

## 6. INDUSTRY OVERVIEW AND OUTLOOK

### 6.1 OVERVIEW AND OUTLOOK OF THE MALAYSIAN ECONOMY

The Malaysian economy remains resilient despite moderation in the growth of global economy amidst high oil prices and less accommodative monetary policy, particularly in the US. The nation continues to sustain its growth momentum, with strong domestic demand providing the impetus for the expansion in domestic economic activities.

Economic fundamentals have further strengthened while domestic demand continued to be resilient amidst firm consumer spending as well as continued uptrend in private investment activities. These factors, coupled with pro-active measures by the Government to promote economic activities provided the enabling environment for the Malaysian economy to expand favourably, albeit at a lower rate of 4.9% in the first half of 2005, compared with 8.1% during the same period of 2004. Despite sharp increases in oil prices, the Malaysian economy is expected to register 5.1% growth in the second half of the year, with growth for the year averaging 5%.

The Malaysian economy is expected to record a healthy growth with most sectors contributing positively to the overall GDP expansion. The services sector, in particular, with a share of 57.8% to GDP is envisaged to continue to be the key driver of growth. Agriculture sector continues to benefit from the revitalising efforts aimed at modernising and transforming agriculture activities into commercially viable source of economic growth. Nevertheless, the manufacturing sector with a share of 31.5% to GDP remains the second most important source of growth and continues to play a prominent role in the economy.

#### Gross Domestic Product (GDP) by Sector 2004 – 2006

	Change (%)			Share of GDP (%)			Contribution to GDP growth (percentage point)		
	2004	2005 <sup>1</sup>	2006 <sup>2</sup>	2004	2005 <sup>1</sup>	2006 <sup>2</sup>	2004	2005 <sup>1</sup>	2006 <sup>2</sup>
Agriculture <sup>3</sup>	5.0	4.8	5.0	8.5	8.5	8.4	0.4	0.4	0.4
Mining	3.9	1.5	4.7	7.0	6.7	6.7	0.3	0.1	0.3
Manufacturing	9.8	4.8	4.9	31.6	31.5	31.3	3.0	1.5	1.5
Construction	-1.5	-1.1	3.0	2.9	2.7	2.7	-0.1	0.0	0.1
Services	6.8	5.8	6.1	57.4	57.8	58.1	3.9	3.3	3.5
Less: imputed bank service charges	3.4	3.9	3.9	9.3	9.2	9.1	0.3	0.4	0.4
Add: import duties	-5.4	2.7	0.2	2.0	2.0	1.9	-0.1	0.1	0.1
<b>GDP</b>	<b>7.1</b>	<b>5.0</b>	<b>5.5</b>	<b>100.0</b>	<b>100.0</b>	<b>100.00</b>	<b>7.1</b>	<b>5.0</b>	<b>5.5</b>

Notes:

- <sup>1</sup> Estimate
- <sup>2</sup> Forecast
- <sup>3</sup> Includes livestock and horticulture

(Source: Department of Statistics, Malaysia)

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**6. INDUSTRY OVERVIEW AND OUTLOOK (Cont'd)**

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The expansion in the economy is reflected by positive growth in all sectors, except construction. The main drivers of growth are the services, manufacturing and the primary commodity sectors. Strong domestic consumption is expected to drive the services sector, especially in wholesale and retail trade, hotels and restaurants; transport, storage, and communicational and financial services sub-sectors. The recovery of global electronics demand will accelerate manufacturing exports, resulting in a stronger momentum in manufacturing production in the second half of the year. Meanwhile, stable commodity prices will help sustain the growth momentum of the agriculture sector. Growth in private consumption remains firm, arising from higher household income. Private investment is expected to further strengthen reinforced by continued accommodative and more flexible monetary policy as well as higher inflow of foreign direct investments.

