

**12. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT AND THE LETTER THEREON**

*(Prepared for the inclusion in this Prospectus)*

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**Infocredit D&B (Malaysia) Sdn Bhd** (527570-M)  
Level 9-3A, Menara Milenium, Jalan Damania,   
Pusat Bandar Damansara, 50490 Kuala Lumpur, Malaysia.  
Tel: (603) 2718 1000 Fax: (603) 2718 1001  
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Date: 17 June 2005

The Board of Directors  
**Solution Engineering Holdings Berhad**  
Suite 705, Block A  
Kelana Business Centre  
97, Jalan SS 7/2  
47301 Petaling Jaya  
Selangor Darul Ehsan

**RE: EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT  
("EXECUTIVE SUMMARY") FOR SOLUTION ENGINEERING HOLDINGS BERHAD**

This Executive Summary has been prepared for inclusion in the Prospectus to be dated 30 June 2005 pursuant to the proposed listing of Solution Engineering Holdings Berhad ("Company") on the MESDAQ Market of Bursa Malaysia Securities Berhad.

This research is undertaken with the purpose of providing an overview of the Malaysian engineering education and training solutions industry as well as the operations of the Company and/or its subsidiaries ("Group" or "Solution Group") within the industry.

The research methodology includes both primary research, involving in-depth interviews of pertinent companies, as well as secondary research such as reviewing press articles, periodicals, trade/government literatures, in-house corporate databases, Internet research as well as online databases.

Infocredit D&B (Malaysia) Sdn Bhd ("Infocredit D&B") has prepared this Executive Summary in an independent and objective manner and has taken all reasonable consideration and care to ensure the accuracy and completeness of the Executive Summary. In addition, Infocredit D&B acknowledges that if there are significant changes affecting the content of the Executive Summary after the issue of the Prospectus and before the issue of securities, then Infocredit D&B has an on-going obligation to either cause the Executive Summary to be updated for the changes and, where applicable, cause the Company to issue a Supplementary Prospectus, or withdraw our consent to the inclusion of the Executive Summary in the Prospectus.

This Executive Summary is highlighted in the following sections.

For and on behalf  
**INFOCREDIT D&B (MALAYSIA) SDN BHD**



Tan Sze Chong  
Managing Director

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## **EXECUTIVE SUMMARY**

This report provides an overview of the industry in which the Solution Group operates within. Solution Group's core activities are the design and development of solutions (equipment and software) for engineering education and training; as well as training and curriculum content development.

### **1 BACKGROUND & DEFINITION**

Engineering education gives priority to both theory and hands-on practicum. While the former lends itself to classroom learning, the latter can only be learned and practised in physical laboratory. Laboratory experiment has been regarded as a major part in engineering education because a major goal in engineering education is for students to acquire problem-solving and creativity capabilities.

Laboratory experiments provide the application and testing of theoretical knowledge in practical learning situations where students learn how to be an experimenter. In addition, laboratory courses help students to gain insight and understanding of the real world.

There are ample opportunities for companies to service the universities, colleges and training institutions by providing them with the solutions (hardware equipment and application software) to conduct experiments and industrial training in physical laboratories in meeting such needs. Foreign companies such as Armfield Limited and Didacta Italia have been operating in the foreign markets for more than 30 years. In the local market, Syntek Engineering (M) Sdn Bhd and Solution Group have been servicing this niche industry for more than ten (10) years.

The core solution provided is instrumented engineering teaching equipment. Some equipment also comes with the application software for simulation; automated data acquisition; data analysis and/or presentation. These solutions enable students to have hands-on industrial experiment in a physical laboratory which will help students to develop a higher level of interest and improve understanding where practical work can be seen to relate

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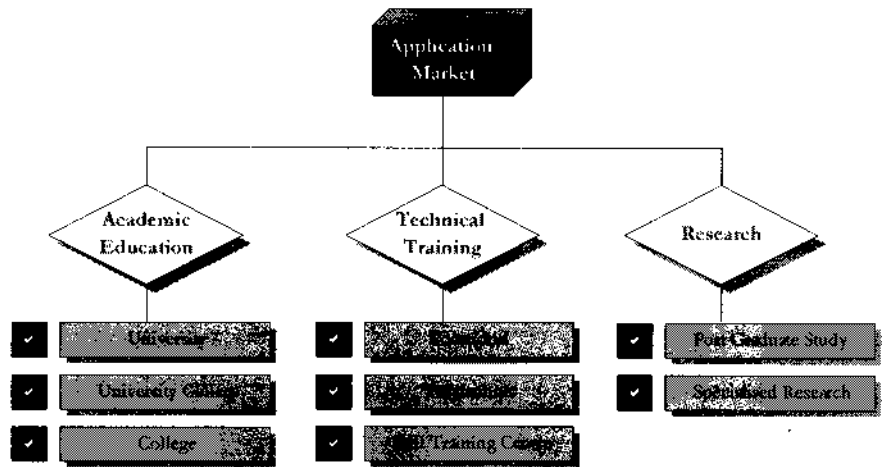
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to textbook theory and classroom lectures.

**2 APPLICATION MARKET**

There are three (3) major application markets for engineering education and training solutions which include hardware, software and/or support services, as follows:

**Figure 1: Major Application Market**



Source: Infocredit D&B

**3 CLASSIFICATION/VALUE CHAIN**

In Malaysia, there are two (2) main categories of engineering training and education solutions providers, namely:

- Distributors/retailers who import the hardware and software from foreign countries such as Germany, the USA and UK. They identify the needs of the universities, colleges and training institutes and liaise with their overseas vendors accordingly to import the relevant solutions catering to the needs of the clients. Some distributors and retailers may also be involved in assembly of the imported hardware before deployment to the clients.

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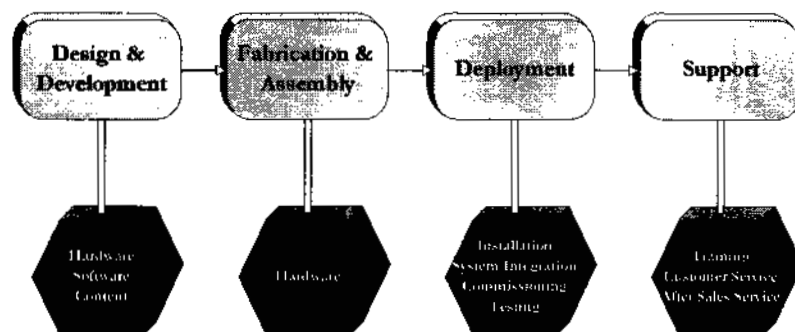
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- Players who are involved in the core activities of the value chain who design and develop the hardware and/or software, deploy the solutions to the clients' sites with services of installation, system integration, commissioning and testing; as well as provide the support services namely training, customer service and after-sales service. The fabrication and/or assembly of the hardware are/is usually outsourced to a third party as it is not a core value-added activity.

This study focuses on players operating within the second category. These players could offer off-the-shelf solutions or they could customise the solutions according to clients' specifications and requirements. Distributors/retailers are merely representing their vendors and are usually offering standard off-the-shelf solutions developed by their overseas vendors.

**Figure 2: Industry Value Chain**



Source: Infocredit D&B

## 4 MARKET PERFORMANCE & TRENDS

### 4.1 Education Sector

The Malaysian government's ("Government") strong support in the country's education development is evident from the large portion of federal budget allocated over the years to the education sector. Under the 8th Malaysia Plan, a total of RM105.6 billion has been allocated to the education sector, as compared to RM70.2 billion under the 7th Malaysia Plan ("7MP").

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Over the past ten (10) years, an average of 20% of the total federal government expenditure was on education. In 1994, the Government's educational expenditure was RM9.7 billion and the amount doubled to over RM20 billion by 2002. The ten (10) year Compounded Annual Growth Rate ("CAGR") from 1995 to 2004 was over 10%.

