

## 6. INFORMATION ON SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT OF SOLUTION GROUP

### 6.1 Promoters

The details of the Promoters of Solution and their respective shareholdings before and after the Public Issues are as follows:

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 Shahrin bin Saparin	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

#### 6.1.1 Brief Profile on Promoters

Asides from Solvest, the following are the profiles of the Promoters of Solution:-

**Lim Yong Hew**, aged 46, is the founder and Group Managing Director of the Solution Group. He was appointed as the Group Managing Director of Solution on 28 May 2005. Mr. Lim graduated from Salford University in 1982 with a Bachelor of Engineering, Electrical Engineering (Hons) majoring in Control and Instrumentation. After graduation, Mr. Lim joined George Kent Malaysia as a Project Engineer. He was involved in the design, installation, hook-up and commissioning of building automation and security services. Projects in which he was involved whilst there include the Dayabumi Complex and Putra World Trade Centre. In 1985, Mr. Lim joined Foxboro Malaysia as a Sales Engineer, where he was responsible for the sales and application of process control instrumentation for the oil and gas, petrochemicals, palm oil, food and electronics industries. In 1988 he established SESB and took on the position of Managing Director. The growth and development of SESB is attributed to Mr. Lim's vision and business experience. He is currently responsible for sales and marketing activities, business activities and strategy, and the daily operations of SESB.

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**6. INFORMATION ON SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT OF SOLUTION GROUP (Cont'd)**

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**Lim Hai Guan**, aged 38, was appointed as an Executive Director of Solution on 28 May 2005. Mr. Lim graduated from Tuanku Abdul Rahman College in 1990 with a Diploma in Mechanical and Manufacturing Engineering. After graduation, Mr. Lim joined SESB as a Mechanical Engineer. In 1998, he was promoted to Project Manager. He is currently the Equipment Engineering Manager. As part of his duties, he monitors the works of installation, calibration, hook-up, fabrication, testing and commissioning of education equipment. He is also responsible for the process design and engineering calculations and preparation of teaching manuals and other related documentation.

**Mohd Shahrin bin Saparin**, aged 42, was appointed as an Executive Director of Solution on 28 May 2005. He graduated from University of Southern California (USA) in 1987 with a Bachelor of Science in Chemical Engineering. After graduation, he joined Lasera Systems Sdn. Bhd. as Sales and Project Engineer (Scientific Equipment Division) where he was responsible for the marketing of laboratory and scientific products to various local universities. He was subsequently appointed as a Project Engineer responsible for the management of supply of locally fabricated engineering education equipment to local universities. En. Mohd Shahrin joined SESB in 2000 as the R&D manager of the R&D Department. He oversees the activities of the R&D Department and is heavily involved in the software and equipment R&D works.

**Lim Chiou Kim**, aged 33, was appointed as an Executive Director of Solution on 28 May 2005. She graduated from Tuanku Abdul Rahman College in 1996 with a Bachelor of Science in Information Systems. After her graduation, she joined SESB in 1996 as a System Analyst. She was involved in the design and development of man-machine interface for automation systems and development of multimedia, real time systems for teaching and research, as well as the development of application software using Visual Basic and C++. In 2002, she was promoted to Software Engineering Manager, overseeing the design and development of e-Learning software.

**Zainuddin bin Muhamad**, aged 58, is currently the Non-Executive Director of SESB. He graduated from Technical Institute, Kuala Lumpur in 1966 with a certificate in Electrical Engineering. In 1966, whilst doing a part time course in Business Management in the Malaysian Institute of Management, En. Zainuddin joined the Chemical Company of Malaysia as Project Engineer, where he was involved in the installation and maintenance of process control instruments. En. Zainuddin subsequently joined Foxboro Malaysia, and became the General Manager there, where he was responsible for service, sales and application for a wide cross section of industries particularly that of the oil & gas and petrochemicals sector. After 14 years with Foxboro Malaysia, En. Zainuddin joined Protek International, an oil and gas design and engineering consultancy company. Subsequently, he joined Delcom Services as the Head of the Industrial Instrumentation Department. En. Zainuddin served as Chairman of SESB from 1988 to 2004.

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## 6. INFORMATION ON SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT OF SOLUTION GROUP (Cont'd)

### Information on Solvest

Solvest was incorporated as a private limited company in Malaysia on 27 December 2003. Solvest is principally an investment holding company. As at 16 June 2005, its authorised share capital is RM100,000 comprising of 100,000 ordinary shares of RM1.00 each, whilst its issued and paid up share capital is RM240 comprising 240 ordinary shares of RM1.00 each.

Details on the Directors of Solvest and their respective shareholding therein as at 22 June 2004 are as follows:

Director	Direct		Indirect	
	No. of shares	%	No. of shares	%
Lim Yong Hew	90	37.50	-	-
Lim Chiou Kim	75	31.25	-	-
Lim Hai Guan	75	31.25	-	-

### 6.1.2 Previous or Existing Directorships and Substantial Shareholdings in other Public Corporations

None of the Promoters of Solution have any previous or existing directorship or substantial shareholding in any other public corporation incorporated in Malaysia for the past 2 years preceding the date of this Prospectus.

## 6.2 Substantial Shareholders

The details of the Substantial Shareholders of Solution and their respective shareholdings before and after the Public Issue are as follows:

Name	Designation / Principal Activities	Nationality / Country of Incorporation	No. of Solution Shares Held				No. of Solution Shares Held			
			Before the Public Issue				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

## 6. INFORMATION ON SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT OF SOLUTION GROUP *(Cont'd)*

### 6.2.1 Brief Profile on Substantial Shareholders

**Lim Yong Hew** – Please refer to Section 6.1.1

**Lim Hai Guan** – Please refer to Section 6.1.1

**Lim Chiou Kim** – Please refer to Section 6.1.1

**Solvest** – Please refer to Section 6.1.1

### 6.2.2 Previous or Existing Directorships and Substantial Shareholdings in other Public Corporations

None of the Substantial Shareholders of Solution has any previous or existing directorship or substantial shareholding in any other public company incorporated in Malaysia for the past 2 years preceding the date of this Prospectus.

## 6.3 Directors

The Executive Directors of Solution Group are involved full time in the management of the Solution Group and they are not involved in the management of any other corporations outside the Group.

### 6.3.1 Brief Profile on Directors

**Datuk Dr. Syed Muhamad bin Syed Abdul Kadir**, aged 58, was appointed Chairman and Independent Non-Executive Director of Solution on 28 May 2005. He graduated with a Bachelor of Arts (Honours) from University of Malaya and later obtained his MBA from University of Massachusetts (USA) in 1977, and PhD in Business Management from Virginia Polytechnic Institute and State University (USA) in 1986. He also holds a Diploma in Management Science from the National Institute of Public Administration (INTAN) and a Certificate of Project Planning from University of Bradford (UK).

Datuk Dr. Syed Muhamad began his career in Government Service in the Prime Minister's Department in 1971 and moved to INTAN in 1973, where his last position was Deputy Director (Academic), Head Management Development Centre/ Programme Co-ordinator / Senior Project Officer. In 1988, he was attached to the Ministry of Education before moving to the Finance Division of the Federal Treasury in 1991, taking on the position as Deputy Secretary. From 1993 to 1997, Datuk Dr. Syed Muhamad served on the Board of Directors of the Asian Development Bank in Manila. In 1997, he returned to Malaysia and was attached to the Ministry of Finance, where the last position he held there was as the Deputy Secretary General. Datuk Dr. Syed Muhamad then served as Secretary General of the Ministry of Human Resource from the year 2000, before retiring from Government Service in 2003. He has served as a board member of several companies and organisations, including INTAN, the Employees Provident Fund and Telekom Malaysia Berhad. Datuk Dr. Syed Muhamad currently holds the position of Chairman of the Dagang Net group of companies. He is presently a director of several companies, including Bumiputra-Commerce Bank Berhad, Bumiputra-Commerce Finance Berhad, Bumiputra-Commerce Bank Berhad (Labuan), Malaysia Export Credit Insurance (MECIB) and Export-Import Bank (EXIM Bank).

