

7. FINANCIAL INFORMATION

7.1 Proforma Consolidated Income Statements

The following is a summary of the proforma of the KZen Group's financial performance for the five (5) financial years ended 31 December 2000 to 2004 and financial period ended 31 May 2005 prepared based on the assumption that the current structure of the KZen Group has been in existence throughout the periods under review.

	←----- Financial year ended 31 December ----->					5 months ended 31 May
	2000 RM	2001 RM	2002 RM	2003 RM	2004 RM	2005 RM
Revenue	490,760	493,952	913,945	1,837,883	3,615,727	1,174,138
Other operating income	-	-	-	-	7,007	2,500
Operating expenses	(504,085)	(451,978)	(644,180)	(945,756)	(1,441,149)	(686,827)
(Loss)/ earnings before amortisation, depreciation and taxation	(13,325)	41,974	269,765	892,127	2,181,585	489,811
Depreciation and amortisation	(43,732)	(47,325)	(68,990)	(117,571)	(195,918)	(91,734)
(Loss)/ profit before taxation	(57,057)	(5,351)	200,775	774,556	1,985,667	398,077
Taxation	-	-	(74,000)	(215,119)	(542,023)	(88,351)
(Loss)/ profit after taxation	(57,057)	(5,351)	126,775	559,437	1,443,644	309,726
Enlarged share capital of KZen						
- After Acquisition and Share Split before Rights Issue	35,000,000	35,000,000	35,000,000	35,000,000	35,000,000	35,000,000
- After Acquisition, Share Split and Rights Issue before Public Issue	45,000,000	45,000,000	45,000,000	45,000,000	45,000,000	45,000,000
- After Acquisition, Share Split, Rights Issue and Public Issue	65,000,000	65,000,000	65,000,000	65,000,000	65,000,000	65,000,000
Gross (loss)/ earnings per share (sen)						
- After Acquisition and Share Split before Rights Issue	(0.16)	(0.02)	0.57	2.21	5.67	1.14
- After Acquisition, Share Split and Rights Issue before Public Issue	(0.13)	(0.01)	0.45	1.72	4.41	0.88
- After Acquisition, Share Split, Rights Issue and Public Issue	(0.09)	(0.01)	0.31	1.19	3.05	0.61
Net (loss)/ earnings per share (sen)						
- After Acquisition and Share Split before Rights Issue	(0.16)	(0.02)	0.36	1.60	4.12	0.88
- After Acquisition, Share Split and Rights Issue before Public Issue	(0.13)	(0.01)	0.28	1.24	3.21	0.69
- After Acquisition, Share Split, Rights Issue and Public Issue	(0.09)	(0.01)	0.20	0.86	2.22	0.48

There were no extraordinary and exceptional items for the financial years/ period under review. The audited accounts of KZen and KZSB were not qualified in their respective financial years under review.

7. FINANCIAL INFORMATION (Cont'd)

Review of financial year ended 31 December 2000:

Overall, the revenue for the year decreased by 34% as compared to the previous year. However, the maintenance revenue increased substantially by 220% due to the high sales volume of the Group's HCMS Software in year 1999. During the year, following the changing market demand from personal computer based system to a system that supports client-server architecture, the Group focused on improving the then existing personal computer based architecture of its HCMS to an object-oriented architecture. The move was made to improve the attractiveness of its HCMS package available for sale by enabling it to be used on client-server environment. The Group also spent many man-hours on debugging and improving the human resource information systems existing at that time. This led to a drop in software sales by 55%.

On the back of the high software sales from 1999 and the years prior to 1999, the Group's maintenance revenue further increased to RM181,254 as a result of higher software sales in 1999 as most of the customers sign up for their maintenance.

The Group was in a loss position due to changes in market demand and the Group concentrated on the development and improvement of their product. No tax was charged in view of the loss position.

Review of financial year ended 31 December 2001:

There was no significant fluctuation in the performance of the Group in financial year 2001 as compared to 2000 as the Group concentrated on their continuous development of their product rather than marketing activities.

During this financial year, the Group focused on maintaining its current client base rather than expansion. The company's priority was to improve its existing product and ensuring satisfaction of existing clients. Accordingly, the revenue from software sales increased slightly by approximately 3%.

The Group was still in a loss position as the Group was still concentrating on the development and improvement of their product. No tax was charged in view of the loss position.

Review of financial year ended 31 December 2002:

The Group started to see a rising trend in sales during the year under review.

The Group has successfully revamped its product and managed to attract many new clients through aggressive marketing campaigns and promotion through word of mouth from existing clients as their product have stabilised due to the development work in 2000 and 2001. Following thereon, there was an increase of approximately 121% in software sales.

7. FINANCIAL INFORMATION (Cont'd)

Maintenance revenue saw a slight increase during the financial year, of approximately 19%. The slight growth in maintenance revenue was due to lower software sales in 2001.

The Group saw drastic improvements in the net profit margin. This is because of the release of its enhanced version of HCMS as a result of the intensive development work in years 2000 and 2001. Furthermore, the Group also attracted positive attention when its software was selected as the finalist in the MSC-APICTA Award in the Best of Software Application category for year 2002 for its Enterprise Human Capital Management System. The Group did not expect such improved performance and therefore did not estimate its tax payable correctly for year 2002.

Review of financial year ended 31 December 2003:

The Group saw a very steep increase in sales in 2003. This was mainly attributable to the successful development of software packages which are user friendly, usable in a network environment and based on the client-server transportation of information. Software and maintenance sales introduced by business partners/ resellers during the year amounted to approximately RM1.2 million which include listed and multinational companies such as Kumpulan Perubatan (Johor) Sdn Bhd, Inti Universal Holdings Bhd, Malaysian Communications and Multimedia Commission.

In 2003, the Group was also selected as a sole HR finalist in the MSC-APICTA Awards in the category of Best of Software Application for its i-Competency Management Solution.

Maintenance revenue also saw an increase during the financial year, albeit of only approximately 8% as a result of the higher software sales in 2002. The growth in maintenance revenue was lower vis-à-vis software sales as there were certain customers who did not renew their maintenance service contract.

Net profit margin continued to improve for year 2003. The Group did not expect such improved performance and did not estimate its tax payable correctly for year 2003 as well. Consequently, a tax penalty of RM16,000 was estimated for year 2003.

Review of financial year ended 31 December 2004:

The Group recorded substantially improved revenue in year 2004, a growth of 97% to RM3.6 million from RM1.8 million. This was mainly due to the major contracts secured during the year under review, namely Commerce Assurance Berhad (formerly known as AMI Insurans Berhad) and Dynacraft Industries Sdn Bhd. The Group's HCMS has gathered wider recognition and acceptance following its nomination as Best of Software Application in the MSC-APICTA awards for two consecutive years 2002 and 2003. Furthermore, the Group's efforts in recruiting strong resellers have paid-off as the Group can utilise its partners' networks in penetrating into other sectors. This was evidenced by the increase in sales through resellers from RM1.2 million in year 2003 to RM2.6 million in year 2004, representing a growth rate of more than 100%.

