue and Utilisation <sup>(1)</sup>	14,300,872	0.11

<sup>(1)</sup> After deducting estimated listing expenses of RM1.3 million as detailed in Section 3.8 of this Prospectus for details on the estimated listing expenses.

**(iv) Classes of Shares and Ranking**

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

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

**1. SUMMARY INFORMATION (Cont'd)****1.8 Utilisation of Proceeds**

Based on the Issue Price of RM0.25 per Public Issue Share, it is anticipated that the gross proceeds of the Public Issue will be RM8.5 million. The total gross proceeds of RM8.5 million from the Public Issue shall accrue entirely to Solution and will be utilised as follows:

<b>Details</b>	<b>TOTAL RM '000</b>
1. Settlement of bank borrowings pertaining to the purchase of the new premises	600
2. Demonstration and training center	500
3. R & D Expenditure	2,100
4. Working Capital	
- Local	2,500
- Overseas	1,500
5. Listing expenses*	1,300
<b>Total Proceeds</b>	<b>8,500</b>

*Notes:*

\* *The proceeds to be utilised for working capital will be adjusted accordingly in the event of any variation in the actual listing expenses from their estimated amount.*

Solution shall bear all expenses such as brokerage, placement fees, underwriting commission and registration fee relating to the Public Issue together with all other expenses and fees incidental to the Listing estimated at RM1.3 million.

Details of the utilisation of the gross proceeds to be received from the Public Issue are set out in Section 3.7 of this Prospectus.

**1.9 Material Litigation, Borrowings, Material Capital Commitments and Material Contingent Liabilities**

Details of the following are further set out in Section 10.5 of this Prospectus.

**(a) Material Litigation**

As at 16 June 2005 (being the latest practicable date prior to the date of this Prospectus), the Group is presently not engaged in any litigation whether as plaintiff or defendant which has a material effect on the financial position of the Group, and the Directors are not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect the position or business of the Group.

**(b) Borrowings**

The total outstanding borrowings of the Solution Group as at 16 June 2005 are as follows:-

<b>Outstanding borrowings</b>	<b>Payable within 12 months RM</b>	<b>Payable after 12 months RM</b>
Banking Facilities other than Hire Purchase	807,033	1,300,589
Hire-purchase	99,972	138,274
<b>Total</b>	<b>907,005</b>	<b>1,438,863</b>

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**1. SUMMARY INFORMATION (Cont'd)**

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All the aforesaid borrowings are interest bearing. There has been no default by the Solution Group on payments of either interest nor principal sum in respect of any borrowings throughout the past one (1) financial year and the subsequent financial period thereof immediately preceding the date of this Prospectus.

**(c) Material Capital Commitments for Capital Expenditure**

As at 16 June 2005, the Directors are not aware of any material commitments for capital expenditure incurred or known to be incurred by the Solution Group, which may have a substantial impact on the results or the financial position of the Group.

**(d) Material Contingent Liabilities**

Save for the sum of RM1,853,108 in respect of an indemnity given for bank guarantees and letters of credit issued, as at 16 June 2005 (being the latest practicable date at which such amount could be calculated prior to the date of this Prospectus), the Solution Group does not have any other material contingent liabilities, and neither are the Directors aware of any contingent liabilities which upon becoming enforceable may have a material effect on the results or the financial position of the Group.

Included in the amount stated above are bank guarantees provided to third parties as performance bonds. The details of the bank guarantees are detailed in Section 10.5.4 of this Prospectus.

**(e) Working Capital**

The Board is of the opinion that after taking into account the funds generated from its existing operations, the banking facilities available and the net proceeds from the Public Issue, the Solution Group will have sufficient working capital for a period of twelve (12) months from the date of the issuance of this Prospectus.

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## 2. INTRODUCTION

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This Prospectus is dated 30 June 2005.

**A copy of this Prospectus has been registered with the SC. A copy of this Prospectus, together with the form of application, has also been lodged with the ROC, and neither the SC nor the ROC takes responsibility for its contents.**

Approval has been obtained from the SC in respect of the Listing of Solution via its letter dated 29 March 2005. An application has been made to Bursa Securities for the admission to the Official List of the MESDAQ Market and for permission to deal in and for the listing of and quotation for the entire issued and fully paid-up Solution Shares including the Public Issue Shares that are the subject of this Prospectus.

The entire issued and fully paid-up Solution Shares will be admitted to the Official List of the MESDAQ Market and official quotation will commence after receipt of confirmation from Bursa Depository that all CDS accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants.

Any allotment made on an application to subscribe for securities in pursuance to the Prospectus shall be void if the permission is not applied for in the form for the time being required by Bursa Securities before the third day on which Bursa Securities is open after the date of issue of the Prospectus or the permission is not granted before the expiration of six (6) weeks from the date of issue of the Prospectus or such longer period as may be specified by the SC, provided that the applicant is notified by or on behalf of Bursa Securities within the six (6) weeks or such longer period as may be specified by the SC. Where permission has not been granted by Bursa Securities as mentioned above, Solution shall forthwith repay without interest all monies received from the applicant.