#### **4.2 Engineering Education & Technical Training**

The continuous efforts of the country's industrialisation and striving towards a knowledge-based ("K-based") economy have created strong demand for engineering professionals in various fields of industries in both the brick-and-mortar manufacturing industry and fast evolving high-technology industry. For the past 15 years from 1990 to 2005, the number of engineering graduates from the local public education institutions has increased by 17% on CAGR from about 18,000 in 1990 to an estimate of more than 165,000 in 2005.

On average, the number of students attending engineering courses for both degree/diploma level and certificate level doubled in every five (5) years from the period under review of 1990 to 2005. The engineering certification has particularly shown a strong CAGR of 33% from 2000 of about 20,000 students to an estimate of over 60,000 students in 2005.

Besides academic opportunities for engineering education in degree/diploma and certificate levels, the Government has also given due consideration to the training of skilled and semi-skilled manpower in the field of engineering and technical expertise. Such specialised technical trainings are offered in skill training centres. The total number of students produced almost doubled in the past 15 years from about 15,000 in 1990 to close to 29,000 in 2005.

#### **4.3 Engineering Education & Training Solutions**

Imports of engineering education and training solutions, which mainly constitute sales from hardware equipment, are estimated to be worth about RM130 million in 2004, representing an increase of close to 40% compared to 2003 of which the total import was estimated to be around RM95 million. Over a five (5) year period from 2000 to 2004, the CAGR of import values was estimated at 20.6%. In terms of import value in absolute term, the amount has

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increased by more than double from RM62.0 million in 2000 to RM131.1 million in 2004. The major origin of import countries for engineering education and training hardware equipment are Germany, the USA, UK, Italy and Japan.

In terms of export, the estimated value for 2004 was about RM15 million, which represented an estimated drop of about 18% compared to 2003. Over the past five (5) years from 2000 to 2004, the export value of hardware equipment for engineering education and training has been hovering around RM15 million to RM20 million in total. The engineering education and training hardware equipment are mainly exported to Taiwan, Singapore, Cote D'Ivoire, the Philippines and Myanmar.

The industry of designing and producing engineering education and training solutions has grown strongly in the past three (3) years. Such solutions are estimated to value at RM31.7 million in 2003. For 2001 and 2002, the values were estimated at RM23.4 million and RM14.5 million respectively. Prior to 2001, the value was estimated to be single digit at RM7.8 million in 2000 and RM3.2 million in 1999.

## **5 BARRIERS TO ENTRY**

There are high barriers to entry to the engineering education and training solution industry in the area of design and development of both hardware and software solutions. This is evidenced by the fact that there are only four (4) main players that are involved in the full value chain activities. The barriers are discussed as follows:

### **▪ Technological Expertise and Industry Knowledge**

It is a niche market that requires in-depth and specialised knowledge in a wide range of engineering fields. Qualified professionals such as electrical engineers, mechanical engineers, chemical engineers as well as software engineers are required in order to place the company in good stead to undertake relevant research and development ("R&D") activities in order to meet the specific requirements of the end users.

### **▪ Track Record**

The long period of time required in establishing a strong track record in terms of building up

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relationships with clients can prove daunting to newcomers. Well-established companies providing engineering educational equipment, such as Solution Group, with their established clientele base, will most likely be the preferred choice and this will pose a barrier to new players to the industry.

▪ **Economy of Scale**

The offering of engineering education and training solutions is a niche industry of which the target market is mainly limited to educational institutions and training centres. Newcomers face the challenge of operating in an optimal scale to enjoy economies of scale. Besides, there is a gestation period needed to design and develop a range of solutions catering to the needs and demands of different engineering and skill training courses.

## **6 MAJOR CHALLENGES & RISK FACTORS**

### **6.1 Substitute Products/Services**

Hardware equipment for use in physical laboratories are essential in engineering education and training as engineering is best learned by experiment complementing classroom lectures. Such hardware equipment is however costly and as such the rapid evolution of the personal computer and integration of information and communications technology ("ICT") in education could pose a challenge to the industry where laboratory simulation software programmes could act as substitutes to physical laboratory experiment. Advances in information technology ("IT") can be used to develop affordable and pragmatic software solutions for computer-aided laboratory experiment. Simulation software programmes could emulate many technical and physical processes in a physical laboratory for engineering education.

However, the risk is minimal due to the fact that students' learning activities in a physical laboratory can not be totally replaced with laboratory experiment using software simulation. It is expected that such software simulation could be a complementing learning tool instead of a total substitute to physical laboratory activities.

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## **6.2 Market Competition**

In Malaysia, Solution Group is competing with both distributors which import the equipment from overseas and players which develop hardware equipment and software solutions for engineering education and training. Most of the competitors are distributing their solutions to the whole of Malaysia, servicing both the private and public education sectors. The distributors import engineering education and training solutions from various overseas countries of which the major ones include Germany, the USA, UK, Italy, Japan, Australia, Spain and Korea. The major distributors are Jasa Tasep Sdn Bhd, Juravic Engineering Sdn. Bhd, Kosijaya Group of Companies, Production Engineering Sdn Bhd, Seri Setia Sains (M) Sdn Bhd, TekMark Sdn Bhd and Vital Series Sdn Bhd

Besides, there are competitors that are involved in the full value chain of design and development of the hardware and/or software, deploying the solutions to the clients' sites with services of installation, system integration, commissioning and testing; as well as provide the support services namely training, customer service and after sales service. The competitors to Solution Group are as follows:

- My Robotics & Machines Tools Sdn Bhd  
(a subsidiary of Kosijaya Didactic Sdn Bhd);
- Syntek Engineering (M) Sdn Bhd; and
- Lotus Scientific (M) Sdn Bhd.

## **7 MARKET GROWTH FACTORS**

Driving factors for market growth of solutions for engineering education and training are discussed as follows:

### **7.1 Knowledge-Economy Motivation**

The Government has embarked on the transformation from a production-based economy to a K-based economy, which is productivity-driven and competitiveness-driven, supported by knowledge intensive efforts. The key is to move up the value chain by engaging in original and innovative design, improving quality, enhancing productivity and competitiveness in all sectors. Educated and skilled knowledge workers, or human capital, are the most valuable



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asset. As such, the Government continues its efforts to cultivate and secure the necessary human resources by nurturing the young generation in education and skill development.

The Government's allocation of recurrent expenditure for public universities under the 6th Malaysian Plan ("6MP") and 7MP were RM5.12 billion and RM8.40 billion respectively, representing an increase of 64%. For education development expenditure, the allocation increased by 77% from RM2.19 billion during the 6MP to RM3.88 billion during the 7MP. In the 2000s, the expenditure for public universities of both recurrent and development purposes continue to increase of which both registered about 20% of CAGR for the five (5) year period from 1999 to 2004.

### **7.2 Demand of Engineering & Technical Expertise**

Currently, it is estimated that more than 55% of the manpower working in the manufacturing sector are technical/supervisory, skilled and semi-skilled workers. This is an improvement compared to 1990 when only about 45% of the workers are from these categories. Reviewing a 15 year period from 1990 to 2005, the total employed engineers and engineering assistants have increased by close to six (6) times from about 60,000 in 1990 to an estimated number of more than 350,000 by 2005. The country's continuous thriving industrial and manufacturing activities have created and will continue to create long term demand for engineers and technical expertise including both skilled and semi-skilled manpower. The demand for engineering education and training solutions for use in physical laboratories, are in turn driven by the increasing engineering and technical related courses where additional laboratory facilities and equipment would be required.

### **7.3 Evolving Engineering Education**

Engineering education has over the years been undergoing changes and adaptations. This may lead to new requirement and demand for teaching and training equipment and software solutions. Besides, technical workforce should also be prepared to engage in entrepreneurial start-up efforts where well-educated engineers and scientists will find appropriate ways to extend R&D results to marketable products and services in response to market needs. Engineering courses are expected to have more laboratory training components taught simultaneously with the respective lectures and theoretical classes.