Maintenance revenue also increased during the financial year as a result of the higher software sales in 2003. The maintenance revenue almost doubled as compared to 2003 as the Group managed to sign up all the new clients on maintenance.

7. FINANCIAL INFORMATION (Cont'd)

Net profit margin continued to improve for year 2004, an increase of 10% from the previous year, mainly due to the Group's stringent controls on the operating costs. The Group did not expect such an improved performance and as such did not estimate its tax payable correctly for year 2004. Consequently, a tax penalty of RM33,000 was estimated for year 2004.

Review of financial period ended 31 May 2005:

The Group recorded a drop in revenue of 13% for the first 5 months of 2005 as compared to the same period last year. Revenue for the current financial period dropped from RM1.4m in 2004 to RM1.2m in 2005. The decrease in revenue was mainly due to deferments in the implementation of the software system, at the clients' request and the spill-over effect in securing projects that were awarded by clients. Amongst some of the projects that were supposed to be awarded in the 2nd quarter of 2005 of which are now to be finalised in the 4th quarter of 2005 includes Bintulu Port, SCOMI Group, DK Leather and Tabung Hj Properties. Nevertheless, the Group managed to secure quite a number of strategic contracts for the current financial period namely; Alliance Bank Malaysia Berhad, AirAsia Berhad, Padini Holdings Berhad, Oilcorp Berhad, Tiara Bay Resorts Bhd and Berjaya Books Sdn Bhd.

Sales via resellers were relatively lower for the current period mainly due to the timing in securing the sales. Most of the major reseller sales are to be finalised in the 4th quarter of 2005 and they include Bintulu Port, SCOMI Group and Tabung Hj Properties.

The Group's pre-tax profit for the current financial period decreased in line with the decreased sales. The Group recorded a pre-tax profit of approximately RM398,000 as opposed to RM721,000 recorded for the same period last year. The lower pre-tax profit was also due to higher staff related costs, as a result of the increased headcount and an annual staff increment accorded. A higher headcount was necessary in order to cater for and support the new and existing projects. In addition, the Group also made a provision for doubtful debts for the current financial period.

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7. FINANCIAL INFORMATION (Cont'd)

7.2 Segmental Analysis of Proforma Turnover and Profit

7.2.1 Turnover

The following tables illustrate the Group's turnover by category and sales channels:

Analysis of proforma turnover by category:

	<-----Financial year ended 31 December----->					5 months ended 31 May
	2000	2001	2002	2003	2004	2005
	RM	RM	RM	RM	RM	RM
Software	309,506	318,236	704,555	1,611,543	3,164,596	985,268
Professional and maintenance services	181,254	175,716	209,390	226,340	451,131	188,870
Total	490,760	493,952	913,945	1,837,883	3,615,727	1,174,138

Analysis proforma turnover by sales channels:

	<-----Financial year ended 31 December----->					5 months ended 31 May
	2000	2001	2002	2003	2004	2005
	RM	RM	RM	RM	RM	RM
Direct	337,838	429,129	714,949	618,013	979,504	931,310
Resellers	152,922	64,823	198,996	1,219,870	2,636,223	242,828
Total	490,760	493,952	913,945	1,837,883	3,615,727	1,174,138

7.2.2 Profit after taxation

The following table illustrates the breakdown of the Group's profit:

	<----- Year Ended 31 December ----->					5 months ended 31 May
	2000	2001	2002	2003	2004	2005
	RM	RM	RM	RM	RM	RM
(Loss)/ profit before taxation	(57,057)	(5,351)	200,775	774,556	1,985,667	398,077
Taxation	-	-	(74,000)	(215,119)	(542,023)	(88,351)
(Loss)/ profit after taxation	(57,057)	(5,351)	126,775	559,437	1,443,644	309,726

7. FINANCIAL INFORMATION *(Cont'd)*

7.3 Working Capital, Borrowings, Material Litigation, Capital Commitments and Contingent Liabilities

Working Capital

The Directors of KZen are of the opinion that, after taking into consideration the cashflow forecast, the banking facilities available and the net proceeds from the Public Issue, the Group will have adequate working capital for its present foreseeable requirements.

Borrowings

As at 14 October 2005, being the latest practicable date at which such amounts could be calculated prior to the printing of this Prospectus, the Group does not have any interest bearing borrowings.

Material litigation

As at 14 October 2005, the KZen Group is not engaged in any litigation or arbitration, either as plaintiff or defendant which has a material effect on the financial position of the Group and the Board of Directors have no knowledge 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.

Material Capital Commitments

As at 14 October 2005, there are no material commitments for capital expenditure incurred or known to be incurred by the KZen Group, which may have material impact on the financial position of the Group.

Contingent liabilities

As at 14 October 2005, there are no material contingent liabilities incurred by the KZen Group, which may have material impact on the financial position of the Group.

7.4 Directors' Declaration on Financial Performance

Save as disclosed in this Prospectus, the financial performance, position and operations of KZen and its subsidiary company are not affected by any of the following:

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

7. FINANCIAL INFORMATION (Cont'd)

7.5 Profit Forecast

The market for the Group's product and services is characterised by rapid technological advancements, changes in customer requirements, frequent new product launches and the continued development of software and hardware enhancements.

The Group is subjected to many risk factors, some of which are highlighted in Section 4 of this Prospectus. The Group's revenue and operating results are therefore difficult to forecast and project. As such, the Group's profit forecast and projections are not disclosed in this Prospectus.

7.6 Trade Receivables Ageing Analysis as at 31 May 2005

The ageing analysis of the KZen Group's trade receivables as at 31 May 2005, the settlement received subsequent to 31 May 2005 and allowance made for doubtful debts are as follows:

	Current RM	31 - 60 RM	61 - 90 RM	91 - 180 RM	>180 RM	Total RM
Trade debtors	259,108	178,495	339,350	374,204	866,850	2,018,007
Less: Settlement subsequent to 31 May 2005	(256,545)	(147,205)	(245,260)	(363,787)	(807,150)	(1,819,947)
Less: Allowance for doubtful debts	-	-	-	-	(59,700)	(59,700)
	2,563	31,290	94,090	10,417	-	138,360

The Group's normal credit term ranges from 30 to 90 days. Other credit terms are assessed and approved on a case-by-case basis. Such credit terms are mainly granted to its business partners and resellers whereby there are contractual arrangements with specific terms of repayment agreed between the Group and its business partners and resellers. These debtors have been granted extended credit terms in view of the ongoing relationships whereby they identify and introduce potential prospective customers to the Group.

For debts within 91 – 180 days, there are no debts in dispute or under legal action and the Directors are confident that the remaining balances are fully recoverable. As such, the Executive Directors of KZen, namely Ng Boon Sing, Chow Wei Hoon and Chan Seong Sun have provided declarations via their letters dated 17 October 2005 to jointly and severally guarantee that remaining balance of RM10,417 are recoverable. Hence, no provision for doubtful debts on these balances is necessary.