Pursuant to the Listing Requirements, the Company is required to have at least 25% but not more than 49% of the enlarged issued and fully paid-up share capital of the Company to be held by a minimum number of 200 public shareholders, upon admission to the MESDAQ Market. Solution is expected to achieve this at the point of Listing. However, in the event that the above requirement is not met pursuant to the Public Issue, Solution may not be allowed to proceed with the Listing. In the event thereof, monies paid in respect of all applications will be forthwith returned without interest.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act 1991, Bursa Securities has prescribed Solution shares as a prescribed security. In consequence thereof, the Public Issue Shares offered through this Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the aforesaid Act and the Rules of Bursa Depository. No share certificates will be issued to successful applicants.

To apply for the Public Issue Shares, an applicant should state his / her CDS account number in the space provided in the Application Form if he/she presently has such an account and he/she shall be deemed to have authorised Bursa Depository to disclose information pertaining to the CDS account to the Issuing House and/or the Company for the purpose of crediting the Public Issue Shares allotted to him/her into his/her CDS account. In the case of Electronic Share Applications and Internet Share Applications, only an applicant with a CDS account is eligible to utilise such a facility.

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

**2. INTRODUCTION (Cont'd)**

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The distribution of this Prospectus and the offering, subscription, sale and/or issuance of the Public Issue Shares in other jurisdictions outside Malaysia may be restricted by the relevant law and securities legislation in those jurisdictions, and Solution and Aseambankers take no responsibility for the distribution of this Prospectus and the sale of the Public Issue Shares outside of Malaysia. This Prospectus does not constitute and may not be used for purpose of an invitation to subscribe for the Public Issue Shares in any jurisdiction in which such invitation is not authorised or lawful or to any person to whom it is unlawful to make such an invitation. Persons into whose possession this Prospectus may come are required to inform themselves of and to observe such restrictions.

**The Prospectus can also be viewed or downloaded from Bursa Securities' website at [www.bursamalaysia.com](http://www.bursamalaysia.com).**

**If you are in any doubt about any information contained in this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.**

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### 3. PARTICULARS OF THE PUBLIC ISSUE

#### 3.1 Opening and Closing of Application

The Application will open at 10.00 am on 30 June 2005 and will remain open until 5.00 pm on 13 July 2005 or for such further period or periods as the Directors of Solution together with the Underwriters, in their absolute discretion may decide. Late applications will not be accepted.

#### 3.2 Special Events

EVENTS	DATE
Opening of application for the Public Issue	: 30 June 2005
Closing of application for the Public Issue	: 13 July 2005
Tentative balloting date of applications	: 18 July 2005
Tentative allotment date	: 25 July 2005
Tentative listing date	: 1 August 2005

These dates are tentative and are subject to changes, which may be necessary to facilitate the implementation procedures. The application period will remain open until 5.00 pm on 13 July 2005 or for such further period or periods as the Directors of Solution together with the Underwriters, in their absolute discretion may decide.

Should the application period be extended, the dates for the balloting and allotment of the Public Issue Shares and the Listing would be extended accordingly. Any extension of the application period will be notified to the investing public via announcement in widely circulated English and Bahasa Malaysia newspapers.

#### 3.3 Number and Type of Securities to be Issued

##### (i) Share Capital

	<b>RM</b>
<i>Authorised share capital</i>	
250,000,000 Solution Shares	<u>25,000,000</u>
<i>Issued and fully paid-up share capital</i>	<b>RM</b>
950 Solution Shares issued upon incorporation	95
92,521,050 new Solution Shares issued pursuant to the Acquisition	9,252,105
	<u>9,252,200</u>
34,000,000 new Solution Shares to be issued pursuant to the Public Issue	3,400,000
<i>Enlarged share capital upon Listing</i>	<u><u>12,652,200</u></u>

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

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(ii) **Issue Price** RM0.25

(iii) **Status of the Public Issue Shares**

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

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

Each ordinary shareholder shall be entitled to vote at any general meeting of the Company in person or by proxy or by attorney, and on a show of hands, every person present who is a shareholder or representative or proxy or attorney of a shareholder shall have one vote, and, on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each ordinary share held.

**3.4 Purposes of the Public Issue**

The purposes of the Public Issue are as follows:

- (i) to raise funds for the current and future R&D projects and business operations of the Solution Group, details of which are set out in Section 3.7 of this Prospectus;
- (ii) to enable the Solution Group to gain access to the capital markets to raise funds for future expansion and continued growth of the Solution Group;
- (iii) to provide an opportunity for the Group's eligible Directors, employees, business associates and the Malaysian investing public to participate in the continuing growth of the Solution Group; and
- (iv) to obtain listing and quotation on the MESDAQ market of Bursa Securities which is expected to enhance the business, profile and future prospects of the Solution Group.

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### 3. PARTICULARS OF THE PUBLIC PUBLIC ISSUE (Cont'd)

#### 3.5 Details of the Public Issue

The issue of 34,000,000 Solution Shares at the Issue Price is payable in full on application upon such terms and conditions as set out in this Prospectus. The Public Issue represents 26.87% of the enlarged share capital in Solution.