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#### **7.4 Private Education Development**

Private education in Malaysia began as early as the 1950s and grew rapidly in the 1990s with the Government's liberal education policies. Increasingly, private higher education institutions ("PHEI") started their own certification. Further development took place in 1998 when PHEI introduced the 3+0 programme where higher diploma, degree and postgraduate courses from overseas universities are fully implemented in Malaysia. The number of students studying in PHEI grew from 35,600 in 1990 to over 120,000 in 1995 and reached over 200,000 by 2000.

Growth continues in the 2000s and students have shown strong interests in engineering and technical related courses. The number of engineering students has been increasing where in 1997, the number of engineering students in PHEI was about 27,600 and the figure increased to reach about 42,800 students by 2003. This represents a CAGR of 8% over the seven (7) year period from 1997 to 2003.

Likewise, the role of the private education sector in developing the skilled and semi-skilled manpower has been increasingly evident over the past few years. From 1990 to 2005, the CAGR in the private sector outpaced the public sector where the CAGR for the private sector was estimated at 14% as compared to the CAGR of 5% for the same time period expected in the public sector.

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## **8 MARKET SHARE**

Solution Group is involved in the full value chain activity in the solutions for engineering education and training industry. For the purpose of this study, Solution Group is positioned against players that are also involved in the full value chain activities of the followings:

- Design and development of hardware and/or software;
- Deploy the solutions to the clients' sites with services of installation, system integration, commissioning and testing; and
- Provide the support services namely training, customer service and after-sales service.

There are only a limited number of such players and their revenues for the latest available financial years are listed in the following table. Collectively, these players generated a total revenue of about RM31.7 million in the Financial Year End ("FYE") 2003. Among them, Solution Group is the largest player with over 65% market share of the locally-produced engineering education and training solutions. The remaining 35% is generated by three (3) other companies namely, My Robotics & Machines Tools Sdn Bhd, Syntek Engineering (M) Sdn Bhd and Lotus Scientific (M) Sdn Bhd.

In terms of the total local market of engineering education and training solutions which is estimated to be worth around RM108 million in FYE2003, close to 30% is supplied by local players who develop the solutions and the other 70% is supplied by distributors who import the solutions from overseas. Of this total local market of RM108 million, Solution Group's market share is estimated at about 19.2%. The remaining 80.8% is serviced by other players offering solutions designed and developed locally and by distributors who import the solutions from overseas countries.

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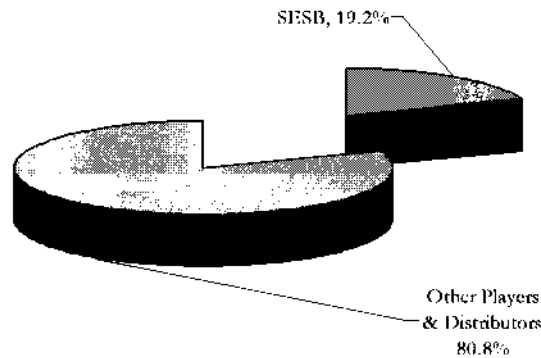


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**Figure 3: Solution's Market Share, 2003**

**(i) Solution's Share of Local Market for Engineering Education & Training Solutions**

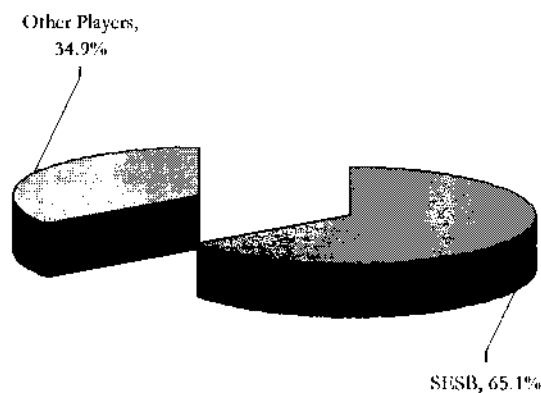
Total Market (Solutions Produced by Local Players + Imported Solutions) = RM108 million



Notes: Other players and distributors include, among others, *Jasa Tasep Sdn Bhd, Juravic Engineering Sdn. Bhd, Kosijaya Group of Companies, Production Engineering Sdn Bhd, Seri Setia Sains (M) Sdn Bhd, TekMark Sdn Bhd, Vital Series Sdn Bhd, My Robotics & Machines Tools Sdn Bhd (a subsidiary of Kosijaya Didactic Sdn Bhd), Syntek Engineering (M) Sdn Bhd and Lotus Scientific (M) Sdn Bhd.*

**(ii) Solution's Share of Locally Produced Engineering Education & Training Solutions**

Total Value of Solutions Produced by Local Players = RM31.7 million



Notes: Other players include *My Robotics & Machines Tools Sdn Bhd (a subsidiary of Kosijaya Didactic Sdn Bhd), Syntek Engineering (M) Sdn Bhd and Lotus Scientific (M) Sdn Bhd.*

Source: Department of Statistics, Companies Commission of Malaysia, Infocredit D&B

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## **9 MARKET OPPORTUNITIES & OUTLOOK**

The Malaysian institutes of higher learning and skill training centres, both private and public, are still very much dependent on imports for the supply of engineering education and training solutions. The four (4) local players that are involved in designing and developing engineering education and training solutions catering to universities, colleges, skill training centres and research purposes are estimated to capture less than 30% of the local market purchase. This represents tremendous market opportunities for these players to expand their market share in the local market.

The opportunities and critical success factors also lie in overseas market expansion and application market expansion particularly in areas offering niche opportunities in specialised research for postgraduate or lifelong learning, as well as catering to the emerging engineering trends in specific areas such as biotechnology and environmental studies. The other area of growth opportunity is the offering of electronic learning ("e-Learning") solution for laboratory works of engineering education and training.

### **9.1 Overseas Market**

Engineering education and technical training are important in both developing and developed countries. Among Solution Group's target markets in Asia Pacific and the Middle East, China, India, Indonesia, Pakistan, Bangladesh, Japan, the Philippines, Thailand and Vietnam are among the world's largest countries in terms of population. Save for Japan, the percentage of young population in these countries is generally high. There are a large number of students attending tertiary education and/or vocational/technical studies in most of these countries. There are many opportunities for local players such as Solution Group to explore and/or expand their overseas market presence offering the universities, colleges and skill development centres with equipment and hardware solutions that are competitive in pricing and quality compared to solutions from developed countries.

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### **9.2 Lifelong Learning & Specialised Research**

An indication of the needs and trends of lifelong learning is the increasing enrolment of postgraduate studies. The Government's effort in building and operating community colleges is another evidence of its commitment in promoting and encouraging lifelong learning for adults. In addition, PHEI also offer postgraduate courses in collaboration with overseas universities and colleges. This provides more opportunities for working adults to engage into lifelong learning.

Besides, there is an increasing trend of industrial-university collaboration in research work, often in certain specialised areas of interest. This trend has and will continue to create more opportunities for specific research projects that require customised hardware equipment and the relevant software solutions for engineering and technical research. This in turn creates opportunities for companies, such as Solution Group, that are capable of offering customised solutions catering to specifications spelt out by the clients.

### **9.3 Application Market Expansion**

Solution Group has identified environmental and biotechnology education as main areas of product development in the immediate future. The nation's rapid industrialisation has brought about significant pollution impact to the environment. The Government realised that economic development would not confer lasting benefits unless environmental consideration is taken as an integral part of development planning. This resulted in legislation enforcement in relation to the prevention, abatement, control of pollution and enhancement of the environment in Malaysia. In response to this development, engineering education is paying attention to this area.