For the debts exceeding 180 days, these debts have been fully collected and provided for in full.

8. SUMMARY OF THE FIVE YEAR BUSINESS DEVELOPMENT PLAN

The following is a summary of the business development plan prepared by the KZen Group for the purpose of inclusion in this Prospectus.

8.1 Background

KZen Solutions Berhad (“KZen”) was incorporated as a private limited company in Malaysia under the Act on 15 March 2004 as KZen Solutions Sdn Bhd. It was subsequently converted into a public company on 1 June 2004 under its present name.

KZen is primarily involved in the development of an Enterprise Human Capital Management System under the “KaiZenHR” brandname (“HCMS Software”). KaiZenHR is derived from the Japanese word KAIZEN, meaning continuous improvement and HR stands for the Human Resource domain in which the business operates. The philosophy of continuous improvement permeates the organisation, albeit in product development, people development, internal processes or business development activities.

The Group’s HCMS Software was the only HR software to have been selected as finalist in the MSC-APICTA AWARDS for year 2002 and year 2003, both in the category of Best of Software Applications. KZen was awarded Multimedia Super Corridor (MSC) Status on 21 April 2004. In year 2005, the Group’s Performance Management System has been selected as the Winner in the MSC-APICTA Awards in the category of Best of General Applications.

Presently, KZen has one (1) wholly owned subsidiary, KaiZenHR Sdn Bhd (“KZSB”). KZSB was incorporated under the Act on 4 December 1997.

The KZen Group is a 100% Malaysian owned group of companies. KZSB was founded by two (2) individuals, Mr. Ng Boon Sing (the current Chief Executive Officer) and Mr. Chow Wei Hoon (the current Director of Business Development) in December 1997. In year 1998, Mr. Chan Seong Sun was recruited as a Chief Architect to spearhead the development and design of a new Object Oriented Client Server HCMS solution. In 2000, Mr Chan Seong Sun became a shareholder and was subsequently appointed as a Director of the Company in 2001. He currently assumes the role of Chief Technology Officer.

Though KZSB was established in 1997, the key founders have been involved in the design, development and implementation of Payroll and HR Solutions since the mid-1980s.

The KZen Group’s HCMS Software is targeted primarily for medium to large organisations of which it has achieved much success with MNCs and corporations as its customers.

8.2 The Mission

The KZen Group’s vision is to provide organisations with an innovative Human Capital Management Solution which will deliver strategic value and create a major competitive edge for their businesses.

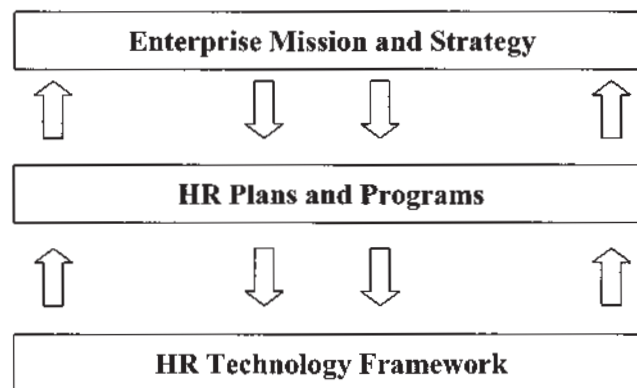
8. SUMMARY OF THE FIVE YEAR BUSINESS DEVELOPMENT PLAN (Cont'd)

Human capital has become the last competitive advantage in business. It is the foundation of value creation. As management of this critical resource grows in importance, the nature of Human Resource Management is changing dramatically. The result is a new approach to managing a firm's "HR Architecture" as a strategic asset, to widen its focus from the administrative role it has traditionally played, to a broader, strategic role.

As we move into the new millennium, technology has become the underlying foundation upon which the new HR organisation will operate. In order to accomplish the goals that have been set for HR technology projects, dramatic changes have to be made in the work that HR performs. The savings and efficiency objectives cannot be achieved by merely downsizing and cutting the HR headcount. The work still remains. Companies need to reengineer and streamline their activities with technology, not merely put new technology on top of old processes.

What emerges is a set of processes, some of them not currently being performed, that need to be reengineered so that they are better aligned with the organisational goals, streamlined for cost effectiveness and better integration with other processes.

The ultimate goal of HR technology is to help the organisation meet its business goals and objectives today and in the future.



**Human Resource Development Is Not A Destination
It Is A Journey**

8.3 Future Plans and Strategies for Growth

The Group's business is mostly done locally within Malaysia. However, the Group plans to expand to the global markets and as part of the Group's global strategy, the Group has appointed strategic alliance partners to assist in the marketing of its HCMS Software. These strategic resellers comprise mainly system integrators with regional offices in the ASEAN region. This opens up vast opportunities for the Group's HCMS Software to be marketed and sold regionally. The Group's current list of strategic alliance partners includes:

- IFCA MSC Berhad
- Tzoetc Associates Sdn Bhd
- FTM Consulting Services Sdn Bhd
- GIT Services Sdn Bhd
- Vsource Asia Berhad
- EPIC-I Sdn Bhd

8. SUMMARY OF THE FIVE YEAR BUSINESS DEVELOPMENT PLAN (Cont'd)

In its quest to increase its market share, the Group realises that branding is essential to its success. This is evident as the KaiZenHR brandname is well recognised and received as a high end quality solution in the Malaysian HR industry. Top international ERP vendors have proposed the Group's Software solution for their clients who are in need of an HR solution.

The KaiZenHR software solution is one of the most comprehensive and competitively priced HR solutions in the market today. The Group's software is also proven in the integration with high end foreign and local based Financial Systems and this opens up new opportunities for the Group to target organisations using these financial systems.

The Group also recognises the emerging trend of business process outsourcing ("BPO") which could potentially be an important revenue contributor to the Group. Thus, the Group has taken steps to work with outsourcing providers such as Vsource Asia Berhad and EPIC-I Sdn Bhd.

8.4 Product R&D Plans

The Group intends to utilise the proceeds from the listing exercise, for the development of its next generation HCMS Software (project codename: "DAEDALUS") based on the latest Rich Internet Application (RIA) technology framework. This version will include capabilities and features in supporting global operations.

- Multi-lingual and multi-currency support
- Mobile Wireless Integration (Phones, PDA)
- Application runs fully over the Internet
- New application design and architecture
- New strategic Human Capital Modules

8.5 Human Resource Policy

The Group believes that the biggest challenge forward shall be the effective recruitment and retention of its knowledge workers. As part of its Human Resource Policy Management strategy, the Group implements the following actions:

- To identify, recruit and train university graduates with ICT-related degrees as its current and future source of intellectual potential; and
- A yearly budget will be allocated for use by the personnel for attending various training programs, workshops and seminars to sharpen their skills and keep abreast with the latest developments in their respective fields.