The 34,000,000 Public Issue Shares will be allocated in the following manner:

(i) **Eligible Directors and Employees and Business Associates of the Solution Group**

6,326,100 Public Issue Shares representing 5% of the enlarged share capital of Solution will be made available for application by the eligible Directors and employees of the Group, as well as its business associates. The eligible Directors, employees and business associates of the Solution Group will be allocated shares from this portion as follows:

	<b>Number of Public Issue Shares allocated</b>
<b>Eligible Directors</b>	2,300,000
<b>Eligible Employees</b>	1,806,100
<b>Business Associates</b>	2,220,000
<b>TOTAL</b>	<u>6,326,100</u>

The criteria for allocation of the Public Issue Shares to be made available for application by the eligible employees is based on job position, performance and length of service. Based on the abovementioned criteria, 1,806,100 Public Issue Shares are reserved for application by ten (10) employees of the Solution Group.

2,300,000 Public Issue Shares are made available for application by five (5) eligible Directors of the Solution Group and will be allocated in the following manner: -

<b>Name of Directors</b>	<b>Number of Public Issue Shares allocated</b>
Datuk Dr. Syed Muhamad bin Syed Abdul Kadir	100,000
Lim Yong Hew	700,000
Lim Hai Guan	700,000
Mohd Shahrin bin Saparin	100,000
Lim Chiou Kim	700,000
<b>TOTAL</b>	<u>2,300,000</u>

The criteria for allocation of securities to business associates of the Solution Group is generally based on the length of relationship and the significance of contribution to the success of the Solution Group. Based on the abovementioned criteria, 2,220,000 Public Issue Shares have been reserved for three (3) business associates of the Solution Group, who are eligible to subscribe to the reserved Public Issue Shares.

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

**(ii) Malaysian Public**

6,326,100 Public Issue Shares representing 5% of the enlarged share capital of Solution will be made available for application by the public in general, including individuals, companies, societies, co-operatives and institutions.

**(iii) Identified Investors**

21,347,800 Public Issue Shares representing 16.87% of the enlarged share capital of Solution will be made available by way of private placement to identified investors.

All Public Issue Shares under paragraph (i) and (ii) above have been fully underwritten. The Public Issue Shares under paragraph (iii) above need not and will not be underwritten. Any Public Issue Shares not subscribed by eligible Directors and employees and business associates of the Solution Group will be made available for application by the Malaysian Public.

**3.6 Basis of Arriving at the Issue Price**

Prior to the offering, there has been no public market for the Solution Shares. The Issue Price was determined and agreed upon by the Company, and the Underwriters based on various factors after taking into account the following:

- (a) The Solution Group's financial operating history and conditions and financial position as outlined in Section 10 of this Prospectus;
- (b) The prospects of the industry in which the Solution Group operates as outlined in Section 5.5 of this Prospectus;
- (c) The Solution Group's business growth potential; and
- (d) The proforma consolidated NTA per share of Solution as at 31 December 2004 (after adjusting for the Acquisition and the Public Issue).

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

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### 3. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

#### 3.7 Utilisation of Proceeds

The Public Issue is expected to raise RM8.5 million, which shall accrue to the Company entirely. The total gross proceeds of RM8.5 million will be utilised as follows:

Details of Utilisation	Note	Amount of Proceeds RM'000	Time frame for utilisation <sup>^</sup> FYE 31 December	
			2005 RM'000	2006-2008 RM'000
Settlement of bank borrowings pertaining to the purchase of the new premises	i.	600	600	-
Demonstration and training center	ii.	500	500	-
R&D Expenditure	iii.	2,100	900	1,200
Working capital				
- Local	iv.	2,500	700	1,800
- Overseas		1,500	500	1,000
Listing expenses*	v.	1,300	1,300	-
<b>Total Proceeds</b>		<b>8,500</b>	<b>4,500</b>	<b>4,000</b>

*Notes:*

- i. *In line with the Group's expansion, it has acquired additional premises in Taman Perindustrian Kinrara, Puchong. Apart from the Group's Software Engineering and R&D Department which will remain in TPM, the Group's equipment demonstration and training centre, quality control works, equipment testing and commissioning, Equipment R&D Department and Customer Support and Services Department is sited in this premise. Operations at the new premises commenced in August 2004. It is the intention of the Group to utilise part of the proceeds to settle the bank borrowings from Malayan Banking Berhad pertaining to the purchase of the Taman Perindustrian Kinrara premises. The settlement of the bank borrowings will result in interest savings of up to approximately RM43,500 per annum.*
- ii. *As mentioned in note (i) above, a demonstration and training centre has been established within the new Taman Perindustrian Kinrara premises. All of the RM0.5 million has been earmarked for the development of training and demonstration equipment.*
- iii. *The Group intends to further enhance and expand its R&D personnel and operating facilities. Primary focus will be on completing R&D on SOLSIM, their self-developed simulation software. The Group will also keep abreast of emerging technologies, which could be utilised to complement their existing products.*
- iv. *This will be used to fund the Group's day-to-day working capital requirements, which may include funding creditor's payments, marketing and other operational expenses. The Group intends to intensify its marketing efforts by directing part of the working capital for purposes of employment of additional sales and marketing staff and agents in order to provide services in the countries that the Group plans to operate in, such as Indonesia, Thailand, Vietnam, Singapore as well as the Middle East.*
- v. *The Company shall bear all expenses such as brokerage, placement fees and underwriting commission and registration fee relating to the Public Issue together with all other expenses and fees incidental to the Listing estimated at RM1.3 million.*
- \* *The proceeds to be utilised for working capital will be adjusted accordingly in the event of any variation in the actual listing expenses from their estimated amount.*
- <sup>^</sup> *Assuming the Listing occurs and the proceeds from the Public Issue are received in August 2005.*