Biotechnology is important in enhancing various sectors such as agriculture, plantations, manufacturing and healthcare. The Government has identified biotechnology to be a key growth driver as the country heads towards becoming a K-based economy. Biotechnology education, including that of relevant engineering and technical related areas, is a major area for development under the National Biotechnology Policy. Such development will in turn create opportunities for players offering related education and training solutions to institutes of high learning and skill training centres.

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#### **9.4 Computer-aided Simulation Software Solution**

The adoption of computer-aided e-Learning methodology in engineering education and laboratory training could be driven by the advantages of such software programmes. Simulations can be used to familiarise students with the equipment before actually using it to give students some idea of what they will encounter in an actual experiment. This can improve laboratory safety and could also result in financial savings by reducing the time a student spends on laboratory equipment, thereby reducing the number of laboratory stations required. In addition, laboratory simulation software could be useful for universities and colleges that offer distance learning courses including web-based delivery and distance learning which are increasingly used to reach a geographically-distributed student population.

In summary, the offering of laboratory simulation software solutions could be attractive to engineering educators in their efforts to nurture future engineers and technical manpower who can be anticipated to function in a global market mediated by ICT advances. The growing national information and communication infrastructure in the country provides an exciting range of opportunities to improve educational technology.

### 13. DIRECTORS' REPORT

*(Prepared for the inclusion in this Prospectus)*

# ***Solution Engineering Holdings Berhad***

(Company No. 654575-P)

Registered Office:

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

23 June 2005

The Shareholders of Solution Engineering Holdings Berhad

Dear Sir/Madam,

On behalf of the Board of Directors of Solution Engineering Holdings Berhad ("Solution" or the "Company"), I wish to report after due enquiry that during the period from 31 December 2004 (being the date to which the last audited accounts for Solution and its subsidiary company, Solution Engineering Sdn. Bhd. ("Solution Group") have been made) to the date hereof (being a date not earlier than fourteen (14) days before the issuance of this Prospectus):-

- (i) the business of the Solution Group, in the opinion of the Directors, has been satisfactorily maintained;
- (ii) in the opinion of the Directors, no circumstances have arisen subsequent to the last audited accounts of the Solution Group which have adversely affected the trading or the value of the assets of the Solution Group;
- (iii) the current assets of the Solution Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (iv) save as disclosed in this Prospectus, no contingent liabilities have arisen by reason of any guarantees or indemnities given by the Solution Group;
- (v) since the last audited accounts of the Solution Group, there has been no default or any known event that could give rise to a default situation, in respect of payments or either interest and/or principal sums in relation to any borrowings in which the Directors are aware of; and
- (vi) save as disclosed in this Prospectus, there have been no material changes in the published reserves or any unusual factors affecting the profits of the Solution Group, since the last audited accounts of Solution Group.

Yours faithfully

For and on behalf the Board of Directors  
**Solution Engineering Holdings Berhad**



**Lim Yong Hew**  
Group Managing Director



## 14. ADDITIONAL INFORMATION

### 14.1 Share Capital

- (i) No ordinary shares will be allotted or issued on the basis of this Prospectus later than twelve (12) months after the date of issue of this Prospectus.
- (ii) There are no founder, management or deferred shares.
- (iii) There is one class of shares in the Company, being ordinary shares of RM0.10 each, all of which rank in pari passu with one another.
- (iv) Save for the 6,326,100 ordinary shares of RM0.10 each reserved for the eligible directors, employees and business associates of the Solution Group pursuant to this Prospectus, there are at present no other schemes involving the employees in the share capital of Solution Group.
- (v) As at the date of this Prospectus, none of the share capital of the Solution Group is under any option or agreed conditionally or unconditionally to be put under any option.
- (vi) Save for the Public Issue Shares and as disclosed in Section 3.3 of this Prospectus, no shares, stocks or debentures in the Solution Group have been issued or are proposed to be issued as partly or fully paid-up for cash or otherwise within the two (2) years preceding the date of this Prospectus.

### 14.2 Articles of Association

The following provisions are reproduced from the Company's Articles of Association.

The words and expressions appearing in the following provisions shall bear the same meanings used in the Company's Articles of Association.

#### 14.2.1 Transfer of Securities and Transmission of Shares

The provisions of the Company's Articles of Association dealing with the transfer of securities are as follows:

##### *Article 32*

The transfer of any Listed Securities of the Company shall be by way of book entry by the Central Depository in accordance with the Rules and, notwithstanding Sections 103 and 104 of the Act, and any exemption that may be made from compliance with subsection 107C(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the Listed Securities.

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**14. ADDITIONAL INFORMATION (Cont'd)**

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*Article 33*

- (1) Neither the Company nor its Directors nor any of its officers shall incur any liability for any transfer of Listed Securities apparently made by sufficient parties, although the same may, by reason of any fraud or other cause not known to the Company or its Directors or other officers be legally inoperative or insufficient to pass the property in the Listed Securities proposed or professed to be transferred and although transferred, the transfer may, as between the transferor and transferee be liable to be set aside and notwithstanding that the Company may have notice of such transfer. And in every such case, the transferee, his executors, administrators and assignees alone shall be entitled to be recognised as the holder of such Listed Securities and the previous holder shall so far as the Company is concerned, be deemed to have transferred his whole title hereto.
- (2) The Central Depository may in its absolute discretion refuse to register any transfer that does not comply with the Central Depositories Act and the Rules.

*Article 34*

The registration of transfers may be suspended at such time and for such period as the Directors may from time to time determine, provided always that such registration shall not be suspended for more than thirty (30) days in any year. At least eighteen (18) Market Days' notice or such other period of notice as may be permitted by the Exchange of such closure shall be given to the Exchange stating the period and the purpose or purposes of such closure. In relation to such closure, the Company shall give notice in accordance with the Rules to the Central Depository to prepare appropriate Record of Depositors.

*Article 35*

In the case of the death of a Holder of Listed Securities, the legal representatives of the deceased where he was a sole holder shall be the only person recognised by the Company as having any title to his interest in the Listed Securities.

*Article 36*

Subject to the Rules, any person becoming entitled to any Listed Securities in consequence of the death or bankruptcy of a Holder may, upon such evidence being produced as may from time to time properly be required by the Directors and subject as hereinafter provided, elect either to have the Listed Securities transferred to him or to have a person nominated by him as the transferee thereof, but the Directors shall, in either case, have the same rights to decline or suspend the transfer as they would have had in the case of a transfer of the Listed Securities by that Holder before his death or bankruptcy.

*Article 37*

If the person so becoming entitled elects to have the Listed Securities transferred to him, a notice in writing signed by him stating that he so elects must also be served by him on the Central Depository. If he elects to have the Listed Securities transferred to another person he shall testify his election by serving a notice in writing to that effect to the Company and on the Central Depository. All the limitations, restrictions and provisions of these Articles relating to the rights to transfer shall be applicable to any such notice of transfer as aforesaid as if the death or bankruptcy of the Holder had not occurred and the notice or transfer were a transfer signed by that Holder.

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14. **ADDITIONAL INFORMATION (Cont'd)**

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*Article 38*

Where a Holder of any Listed Securities dies or becomes bankrupt, his personal representative or the assignee of his estate, as the case may be, shall upon the production of such evidence as may from time to time be properly required by the Directors on that behalf be entitled to the same dividends and other advantages and to the same rights (whether in relation to meetings of the Company or to voting or otherwise) as the Holder would have been entitled to if he had not died or become bankrupt.

**14.2.2 Remuneration of Directors**

The provisions of the Company's Articles of Association dealing with the remuneration of directors are as follows:

*Article 92*

- (1) The fees payable to the Directors shall from time to time be determined by an ordinary resolution of the Company in general meeting provided that such fees shall not be increased except pursuant to an ordinary resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting.
- (2) In addition to the fees payable to the Directors as provided in Article 92 (1), executive Directors shall, subject to the terms of any agreement entered into in any particular case, receive such remuneration as the Directors may from time to time determine.
- (3) Fees payable to non-executive Directors shall be a fixed sum and not by a commission on or percentage of profits or turnover.
- (4) Salaries payable to executive Directors may not include a commission on or percentage of turnover.
- (5) Any fee paid to an alternate Director shall be such as shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter.