**Lim Yong Hew** – Please refer to Section 6.1.1

## 6. INFORMATION ON SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT OF SOLUTION GROUP (Cont'd)

**Lim Hai Guan** – Please refer to Section 6.1.1

**Mohd Shahrin bin Saparin** – Please refer to Section 6.1.1

**Lim Chiou Kim** – Please refer to Section 6.1.1

**Low Wei Ngee**, aged 33, was appointed as an Independent Non-Executive Director of Solution on 28 May 2005. He graduated from Monash University, Australia in 1993 with a Bachelor of Business, Accounting. Mr. Low is presently a member of Malaysian Institute of Accountants and Chartered Public Accountant, Australia. Upon graduation, he joined Coopers & Lybrand (now known as PriceWaterhouseCoopers), Kuala Lumpur where he was involved in a variety of assignments including auditing accounting, merger & acquisition exercises, initial public offering exercises and company secretarial work. In 1997, Mr. Low then joined Waterfront Group and was in charge of finance and treasury operations of the Waterfront's hotel and casino respectively, in Cebu City, Philippines. In 1998, he joined Technology Park Malaysia Corporation Sdn Bhd, managing the portfolio of finance, treasury, venture capital and retail business. Mr. Low then founded Venus House Sdn Bhd in 2003, an MSC-status software house and he has since been the President / CEO of Venus House Sdn Bhd.

### 6.3.2 Directors' Shareholdings

The details of the Directors and their respective shareholdings in Solution before and after the Public Issue are as follows:

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:**

<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

## 6. INFORMATION ON SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT OF SOLUTION GROUP (Cont'd)

### 6.3.3 Directorships and Substantial Shareholdings in other Public Corporations for the past two (2) years

Save as disclosed below, none of the Directors hold any directorships and/or substantial shareholdings in other public corporations for the past two (2) years.

Name of Director	Name of Company	Period of Directorship	Principal Activities	No. of Shares Held as at 18 May 2005	
				Direct %	Indirect %
<b>Directorships</b>					
Datuk Dr. Syed Muhamad bin Syed Abdul Kadir	Bumiputra-Commerce Commercial Bank Berhad	9 April 2004 - present	Banking	=	=
	Bumiputra-Commerce Commercial Finance Berhad	9 April 2004 - present	Banking	=	=
	Bumiputra-Commerce Offshore Bank Berhad	9 April 2004 - present	Banking	=	=
	Malaysia Export Credit Insurance (MECIB)	23 September 2003 - present	Insurance	=	=
	Export-Import Bank (EXIM Bank)	23 September 2003 - present	Banking	=	=

### 6.3.4 Directors' Remuneration and Benefits

The remuneration paid to Directors for services rendered to the Group in all capacities was approximately RM374,831 for the FYE 31 December 2004.

The aggregate remuneration and benefits to be paid/payable to Directors are as follows:

FYE 31 December 2004		FYE 31 December 2005	
Remuneration Band	No. of Directors	Remuneration Band	No. of Directors
RM100,000 and below	2	RM100,000 and below	4
RM100,001 to RM200,000	2	RM100,001 to RM200,000	1
RM200,001 to RM300,000	-	RM200,001 to RM300,000	1

## 6. INFORMATION ON SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT OF SOLUTION GROUP (Cont'd)

### 6.4 Audit Committee

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

The main functions of the Audit Committee include the review of the audit plan and audit report with the Auditors, review of the Auditors' evaluation of internal controls, review of the scope of internal audit procedures, review of balance sheet and income statement and nomination of Auditors.

### 6.5 Key Management

The key management hereafter disclosed are involved full time in the management of the Solution Group and is not involved in the management of any other operations outside the Group.

#### 6.5.1 Profiles of the Key Management

The profiles of the key management of the Solution Group are summarised below:

**Lim Yong Hew** – Please refer to Section 6.1.1

**Lim Hai Guan** – Please refer to Section 6.1.1

**Mohd Shahrin bin Saparin** – Please refer to Section 6.1.1

**Lim Chiou Kim** – Please refer to Section 6.1.1

**Abu Bakar Ahmad Nasir** – aged 26, graduated from Purdue University (USA) in 2001 with a Bachelor of Science in Mechanical Engineering. After graduation, En. Abu Bakar joined Global Plus Solutions Sdn. Bhd. as a Mechanical Engineer and was responsible for planning and executing projects for engineering education for universities and colleges. In 2004, he was promoted to General Manager in charge of marketing and business development. En. Abu Bakar was employed as the Sales and Marketing Manager of Solution Engineering Sdn Bhd in April 2005. His current duties include identifying new business opportunities arising from both local and overseas markets. En. Abu Bakar is also responsible for developing an international network of sales agents, particularly in South East Asia and the Middle East.

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## 6. INFORMATION ON SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT OF SOLUTION GROUP (Cont'd)

### 6.5.2 Shareholdings of the Key Management

The shareholdings of the key management of the Solution Group before and after the Public Issue are as follows:

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

### 6.6 Relationship between Substantial Shareholders, Promoters, Directors and Key Management

- (i) Lim Yong Hew is the uncle to Lim Hai Guan and Lim Chiou Kim. Further, Lim Hai Guan and Lim Chiou Kim are siblings.
- (ii) Solvest is a substantial shareholder of Solution. Lim Yong Hew, Lim Hai Guan and Lim Chiou Kim own and control the entire equity interest of Solvest.

Save for the above, none of the Substantial Shareholders, Promoters, Directors and key management of the Group are related to or have associations with one another.

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**6. INFORMATION ON SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT OF SOLUTION GROUP (Cont'd)**

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**6.7 Declarations from the Substantial Shareholders, Promoters, Directors and Key Management**

None of the Directors, Substantial Shareholders, Promoters and key management or person nominated to become a Director or key management is or has been involved in any of the following events:

- (a) a petition under any bankruptcy or insolvency laws filed against such person or any partnership in which he was or is a partner or any corporation of which he was or is a director or key management;
- (b) a conviction in a criminal proceeding or is a named subject of a pending criminal proceeding; or
- (c) being the subject of any order, judgment or ruling of any court, tribunal or government body of competent jurisdiction permanently or temporarily enjoining him from acting as an investment adviser, dealer in securities, director or employee of a financial institution and engaging in any type of business practice or activity.

**6.8 Management Service Contract**

As at the date of this Prospectus, none of the Directors, key management or technical personnel of the Company has any current or proposed service contracts with the Group.

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## 7. APPROVALS AND CONDITIONS

### 7.1 Approvals of Relevant Authorities

The SC had approved the Listing of Solution (as set out in Section 5.3 of this Prospectus) vide their letter dated 29 March 2005 under Section 32(5) of the SC Act (1993) and the FIC's Guidelines on Acquisitions, Mergers and Take-Overs by Local and Foreign Interests.