The Group currently employs a team of 21 knowledge workers and plans to increase this to 45 people. The expected increase will mainly be in the R&D department.

8.6 Conclusion

With these strategies in place, it will be more promising for the Group to achieve its goals and to be a market leader in the provision of an HCMS Software.

9. INFORMATION ON SUBSTANTIAL SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

9.1.2 Background on Substantial Shareholders and Promoters

The substantial shareholders of KZen are Ng Boon Sing, Chow Wei Hoon, Chan Seong Sun and Ng Siok Meng who are also promoters of KZen. Details of the Promoters and key management of KZen are set out in Sections 9.4 and 9.5, respectively of this Prospectus.

9.1.3 Directorship in other Public Corporation

None of the substantial shareholders and/ or Promoters of KZen has held directorships in any other public corporations for the past two (2) years.

9.1.4 Substantial Shareholdings in other Public Corporations

None of the substantial shareholders and/ or Promoters of KZen has held substantial shareholdings, whether directly or indirectly, in any other public corporations for the past two (2) years.

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9. INFORMATION ON SUBSTANTIAL SHAREHOLDER, PROMOTERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

9.2 Changes in Substantial Shareholders

The changes in the substantial shareholders and their shareholdings since incorporation up to 14 October 2005, being the latest practical date prior to the printing of this Prospectus are as follows: -

Name	As at 15 March 2004		As at 31 December 2004		As at 14 October 2005	
	Direct No. of shares	Indirect No. of shares	Direct No. of shares	Indirect No. of shares	Direct No. of shares	Indirect No. of shares
Lee Peck Yoke	1	-	1	-	-	-
Loh Sing Yap	1	-	1	-	-	-
Ng Boon Sing	-	-	-	-	11,169,000	24.82
Chow Wei Hoon	-	-	-	-	10,840,500	24.09
Chan Seong Sun	-	-	-	-	10,840,500	24.09
Ng Siok Meng	-	-	-	-	11,250,000	25.00

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9. INFORMATION ON SUBSTANTIAL SHAREHOLDER, PROMOTERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

9.3 Moratorium on Promoter's Shares

It is a condition of the MMLR that shares held by the promoter amounting to 45% of the nominal issued and paid-up share capital of the Company at the date of admission of the Company to the Official List of the MESDAQ Market be put under moratorium.

The quantum of the shares which is to be held under moratorium is as follows:

Name of Promoters	After Public Issue			
	KZen Shares held	% of enlarged share capital	Number of KZen Shares held under moratorium	% of enlarged share capital
Ng Boon Sing	11,169,000	17.18	7,408,010	11.40
Chow Wei Hoon	10,840,500	16.68	7,190,127	11.06
Chan Seong Sun	10,840,500	16.68	7,190,127	11.06
Ng Siok Meng	11,250,000	17.31	7,461,736	11.48
TOTAL	44,100,000	67.85	29,250,000	45.00

The promoters who hold a total of 44,100,000 KZen Shares representing 67.85% of the enlarged issued and paid-up share capital of KZen after the Public Issue, have been imposed with a moratorium on the sale of his shares for one (1) year from the date of admission of KZen on the MESDAQ Market.

Thereafter, the promoters will be allowed to sell, transfer or assign only up to a maximum of one third (on a straight line basis) of his shareholdings under moratorium, such permission to sell being cumulative so that the restriction on sale shall cease to apply upon the expiry of the fourth year after the date of listing of KZen on the MESDAQ Market.

The Share Registrar and Bursa Depository have been informed in writing in relation to the moratorium of the aforesaid shareholders to ensure that it does not register any transfer not in compliance with the moratorium restrictions.

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9. INFORMATION ON SUBSTANTIAL SHAREHOLDER, PROMOTERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

9.4 Substantial Shareholders and Promoters

Mr. Ng Boon Sing, Mr. Chow Wei Hoon, Mr. Chan Seong Sun and Mr. Ng Siok Meng individually and collectively are the promoters of KZen.

(i) Mr. Ng Boon Sing

Mr. Ng Boon Sing, Malaysian, aged 43, is the Chief Executive Officer of KZen and he holds the position of Group Chief Executive Officer. Mr. Ng has 19 years experience in Information Technology and Human Capital Management Systems, of which 17 years is at Senior Management level. He is highly competent in areas of Strategic HR Management and Best Practices. As the Group CEO, Mr. Ng undertakes the main responsibility in providing direction and leadership towards the achievement of the Group's philosophy, mission, strategy, strategic goals with the objective of creating value to all stakeholders.

Mr. Ng holds a Diploma in Computer Studies and NCC Diploma in Systems Analysis Logical Design (SALD, UK).

(ii) Mr. Chow Wei Hoon,

Mr. Chow Wei Hoon, Malaysian, aged 40 is an Executive Director and he holds the position of Director of Business Development. Mr. Chow has more than 18 years of HCMS experience, covering all aspects of HR Operations, HR Development and HR Strategic, serving clients in diversified industries including manufacturing, government, financial and services.

In his current capacity, Mr. Chow leads a team of Business Consultants whereby his division is responsible for all sales and marketing activities of the Group's HCMS Software as well as in the development and management of strategic resellers/ business partners.

Mr. Chow holds a Higher Diploma in Computer Studies, International Computers Limited ("ICL").

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9. INFORMATION ON SUBSTANTIAL SHAREHOLDER, PROMOTERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

(iii) Mr. Chan Seong Sun

Mr. Chan Seong Sun, Malaysian, aged 44 is an Executive Director and he holds the position of Group Chief Technology Officer. Mr. Chan manages the Research and Development team who are responsible for the development of the Group's HCMS Software. He brought with him 13 years of R&D experience covering 4GLs, Object Oriented Development Tools, Web Development and RDBMS. Some of his past accomplishments prior to joining KZSB include:

1. GIS Analysis System for a power plant company, to manage their power plants;
2. Merchant Banking System for a merchant bank; and
3. The 1st Malaysian to have developed a Y2K Inventory and Scanning Tool for analysing Informix 4GL applications. The product received the endorsement from Informix Malaysia and was published in the Informix Asia Pacific Journal. Development was done using Object Oriented Delphi.

Mr. Chan holds a NCC Higher Diploma in Computer Science.

(iv) Mr. Ng Siok Meng

Mr. Ng Siok Meng, Malaysian, aged 32 is Promoter of KZen. Mr. Ng S.M. is currently a Director for a few private limited companies and he oversees the overall planning and development of a company's policies, business strategies and operating procedures. He also has approximately 10 years experience in mechanical and manufacturing engineering having held both technical and managerial positions.

Mr. Ng S.M. has a Master of Science in Engineering Business Management from Warwick University, United Kingdom and a Diploma in Technology (Mechanical & Manufacturing Engineering) from Kolej Tunku Abdul Rahman, Kuala Lumpur.