*Article 93*

- (1) The Directors shall be paid all traveling and other expenses properly and necessarily incurred by them in and about the business of the Company including their traveling and other expenses incurred in attending general meetings, meetings of the Directors or committee of Directors of the Company or other meetings in connection with the business of the Company and in the course of the performance of their duties as Directors.

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**14. ADDITIONAL INFORMATION (Cont'd)**

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- (2) Without limiting the generality of the foregoing Articles, if any Director being willing shall be called upon to render special duties or services outside his ordinary duties as a Director or if any Director being willing shall be called upon to perform extra services or to make any special efforts in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Company may remunerate the Director so doing either by a fixed sum or otherwise (other than by a commission on or percentage of profits or turnover) as may be determined by the Board of Directors and such remuneration may be, either in addition to or in substitution for his or their share in the remuneration from time to time provided for the Directors. Any extra remuneration payable to non-executive Directors shall not include a commission on or percentage of profits or turnover.

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**14. ADDITIONAL INFORMATION (Cont'd)**

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**14.2.3 Voting and Borrowing Powers of Directors**

The provisions of the Company's Articles of Association dealing with the voting and borrowing powers of directors are as follows:

*Article 68*

- (1) At any general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded:-
- (a) by the Chairman ;
  - (b) by at least two (2) Members present in person or by proxy ; or
  - (c) by any Member or Members present in person or by proxy and representing not less than one tenth (1/10) of the total voting rights of all Members having the right to vote at the meeting ; or
  - (d) by a Member or Members holding shares in the Company conferring a right to vote at the meeting, being shares on which an aggregate sum has been paid up equal to not less than one tenth (1/10) of the total sum paid up on all the shares conferring that right.

Provided that no poll shall be demanded on the election of a chairman for the meeting or on any question of adjournment of the meeting.

- (2) Unless a poll is so demanded a declaration by the chairman of the meeting that a resolution has on a show of hands been carried unanimously or by a particular majority or lost and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolutions. The demand for a poll may be withdrawn.
- (3) If any votes shall have been counted which ought not to have been counted, or might have been rejected, such error shall not vitiate the result of the voting unless in the opinion of the chairman of the meeting or any adjournment thereof , as the case may be, it shall be of sufficient importance to vitiate the result of the voting.

*Article 69*

If a poll is duly demanded, it shall be taken in such manner and either at once or after an interval or adjournment or as the chairman of the meeting directs , being not more than thirty (30) days from the date of the meeting or adjourned meeting at which the poll was demanded, and the result of the poll shall be the resolution of the meeting at which the poll was demanded. The Chairman of the meeting may (and if so directed by the meeting) appoint scrutineers and may, in addition to the powers of adjourning meetings contained in Article 67, adjourn the meeting to some place and time to be fixed by him for the purpose of declaring the result of the poll. The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded. The instrument appointing a proxy to vote shall be deemed also to confer authority to demand or join in demanding a poll, and a demand by a person as proxy for a Member shall be the same as a demand by the Member.

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**14. ADDITIONAL INFORMATION (Cont'd)**

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*Article 70*

Subject to any rights or restrictions for the time being attached to any classes of shares, at meetings of Members or classes of Members, each Member entitled to vote may vote in person or by proxy who may but need not be a Member of the Company or by attorney in respect of any share or shares upon which all calls due to the Company have been fully paid. On a show of hands, every person who is a Member or representative or proxy or attorney of a Member shall subject to Article 74 have one (1) vote and on a poll every Member present in person or by representative or by proxy or by attorney shall have one (1) vote for each share he holds. A proxy or attorney shall be entitled to vote both on a show of hands and on a poll.

*Article 71*

In the case of an equality of votes, whether on a show of hands or a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a second or casting vote.

*Article 72*

Where the capital of the Company consists of shares of different monetary denominations, voting rights shall be prescribed in such a manner that a unit of capital in each class, when reduced to a common denominator, shall carry the same voting power when such right is exercisable.

*Article 73*

A member who is of unsound mind or whose person or estate is liable to be dealt with in any way under the law relating to mental disorder may vote, whether on a show of hands or on a poll by his committee or by such other person who properly has the management of his estate and any such committee or other person may vote by proxy or attorney and any person entitled under the Article relating to transmission to transfer any shares may vote at any general meeting in respect thereof in the same manner as if he was the registered holder of such shares provided that such evidence as the Directors may require the authority of the person claiming to vote shall have been deposited at the office of the Company not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting, as the case may be, at which he proposes to vote.

*Article 74*

Subject to Article 60(d), no Member shall be entitled to be present or to vote on any question either personally or otherwise as a proxy or attorney at any general meeting or upon a poll or be reckoned in the quorum in respect of any share upon which :-

- (a) calls are due and unpaid ; and/or
- (b) where the instrument of proxy, the power of attorney or other authority, if any, naming another person or party (other than the said Member) as proxy, attorney or person or party authorised to so act has been deposited with the Company in accordance with Article 78.

*Article 75*

No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the chairman of the meeting whose decision shall be final and conclusive.

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**14. ADDITIONAL INFORMATION (Cont'd)**

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*Article 76*

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. A proxy may but need not be a Member and Section 149(1) (a) and (b) of the Act shall not apply to the Company. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll. A Member shall be entitled to appoint one or more (but not more than three (3)) proxies to attend and vote at the same meeting and each proxy appointed, shall represent a minimum of 100 shares. Where the Member appoints more than one (1) proxy to attend and vote at the same meeting, such appointments shall be invalid unless the Member specifies the proportion of his shareholding to be represented by each proxy.

*Article 79*

A vote given in accordance with the terms of an instrument of proxy or attorney shall be valid, notwithstanding the previous death or unsoundness of mind of the principal or revocation of the instrument or of the authority under which the instrument was executed or the transfer of the share in respect of which the instrument is given, if no intimation in writing of such death, unsoundness of mind or transfer as aforesaid has been received by the Company at its Office before the commencement of the meeting or adjourned meeting at which the instrument is used.

*Article 97*

- (1) The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof and issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Company or its subsidiaries.
- (2) The Directors shall not borrow any money or mortgage or charge any of the Company's or its subsidiaries' undertaking, property or any uncalled capital or to issue debentures and other securities whether outright or as security for any debt, liability or obligation (hereinafter referred to as "provision of financial assistance") of an unrelated third party save and except where it is necessary to facilitate the principal business of the Company or its subsidiaries (which shall not include provision of financial assistance in itself) provided that the Directors of the Company must ensure any such provision of financial assistance is fair and reasonable to the Company and is not to the detriment of the Company and its shareholders.

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**14. ADDITIONAL INFORMATION (Cont'd)**

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**14.2.4 Changes in Capital and Variation of Class Rights**

The provisions of the Company's Articles of Association dealing with changes in capital and variation of class rights are as follows:

*Article 5*

The authorised share capital of the Company shall be specified in the Memorandum of Association of the Company.

*Article 6*

Without prejudice to any special rights previously conferred on the holders of any existing shares but subject to the Act, the Central Depositories Act and to these Articles, shares in the Company may be issued by the Directors, and any such shares may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as the Directors, subject to any ordinary resolution of the Company may determine.

*Article 7*

Subject to and in accordance with the Act and the regulations made pursuant thereto and to the Listing Requirements and the guidelines of any other relevant authorities, the Company shall be entitled at any time and from time to time, and on such terms as it deems fit, to purchase and/or acquire all or any of its own shares from any party or parties whatsoever.