The abovementioned SC approval is subject to the following conditions:

	Details of SC Approval Condition Imposed	Status of Compliance																																			
i)	Aseambankers/Solution should inform the SC on the appointment of Independent Directors and to provide confirmation that they qualify as Independent Directors as defined in the Listing Requirements;	Complied via Solution's letter to the SC dated 17 June 2005.																																			
ii)	<p>The promoters of Solution should adhere to the moratorium conditions on the disposal of Solution shares as stated in Paragraph 2.0 of the Listing Requirements. The list of promoters and their respective shareholdings held under moratorium are as follows:</p> <table border="1"> <thead> <tr> <th></th> <th>No. of Solution shares held after Listing</th> <th>%</th> <th>No. of Solution shares to be held under moratorium</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Lim Yong Hew</td> <td>46,260,525</td> <td>36.56</td> <td>23,305,557</td> <td>18.42</td> </tr> <tr> <td>Lim Hai Guan</td> <td>13,878,158</td> <td>10.97</td> <td>6,854,575</td> <td>5.42</td> </tr> <tr> <td>Mohd Shahrin bin Saparin</td> <td>5,551,263</td> <td>4.39</td> <td>2,741,830</td> <td>2.17</td> </tr> <tr> <td>Lim Chiou Kim</td> <td>2,775,630</td> <td>2.19</td> <td>1,370,914</td> <td>1.08</td> </tr> <tr> <td>Zainuddin bin Muhamad</td> <td>925,211</td> <td>0.73</td> <td>456,972</td> <td>0.36</td> </tr> <tr> <td>Solvest</td> <td>22,205,052</td> <td>17.55</td> <td>22,205,052</td> <td>17.55</td> </tr> </tbody> </table>		No. of Solution shares held after Listing	%	No. of Solution shares to be held under moratorium	%	Lim Yong Hew	46,260,525	36.56	23,305,557	18.42	Lim Hai Guan	13,878,158	10.97	6,854,575	5.42	Mohd Shahrin bin Saparin	5,551,263	4.39	2,741,830	2.17	Lim Chiou Kim	2,775,630	2.19	1,370,914	1.08	Zainuddin bin Muhamad	925,211	0.73	456,972	0.36	Solvest	22,205,052	17.55	22,205,052	17.55	To be complied.
	No. of Solution shares held after Listing	%	No. of Solution shares to be held under moratorium	%																																	
Lim Yong Hew	46,260,525	36.56	23,305,557	18.42																																	
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Zainuddin bin Muhamad	925,211	0.73	456,972	0.36																																	
Solvest	22,205,052	17.55	22,205,052	17.55																																	
iii)	Solution should disclose in its prospectus the Company's consolidated financial accounts assuming it had used the acquisition method for the acquisition of Solution and to explain the rationale for adopting the merger method. Solution should also explain in its prospectus the differences arising from these two methods;	Complied as disclosed in Section 11.8 in the Accountants' Report and Section 10.9 of this Prospectus.																																			

## 7. APPROVALS AND CONDITIONS (Cont'd)

	Details of SC Approval Condition Imposed	Status of Compliance
iv)	<p>With regard to the trade debtors and creditors, Solution is required to:</p> <p>a) Fully disclose the trade debtors and creditors position, ageing analysis and comments by its directors on the recoverability of trade debtors and treatment of its creditors exceeding the credit period in its Prospectus;</p> <p>b) Make full provision for all overdue trade debtors (if any), which are in dispute or under legal action, or for amounts, which have been outstanding for more than 6 months (if any). The directors of Solution should confirm to the SC that this condition has been complied with prior to issuance of the Prospectus; and</p> <p>c) The directors of Solution should submit a declaration to the SC that trade debtors exceeding the credit period which have not been provided for as doubtful debts, excluding those under paragraph (b) above, are recoverable;</p>	<p>Complied as disclosed in Section 11.5.6 and 11.5.10 in the Accountants' Report and Section 10.10 of this Prospectus.</p> <p>The Directors of Solution have confirmed that there are no overdue trade debtors which are in dispute or under legal action vide their letter dated 9 June 2005.</p> <p>The SC has vide its letter dated 28 June 2005 waived the requirement to make full provision for any amounts outstanding for more than 6 months, subject to the conditions detailed in (xiii) below.</p> <p>Complied as per the abovementioned letter dated 9 June 2005.</p>
v)	Aseambankers/Solution should disclose the status of utilisation of proceeds in its quarterly and annual reports until the proceeds are fully utilised;	To be complied.
vi)	The Solution Group should release its bank guarantee facilities utilised by third party before the issuance of its Prospectus;	Solution had written to the SC to seek a waiver from this condition. The waiver was approved by the SC vide its letter dated 15 June 2005, subject to the conditions detailed in (xii) below.
vii)	Aseambankers/Solution should disclose in its Prospectus the relationship between Aseambankers, Solution and Malayan Banking Berhad, and Aseambankers should confirm that there is no conflict of interest in its capacity as the adviser for the proposals;	Complied as disclosed in Section 8.2 of the Prospectus.

## 7. APPROVALS AND CONDITIONS (Cont'd)

	<b>Details of SC Approval Condition Imposed</b>	<b>Status of Compliance</b>
viii)	With regard to the new Solution shares to be allocated by way of private placement, Aseambankers/Solution should submit to the SC the list of places upon completion of the proposals;	To be complied.
ix)	Aseambankers/Solution should inform the SC upon the completion of the proposals;	To be complied.
x)	Aseambankers/Solution should ensure that all provisions under the Listing Requirements are complied with;	To be complied.
xi)	Solution should obtain relevant approvals from other authorities if any, with regard to the proposals; and	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.
xii)	As per the SC letter dated 15 June 2005, Solution is to disclose in full in the Prospectus the following information: <ol style="list-style-type: none"> <li>1) Detailed information in relation to the bank guarantees provided to third parties, including the identities of the third parties, the amount of the bank guarantees as well as the rationale for the said bank guarantees; and</li> <li>2) The steps that have been or/will be taken to minimise the financial risks relating to the provision of bank guarantees by the Solution Group to third parties.</li> </ol>	Complied, as disclosed in Section 10.5.4 of this Prospectus
(xiii)	As per the SC letter dated 28 June 2005, Solution is to comply with the following conditions: - <ol style="list-style-type: none"> <li>1) The promoters of Solution are required to repay the Company, amounts owing by the trade debtors of Solution which are overdue if the debts are not recovered within a period of one (1) year from the date of listing of Solution on the MESDAQ Market of Bursa Securities. The promoters of Solution are required to give letters of undertaking in relation to the above to the SC prior to the issuance of Solution's listing Prospectus.</li> <li>2) Full disclosure is to be made in the listing Prospectus of Solution in relation to the reasons why full provision is not made for the trade debts exceeding more than six (6) months together with the comments by the Directors of Solution on the recoverability of these debts.</li> </ol>	The promoters of Solution have given their letter of undertaking dated 28 June 2005 to the SC.  Complied, as disclosed in Section 10.10 of this Prospectus.

## 7. APPROVALS AND CONDITIONS (Cont'd)

### 7.2 Moratorium on Disposal of Shares

Pursuant to the Listing Requirements, the Substantial Shareholders and Promoters will not be allowed to sell, transfer or assign their shareholdings amounting to 45% of the nominal issued and fully paid-up capital of Solution within one (1) year from the date of admission of Solution on the Official List of the MESDAQ Market.

The moratorium means that certain shareholders of Solution are not allowed to sell, transfer or assign the shares under moratorium within one (1) year from the date of admission of Solution to the Official List of the MESDAQ Market. Thereafter they are permitted to sell, transfer or dispose of up to a maximum of one third per annum of their respective shareholdings under moratorium on a straight-line basis.

The restriction, which is fully accepted by the Substantial Shareholders and Promoters, is specifically endorsed on the notices of allotment and share certificates representing the respective shareholdings of the aforementioned which are under moratorium to ensure that Solution's Share Registrar do not register any transfer not in compliance with the restriction imposed by the Bursa Securities.