9.5 Directors and Key Management

Directors

(i) Mr. Ng Boon Sing

Please refer to Section 9.4(i) above.

(ii) Mr. Chow Wei Hoon

Please refer to Section 9.4(ii) above.

(iii) Mr. Chan Seong Sun

Please refer to Section 9.4(iii) above.

9. INFORMATION ON SUBSTANTIAL SHAREHOLDER, PROMOTERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

(iv) Mr. Ho Chee Siong

Mr. Ho Chee Siong, Malaysian aged 39, is an Independent Non-Executive Director of the Company. He did his articleship in Ng, Lee and Partners and is a member of the Malaysian Institute of Certified Public Accountants and the Malaysia Institute of Accountants.

He is the Managing Director of GMM Corporate Services Sdn Bhd, which provides business advisory and corporate services. Currently, he sits on the Board of Axis Incorporation Berhad, a company listed on the Second Board of Bursa Securities, as an Independent Non-Executive Director. He was an Executive Director of IFCA MSC Berhad from year 2002 to year 2004 and was attached with the Road Builder Group from year 1993 to year 1999.

(v) En. Abdul Hafidz bin Win

En. Abdul Hafidz bin Win, Malaysian aged 36, is an Independent Non-Executive Director of the Company. He is a Chartered Accountant by profession and is a member of the Malaysian Institute of Accountants. He graduated with a Bachelor of Accountancy from Universiti Utara Malaysia and was attached to KPMG Malaysia where he gained training and industry exposure in financial related matters.

He is currently a Director for a few private limited companies involved in various businesses ranging from telecommunication and communication, information technology, mechanical and electrical related activities. His previous industry experience includes water treatment, construction and manufacturing. En. Abdul Hafidz has vast experience in corporate finance, accounting, taxation, legal, business management and other related matters. These include the management and monitoring of corporate proposals for various fund raising and privatisation exercises, liaison with various government agencies and financial advisers as well as the preparation of financial forecasts. He is also experienced in the preparation of financial statements and management accounts, tax computations, internal control procedures and other operational matters to ensure compliance with the rules and regulations of authorities/ regulatory bodies and to ensure the smooth running of financial and management related matters.

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9. **INFORMATION ON SUBSTANTIAL SHAREHOLDER, PROMOTERS, DIRECTORS AND KEY MANAGEMENT** *(Cont'd)*

Key Management

(i) Mr. Ang Kian Seang

Mr. Ang Kian Seang, Malaysian, aged 28, joined the Group in November 2002 and is a Senior Application Developer. He is the team leader for the R&D team and is assisted by 2 other Application Developers. The R&D team reports to Mr. Chan Seong Sun, the Chief Technology Officer.

The R&D team is responsible for the development of all phases in the Software Development Life Cycle and managing the IT infrastructure of the HCMS software solution and the IT infrastructure of the Group's clients. The R&D team also assists the application consultants in troubleshooting when the need arises.

Mr. Ang has been in the IT industry for 6 years of which he spent 2 years in support services for a bus ticketing system to companies across Malaysia. He has also worked freelance for a period of time. Among his customers is British Berkerfield where he wrote the software to manage, analyse and report sales activities and track inventory levels. Mr. Ang holds a diploma in Computer Science from FTMS ICL.

(ii) Mr. Brian Ho Wen Loong

Mr. Brian Ho Wen Loong, Malaysian, aged 31, joined the Group in January 2005. As the Business Development Manager, he plays a pivotal role in the development, implementation and management of all sales, marketing and channel related activities for the Group to meet corporate objectives, increase market share and profitability of products and services.

Prior to joining the Group, Mr. Brian Ho has been in the IT industry for more than 10 years. He has vast exposure to strategic management, competitive sales and execution of marketing activities for both direct and channel accounts in IBM Malaysia, Patimas Berhad and Oracle Corporation Malaysia. He has proven successful track records in sales, technical and project management areas.

Mr. Brian Ho holds a Diploma in Computer Studies from PC Institute of Computing.

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9. **INFORMATION ON SUBSTANTIAL SHAREHOLDER, PROMOTERS, DIRECTORS AND KEY MANAGEMENT** *(Cont'd)*

(iii) **Mr. Pang Kong Chek**

Mr. Pang Kong Chek, Malaysian, aged 29, joined the Group in June 2004 as an Accountant of the Group. Mr Pang has been in the accounting field for 5 years of which for 3 1/2 years, he was attached to a public accounting firm, Ernst & Young.

He has worked with many clients from various industries like banking, manufacturing, consultancy, property development, trading, construction, investment holding and information technology. The clients whom he worked for include public listed companies, entrepreneurial and large private companies, renowned MNCs and also non profitable organisations.

Prior to his attachment with Ernst & Young, Mr. Pang worked for Malayan United Management as an Accounts Executive whereby he assisted in the accounting function for PMC Berhad.

Mr. Pang holds a Bachelor Degree in Business (Accountancy) from RMIT University, Australia. He is also a member of Certified Practising Accountants, Australia and the Malaysian Institute of Accountants.

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9. INFORMATION ON SUBSTANTIAL SHAREHOLDER, PROMOTERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

9.5.1 Directorship in Other Public Corporation

Save as disclosed below, none of the Directors and key management of KZen has directorships in any other public corporations for the past two (2) years.

Director	Public corporation	Directorship		Substantial Shareholdings			
		Date appointed	Date resigned	<---Direct-->		<-Indirect->	
				No. of shares	%	No. of shares	%
Ho Chee Siong	Axis Incorporation Berhad	26.3.2004	-	-	-	-	-
	IFCA MSC Berhad	28.6.2002	1.9.2004	-	-	-	-

9.5.2 Substantial Shareholdings in other Public Corporations

None of the Directors and key management of KZen has held substantial shareholdings, whether directly or indirectly, in any other public corporations for the past two (2) years.

9.5.3 Involvement in Other Businesses/ Corporations

Save as disclosed below, none of the Executive Directors and key management of KZen is involved in the operations of other businesses or corporations.

Mr. Ng Boon Sing is a Non-Executive Director of Langkah Teknologi Sdn Bhd, a private limited company and he spends all his normal working hours in the full-time employment of the KZen Group

9.5.4 Directors' Remuneration and Benefits

The remuneration and benefits paid to the Directors of KZen for their services in all capacities to the Group for the financial years ended 31 December 2003 and 31 December 2004 are RM303,408 and RM347,376 respectively

The range of aggregate remuneration and benefits paid and payable to the Directors of KZen for services rendered in all capacities to the Group are set out below: -

Range of remuneration and benefits paid and payable per annum	Number of Directors	
	Financial year ended 31.12.2003	Financial year ended 31.12.2004
RM50,000 and below	-	-
RM50,000 to RM100,000	2	-
Above RM100,000	1	3

9. INFORMATION ON SUBSTANTIAL SHAREHOLDER, PROMOTERS, DIRECTORS AND KEY MANAGEMENT *(Cont'd)*

9.5.5 Declaration by the Directors and Key Management

None of the Directors or key management is or was involved in the following events, whether in or outside Malaysia:

- (i) A petition under any bankruptcy or insolvency laws filed against such person or any partnership in which he was a partner or any corporation of which he was a director or key personnel;
- (ii) Conviction in a criminal proceeding or is a named subject of a pending criminal proceeding; or
- (iii) The subject of any order, judgement or ruling of any court of competent jurisdiction, tribunal or government body 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 activity.