*Article 8*

Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares and subject to the provisions of these Articles, the Act, the Central Depositories Act and to the provisions of any resolution of the Company, shares in the Company may be issued by the Directors who may allot or otherwise dispose of such shares to such persons, on such terms and conditions, with such preferred, deferred or other special rights and subject to such restrictions and at such times as the Directors may determine but the Directors in making any issue of shares shall comply with the following conditions :-

- (a) no shares shall be issued at a discount except in compliance with the provisions of the Act ;
- (b) in the case of shares offered to the public for subscription, the amount payable on application on each share shall not be less than five per centum (5%) of the nominal value of the share ;
- (c) in the case of shares other than ordinary shares, no special rights shall be attached until the same have been expressed in these Articles and in the resolution creating the same ;
- (d) no issue of shares shall be made which will have the effect of transferring a controlling interest in the Company to any person, company or syndicate without the prior approval of the Members of the Company in a general meeting ; and
- (e) every issue of shares or options to employees and/or the Directors shall be approved by the Members in a general meeting and no Director shall participate in such issues of shares or options unless the Members in a general meeting have approved the specific allotment to be made to such Director.



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**14. ADDITIONAL INFORMATION (Cont'd)**

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*Article 9*

Subject to the Act, any preference shares may, with the sanction of an ordinary resolution, be issued on the terms that they are or at the option of the Company, are liable to be redeemed but the total nominal value of the issued preference shares shall not exceed the total nominal value of the issued ordinary shares at any time and the Company shall not issue preference shares ranking in priority over preference shares already issued but may issue preference shares ranking equally therewith.

*Article 10*

The Company shall have the power to issue preference shares carrying a right to redemption out of profits or reserves of the Company or liable to be redeemed at the option of the Company and the Directors may, subject to the provisions of the Act, redeem such preference shares on such terms and in such manner and either at par or at a premium as they think fit.

*Article 11*

- (1) A holder of a preference share shall be entitled to a right to vote in each of the following circumstances:-
  - (i) when the dividend or part of the dividend on the share is in arrears for more than six (6) months ;
  - (ii) on a proposal to reduce the Company's share capital ;
  - (iii) on a proposal for the disposal of the whole of the Company's property, business and undertaking ;
  - (iv) on a proposal that affects the rights attached to the share ;
  - (v) on a proposal to wind up the Company ; and
  - (vi) during the winding up of the Company.
- (2) A holder of a preference share must be entitled to a return of capital in preference to holders of ordinary shares when the Company is wound up.
- (3) A holder of a preference share must be entitled to the same rights as holders of ordinary shares in relation to receiving notices, reports, audited accounts and attending meetings.

*Article 12*

The repayment of preference share capital other than redeemable preference shares or any alteration of preference shareholders' rights shall only be made pursuant to a Special Resolution of the preference shareholders concerned provided always that where the necessary majority for such a Special Resolution is not obtained at the meeting, consent in writing obtained from the holders of three fourths (3/4) of the preference shares concerned within two (2) months of the meeting shall be valid and effectual as a Special Resolution carried at the meeting.

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**14. ADDITIONAL INFORMATION (Cont'd)**

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*Article 13*

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is wound up, be varied with the consent in writing of the holders of three fourths (3/4) of the issued shares of that class or with the sanction of a Special Resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of these Articles relating to general meetings shall mutatis mutandis apply so that the necessary quorum shall be two (2) Holders present in person or by proxy. To every such Special Resolution, the provisions of Section 152 of the Act shall apply with such adaptations as are necessary.

*Article 14*

The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or in all respects *pari passu* therewith.

*Article 15*

The Company may exercise the powers of paying commissions conferred by the Act, provided that the rate or the per centum of the commission paid or agreed to be paid shall be disclosed in the manner required by the Act and the commission shall not exceed the rate of ten per centum (10%) of the price at which the shares in respect whereof the same is paid or are issued or an amount equal to ten per centum (10%) of that price (as the case may be). Such commission may be satisfied by the payment of cash or the allotment of fully paid up shares or partly paid up shares or by a combination of any of the aforesaid methods of payment. The Company may also on any issue of shares pay such brokerage as may be lawful.

*Article 16*

Where any shares are issued for the purpose of raising money to defray the expenses of construction of any works or buildings or the provision of any plant which cannot be made profitable for a long period, the Company may pay interest on so much of such share capital as is for the time being paid up for the period and subject to the conditions and restrictions mentioned in Section 69 of the Act and may charge the same to capital as part of the cost of construction of the works or buildings or the provision of the plant.

*Article 17*

Except as required by law, no person shall be recognised by the Company as holding any share upon any trust and the Company shall not be bound by or be compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share or unit of share or (except only as by these Articles or as required by the Act or by law or pursuant to any order of court) any other rights in respect of any share except in an absolute right to the entirety thereof of the registered holder.

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**14. ADDITIONAL INFORMATION (Cont'd)**

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*Article 52*

The Company may from time to time, whether all the shares for the time being authorised shall have been issued or all the shares for the time being issued shall have been fully called up or not, by ordinary resolution increase its share capital by the creation and issue of new shares; such new capital to be of such amount and to be divided into shares of such respective amounts and to carry such rights or to be subject to such conditions or restrictions in regard to dividends, return of capital or otherwise as the Company by the resolution authorising such increase may direct.

*Article 53*

Subject to any direction to the contrary that may be given by the Company in general meeting, all new shares or other convertible Securities of the Company shall before they are issued, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as nearly as the circumstances admit, to the amount of the existing shares or Securities to which they are entitled. The offer shall be made by notice specifying the number of shares or Securities offered and limiting a time within which the offer, if not accepted will be deemed to be declined and after the expiration of that time or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or Securities offered, the Directors may dispose of those shares or Securities in such manner as they think most beneficial to the Company. The Directors may likewise, dispose of any new shares or Securities of the Company which (by reason of the ratio which the new shares or Securities bear to shares or Securities held by persons entitled to an offer of new shares or Securities) cannot, in the opinion of the Directors, be conveniently offered under these Articles.

*Article 54*

Notwithstanding Article 53 above but, subject always to the Act, the Company may apply to the Exchange for waiver of convening extraordinary general meetings to obtain shareholders' approval for further issues of shares (other than bonus or rights issues) where in accordance with the provisions of Section 132D of the Act, there is still in effect, a resolution approving the issuance of shares by the Company and the aggregate issues of which in any one (1) financial year do not exceed ten per centum (10%) of the issued share capital of the Company (other than by way of bonus or rights issues).

*Article 55*

Except so far as otherwise provided by the conditions of issue, any share capital raised by the creation of new shares shall be considered as part of the original share capital of the Company and shall be subject to the same provisions with reference to allotments, payment of calls or instalments, lien, transfer, transmission, forfeiture and otherwise as the original share capital and be subject to the Rules.

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**14. ADDITIONAL INFORMATION (Cont'd)**

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*Article 56*

The Company may by ordinary resolution :-

- (a) consolidate and divide all or any of its share capital into shares of larger amounts than its existing shares ; or
- (b) divide its share capital or any part thereof into shares of smaller amounts than is fixed by the Memorandum of Association of the Company by subdivision of its existing shares or any of them, subject nevertheless to the provisions of the Act and so that as between the resulting shares, one (1) or more of such shares may by the resolution by which such subdivision is effected be given any preference or advantage as regards dividends, return of capital, voting or otherwise over the others or any other of such shares ; and
- (c) cancel shares which at the date of passing of the resolution in that behalf have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled.

*Article 57*

The Company may by Special Resolution reduce its share capital, any capital redemption reserve fund or any share premium account in any manner and with and subject to any authorisation and consent as required by law and the Act.