Information on Promoters under the Moratorium are as follows:

Promoters	Shareholding upon listing			Shares placed under moratorium		
	No. of shares	% of Promoters' interest	% of enlarged share capital	No. of shares	% of Promoters' interest	% of enlarged share capital
Lim Yong Hew *	46,960,525 <sup>^</sup>	50.07	37.12	23,305,557	40.93	18.42
Lim Hai Guan *	14,578,158 <sup>^</sup>	15.54	11.52	6,854,575	12.04	5.42
Mohd Shahrin bin Saparin	5,651,263 <sup>^</sup>	6.03	4.47	2,741,830	4.82	2.17
Lim Chiou Kim *	3,475,630 <sup>^</sup>	3.71	2.75	1,370,914	2.41	1.08
Zainuddin bin Muhamad	925,211	0.99	0.73	456,972	0.80	0.36
Solvest	22,205,052	23.67	17.55	22,205,052	39.00	17.55
	<b>93,795,839</b>	<b>100.00</b>	<b>74.14</b>	<b>56,934,900</b>	<b>100.00%</b>	<b>45.00</b>

*Notes:*

\* Substantial shareholder 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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## **8. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST**

### **8.1 Related Party Transactions**

#### **8.1.1 Promotion of Material Assets**

None of the Directors, Promoters, Substantial Shareholders and/or key management staff of the Solution Group have interest, directly or indirectly, in the promotion of or in any material assets which have, within the two (2) years preceding the date of this Prospectus, been acquired or proposed to be acquired or disposed of or proposed to be disposed of by or leased or proposed to be leased to the Solution Group.

#### **8.1.2 Interest in Material Contracts or Arrangements**

Save for the following transactions, none of the other Directors and/or the substantial shareholders and/or key management staff personnel of the Solution Group has any material interest in any contract or arrangement which is significant in relation to the business of the Group and subsisting as at 16 June 2005: -

- (i) Global Plus Solutions Sdn Bhd ("Global Plus") has partnered Solution in securing contracts since 1997, with SESB playing the role of primary technology provider. SESB has also assisted Global Plus in fulfilling their obligations to furnish performance bonds for their projects in respect of which Solution Group is a supplier of products to Global Plus, by availing its bank guarantee facilities to Global Plus. The relationship between the Company and Global Plus is as follows:-
  - a. Lim Chiou Kim, a director and substantial shareholder of Solution was previously a director and substantial shareholder of Global Plus commencing 29 May 1998. She ceased to be a director and substantial shareholder of Global Plus from 17 March 2004;
  - b. Norhani binti Musa is the wife to Mohd Shahrin bin Saporin, a director and shareholder of Solution. She was previously a director and substantial shareholder of Global Plus commencing 30 June 2000 and 7 August 2000 respectively. She ceased to be a director and substantial shareholder of Global Plus from 17 March 2004.
  - c. The relevant bank guarantee is a Third Party Bank Guarantee dated 8 May 2003 for the amount of RM99,727.05 (due to expire on 24 June 2005).

The bank guarantee set out above will be cancelled upon completion of the relevant projects, and if required, any renewal of the same will be carefully considered by the Directors.

The Company has taken steps as detailed in Section 10.5.4 of this Prospectus to mitigate any financial risks arising from the above.

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**8. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (Cont'd)****8.1.3 Transactions that are Unusual in their Nature or Conditions**

To the best knowledge and belief of the Directors, they are not aware of any transactions that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which the Solution Group was a party in respect of the past one (1) financial year and the subsequent financial period thereof, immediately preceding the date of this Prospectus.

**8.1.4 Conflicts of Interest in Similar Business**

None of the Directors, Promoters, Substantial Shareholders and key management staff of the Solution Group have any interest, direct or indirect in any business carrying on a similar trade as the Solution Group.

**8.1.5 Loans (including Guarantees of Any Kind) Made by the Solution Group to the Related Parties**

As at 16 June 2005, there are no outstanding loans (including guarantees of any kind) made by the Solution Group to its related parties.

**8.2 Declaration of Advisers**

Malayan Banking Berhad ("MBB"), as the holding company of Aseambankers, has extended the following credit facilities to the Solution Group:

<b>Facilities to SESB</b>	<b>Approved Amount RM</b>	<b>Outstanding Balance as of 16 June 2005 RM</b>
Overdraft	500,000	271,063.36
Letter of Credit/Trust Receipts/Bank Guarantee	2,620,000	LC: 1,116,624.29 TR: 260,698.00 - BG: 736,483.90 BA : 100,000.00
Foreign Exchange Contract	600,000	109,915.01
Bank Guarantee	858,832	
Letter of Credit Murabahah/Murabahah Trust Receipts	4,991,168	-
Term Loan	1,600,000	1,475,860.46

*Note:*

*The amount outstanding by SESB to the MBB group as at 16 June 2005 of RM4,070,645.02 represents 0.028% of the MBB group's shareholders funds as at 30 June 2004 (being its latest audited accounts) of RM14,623,436,000.*

RM600,000 from the proceeds of the Public Issue is intended to be utilised to part settle the term loan owing to MBB.

Solution has confirmed that there were no prior arrangements made with MBB to utilise proceeds from the Public Issue towards retiring the banking facilities provided and that the granting of the banking facilities were not conditional upon the same. Aseambankers hereby confirms that there are no conflicts in its capacity as the Adviser, Sponsor, Managing Underwriter and Placement Agent for the Listing.

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**8. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (Cont'd)**

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Messrs Zain & Co has given their confirmation that there are no existing or potential conflicts of interest in its capacity as the Solicitors for the Listing.

Messrs Ernst & Young has given their confirmation that there are no existing or potential conflicts of interest in their capacity as Auditors and Reporting Accountants for the Listing.

**8.3 Audit Committee Review**

The Audit Committee reviews any related party transaction and conflict of interest that may arise within the Solution Group. The Audit Committee periodically reviews the procedures set by the Company to monitor related party transactions to ensure that these transactions are carried out on normal commercial terms not more favourable to the related party than those generally available to the third parties dealing at arm's length and are not to the detriment of the Company's minority shareholders. All reviews by the Audit Committee are reported to the Board of Directors of the Company for its further action.

The composition of the Audit Committee conforms to paragraph 15.10 of the Listing Requirements and comprises three members, the majority of whom are independent. Refer to Section 6.4 of this Prospectus for details of the Audit Committee.

**8.4 Changes in Shareholders and Shareholdings for the Past Three (3) Years**

Save as disclosed in Sections 5.2 and 5.3 of this Prospectus, there are no changes to the shareholders and shareholdings of Solution since the date of incorporation.

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## 9. OTHER INFORMATION ON SOLUTION

### 9.1 Approvals, Major Licences and Permits

Solution's sole subsidiary company, SESB, was granted MSC status on 6 December 1999. As an MSC Status company SESB enjoys "Pioneer Status" allowing the company to enjoy tax relief. Upon its expiry 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. Some salient terms and conditions of the MSC status are as follows:-

Type	Issued By	Latest Issue Date	Salient conditions imposed	Status of compliance
<b>SESB</b> MSC Status Certificate	Multimedia Development Corporation ("MDC")	6 December 1999	Vide letter from MDC dated 24 December 1999, Section A - General Conditions:-	
			(i) Complete business registration of the proposed entity within one month from the date of the letter, commence operations of and undertake the MSC qualifying Activities as proposed to and accepted by MDC in the Application Documents within six (6) months from the date of the letter and thereafter continue with such business unless otherwise approved by MDC. Any changes proposed to the Qualifying Activities must receive the consent of MDC.	Met
			(ii) Locate the MSC-status company's headquarters and principal place of business and/or the operation of the MSC qualifying Activities within MSC designated cybercities not later than 8 July 2000 or such other date as may be stipulated by MDC.	Met
			(iii) Ensuring that at all times at least 15% of the total number of employees (excluding staff support) of the MSC status company shall be "knowledge workers" (as defined by MSC).	Met
			(iv) Continuously comply with the MSC's environmental guidelines as determined by MDC from time to time; and	Met
			(v) Submit a copy of the company's Annual Report and Audited Statements in parallel with submission to the Registrar of Companies.	Met
Contractor's Certification	Ministry of Finance, Malaysia	27 March 2004	The Company shall ensure that the fields of work registered in this Certificate do not overlap with fields of work approved for any other company that has the same owner/director and management as the Company.	Met