9.6 Audit Committee

The details of the audit committee of KZen, which comprises Board members, are as follows:

Name	Designation	Directorships
Abdul Hafidz bin Win	Chairman	Independent Non-Executive Director
Chow Wei Hoon	Member	Executive Director
Ho Chee Siong	Member	Independent Non-Executive Director

The main functions of the Audit Committee include the review of audit plans and audit reports with the Auditors, review of Auditors' evaluation of internal accounting controls and management information systems, review of the scope of internal audit procedures, review of balance sheets and income statement and nomination of Auditors.

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9. INFORMATION ON SUBSTANTIAL SHAREHOLDER, PROMOTERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

9.7 Employee Structure

As at 14 October 2005, the KZen Group has 26 employees, none of which are members of any union or labour organisation. There has not been any event of work stoppage since incorporation. The management has always enjoyed a cordial relationship with its employees. The employees are given on the job training to enhance and broaden their knowledge of the industry.

The following is a table summarising the Group's employment structure as at 14 October 2005:

Category of employees	Total
Management	4
Technical Staff	19
Business Development	3
Total	<u>26</u>

9.8 Family and Relationships

There are no family and business relationships amongst the substantial shareholders, promoters, directors and key management of the KZen Group.

9.9 Service Agreements

Save as disclosed below, there are no other existing and intended service agreements between the Company (or any other company in the Group) and its directors and key management:

- (a) Service Agreement made on 23 June 2004 between KZSB and Ng Boon Sing ("NBS") wherein KZSB appoints NBS and NBS agrees to serve as the Chief Executive Officer of KZSB. The terms and conditions of the Service Agreement are set out in Section 16.7.
- (b) Service Agreement made on 23 June 2004 between KZSB and Chow Wei Hoon ("CWH") wherein KZSB appoints CWH and CWH agrees to serve as the Director of Business Development of KZSB. The terms and conditions of the Service Agreement are set out in Section 16.7.
- (c) Service Agreement made on 23 June 2004 between KZSB and Chan Seong Sun ("CSS") wherein KZSB appoints CSS and CSS agrees to serve as the Chief Technology Officer of KZSB. The terms and conditions of the Service Agreement are set out in Section 16.7.

10. RELATED PARTY TRANSACTION/ CONFLICT OF INTEREST

10.1 Related-Party Transactions/ Conflict of Interest

There have been no related party transactions or arrangements between the KZen Group and its shareholders and/ or Directors of the Group within the two (2) years preceding the date of this Prospectus.

10.2 Interest in Similar Business

None of the Directors nor substantial shareholders of the Company or its subsidiary and/ or key management has any interest, direct and indirect, in any business carrying on a similar trade as the Company or its subsidiary.

10.3 Declaration by Advisers

PMBB confirms that there are no existing or potential conflicts of interest in its capacity as Adviser, Sponsor, Underwriter and Placement Agent for the Public Issue.

Messrs. Foong & Partners has given its confirmation that there is no conflict of interest in its capacity as the legal due diligence solicitors for the Public Issue.

Messrs. Ernst & Young has given its confirmation that there is no conflict of interest in its capacity as the Auditors and Reporting Accountants for the Public Issue.

Messrs. Horwath has given its confirmation that there is no conflict of interest in its capacity as Expert.

IDC has given its confirmation that there is no conflict of interest in its capacity in providing the Malaysian HR Market Overview report.

10.4 Promotion of Material Assets

Save for the Acquisition of KZSB, for which details are set out in Section 6.3(j) of this Prospectus, none of the Directors and substantial shareholders has any interests, direct or indirect, in the promotion of or in any assets which have been within the two (2) years preceding the date of this Prospectus, acquired or disposed of by or leased to or proposed to be acquired, disposed of by or leased to the Group.

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11. OTHER INFORMATION CONCERNING THE KZEN GROUP

11.1 Approvals, Major Licences and Permits Obtained

(i) Approval of MSC Status

KZen has been accorded with the MSC Status on 21 April 2004 and the terms and conditions of the MSC status are as stated below:

General conditions	Status of compliance
<p>1. Complete business registration of the proposed entity as a locally incorporated company under the Companies Act, 1965 within one (1) month from the date of this letter, commence operations of the proposed entity within six (6) months from 21 April 2004, and undertake such activities specified in the company's business plan as approved by MDC below ("MSC-Qualifying Activities") within six (6) months from the date of this letter or by such date(s) as may be specified in the company's business plan as approved, which date(s) may be extended or modified with the written consent of MDC, and thereafter continue with such business and activities unless otherwise approved by MDC. The MSC-Qualifying Activities are as follows:-</p> <p>(a) Development of the Human Resource related applications namely:</p> <ul style="list-style-type: none"> • Open Source Human Resource Management System. • KaizenHR Enterprise Human Capital Management System. <p>Any changes proposed to the above MSC-Qualifying Activities as detailed in the Business Plan must receive the prior written consent of MDC;</p>	<p>Complied.</p> <p>KZen was incorporated on 15 March 2004. The Company commenced operations in July 2005 and MDC had via its letter dated 4 July 2005 confirmed this would not affect the approved MSC status.</p>
<p>2. Locate the implementation and operation of the MSC-Qualifying Activities in Cyberjaya, within six (6) months from the 21 April 2004, and will seek MDC's prior written approval in the event of any changes in the location or address of the company;</p>	<p>Complied.</p> <p>KZen has established a MSC Office at Level 40, Tower 2, KLCC 50088 Kuala Lumpur and MDC had vide its letter dated 4 July 2005 agreed to it.</p>

11. OTHER INFORMATION CONCERNING THE KZEN GROUP (Cont'd)

General conditions	Status of compliance
3. Ensure that at all times at least 15% of the total number of employees (excluding support staff) of the MSC-Status Company shall be "knowledge workers" (as defined by MDC);	Complied. As at 14 October 2005, KZen has 9 employees, whom are knowledge workers, representing 100% of the total number of employees of KZen.
4. Continuously comply with the MSC's environmental guidelines as determined by MDC from time to time;	KZen will ensure continuous compliance.
5. Submit to MDC a copy of the Company's Annual Report and Audited Statements in parallel with submission to the Companies Commission of Malaysia;	KZen will ensure continuous compliance.
6. Inform and obtain the prior approval of MDC for any proposed change in the name of the MSC-Status Company;	KZen was converted to a public company on 1 June 2004 and MDC had via its letter dated 4 July 2005 agreed to it. KZen will ensure continuous compliance in the event of further changes.
7. Inform MDC of any change in the equity structure or shareholding structure of the MSC-Status Company, or such other changes that may affect the direction or operation of the MSC-Status Company. MDC must be informed of any changes before steps are taken to effect such change; and	MDC had on 4 July 2005 agreed to the change in the equity structure and shareholding structure of KZen in view of the Listing Exercise. KZen will ensure continuous compliance in the event of further changes.
8. Must comply with all such statutory, regulatory and/or licensing requirements as may be applicable.	KZen will ensure continuous compliance.