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**14. ADDITIONAL INFORMATION (Cont'd)****14.3 Directors and Substantial Shareholders**

- (i) The names, addresses and occupations of the Directors are set out in the Corporate Information Section of this Prospectus.
- (ii) A Director is not required to hold any qualification shares in the Company unless otherwise so fixed by the Company at a general meeting.
- (iii) Save as disclosed below, and highlighted in Section 8.1.2 of this Prospectus, there are no existing and potential related-party transactions and conflicts of interest in relation to the Solution Group and its related parties that involve Directors, Substantial Shareholders and key management of the Solution Group and Promoters or any other contracts or arrangements subsisting at the date of this Prospectus in which a Director or Substantial Shareholder is interested and which is significant in relation to the business of the Solution Group taken as a whole.
- (iv) Based on the Register of Directors' Shareholding of Solution as at 16 June 2005 (being the latest practicable date prior to the printing of this Prospectus), the names and the respective interests of the Directors before and after the Public Issue are and will be as follows:

Directors	Before the Public Issue				After the Public Issue			
	Direct Interest		Indirect Interest		Direct Interest		Indirect Interest	
	No. of Solution Shares	%	No. of Solution Shares	%	No. of Solution Shares	%	No. of Solution Shares	%
Datuk Dr. Syed Muhamad bin Syed Abdul Kadir	925,211	1.00	-	-	1,025,211 <sup>^</sup>	0.81	-	-
Lim Yong Hew	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	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	5,551,263	6.00	-	-	5,651,263 <sup>^</sup>	4.47	-	-
Lim Chiou Kim	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	-	-	-	-	-	-	-	-

*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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**14. ADDITIONAL INFORMATION (Cont'd)**

- (v) Based on the Register of Substantial Shareholders as at 16 June 2005 (being the latest practicable date prior to the printing of this Prospectus), the names and the respective interests of the Substantial Shareholders (with 5% or more shareholding, directly and indirectly) before and after the Public Issue are and will be as follows:

	Before the Share Issues				After the Shares Issues			
	Direct Interest		Indirect Interest		Direct Interest		Indirect Interest	
Directors	No. of Solution Shares	%	No. of Solution Shares	%	No. of Solution Shares	%	No. of Solution Shares	%
Lim Yong Hew	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	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>	19.74
Lim Chiou Kim	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	22,205,052	24.00	-	-	22,205,052	17.55	-	-

**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

- (vi) None of the Directors, Substantial Shareholders and Promoters have any interests, direct and/or indirect, in any business, either quoted or unquoted on a recognised stock exchange which carries on similar trade as the Group.
- (vii) Save as disclosed in Section 4.13 of this Prospectus, whereby upon completion of the Public Issue, the Promoters and Substantial Shareholders, namely Lim Yong Hew, Lim Hai Guan, Lim Chiou Kim, Mohd Shahrin bin Saparin, Zainuddin bin Muhammad, and Solvest, will collectively control approximately 74.13% of the enlarged issued and fully paid-up share capital of Solution, the Directors are not aware of any other persons who are able, directly or indirectly, jointly or severally, to exercise control over the Solution Group.

**14.4 General Information**

- (a) The nature of the Group's business is set out in Section 5 of this Prospectus. The names of all corporations which are deemed to be related to the Company by virtue of Section 6 of the Act and their respective business activities are set out under the same section of this Prospectus.
- (b) The name and address of the Auditors and Reporting Accountants of the Group are set out in the Corporate Information section of this Prospectus.
- (c) The manner in which copies of this Prospectus together with the Application Form and envelopes may be obtained is set out in Section 15 of this Prospectus.
- (d) The time of the opening and closing of the Application Lists is set out in Section 15 of this Prospectus.
- (e) The amount payable in full on application of the Issue Shares is RM0.25 per ordinary share.

#### 14. ADDITIONAL INFORMATION *(Cont'd)*

- (f) No amount or benefit has been paid or given within the two (2) years preceding the date of this Prospectus, nor is it intended to be so paid or given, to any Promoter except for dividends paid and any remuneration received in the course of employment as disclosed in Section 6.3.4 of this Prospectus.
- (g) Save as disclosed in this Prospectus, the Directors are not aware of any material information including trade factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect the profits of the Group.
- (h) Save as disclosed in this Prospectus, the financial conditions and business operations of the Group are not materially affected by any of the following:
  - (i) known trends or known demands, commitments, events or uncertainties that will result in or are reasonably likely to result in the Group's liquidity increasing or decreasing in any material way;
  - (ii) unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from the operations of the Group;
  - (iii) known trends or uncertainties that have had or the Group reasonably expects to have a material favorable or unfavorable impact on the revenues or operating income; and
  - (iv) material commitments for capital expenditure.
- (i) The Group has not established a place of business outside Malaysia.
- (j) As at 16 June 2005, the Group does not have any outstanding convertible debt securities.
- (k) During the FYE 31 December 2004 and/or the current financial year up to 16 June 2005 (being the latest practicable date prior to the printing of the Prospectus) there were no:
  - (i) public takeover offers by third parties in respect of the Company's shares; and
  - (ii) public takeover offers by the Company in respect of other company's shares.
- (l) There are no properties acquired or proposed to be acquired by Solution Group in contemplation of the Public Issue.

#### 14.5 Expenses and Commissions

Save as disclosed below, no commission, discounts, brokerage or other special terms has been paid or is payable by the Company within the two (2) years preceding the date of this Prospectus in connection with the issue or sale of any capital or debenture of the Group and no Director or Promoter or expert is or are entitled to receive any such payment:

- (a) Underwriting commission is payable by the Company to the Underwriters mentioned in Section 3.9 of this Prospectus at the rate of 2% of the Issue Price on the total number of Solution Shares underwritten which form the subject of this Prospectus.
- (b) 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.

**14. ADDITIONAL INFORMATION (Cont'd)**

- (c) 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.
- (d) The estimated expenses indicated for the Listing amounting to approximately RM1.3 million shall be borne by the Company.
- (e) No commission, discount, brokerage or other special terms have, within the two (2) preceding years of the date of this Prospectus, been paid or granted or is payable to any Promoter or Director for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscription for any shares in or debentures of the Company in connection with the issue of sale of any capital of the Company.

**14.6 Material Contracts**

Save as disclosed below, there were no other contracts (not being contracts entered into the ordinary course of business) which are or may be material which have been entered into by the Solution Group within the two (2) years preceding the date of this Prospectus.

- (1) Sale and Purchase Agreement dated 20 January 2004 between the SESB and Hing Fong Realty Sdn Bhd in respect of a piece of leasehold land held under H.S (M) 23157, PT No. 24403, Mukim Petaling, Daerah Petaling, Selangor Darul Ehsan. Pursuant to the Agreement, the Vendor agrees to sell a double storey detached factory situated on a piece of leasehold land held under H.S (M) 23157, PT No. 24403, Mukim Petaling, Daerah Petaling, Selangor Darul Ehsan having a postal address at No. 3, Jalan TPK 2/4, Taman Perindustrian Puchong, 47100 Puchong, Selangor Darul Ehsan to the Purchaser for a cash consideration of RM2,300,000.00. The consents of the State Authority in respect the sale and purchase and the creation of a charge over the said property in favour of Malayan Banking Berhad as security for monies borrowed to finance the said purchase were obtained on 4 March 2004 and 16 April 2004 respectively.
- (2) Sale and Purchase Agreement dated 28 June 2004 and Supplemental Agreement dated 30 April 2005 between the Vendors of SESB and Solution, whereby Solution shall acquire the entire equity interest of SESB comprising 1,000,000 ordinary shares of RM1.00 each for a purchase consideration of RM9, 252,105.00 to be satisfied by the issuance of 92,521,050 new Solution shares at an issue price of RM0.10 per Solution Share.
- (3) Underwriting Agreement dated 17 June 2005 between the Underwriters and Solution, whereby the Underwriters have agreed 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 at an underwriting commission of 2%.
- (4) Letter of Offer and Acceptance dated 3 June 2005 from the Placement Agent to Solution, whereby the Placement Agent has offered its services as the sole placement agent in respect of the public offering of 21,347,800 new ordinary shares of RM0.10 each to Malaysian investors by way of private placement, and Solution has accepted the offer from the Placement Agent based on the terms and conditions contained in the said Letter. According to the Letter, the placement fee is calculated at 2% of the total subscription price payable for investors identified and secured by the Placement Agent, and 1% of the total subscription price payable for investors identified and secured by Solution.