**9. OTHER INFORMATION ON SOLUTION (Cont'd)**

Type	Issued By	Latest Issue Date	Salient conditions imposed	Status of compliance
Contractor's Certification for Additional Fields of Work	Ministry of Finance, Malaysia	15 October 2004	Same as per original certificate.	Met
Contractor's Certification for Additional Fields of Work	Ministry of Finance, Malaysia	3 November 2004	Same as per original certificate.	Met
Pioneer Status Certificate	MITI	1 January 2005	Renewal is subject to confirmation that the company has complied with the conditions attached to the MSC Status approval.	Met

**9.2 Transaction in the Acquisition of a Property**

On 20 January 2004, SESB entered into a Sale and Purchase Agreement with Hing Fong Realty Sdn. Bhd. relating to the acquisition of a double story detached factory, situated on a piece of leasehold land held under HS(M) 23157 PT No. 24403 Mukim Petaling, Daerah Petaling, Selangor Darul Ehsan, having the postal address of No. 3, Jalan TPK 2/4, Taman Perindustrian Kinrara, Puchong, 47100 Selangor Darul Ehsan, for a cash consideration of RM2.3 million. The said acquisition was completed on 29 July 2004.

Save as disclosed above, there were no other acquisitions of properties by the Solution Group during the two (2) years preceding the date of this Prospectus.

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**9. OTHER INFORMATION ON SOLUTION (Cont'd)****9.3 Information on Landed Properties Owned by the Solution Group**

The following sets out the details of the two properties owned by Solution:-

<b>PARTICULARS OF THE LANDED PROPERTIES</b>		
<b>Description /Address</b>	A three storey shop office situated on a piece of leasehold land held under PN18656 Lot No. 45961, Mukim Batu, Daerah Kuala Lumpur, Wilayah Persekutuan (previously held under HS(D) 53821 PT 7172, Mukim Batu, Daerah Kuala Lumpur, Wilayah Persekutuan) with the postal address of Lot 11, Ground Floor (11G), First Floor (11-1) and Second Floor (11-2), Jalan 3A/2B, Taman Desa Bakti, Salayang 68100, Kuala Lumpur, Wilayah Persekutuan	A double storey detached factory situated on a piece of leasehold land held under H.S.(M) 23157, P.T. No. 24403, Mukim Petaling Daerah Petaling, Negeri Selangor Darul Ehsan, with a postal address of No. 3, Jalan TPK 2/4, Taman Perindustrian Kinrara, 47100 Puchong, Selangor Darul Ehsan
<b>Owner</b>	SESB	SESB
<b>Age of Building (Years)</b>	2	9
<b>Tenure / Expiry</b>	Leasehold for 99 years. Expiring 21 May 2086.	Leasehold for 99 years. Expiring 18 January 2093.
<b>Existing Use</b>	Currently leased out for use as a shoplot and office.	Currently used by SESB as its Equipment Demonstration and Training Centre. The factory also houses Solution's Equipment R&D Department, Design & Engineering Department, Sales &, Marketing Department, Finance & Administration Department and the Customer Support and Services Department.
<b>Land Area</b>	143.07 sq mt	1,733.70 sq mt
<b>Built Up Area</b>	340.21 sq mt	1,176.00 sq mt
<b>Audited Net Book Value/Cost</b>	RM601,404 / RM650,000 as per audited accounts dated 31 December 2004.	RM2,286,824 / RM2,300,000 as per audited accounts dated 31 December 2004.
<b>Status of Certificate of Fitness or Occupational Certificate</b>	The property is in compliance with building regulations with the Certificate of Fitness for Occupation, dated 26 June 2003.	The property is in compliance with building regulations with the Certificate of Fitness for Occupation, dated 29 January 1996.
<b>Restrictions-in-interest of the property</b>	The transfer of interest of the property is restricted to the extent that it may not be transferred, leased or charged without the consent of the Land Executive Council, Kuala Lumpur. It is a condition of title to the property that the building erected thereon must only be used as a shoplot.	There is a restriction of interest on the property requiring the State Authority's consent to any transfer or charge of the property.
<b>Encumbrances</b>	The property is presently charged to Malayan Banking Berhad under Presentation No. 7479/94 and 3524/2001 for loan facilities granted to SESB.	The property is presently charged to Malayan Banking Berhad under Presentation No. 5029/2004 for loan facilities granted to SESB.

There will not be any incorporation of revaluation surplus pursuant to any valuation undertaken on the Group's properties in respect of the listing exercise.

## 10. FINANCIAL INFORMATION

### 10.1 Proforma Revenue and Profit Records

The following table sets out a summary of the proforma revenue and profit records of the Solution Group for the past five (5) FYE 31 December 2004. This summary has been extracted from the Accountants' Report as set out in Section 11 of this Prospectus and prepared based on the assumption that the Group has been in existence throughout the period under review. The proforma consolidated results have been prepared for illustrative purposes and should be read in conjunction with the accompanying notes and assumptions thereto as included in the Accountants' Report.

	< ----- 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
Cost of sales	(4,649,097)	(3,983,501)	(4,353,866)	(15,418,940)	(9,061,053)
Gross profit	1,556,985	2,033,182	3,686,553	5,200,608	4,291,992
Other operating income	40,770	47,610	56,958	108,812	128,676
Operating costs	(671,449)	(814,277)	(862,373)	(1,664,802)	(1,716,395)
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 <sup>+</sup>	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) <sup>^</sup>	0.01	0.01	0.03	0.04	0.03
Net earnings per share (RM) <sup>~</sup>	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	-

\*\* The tax expenses for the financial years under review were in respect of interest income earned from fixed deposits and rental income as SESB currently enjoys a 100% tax exemption on its statutory income under the MSC status financial incentive, which is valid until 31 December 2009. Further details on the taxation are set out in Section 11.4.2.4 of this Prospectus.

+ There were no minority interests for all the years under review.

# The number of ordinary shares after the Acquisition but before the completion of the Public Issue.

^ The Gross EPS has been calculated by dividing the PBT by the number of shares.

~ The Net EPS has been calculated by dividing the PAT by the number of shares.

## 10. FINANCIAL INFORMATION (Cont'd)

## 10.2 Segmental Analysis of Proforma Consolidated Revenue and Profit

## 10.2.1 Analysis of Revenue by Products

Products	2000		2001		2002		2003		2004	
	RM	%	RM	%	RM	%	RM	%	RM	%
<u>Core activities:</u>										
Process Control	-	-	44,820	0.74	2,316,486	28.81	8,470,671	41.08	1,544,856	11.57
Heat Transfer & Thermodynamics	179,124	2.89	495,025	8.23	2,399,897	29.85	842,767	4.09	1,268,404	9.50
Fluid Mechanics	263,709	4.25	146,296	2.43	107,000	1.33	555,782	2.70	305,735	2.29
Environmental Engineering	-	-	-	-	30,532	0.38	705,800	3.42	143,057	1.07
Reaction Engineering & Biotechnology	104,700	1.69	384,709	6.39	138,509	1.72	326,150	1.58	-	-
Automation & Advanced Manufacturing	283,200	4.56	998,000	16.59	581,800	7.24	-	-	1,013,957	7.59
Wood Technology	364,694	5.88	-	-	818,858	10.18	443,316	2.15	-	-
Building Services	247,920	3.99	9,520	0.16	12,400	0.15	265,330	1.29	32,000	0.24
Unit Operation	150,400	2.42	206,687	3.44	490,381	6.10	2,803,607	13.60	7,470,896	55.95
<b>Sub-Total</b>	<b>1,593,746</b>	<b>25.68</b>	<b>2,285,057</b>	<b>37.98</b>	<b>6,895,863</b>	<b>85.76</b>	<b>14,413,423</b>	<b>69.91</b>	<b>11,778,905</b>	<b>88.21</b>
<u>Others (non-core):</u>										
Trading & Services	17,897	0.29	13,726	0.23	34,250	0.43	48,598	0.23	944,834	7.08
IT & Automation Systems	4,570,688	73.65	947,262	15.74	899,513	11.19	6,092,457	29.55	610,515	4.57
Miscellaneous	23,750	0.38	2,770,638	46.05	210,793	2.62	65,070	0.31	18,791	0.14
<b>Total</b>	<b>6,206,082</b>	<b>100.00</b>	<b>6,016,683</b>	<b>100.00</b>	<b>8,040,419</b>	<b>100.00</b>	<b>20,619,548</b>	<b>100.00</b>	<b>13,353,045</b>	<b>100.00</b>