### 3. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

There is no minimum subscription to be raised from the Public Issue. However 12,652,200 shares of RM0.10 each from the Public Issue made available for application by the Malaysian Public and the eligible Directors, employees and business associates of the Solution Group are fully underwritten. The utilisation of proceeds by the Group is expected to have a positive financial impact on the Group for the financial year ending 31 December 2005 onwards.

#### 3.8 Listing Expenses

Details of the estimated listing expenses are as follows:-

	<u>RM</u>
Professional Advisory Fees	600,000
MESDAQ Processing and Listing Fees	35,000
Issuing house fee, Registrar's fee and Disbursement	90,000
Advertisement, Promotions, and Printing of Prospectus	200,000
Underwriting Commission, Placement Fee and Brokerage Fee	196,565
Contingencies	178,435
<b>Total</b>	<b><u>1,300,000</u></b>

#### 3.9 Brokerage, Underwriting and Placement Fees

Brokerage is payable by the Company in respect of the 6,326,100 Public Issue Shares made available for application by the Malaysian Public at the rate of 1% of the Issue Price in respect of successful applicants bearing the stamps of Aseambankers, ADAs which are member companies of Bursa Securities, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or the Issuing House.

An Underwriting Agreement was entered into between the Company and the Underwriters on 17 June 2005 to underwrite 12,652,200 of the Public Issue Shares which are available to the Malaysian Public, and the eligible Directors, employees and business associates of the Solution Group. The underwriting commission relating to the Public Issue Shares to be underwritten is payable by the Company at the rate of 2% of the Issue Price.

A placement fee shall be payable by the Company to the Placement Agent in respect of the Public Issue Shares placed out to identified investors at the rate of not more than 2% of the Issue Price per Public Issue Share.



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

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**3.10 Salient Terms of the Underwriting Agreement**

Pursuant to the underwriting agreement dated 17 June 2005 ("Underwriting Agreement"), the Underwriters will underwrite 12,652,200 Public Issue Shares in their respective proportions as set out in the Underwriting Agreement. The Company will pay the underwriting commission for the 12,652,200 Public Issue Shares at the rate of 2% of the Issue Price per Public Issue Share, the total of which is RM63,261.

The salient terms of the Underwriting Agreement are summarised as follows: -

- (i) The obligations of the Underwriters are conditional upon:
  - (a) the listing of and quotation for the enlarged issued and paid-up capital of the Company on the MESDAQ Market of Bursa Securities having been approved by Bursa Securities and the SC, on or prior to the Closing Date (defined as the last day of application for the Public Issue Shares, being a date falling no later than the expiry of three (3) months from the date of the Underwriting Agreement (or such other longer period as may be approved in writing by the mutual agreement of the Underwriters and the Company));
  - (b) the Public Issue having been approved by the SC and or any other relevant authority or authorities, on or prior to the Closing Date;
  - (c) there not having been, on or prior to the Closing Date, any adverse change of or in the condition (financial or otherwise) of the Company from that set forth in the Prospectus which is material in the context of the Listing, nor the occurrence of any event rendering untrue or incorrect to an extent which is material as aforesaid any representation or warranty contained in the Underwriting Agreement and in the Prospectus as though they have been given or made on such date;
  - (d) the registration with the SC and the lodgment with the ROC of the Prospectus in its final form in accordance with the requirements of the Act;
  - (e) the offering and/or subscription of the Public Issue Shares in accordance with the provisions hereof not being prohibited by any statute, order, rule, regulation, directive or guideline (whether or not having the force of law) promulgated or issued by any legislative, executive or regulatory body or authority of Malaysia (including Bursa Securities);
  - (f) this Underwriting Agreement having been duly executed by all parties and stamped;
  - (g) all other necessary approvals and consents required in relation to the Listing (including but not limited to shareholders' and governmental approvals) having been obtained and being in full force and effect;
  - (h) the Underwriters having been satisfied that adequate arrangements have been made by the Company to ensure payment of costs and expenses referred to in Clause 7 of the Underwriting Agreement;
  - (i) the Underwriters having been satisfied that the Company has complied and that the Public Issue is in compliance with the policies, guidelines and requirements of the SC;
  - (j) the delivery to the Underwriters prior to the date of issuance of the Prospectus of a certified true copy by an authorised officer of the Company of all the resolutions of the directors of the Company and the shareholders in

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

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general meeting approving the Underwriting Agreement, the Prospectus, and the Public Issue and authorising the execution of the Underwriting Agreement and the issuance of the Prospectus; and