**14. ADDITIONAL INFORMATION (Cont'd)****14.7 Material Agreements**

Save as disclosed below, there are no material agreements subsisting as at 16 June 2005 (including but not limited to shareholders' agreements, agreements underlying the basis of Solution Group's business, supplier agreements, customer agreements and directors' service agreements) or informal arrangement or understanding entered into by Solution or its subsidiary-

- (1) Supply, Delivery, Installation and Commissioning of Equipment Contracts ("Supply Contracts") with the Government of Malaysia ("Government") as follows:
  - (a) Purchase Order No. 62620 dated 20 November 2003 from University Sains Malaysia to SESB to supply, deliver, install and commission a reactive distillation column to Pusat Pengajian Kejuruteraan Kimia Kampus Kejuruteraan USM, Seri Ampangan. The Purchase Order is worth RM170,300.00. The project was completed in 2004. However, as SESB provides a one (1) year warranty for equipment supplied, SESB's obligations thereunder are still subsisting.
  - (b) Agreement dated 5 January 2004 between the Government (Ministry of Human Resources) and SESB in relation to Supply, Delivery, Installation and Commissioning of Workshop Equipment at Industrial Training Institution of Malacca for SESB to supply Process Control Instrumentation Training System SOLTEQ/YOKOGAWA/Malaysia/Japan for one (1) year from the date of acceptance (being 23 December 2003) for a contract value of RM1,330,400. The product is to be delivered to Industrial Training Institution of Malacca by 22 June 2004. The project was completed on September 2004. However, as SESB provides a one (1) year warranty for equipment supplied, SESB's obligations thereunder are still subsisting.
- (2) Letter of Agreement dated 22 March 2003 from Kausar Corporation Sdn Bhd ("Kausar") to SESB appointing SESB to execute the works as its subcontractor in relation to the Supply, Delivery Installation, Commissioning, Testing and Training of Machineries/ Equipment for Laboratory for MICET, Taboh Naning, Alor Gajah Malacca. The time of delivery shall be in stages and shall be completed within nine (9) months from the receipt of the down payment. The contract amount is RM7,650,000.00 and shall be valid for a period of twenty four (24) months. SESB is required to provide a warranty of performance for a period of twenty four (24) months from the date of acceptance of the works together with a money back guarantee that all goods and products do not deviate from the specification. As SESB provides a one (1) year warranty for the equipment supplied, SESB's obligations thereunder are still subsisting even though the project was completed in September 2004. The project is pending completion of equipment training and handover.
- (3) Purchase Order No. 04-287 dated 9 October 2004 from Global Plus Solutions Sdn. Bhd. ("Global Plus") to SESB for the supply of SESB's products. The Purchase Order is valued at RM223,200.00.
- (4) Purchase Order No. 19009112004 dated 22 November 2004 from Universiti Teknologi Malaysia to SESB for the supply of SESB's products. The Purchase Order is valued at RM398,120.00.
- (5) Purchase Order No. 12400 dated 29 November 2004 from FRZ Scientific Sdn Bhd ("FRZ") to SESB for the supply of SESB's products. The purchase order value is for RM1,237,059.00. Sixty percent (60%) of the goods have been delivered, with the balance to be delivered at the end of July 2005.

**14. ADDITIONAL INFORMATION (Cont'd)**

- (6) Purchase Order No. EASB/PO038/2004 dated 24 December 2004 from Engenius Associated Sdn Bhd ("Engenius") to SESB for the supply of SESB's products. The Purchase Order is valued at RM1,507,339.88. SESB expects to deliver the products by September 2005.
- (7) Purchase Order no 12900 dated 3 January 2005 from FRZ to SESB for the supply of SESB's SOLTEQ products. The purchase order value is for RM1,289,658.60. SESB expects to complete the delivery of the products by June 2005.
- (8) Purchase Order No. 04-296 dated 7 April 2005 from Global Plus to SESB for the supply of SESB's products. The Purchase Order is valued at RM715,139.
- (9) Letter of Acceptance of tender dated 17 May 2005 from Universiti Teknologi Malaysia to SESB for the supply of SESB's products valued at RM559,375.00.
- (10) Purchase Order No. UNIM/SOL/001 dated 19 May 2005 from the University of Nottingham (Malaysia) to SESB for the supply of SESB's products. The Purchase Order is valued at RM200,201.00.
- (11) Life Insurance ("Excelife") (Keyman insurance) in respect of Lim Yong Hew taken with American International Assurance Company Limited for the insured sum of RM200,000.00, with a maturity date of 28 January 2060.
- (12) Group Hospitalisation Policy taken with Kurnia Insurans (Malaysia) Berhad covering eleven (11) key employees for a period of one year expiring on 18 November 2005. Each covered party's lifetime limit is RM60,000.00.
- (13) Burglary Insurance taken with Malaysian Assurance Alliance Berhad covering SESB's stock in trade, raw materials, office equipment and other property of SESB located at No.3, Jalan TPK 2/4, Taman Perindustrian Kinrara, 47100 Puchong, for the period from 21 May 2005 to 20 May 2006, for a coverage amount of RM200,000 for first loss and RM500,000 (full value).
- (14) Fire and Allied Peril Insurance policy taken with Malaysian Assurance Alliance Berhad to indemnify SESB against loss of or damage to the property insured, being No 11, Jalan 3A/2B, Taman Desa Bakti, 68100 Selayang, Kuala Lumpur. The sum insured is for the total of RM300,000 and the policy is valid from 26 May 2005 to 25 May 2006.

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## 14. ADDITIONAL INFORMATION *(Cont'd)*

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### 14.8 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.

### 14.9 Responsibility Statement

Aseambankers, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts about the Public Issue and Solution Group.

This Prospectus has been seen and approved by the Directors and the Promoters and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts the omission of which would make any statement in this Prospectus false or misleading.

### 14.10 Consent

- (a) The written consent of the Adviser, Sponsor, Managing Underwriter, Underwriters, Placement Agent, Sponsor, Principal Bankers, Solicitors, Share Registrar, Company Secretaries and Issuing House to the inclusion in this Prospectus of their names in the form and context in which such names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn;
- (b) The written consent of the Group's Auditors and Reporting Accountants to the inclusion in this Prospectus of their Accountants' Report and their letters relating to the Proforma Consolidated Balance Sheets as at 31 December 2004 in the manner and form in which they are contained in this Prospectus has been given before the issue of this Prospectus and have not subsequently been withdrawn.
- (c) The written consent of the Independent Market Researcher to the inclusion in this Prospectus of its name, extractions from and executive summary of the Independent Market Research Report and letter relating to the executive summary of the Independent Market Report in the form and context in which it is contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

### 14.11 Documents for Inspection

Copies of the following documents are available for inspection at the Registered Office of the Company during normal business hours for a period of twelve (12) months from the date of this Prospectus:

- (a) Memorandum and Articles of Association of Solution and SESB;
- (b) The Accountants' Report and Directors' Report as included in Sections 11 and 13 of this Prospectus, respectively;
- (c) The Reporting Accountants' Report relating to the Proforma Consolidated Balance Sheets as at 31 December 2004 of the Company as included in Section 10.8 of this Prospectus;
- (d) The letters of consent referred to in Section 14.10 of this Prospectus;

**14. ADDITIONAL INFORMATION (Cont'd)**

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- (e) Material contracts and material agreements referred to in Section 14.6 and 14.7 respectively of this Prospectus;
- (f) Declaration of the Advisers referred to in Section 8.2 of this Prospectus;
- (g) Audited financial statements of SESB for the past five (5) financial years; and
- (h) Independent Market Research Report prepared by Infocredit D&B dated 17 June 2005.

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