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## 10. FINANCIAL INFORMATION (Cont'd)

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### 10.3 Overview of Revenue and PBT

The overview of the Group's turnover and PBT is as follows:

#### (i) FYE 31 December 2000

The significant increase in turnover of 141% was largely due to SESB securing more projects from institutes of higher learning, as well as larger projects from the MOE. The Solution Group benefited from funds made available to institutes of higher learning under the government of Malaysia's year 2000 Budget.

In total, major projects secured by Solution in FYE 2000 from the MOE and institutes of higher learning, amounted to approximately RM1.5million.

Furthermore, the significant increase was also due to contribution from a jointly controlled operation in which Solution entered into a joint venture with Kawalan Cecair Sdn Bhd ("KCSB") to undertake a multimedia and information technology project in Bukit Jalil. This jointly controlled project contributed approximately 49% to the total turnover.

Solution's gross profit margin decreased by 10.8% due to the lower margin earned from the jointly controlled project with KCSB. As the jointly controlled project also involved the provision of non-core business activities, higher costs were incurred for outsourcing of services causing the low profit margin.

The slight decrease in operating profit margin of approximately 4% was mainly due to the low gross profit margin caused by the jointly controlled project with KCSB as previously explained. Concurrently, operating costs increased in a less than proportionate quantum with the increase in revenue.

The increase in operating costs was largely due to an increase in Directors' emoluments, salaries, wages and allowances, membership fees and professional fees incurred. These expenses were less substantial in FYE 1999.

#### (ii) FYE 31 December 2001

The Malaysian Government's focus on information technology and education improvement continued in 2001 where more funds were allocated to build 3 new polytechnics and 4 new universities under the 2001 Budget. This contributed a threefold increase in the company's revenue in respect of projects secured from the MOE.

In particular, projects with the Politeknik Kota Kinabalu and the Kementerian Pertahanan Malaysia (involving Automation and Advanced Manufacturing) contributed approximately RM2.5million and RM928,000, respectively to Solution's turnover.

However, the above increase was offset by the decrease in revenue from the jointly controlled operation as the project was substantially completed in 2000. This caused the overall revenue in FYE 2001 to decrease by 3%.

The gross profit margin of Solution returned to its normal range of between 32% and 40% in 2001, mainly due to the completion of the jointly controlled project and thus, bigger focus was given on Solution's core activities, which generate higher profit margins.

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**10. FINANCIAL INFORMATION (Cont'd)**

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The increase in operating profit margin was expected with the completion of the jointly controlled project as previously mentioned, and was further offset by the increase in operating costs, despite the decrease in revenue. The increase in operating costs was mainly due to the increase in directors' emoluments and staff expenses.

**(iii) FYE 31 December 2002**

The increase in turnover is attributed to the continuing and growing demand for educational engineering equipment by both existing and new education institutions. This demand was to a large extent supported by the continuing availability of funds from the MOE under the government of Malaysia's 2002 budget.

In FYE 2002, the effect of concentration on the core activities became more evident as shown by the decrease in the percentage of revenue of non-core activities from 63% in 2001 to 15% in 2002.

In particular, revenue from process control and heat transfer and thermodynamics activities increased by more than 700% in comparison to FYE 2001. This increase was mainly due to projects secured from the Malaysian Institute of Chemical Engineering Technology, Akademi Laut Malaysia and Politeknik Port Dickson, totalling an amount of approximately RM3.4 million.

In addition, the Company also manage to secure a contract amounting to approximately RM820,000 from Politeknik Kota Kinabalu involving wood technology activities.

The increase in operating profit margin was mainly due to the high gross profit margins secured from the abovementioned projects, while operating costs remained fairly consistent with the previous year.

FYE 2002 also saw a significant increase in the finance costs mainly due to the high utilisation of bank guarantees, trust receipts and bankers' acceptances facilities.

**(iv) FYE 31 December 2003**

The government of Malaysia's continued support via larger funds allocation for improvement of the education sector remained the main reason for the increase in revenue.

The significant increase in revenue was also due to contribution from a jointly controlled operation in which Solution entered into with Maritime & Industrial Engineers Sdn Bhd ("MIESB"), to undertake a multimedia and information technology project. This jointly controlled operation contributed approximately 21% to the total revenue.

The Company continued to focus on their core activities, namely process control and heat transfer and thermodynamics, which in total contributed approximately RM9.3 million (FYE 2002: RM4.7 million) to the revenue during the financial year. The main projects contributing to revenue involved contracts with Universiti Teknologi Petronas, bringing in the total revenue of approximately RM8.12 million.

The significant increase in revenue is also explained by the contribution from a jointly controlled operation between Solution and MIESB in undertaking a multimedia and information technology project. This jointly controlled operation, involving IT & Automation Systems under the Company's non-core activities, contributed approximately 21% to the total revenue.

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## 10. FINANCIAL INFORMATION (Cont'd)

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The decrease in the operating profit margin was largely due to the significant increase in operating costs from the previous year. The increase in operating costs was largely due to a substantial increase in directors' remunerations and staff costs. Further, approximately RM78,000 worth of bad debts were written off in FYE 2003.

(v) **FYE 31 December 2004**

FYE 31 December 2004 was a year of consolidation and not many new projects were tendered out as a result.

To overcome the slowdown, the Company allocated more of its resources to focus efforts in its core business. For FYE 31 December 2004, the Company achieved a turnover of approximately RM13.4 million as compared to RM20.6 million in 2003. This represents a reduction of approximately 35%. For 2004, approximately 88% of the total turnover was derived from its core business as compared to approximately 70% in year 2003. The turnover is mainly as a result of project secured from Malaysian Institute of Chemical Engineering Technology, Universiti Sains Malaysia and Jabatan Tenaga Rakyat. In addition, the overseas sales has increased to approximately RM526,587 in 2004 (2003: RM60,156).

This also resulted in an increase in the gross profit margin from approximately 25% in year 2003 to approximately 32% in year 2004.

With prudent control and planning on operating expenses and ahead planning under a challenging business environment, the Company managed to maintain its net profit margin at 18% (2004: 17%), to achieve net profit after taxation of approximately RM2.4 million. (2004: RM3.4 million).

### 10.4 Directors' Declaration on Financial Performance

Save as disclosed in this Prospectus, as at 16 June 2005, (being the latest practicable date prior to the issuance of this Prospectus), the financial conditions and operations of the Solution Group are not affected by any of the following:

- (i) known trends, demands, commitments, events or uncertainties that have had or that the Group reasonably expects to have a material favourable or unfavourable impact on financial performance, position and operations of the Solution Group;
- (ii) material commitment for capital expenditure;
- (iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of the Solution Group; and
- (iv) known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical financial statements not indicative of future financial performance and position.