Note:

No equity condition is imposed by the Foreign Investment Committee ("FIC") via the SC, under the FIC's Guideline on the Acquisition of Interests, Mergers and Take-Overs by Local and Foreign Interests, on KZen in conjunction with its Listing Exercise in view that KZen has obtained MSC status.

(ii) Major Licences and Permit Obtained

The Group does not hold any major regulatory licences or permits.

11. OTHER INFORMATION CONCERNING THE KZEN GROUP (Cont'd)**11.2 Approval & Conditions**

In conjunction with and as an integral part of the listing of and quotation for the entire issued and paid-up share capital of KZen on the MESDAQ Market of Bursa Securities, KZen undertook the Listing Exercise as set out in Section 6.3 of this Prospectus, which was approved by the SC on 26 May 2005.

The approval of the SC was subjected to, inter-alia, the following conditions:

Authority	Details of conditions imposed	Status on compliance
SC	<p>1. KZen should disclose in the listing prospectus the following:</p> <p>(a) A summary of the valuation report on KZSB by Messrs Horwath together with the basis of the purchase consideration for KZSB;</p> <p>(b) The Company's consolidated financial accounts assuming it had used the acquisition method for the acquisition of KZSB and to explain the rationale for adopting the merger method. KZen should also explain in its listing prospectus the differences arising from these 2 methods; and</p> <p>(c) Independent Market Research Report by IDC Market Research (M) Sdn Bhd.</p> <p>2. KZen should disclose the status of the utilisation of the listing proceeds in its quarterly and annual reports until the proceeds are fully utilised.</p> <p>3. With regards to KZen's trade debtors, KZen should:</p> <p>(a) Fully disclose in the listing prospectus the trade debtors' position, the ageing analysis and, for amounts exceeding the credit period, comments by the directors on the recoverability of the amounts;</p>	<p>Complied. Please refer to Section 12 of this Prospectus.</p> <p>Complied. Please refer to Section 13 of this Prospectus.</p> <p>Complied. PMBB had vide its letter dated 29 June 2005 confirmed with the SC that IDC's report be called Malaysian HR Market Overview instead of Independent Market Research Report. This report has been included in Section 18 of this Prospectus.</p> <p>To be complied.</p> <p>Complied. Please refer to Section 7.6 of this Prospectus.</p>

11. OTHER INFORMATION CONCERNING THE KZEN GROUP (Cont'd)

Authority	Details of conditions imposed	Status on compliance																		
	<p>(b) Make full provision for all overdue trade debtors which are in dispute or under legal action, or for which the amounts have been outstanding for more than 6 months. The directors of KZen should confirm to the SC that this condition has been complied with prior to the issuance of the listing prospectus; and</p> <p>(c) Submit a declaration by its directors to the SC that trade debtors exceeding credit period which have not been provided for as doubtful debts, excluding those under paragraph 3 (b) above, are recoverable;</p> <p>4. KZen should include a negative statement in its listing prospectus on the exclusion of a profit forecast and projections from the prospectus and the reasons thereof;</p> <p>5. Moratorium be imposed on the following promoters, who will not be allowed to sell, transfer or otherwise dispose of their shareholdings amounting to 45% of the enlarged issued and paid-up share capital of KZen for 1 year from the date of admission of KZen to the MESDAQ Market:</p> <table border="1" data-bbox="568 1245 1126 1496"> <thead> <tr> <th data-bbox="568 1245 762 1346">Name</th> <th data-bbox="762 1245 932 1346">No. of KZen Shares held under moratorium</th> <th data-bbox="932 1245 1126 1346">% of enlarged issued and paid-up capital of KZen</th> </tr> </thead> <tbody> <tr> <td data-bbox="568 1346 762 1375">Ng Boon Sing</td> <td data-bbox="762 1346 932 1375">7,408,010</td> <td data-bbox="932 1346 1126 1375">11.40</td> </tr> <tr> <td data-bbox="568 1375 762 1404">Chow Wei Hoon</td> <td data-bbox="762 1375 932 1404">7,190,127</td> <td data-bbox="932 1375 1126 1404">11.06</td> </tr> <tr> <td data-bbox="568 1404 762 1433">Chan Seong Sun</td> <td data-bbox="762 1404 932 1433">7,190,127</td> <td data-bbox="932 1404 1126 1433">11.06</td> </tr> <tr> <td data-bbox="568 1433 762 1462">Ng Siok Meng</td> <td data-bbox="762 1433 932 1462">7,461,736</td> <td data-bbox="932 1433 1126 1462">11.48</td> </tr> <tr> <td data-bbox="568 1462 762 1491">Total</td> <td data-bbox="762 1462 932 1491">29,250,000</td> <td data-bbox="932 1462 1126 1491">45.00</td> </tr> </tbody> </table> <p>Thereafter, the promoters, may sell, transfer or otherwise dispose of up to a maximum of one-third of their respective shareholdings per annum on a straight line basis of their respective shareholdings under moratorium; and</p>	Name	No. of KZen Shares held under moratorium	% of enlarged issued and paid-up capital of KZen	Ng Boon Sing	7,408,010	11.40	Chow Wei Hoon	7,190,127	11.06	Chan Seong Sun	7,190,127	11.06	Ng Siok Meng	7,461,736	11.48	Total	29,250,000	45.00	<p>Complied. Please refer to Section 7.5 of this Prospectus.</p> <p>Will be complied.</p>
Name	No. of KZen Shares held under moratorium	% of enlarged issued and paid-up capital of KZen																		
Ng Boon Sing	7,408,010	11.40																		
Chow Wei Hoon	7,190,127	11.06																		
Chan Seong Sun	7,190,127	11.06																		
Ng Siok Meng	7,461,736	11.48																		
Total	29,250,000	45.00																		
	<p>6. Public Merchant Bank Berhad and KZen should ensure that all the relevant provisions under the Listing Requirements of Bursa Securities for the MESDAQ Market are complied with.</p>	<p>Will be complied.</p>																		

11. OTHER INFORMATION CONCERNING THE KZEN GROUP *(Cont'd)*

11.3 Information on Landed Properties

The Group does not have any landed properties.