- (k) the Composite Index of Bursa Securities is at no less than 760 points on or prior to 5.00 p.m. on the Closing Date.
- (ii) If any of the conditions set forth above is not satisfied on or before the Closing Date, the Underwriters shall, save as provided in the Underwriting Agreement, be entitled to terminate the Underwriting Agreement by notice given to the Company not later than the Closing Date, and in that event (except for the liability of the Company for the payment of the Commission pursuant to clause 6 of the Underwriting Agreement and the payment of costs and expenses as provided in Clause 7 of the Underwriting Agreement, and any right and/or liability of the Company and/or the Underwriters under Clauses 4 or 5 of the Underwriting Agreement), the parties shall be released and discharged from their respective obligations hereunder, provided that the Underwriters may at its discretion waive compliance with any provision of Clause 3 of the Underwriting Agreement (in which case any condition so waived shall be deemed to have been satisfied in relation to it).
- (iii) Notwithstanding anything herein contained, if in the reasonable opinion of the Underwriters:
  - (a) any change or any development involving a prospective change in national or international monetary, financial (including stock market conditions and interest rates), political or economic conditions or exchange control or currency exchange rates as would in the reasonable opinion of the Underwriters prejudice materially the success of the Public Issue Shares and its distribution or sale (whether in the primary or in respect of dealings on the secondary market);
  - (b) there shall have occurred, happened or come into effect any event or series of events beyond the reasonable control of the Underwriters by reason of Force Majeure which would have, or can reasonably be expected to have, a material adverse effect on the business or the operations of the Company or the success of the Public Issue, or which is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms;
  - (c) the imposition of any moratorium, suspension or material restriction on trading in all securities generally on Bursa Securities;
  - (d) any change in any law, regulation, directive, policy or ruling in any jurisdiction;
  - (e) any government requisition or occurrence of any nature;
  - (f) the Company has committed a breach of any of the representations, warranties, undertakings, covenants or other provisions of the Underwriting Agreement, the breach of which is either incapable of remedy or if capable of remedy, the Company has failed to remedy such breach within a period of fourteen (14) days from the date of a notice in writing by the Underwriters notifying the Company of such breach and requiring the Company to remedy the same;
  - (g) there is a failure on the part of the Company to perform any of its obligations herein contained;

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

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- (h) there is withholding of information of a material nature from the Underwriters which is required to be disclosed pursuant to the Underwriting Agreement which, in the opinion of the Underwriters, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Company, the success of the Public Issue, or the distribution or sale of the Public Issue Shares;
- (i) there shall have occurred, or happened any material and adverse change in the business or financial condition of the Company, or
- (k) if the Composite Index of Bursa Securities drops below 760 points,

which would prejudice materially the success of the Listing, then the Underwriters may at any time before the Closing Date by notice in writing to the Company terminate the Underwriting Agreement and thereupon the parties shall be released and discharged from their respective obligations hereunder except for the liability of the Company for the Commission pursuant to Clause 6 of the Underwriting Agreement and the payment of costs and expenses referred to in Clause 7 of the Underwriting Agreement incurred prior to and/or in connection with such termination.

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#### **4. RISK FACTORS**

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**Notwithstanding the prospects of the Group as outlined in this Prospectus, potential investors should carefully consider the following risk factors (which may not be exhaustive) that may have a significant impact on the future performance of the Group in addition to all other relevant information contained elsewhere in this Prospectus, before making an application.**

##### **4.1 Business Risks**

Solution is subject to certain risks inherent in the industry that they operate in, including those, which govern their customers, especially the education sector. The risks include changes in the global, regional and national economy, entry of new players, increase in production costs, changes in technology trends, changes in customer demand, changes in government policies and industry standards and fluctuations in foreign exchange rates.

Although the Solution Group seeks to limit these risks through, inter-alia, increasing the efficiency of management and operations, expanding the business through increasing its range of products for both local and export market, ensure quality products and services, no assurance can be given that any change in these factors will not have any material effect on the Group's business.

##### **4.2 Operating Risks**

SESB, which carries out the core revenue-generating business of the Solution Group, has been profitable for the last six (6) financial years. There can be no assurance that the Group will be profitable in future years, or that the Group will achieve increasing or consistent levels of profitability. The Group's revenue and operating results are difficult to forecast and could be adversely affected by many factors. These includes, amongst others, changes in Group's operating expenses, lengthy sales cycles, debt collection problems, customer order deferrals, the ability of the Solution Group to control unforeseen costs, competition, the ability of the Group to develop and market, on a timely basis, new products and services to control costs, market acceptance of new products and services and other business risks common to going concerns.

The Directors of the Solution Group believe that the Group should be able to maintain its profitability record. The Group continues to focus on cash flow management, effective and result-oriented market penetration efforts, developing long-term relationships with its customers and controlling costs. While there are plans to venture further into foreign markets, the Group cannot be assured that the new ventures will be successful and able to generate significant revenue.