**10. FINANCIAL INFORMATION (Cont'd)****10.5 Working Capital, Borrowings, Material Capital Commitments, Material Contingent Liabilities and Material Litigations****10.5.1 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.

**10.5.2 Borrowings**

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

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

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.

**10.5.3 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.

**10.5.4 Material Contingent Liabilities**

Save for RM1,853,108 in respect of indemnity provided 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.

Included in the amount stated above are bank guarantees provided to third parties as performance bond as follows:

No.	Client	End User	Guarantee Amount (RM)	Duration
1.	Global Plus Solutions Sdn Bhd	Universiti Teknologi Petronas	99,727.05	8 May 2003 – 24 June 2005
2.	FRZ Scientific Sdn Bhd	Universiti Teknologi Malaysia – Skudai and Kuala Lumpur	147,166.60	7 December 2004 – 6 December 2006
3.	FRZ Scientific Sdn Bhd	University College of Engineering & Technology Malaysia	67,876.80	31 December 2004-24 June 2006
4.	Engenius Associated Sdn Bhd	Universiti Teknologi Malaysia – Skudai and Kuala Lumpur	162,044.60	3 January 2005 – 2 January 2007

## 10. FINANCIAL INFORMATION (Cont'd)

The above arrangement by the Solution Group with certain clients to provide the bank guarantee facility to the end users are carried out in the ordinary course of business in order to secure contracts from its clients. The Group's interests are safeguarded by virtue of it being the primary project manager and technology partner.

To mitigate the financial risk arising in providing a third party bank guarantee, the Group has taken the following steps:-

- (i) The client shall be required to set up a collection account, which will be managed by a bank providing the bank guarantee facility to SESB or such branches nominated by the said bank. All payments from the end user shall be credited only into this account;
- (ii) The client shall issue an irrevocable letter of instruction to the end user that all monies due from the project will only be paid into the collection account;
- (iii) The client shall issue an irrevocable letter of instruction to the bank (and in certain cases, together with the client's board resolution) to utilise the contract proceeds to settle the corresponding outstanding trade lines with respect to the contract with the client; and
- (iv) Only upon the receipt of the irrevocable letters of instruction under paragraph (ii) and (iii) by the bank, will the third party bank guarantee facility be used as a performance bond to the end user.

### 10.5.5 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 do not know 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.

### 10.6 Dividend Forecast

The Board has full discretion to propose dividend payouts as and when it deems it appropriate, if it is in the best interest of Solution. Notwithstanding this, the Board is adopting a policy that not less than 5% dividend shall be declared per financial year, subject to yearly net profit after tax of not less than RM2,000,000 and the necessary approval from the shareholders being obtained. This dividend policy shall be reviewed from time to time by the Board and the Audit Committee.

## 10. FINANCIAL INFORMATION (Cont'd)

## 10.7 Proforma Consolidated Balance Sheet

	(1) As at 31 December 2004 Before the Acquisition	(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</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

**10. FINANCIAL INFORMATION (Cont'd)***Notes:*

- (1) *The pro forma consolidated balance sheets have been prepared for illustrative purposes only to show the effects of the Acquisition, Public Issue and Utilisation of Proceeds on the consolidated balances sheet as at 31 December 2004 had they been implemented and completed on that date, by way of incorporating the adjustments as stated in Notes 2 to 5 below.*
- (2) *Column 2 reflects the Acquisition of the entire equity issued and paid up share capital of SESB by Solution, satisfied by the issuance of 92,521,050 Solution shares of RM0.10 each and the distribution of the earnings after taxation of SESB achieved for the financial year ending 31 December 2004 to the Vendors of SESB.*
- (3) *Column 3 reflects the Public Issue of 34,000,000 ordinary shares of RM0.10 each at the issue price of RM0.25 per new ordinary shares to investors to be identified by the placement agent payable in full on application, and the Malaysian Public.*
- (4) *Column 4 reflects the utilisation of the proceeds arising from the Acquisition and Public Issue as follows:*

	<u>RM'000</u>
(a) To settle bank borrowings for the purchase of new factory	600
(b) Demonstration and training center	500
(c) Research and development	2,100
(d) Working capital	
- Local	2,500
- Overseas	1,500
(e) Listing expenses	<u>1,300</u>
	<u>8,500</u>

- (5) *The estimated listing expenses of RM1.3 million will be set off against the share premium arising.*

## 10. FINANCIAL INFORMATION (Cont'd)

### 10.8 Reporting Accountants' Report on Pro Forma Consolidated Balance Sheets



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#### Reporting Accountants' Report on Pro Forma Consolidated Balance Sheets (Prepared for inclusion in the Prospectus to be dated 30 June 2005)

22 June 2005

The Board of Directors  
**Solution Engineering Holdings Berhad**  
G-2A, Incubator 3,  
Technology Park Malaysia, Bukit Jalil  
57000 Kuala Lumpur.

Dear Sirs

#### **SOLUTION ENGINEERING HOLDINGS BERHAD ("SOLUTION") PRO FORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2004**

We report on the pro forma consolidated balance sheets set out in section 10 of the Prospectus to be dated 30 June 2005, which has been prepared for illustrative purposes only, to provide information about how the consolidated balance sheet of Solution and its subsidiary, Solution Engineering Sdn Bhd ("SESB") (collectively known as the "Pro forma Group") as at 31 December 2004 that has been presented might have been affected by the following:

##### (a) Acquisition of SESB

Acquisition of the entire issued and paid up share capital of SESB comprising 1,000,000 SESB shares of RM1.00 each by Solution for a total consideration RM9,252,105 satisfied by the issuance of 92,521,050 new ordinary shares of RM0.10 each in Solution (the "Acquisition"). The consideration is arrived at based on the audited net tangible asset of SESB as at 31 December 2003. All earnings after taxation of SESB from 1 January 2004 to 31 December 2004 were distributed to the shareholders of SESB.

The Acquisition was completed on 27 May 2005.

##### (b) Public Issue

Public issue of 34,000,000 new ordinary shares of RM0.10 each at an issue price of RM0.25 per share payable in full on application. The public issue is to be allocated as follows:

- 6,326,100 new ordinary shares of RM0.10 each is to be allocated to eligible directors, employees and business associates of the Pro forma Group;
- 6,326,100 new ordinary shares of RM0.10 each to be offered to the Malaysian public; and
- 21,347,800 new ordinary shares of RM0.10 each by way of private placement to investors to be identified.

**10. FINANCIAL INFORMATION (Cont'd)**



(c) Listing and Quotation

Admission to the Official List and the listing and quotation of the entire enlarged issued and paid up share capital of Solution of RM12,652,200 comprising 126,522,000 Solution shares on the MESDAQ Market of Bursa Malaysia Securities Berhad.

It is the responsibility solely of the directors of the Company to prepare the pro forma consolidated balance sheets in accordance with the requirements of the Securities Commission Prospectus Guidelines in respect of Public Offerings ("the Guidelines").

It is our responsibility to form an opinion, as required by the Guidelines, and to report our opinion to you. Our work consisted primarily of comparing the unadjusted financial information presented with their original form, considering the adjustments and discussing the pro forma consolidated balance sheets with the responsible officers of the Company. Our work involved no independent examination of any of the underlying financial information other than our audit of the financial statements of Solution and SESB that included the audited balance sheets as at 31 December 2004, on which we reported to the members of Solution and SESB as of the date of our report.

In our opinion:

- (a) the pro forma consolidated balance have been properly compiled on the bases stated; and
- (b) within the context of the assumed date of the Acquisition and Public Issue:
  - (i) such bases are consistent with the accounting policies of the Group; and
  - (ii) the adjustments set out are appropriate for the purposes of the pro forma consolidated balance sheets pursuant to the Guidelines.