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12. SUMMARY EXPERT REPORT

(Prepared for inclusion in this Prospectus)



20 October 2005

The Board of Directors,
KaiZenHR Sdn Bhd,
Suite B-07-07 7th Floor,
Block B, Plaza Mont' Kiara,
Jalan Kiara,
50480 Kuala Lumpur

Dear Sirs

Horwath *AF No 1018*
Kuala Lumpur Office
Chartered Accountants

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12 Jalan Yap Kwan Seng
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INDEPENDENT VALUATION OF KAIZENHR SDN BHD

1. Introduction

Horwath has been engaged to provide an independent valuation of KaiZenHR Sdn Bhd ("KZSB" or "the Company") for the purpose of the Proposed Listing of KZen Solutions Berhad ("KZen") on the MESDAQ Market of Bursa Malaysia Securities Berhad ("MESDAQ Market").

This letter is prepared for the purpose of inclusion in the Prospectus of KZen Solutions Berhad ("KZen") to be dated 7 November 2005 in connection with the Public Issue of 20,000,000 new ordinary shares of RM0.10 each at an issue price of RM0.33 per ordinary share in KZen on the MESDAQ Market.

This letter is a summary of the valuation report on KZSB dated 27 June 2004.

2. Sources of Information

Our valuation was prepared based on information extracted from the following:-

- (a) Audited financial statements of KZSB for the financial years ended 31 December 2002 and 2003 ("AFY 2002" and "AFY 2003", respectively);
- (b) The management accounts of KZSB for the financial period ended 31 March 2004;
- (c) Financial forecast and projections of KZSB for the financial year ended 31 December 2004 and financial years ending 31 December 2005 to 2008 ("the Forecast and Projections");
- (d) Business plan of KZSB; and
- (e) Discussions with the management and staff of KZSB.

No market assessment report is available and that no independent verification has been carried out to determine the validity and accuracy of information provided to us.

Horwath Offices in Malaysia:

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12. SUMMARY EXPERT REPORT *(Cont'd)*



3. Scope of Work and Limitations

The scope of our work is subject to the following limitations:-

3.1 Forecast and Projections

In arriving at our valuation, we have placed reliance on the Forecast and Projections. The Forecast and Projections have, so far as the accounting policies and calculations are concerned, have been properly compiled on the bases and assumptions made by the directors of KZSB and are presented on a basis consistent with the accounting policies normally adopted by KZSB. Whilst we have considered all information provided to us, we wish to highlight that our review did not constitute an audit in accordance with approved standards on auditing in Malaysia. Accordingly, we do not express an opinion on the achievability of the Forecast and Projections.

3.2 Access to Relevant Information

We have not perused the statutory records (including minutes and resolutions) of KZSB, and therefore are not aware of any information (other than information which we derived from the documents stated in Section 2 above) which may have an adverse impact on the valuation of KZSB. Specifically, we are not aware of any information which will result in a diminution in the value of the assets of KZSB, nor information on potential and/or contingent liabilities, litigation against KZSB, commitments and claims, which were not disclosed in the AFY2003 or which have occurred from the date of the AFY2003 till the date of this report.

Apart from the non-cancellable operating lease commitments, the AFY2003 did not disclose any other potential and/or contingent liabilities, litigation against KZSB, commitments and claims. The legal due diligence report also did not uncover any potential and/or contingent liabilities, litigation against KZSB, commitments and claims.

Therefore, for the purpose of this exercise, we have assumed that no potential liabilities, litigation, commitments (apart from the non-cancellable operating lease commitments) and claims exist. Our report is primarily a valuation exercise and does not cover the legal framework which may or may not involve KZSB's exposure to potential liabilities, litigation, commitments and claims.

In the light of information available to us, we have assumed that the financial statements of KZSB as reflected in the audited accounts as at 31 December 2003 are reflective of the net assets position of KZSB and that there are no deterioration in the net assets position from 31 December 2003 till the date of this report.

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12. SUMMARY EXPERT REPORT (Cont'd)


3.3 General Limitations

It is important to note that valuation is not static and may increase or decrease over time, as a result of changes in the circumstances and factors affecting KZSB, both within and outside KZSB.

No representation or warranty, either expressed or implied, is made with regard to the information in this report. We will not be responsible for any liability, expressed or otherwise, resulting from any form of reliance upon any statement contained herein.

This report should not be reproduced, quoted or referred to in any public document or announcement without our prior written consent. Neither the firm nor any member or employee of the firm or its associate companies undertakes responsibility arising in any way whatsoever to any other person in respect of this report, including any errors or omissions therein, however caused.

4. Background Information of KZSB

KZSB was incorporated in Malaysia under the Companies Act, 1965 as a private company limited by shares on 4 December 1997. The principal activities of KZSB are development, sales and marketing and the provision of post sales implementation and support services for its Enterprise Human Capital Management System.

The authorised, issued and paid-up capital of KZSB at 31 May 2004 were as follows:-

Ordinary shares of RM1.00 each	No of shares	RM
Authorised	100,000	100,000
Issued and fully paid-up	60,000	60,000

There were no other classes of shares in issue.

5. Basis of Valuation

For purposes of our valuation, "fair value" is defined as the value in which a willing buyer and a willing seller will transact, neither being under any obligation or compulsion to transact.

Based on the information provided to us and our methodology used as set out in our valuation report dated 27 June 2004, we have considered the Earnings Method to be the most appropriate method to derive the fair value of KZSB. The Discounted Cash Flow ("DCF") method, the Net Tangible Assets ("NTA") method and the dividend yield method were not adopted due to the following reasons:-

- (a) in the DCF method, the terminal value of a going concern is often calculated by using the cash flow in the final year of the projections and applying an assumed rate in which the earnings will grow at for infinity. In this case, the rate of growth to infinitum cannot be ascertained with reasonable accuracy;

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12. SUMMARY EXPERT REPORT (Cont'd)



- (b) the book values of KZSB may not be reflective of its "fair value" which, inter alia, would include intangibles such as commendable clientele base, niche market, product branding, international reselling channel and other goodwill factors; and
- (c) KZSB has not declared any dividends in the past financial years and consequently, the relevant dividend rates cannot be ascertained.

Under this method, the value of a company is derived through the multiplication of its maintainable earnings with a price earnings ("PE") multiple.

5.1 PE Ratio

In ascertaining the value of KZSB using the Earnings Method, we have applied a PE ratio derived at based on a discount from the average ratio of comparable companies listed on the MESDAQ Market as of 22 June 2004.

In adopting the discount to the PE ratio, we have considered the several factors of comparable companies. The PE ratio was also discounted on the basis that KZSB is a private company and not a listed entity. Typically a listed company would command a higher PE as the direct benefits of a listed status.

6. Valuation

In our opinion, subject to the assumptions and limitations set out above, and on the assumption that there were no material changes to the Company and the business activity of the Company since the date of our valuation report on 27 June 2004, the indicative fair value of KZSB for its entire equity is estimated at RM5.0 million.

Yours truly

A handwritten signature in black ink, appearing to be "J. Tan".

**Horwath
Kuala Lumpur Office**

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang • Prai