##### **4.3 Political, Economic and Regulatory Considerations**

Development in political and economic conditions in Malaysia and other countries where the Group may undertake projects or market its products in the future could materially affect the financial prospects of the Group. Political and economic uncertainties include but are not limited to the risks of war, riots, expropriation, nationalization, fluctuations in foreign exchange rates, inflation, changes in interest rates and methods of taxation. Whilst the Group strives to continue to take measures such as prudent financial management and efficient operating procedures, there is no assurance that adverse political and economic factors will not materially affect the Group.

In addition, the current business of the Solution Group is largely dependent on the Malaysian Government's annual budget allocation for the education sector. The Malaysian Government's emphasis on the education sector augurs well for the industry. However, any change in the Government policy or allocation may have a significant impact on the level of business activity.

#### **4. RISK FACTORS (Cont'd)**

However, there can be no assurance that the current emphasis will be sustained and there is always the possibility that a shift in the Government's emphasis may materially affect the Group. The Group will continue to take effective measures such as prudent management and market diversification to mitigate such risks.

##### **4.4 Project Risks**

Certain of the Group's contracts are on a project basis and are subjected to the following risk factors: -

- (a) Most of the Group's services are based on fixed price contracts of which the price is determined at bid time, based on estimates. The Group may underestimate project costs in tendering or bidding for a project. In such events, the Group may incur cost overruns, which will reduce profits or incur losses.
- (b) Clients may delay or cancel their projects. Delays may arise from incomplete specifications or unanticipated difficulties in developing the solutions. Project delays may affect profit margins as time spent negotiating and resolving issues will delay the recognition of revenues. Additional costs may also be incurred as a result of these delays. Further, any changes in the clients' management and/or Government policies may also cause cancellation of awarded projects; and
- (c) Failure to implement projects that fully satisfy the requirements and expectations of the clients may lead to claims being made against the Group, adversely affecting the profitability of the Group.

The Solution Group does not have any long-term contracts with its customers, comprising end-users and sales agents. The Group is awarded various contracts to provide services and install its products for its customers on a contractual or project basis. Once a contract has been performed, there can be no assurance that these customers will continue to use the Group's products in the future or will continue to maintain their relationships with the Group. The failure to maintain its existing relationships, or to establish new relationships in the future for any reason, could have a material adverse effect on the Group's business and financial position.

In this regard, the Group endeavors to provide good customer service and after sales services to its customers. In addition, the Group has consistently been successful in securing new contracts with existing and new clients in previous years and expects to be able to sustain this going forward.

##### **4.5 Foreign Operations Risks**

The Group's revenue is currently mainly generated from within Malaysia. The Group has intentions to expand its operation to foreign markets. However, there can be no assurance that the Group will be able to successfully identify, negotiate or integrate such expansion with its current business and to benefit from such expansion. Furthermore, such future expansion could expose the Group to foreign economic, political, legislative and other risks. Any failure to accurately assess these issues could affect the Group's business, results and financial condition. However, the Directors of the Group believe that careful planning and prudence will be exercised to ensure that the abovementioned risk will be mitigated.

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#### **4. RISK FACTORS (Cont'd)**

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##### **4.6 Foreign Exchange Risks**

Certain components of the Solution Group's products are imported. Settlement for these transactions may be made in foreign currencies and thus is subject to currency fluctuations. In addition, the Solution Group also exports its products to foreign countries. The exports sales do not contribute significantly to the Group's business at present. However, the Solution Group is expanding its sales to foreign countries. The exports may be transacted in USD, which exposes the Group to foreign exchange risk. Any fluctuations in these currencies against RM could have a material effect on the Group's financial position.

The RM peg set on 1 September 1998 for RM3.80 to USD1.00 has, to some extent, reduced foreign currency fluctuations for the Group. Nevertheless, the Group is constantly monitoring its foreign exchange exposure and hedging foreign exchange risks. However, there is no assurance that any change to the foreign exchange rates will not have a material impact on the Group's business, and there is no assurance that the USD will remain pegged.

##### **4.7 Competition**

The Solution Group is operating in an industry that requires highly skilled technical personnel in the area of engineering education. With thirteen (13) years of industry experience and track record, the Group is well established in the local market with a product range that cuts across many fields of engineering. Furthermore, the Group is constantly seeking ways to expand and enhance the range of products and services to meet the changing trends of demand. Innovation through R&D activities is an essential aspect of the industry and is the core focus of the Group's operations.

The competitors of the Solution Group are mainly foreign suppliers. Nonetheless, the Solution Group is also able to offer competitive prices as compared to equipment purchased from foreign suppliers as a result of cheaper cost of production and local content. In addition, with its local based customer and technical support, the Group is better able to provide prompt and affordable after sales service to local customers.

Whilst the Solution Group will continue to take effective measures to remain competitive and maintain the Solution Group's existing market share, no assurance can be given that the Group will be able to do so in the future.

##### **4.8 Protection of Intellectual Property**

The Solution Group carries its own intellectual property in the form of brand names such as SOLTEQ, SOLDAS, SOLCAL and SOLSIM. The trademark for SOLTEQ has been registered with SESB as the proprietor for a period of ten (10) years until 29 October 2011 under Class 9, in respect of laboratory and teaching equipment and apparatus for engineering education and research. Applications have been made to the Registry of Trademarks pursuant to the Trademarks Act, 1976 to register the Group's remaining intellectual properties in Malaysia. Any sales agents in the overseas markets will have to obtain a letter of authorization from the Solution Group in order to distribute its products. The Group emphasises on confidentiality and copyright measures to preserve its intellectual property rights.