The accompanying pro forma consolidated balance sheets and this letter have been prepared solely for the purposes stated above, in connection with the aforementioned proposals. This letter is not to be reproduced, referred to in any other document, or used for any other purpose without our prior written consent.

Yours faithfully



Ernst & Young  
AF: 0039

Chartered Accountants  
Kuala Lumpur, Malaysia



Kua Choo Kai  
No. 2030/03/06(J)  
Partner

**10. FINANCIAL INFORMATION (Cont'd)**
**SOLUTION ENGINEERING HOLDINGS BERHAD**  
**NOTES TO THE CONSOLIDATED PRO FORMA BALANCE SHEETS**

1. The pro forma consolidated balance sheets have been prepared for illustrative purposes only to show the effects of the Acquisition and Public Issue on the consolidated balance sheet of Solution as at 31 December 2004 had the Acquisition and Public Issue been implemented and completed on that date, and by application of the accounting policies and bases consistent with those normally adopted in the preparation of the audited financial statements of SESB, by way of incorporating the adjustments as stated in Note 2 to 4 below;
2. Adjustment column I reflects the Acquisition of the entire issued and paid up share capital of SESB by Solution, satisfied by the issuance of 92,521,050 new Solution shares of RM0.10 each and distribution of all the earnings after taxation of SESB achieved from 1 January 2004 to 31 December 2004 to the shareholders of SESB. The Acquisition was completed on 27 May 2005, and will be accounted for using the merger accounting principles.

Intragroup balances have been eliminated such that the Group reflects external transactions only.

3. Adjustment column II reflects the Proposed Public Issue of 34,000,000 new ordinary shares of RM0.10 each at a placement price of RM0.25 per new ordinary shares payable in full on application;
4. Adjustment column III reflects the utilisation of the proceeds arising from the Public Issue as follows:

	RM'000
(a) To settle bank borrowings for the purchase of new factory	600
(b) Demonstration and training center	500
(c) Research and development	2,100
(d) Working capital - Local	2,500
- Overseas	1,500
(e) Listing expenses	1,300
	8,500

The estimated listing expenses of RM1,300,000 will be set off against the share premium arising.

**10. FINANCIAL INFORMATION (Cont'd)**
**SOLUTION ENGINEERING HOLDINGS BERHAD**  
**PRO FORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2004**

The pro forma consolidated balance sheets as set out below have been prepared for illustrative purposes only to show the effects of the Acquisition and Public Issue on the consolidated balance sheet as at 31 December 2004, had the Acquisition and Public Issue been implemented and completed on that date, and by application of the accounting policies and bases consistent with those normally adopted in the preparation of the audited financial statements of SESB.

	31 December 2004 RM'000	<u>Adjustment 1</u>		<u>Adjustment 2</u>		<u>Adjustment 3</u>		
		Acquisition RM'000	Merger Accounting RM'000	Pro forma I RM'000	Public Issue RM'000	Pro forma II RM'000	Utilisation of Proceeds from the Proposals RM'000	Pro forma III RM'000
<b>NON-CURRENT ASSETS</b>								
Property, plant and equipment	-	4,067,586		4,067,586		4,067,586	500,000	4,567,586
Development cost	-	37,270		37,270		37,270	2,100,000	2,137,270
	-			4,104,856		4,104,856		6,704,856
<b>CURRENT ASSETS</b>								
Inventories	-	389,129		389,129		389,129		389,129
Trade debtors	-	5,168,839		5,168,839		5,168,839		5,168,839
Other debtors, deposits and prepayments	-	448,775	(6,705)	442,070		442,070		442,070
Tax recoverable	-	4,261		4,261		4,261		4,261
Fixed deposits with licensed banks	-	3,941,675		3,941,675		3,941,675		3,941,675
Cash and bank balances	95	454,615		454,710	8,500,000	8,954,710	(4,500,000)	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		933,929
Other payables	14,058	78,896	(6,705)	86,249		86,249		86,249
Borrowings	-	258,482		258,482		258,482		258,482
Dividends payable	-	1,500,000	927,647	2,427,647		2,427,647		2,427,647
Provision for taxation	-	14,623		14,623		14,623		14,623
	14,058			3,720,930		3,720,930		3,720,930
<b>NET CURRENT ASSETS</b>	(13,963)			6,679,754		15,179,754		10,679,754
	(13,963)			10,784,610		19,284,610		17,384,610
Financed by:								
<b>SHARE CAPITAL AND RESERVE</b>								
Share capital	95	1,000,000	8,252,105	9,252,200	3,400,000	12,652,200		12,652,200
Share premium	-			-	5,100,000	5,100,000	(1,300,000)	3,800,000
Accumulated losses/retained profits	(14,058)	9,179,752	(9,179,752)	(14,058)		(14,058)		(14,058)
	(13,963)			9,238,142		17,738,142		16,438,142
<b>NON-CURRENT LIABILITY</b>								
Borrowings	-	1,546,468		1,546,468		1,546,468	(600,000)	946,468
	(13,963)			10,784,610		19,284,610		17,384,610
Number of shares in issue	950			92,522,000		126,522,000		126,522,000
Net Tangible (Liability)/Assets per share (RM)	(14.70)			0.10		0.14		0.11



## 10. FINANCIAL INFORMATION (Cont'd)

### 10.9 Merger Method for Consolidation

As detailed in the Accountants' Report in Section 11.1 of this Prospectus, the completion of the restructuring scheme has resulted in a business combination between Solution and SESB through an exchange of shares. As the business combination meets the relevant criteria set out in MASB 21 – Business Combination, the consolidated financial statement of the Group has been accounted for using the merger method of accounting pursuant to a group reorganisation.

There is no difference to the results and the financial position of the Group had the acquisition method of accounting been applied to the combination of Solution and SESB on the assumption that the business merger took place on 31 December 2004. However, since the actual business combination took place on 26 May 2005, any difference between the cost of investment incurred by Solution and the nominal value of SESB shares will be debited/(credited) to merger deficit or reserve respectively.

### 10.10 Ageing Analysis

#### Trade Receivables

The ageing analysis of trade receivables of the Group as at 31 December 2004 is as follows:

	←-----Days outstanding----->						Total RM
	Current RM	31 - 60 RM	61 -90 RM	91 - 120 RM	>120 RM	>180 RM	
Trade receivables	599,439	100,269	353,850	1,311,779	23,158	2,780,344	5,168,839

As at 31 December 2004, the Group has a concentration of risks in the form of outstanding balances due from 3 debtors representing approximately 70% of total trade receivables.

Approximately 33% of the debts outstanding as at 31 December 2004 had been received subsequent to the financial year end up to 10 June 2005. No provision has been made for the trade receivables exceeding 180 days, as these amounts relate to Malaysian government/quasi government/statutory bodies projects, are retention sums or have been subsequently received. The Board of Directors of Solution is confident that the remaining balances are fully recoverable and hence no provision for doubtful debts on these balances is necessary.

#### Trade Payables

The ageing analysis of trade payables of the Group as at 31 December 2004 is as follows:

	←-----Days outstanding----->						Total RM
	Current RM	31 - 60 RM	61 -90 RM	91 - 120 RM	>120 RM	>180 RM	
Trade payables	165,788	130,940	88,772	97,660	39,533	411,236	933,929

The normal trade credit terms granted to the Group range from 30 to 90 days although it is customary for creditors to extend the terms to 120 days but generally not beyond 180 days.

The management represented that the amounts exceeding the credit limit granted by creditors were mainly in respect of agreed back to back purchase informal arrangements whereby the Group will only be required to settle the debts upon the receipt of proceeds from its debtors.