However, there is no assurance that the rights of the Group may be successfully enforced if the intellectual property right of the Group is infringed and that unauthorized parties will not attempt to copy the intellectual property and use or exploit the information, which the Group considers as its trade secrets.

To prevent unauthorised access and copying of the Group's source codes and other proprietary information, Solution stores all key information such as source codes and other proprietary information on a company file server, with back-up hardcopies in a filing room.

#### **4. RISK FACTORS (Cont'd)**

The Company's file server is password protected and the filing room is protected with a door card access system. Only authorised personnel and key senior management have access to both.

##### **4.9 MSC Status**

SESB was granted MSC status on 6 December 1999, which expired on 5 December 2004. MDC has extended the pioneer status for SESB for another five-year period from 1 January 2005, which will enable SESB to continue to enjoy the tax-free benefits accorded to a MSC status company up to 31 December 2009.

Presently, all MSC status companies are granted financial and non-financial incentives. The MDC is the body responsible for monitoring all MSC designated companies. MDC has the right to revoke any company's MSC status at any time. There can be no assurance that SESB will continue to retain its MSC status, or that SESB will continue to enjoy or not experience delays in enjoying the MSC incentives, all of which could materially and adversely affect the Group's business, operating results and financial position.

The Solution Group intends to mitigate this risk by ensuring that conditions of the MSC status are adhered to.

##### **4.10 Dependency on the Public Sector**

In the past three (3) financial years, an average of over 70% of the Group's revenue was derived from supplying engineering education and training solutions to the public education sector. To mitigate the risk of such dependency, the Group will continue its marketing efforts to diversify into the private education sector. As extracted from the Infocredit D&B Report, the private education sector comprises over 550 institutes of higher learning with over 40,000 engineering students. In addition, there is an estimated number of over 17,000 engineering students from private skill training centres. The Group also plans to embark on a strategic market expansion plan to diversify its customer base into other geographical markets in Asia and the Middle East.

##### **4.11 Dependence on Key Personnel**

The Solution Group believes that its continued success will depend, to a significant extent, on the skills, abilities, experience, competency and continued efforts of its management and technical team. The loss of any member of the team would certainly be a loss of a source of experience, knowledge and impetus to the Group. The Group's future success also depends on its ability to attract and retain sufficient skilled employees.

The Solution Group currently enjoys cordial relationships with its employees, and these employees do not belong to any trade union. The employees are also sent to various courses from time to time to further upgrade their knowledge and skills. In addition, the Solution Group's middle management team is constantly exposed to various aspects of its business in order to ensure that they understand the Group's business and are adequately equipped with the knowledge necessary for them to assume senior management positions.

At the same time, a competitive remuneration package and a conducive working environment ensures that the Group attract and retain skilled personnel. In addition, the loss of key management is mitigated by the fact that a number of the key management personnel are also shareholders and / or promoters of the Group whilst the rest will be allocated with Public Issue Shares pursuant to the Public Issue. However, there can be no assurance that these measures will always be successful in retaining key personnel or ensuring a smooth transition should changes occur.

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#### **4. RISK FACTORS (Cont'd)**

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##### **4.12 Borrowing Risks**

As at 16 June 2005, the Solution Group's total short term and long term borrowings amounted to approximately RM2,345,868. All the bank borrowings of the Solution Group are interest bearing. Given the interest charged on bank borrowings is dependent on interest rates and the total outstanding loans, future fluctuations of the interest rates could have material effects on the Solution Group's profitability.

Save as disclosed above and in Section 10.5 of this Prospectus, the Solution Group does not have any other bank borrowings, hire purchase or guarantees.

There can be no assurance that the performance of the Solution Group would remain favorable in the event of adverse changes in the interest rates. However, based on its prudent cash management, the Solution Group is expected to be able to generate sufficient funds in the future to meet its repayment obligations.

The Group has entered into various credit facility agreements with banks or financiers to finance their operations and business activities. These agreements contain, inter-alia, covenants, which may limit the Solution Group's operating and financial flexibility. Any act by the Solution Group falling within the ambit or scope of such covenants may give rise to a right by the bank or financier to terminate the relevant credit facility and/or enforce any securities granted, in relation to that credit facility and/or default on other facilities. There can be no assurance that the aforesaid enforcement of the right the banks or financiers will not have any adverse impact on the Solution Group's operations and financial position.

##### **4.13 Control by the Promoters and Substantial Shareholders**

Upon completion of the Public Issue, the Promoters and Substantial Shareholders, namely Lim Yong Hew, Lim Hai Guan, Lim Chiou Kim, Mohd Shahrin bin Saporin, Zainuddin bin Muhammad, and Solvest, will collectively control approximately 74.13% of the enlarged issued and fully paid-up share capital of Solution. As a result, the said promoters, if acting together, will be able to influence the outcome of certain matters requiring the votes of the Company's shareholders unless they are required to abstain from voting and deliberating by law and/or the relevant authorities.

Nonetheless, Solution has appointed two (2) independent directors as a step towards good corporate governance to ensure that any future transactions involving related parties, if any, are entered into on arms-length terms.

##### **4.14 Breakout of Fire and Other Emergency**

The Group is also subject to other general risks associated with the business of the Group which may affect the operation and financial performance of the Group, such as breakout of fire, energy crisis, flood, theft and others.

In order to minimize disruption to the Group, the management have put in place certain risk management plans and pre-emptive measures including fire-fighting equipment and fire prevention policies in the workplace.

However, notwithstanding the existence of these procedures, there can be no assurance that the occurrence of such crisis will not have a material impact on the operations of the Group.

The Group has also taken precautions to minimize any substantial risks in relation to systems disruptions in terms of the Company's operations and loss of crucial information by taking several measures to ensure all vital information is sufficiently protected and stored.



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#### 4. RISK FACTORS (Cont'd)

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Such measures include storing both hard and soft copies of all vital information in a filing room and on a company file server, limiting access to such vital information to authorised personnel, regular backup of information on the company file server, and copying of such vital information onto CD-ROMS on a monthly basis. All the software developed by Solution is stored on CD-ROMS with two backup copies.

##### 4.15 No Prior Market for Solution Shares

Prior to the Public Issue, there has been no public market for Solution Shares and there can be no assurance regarding the future development of the market for the Solution Shares. The Issue Price has been determined after taking into consideration a number of factors, including but not limited to the Group's financial and operating history and standing, the future prospects of the Group and the industries in which the Group is involved, the Group's R&D capability and technology, the management of the Group and prevailing economic and market condition.

There is no assurance that the Issue Price will correspond to the price at which Solution Shares will trade on the MESDAQ Market upon or subsequent to its Listing or that an active market for Solution Shares will develop and continue upon or subsequent to its Listing.

A variety of factors may cause the price of Solution Shares to fluctuate, including (without limitation) sales of substantial amounts of Solution Shares in the public market in the immediate future; announcements of developments relating to the Solution Group's business; fluctuations in the Solution Group's operating results and sales levels; general industry conditions or the world-wide economy; announcements of new products or product enhancements by the Solution Group and/or its competitors; and developments in patent, copyright or other intellectual property rights.

In addition, in recent years, the stock market in general, and the market for the securities of many high technology companies in particular, has experienced extreme price fluctuations which have often been unrelated to the operating performance of such companies. Such fluctuations may adversely affect the market price of Solution Shares.

##### 4.16 Delay in or Abortion of Listing

The occurrence of any one (1) or more of the following events may cause delay in or abortion of the Listing:

- (i) the identified investors and/or eligible Directors, employees and business associates fail to subscribe for their respective portion of the Placement Shares to be placed to them;
- (ii) the Underwriters exercises its rights pursuant to the Underwriting Agreement and discharges itself from its obligations thereunder; or
- (iii) Solution is unable to meet the public spread requirement, that is, at least 25% but not more than 49% of the enlarged issued and fully paid-up share capital of the Company is held by a minimum number of 200 public shareholders upon the admission of Solution to the official list of the MESDAQ Market.

Although the Board of Directors of Solution will endeavour to ensure compliance by Solution of the various Listing Requirements, including inter-alia, the public spread requirement imposed by Bursa Securities for a successful listing, no assurance can be given that the abovementioned events will not occur and cause delay in or abortion of the Listing.

#### **4. RISK FACTORS (Cont'd)**

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##### **4.17 Technology Changes**

The engineering education industry is characterised by changes in customer demand, new technologies and evolving industry standards. Future success will be dependent upon the Group's ability to enhance its existing products and services and introduce new products and services to respond promptly to the evolving environment.

These risks are mitigated by the development of technical expertise through the Group's R&D efforts. In addition, the Group keeps abreast with the latest technology standards and requirements, anticipating and adapting to developing market trends and upgrading its products to cater to the requirements in order to compete successfully with its competitors.

The Group is continuously engaged in R&D activities to keep up with technological trends. However, there is no assurance that any change in future technology will not have a material impact on the Group's business.

##### **4.18 Forward Looking Statements**

Certain statements contained in this Prospectus statements made in press releases and oral statements that may be made by Solution, Directors or employees acting on the Company's behalf, that are not statements of historical fact, constitute "forward-looking statements". Investors can identify some of these statements by forward-looking terms such as "expect", "believe", "plan", "intend", "estimate", "anticipate", "may", "will", "would", and "could" or similar words. However, investors should note that these words are not exclusive means of identifying forward-looking statements. All statements regarding the Solution Group's expected financial position, business strategy, plans and prospects are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Solution Group's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Given the risks and uncertainties that may cause the Solution Group's actual future results, performance or achievements to be materially different from that expected, expressed or implied by the forward-looking statements in this Prospectus, Solution or any of its advisers does not warrant or represent to prospective investors that the actual consolidated future results, performance or achievements of Solution will be as discussed in those statements.