*(Source: Economic Report 2005/2006)*

Notwithstanding the persistently high oil prices and downturn in the global electronics cycle, real GDP expanded by 5.3%. Growth was private-sector driven and was underpinned by supportive macroeconomic policies and favourable financial conditions. Private consumer demand was sustained at a strong pace while the resilience in private investment further supported economic expansion. The public sector continued to take the opportunity of a favourable environment to consolidate its finances to more sustainable levels.

The Malaysian economy is expected to strengthen further in 2006. Real GDP is projected to grow at a faster rate of 6%, driven by strengthening exports and resilient domestic demand. The global semiconductor upcycle, sustained global growth and higher prices for primary commodities are expected to have positive effects on exports, as well as private consumption and investment.

*(Source: Bank Negara Malaysia Annual Report 2005)*

**6.2 OVERVIEW AND OUTLOOK OF THE REGIONAL ECONOMY**

The year 2006 will face greater challenges arising from high oil prices, tightening monetary policies especially in the US, widening global imbalances as well as continued geo-political tensions and security concerns. Nevertheless, given the resilience of major economies, the global economy is expected to expand at 4.3%, supported by China and the US. Economic growth in China is forecast to continue, but at a slightly lower rate of 8.2%, providing the impetus for growth in Asia in general and the ASEAN region in particular, while the US is projected to register a growth of 3.3%. In Japan, growth is projected to be firm at 2% as deflation eases and domestic demand sustains.

*(Source: Economic Report 2005/2006)*

Going forward, the outlook for 2006 is for global expansion to remain positive. World output and world trade are projected to expand at a firm pace of 4.3% and 7.4% respectively in 2006. Global growth is expected to broaden across the major economies, with the economies of Japan and Europe playing a more significant role. Another notable feature is the stronger investment uptrend seen in several major economies. For the Asian region, the global electronics up-cycle is expected to strengthen further following higher ICT-related spending in the industrial economies and stronger intra-regional demand. While monetary stimulus has been reduced due to increased interest rates, monetary conditions continue to remain accommodative to growth.

In Singapore, growth is expected to reach 4 – 6%, supported by strong global demand for electronics and an improvement in the labour market, higher asset prices and sustained tourist arrivals. In terms of industrial origin, the manufacturing sector is projected to be boosted by new capacity coming on-stream in the pharmaceutical industry. The building of the integrated resorts, new financial centre and the revamp of shopping areas are expected to spur growth in construction activity, its first expansion in seven years.

## 6. INDUSTRY OVERVIEW AND OUTLOOK *(Cont'd)*

Growth in Indonesia is expected to moderate slightly within the range of 5 – 5.7%. Consumer spending will remain supported by stable employment and rising disposable income amid higher inflation and interest rates. Another key growth factor is the pick-up in investment, following measures to support infrastructure spending and continued progress in reforms in the regulatory framework and tax law to improve the investment climate.

In Thailand, real GDP growth is expected to remain around 4.8 – 5.8%. Economic expansion will be supported by the recovery of the global electronics industry, together with prospects of higher agricultural exports following improved weather conditions and a recovery in tourism. Meanwhile investment is also expected to pick up over the next few years.

*(Source: Bank Negara Malaysia Annual Report 2005)*

### 6.3 OVERVIEW AND OUTLOOK OF THE MALAYSIAN ICT

Economic activities within the field of ICT will be developed and further strengthened, building upon Malaysia's strengths. Malaysia will continue to position itself as a preferred destination for shared services and outsourcing. In terms of new activities, the Government will develop the local digital content industry as well as bioinformatics. To support the growth of the ICT industry as well as bolster general economic efficiency, measures will be taken to increase access to and utilisation of ICT services and facilities, including enhancing e-Government and encouraging the usage of e-commerce among businesses and customers.

*(Source: Ninth Malaysia Plan 2006-2010)*

With regards to IT services, the Government continued to promote MSC as a global ICT hub and to increase the usage and adoption of innovative domestic ICT products and services. As part of the gradual rollout of the MSC to the rest of the country, Penang and Kulim Hi-tech Park in Kedah were declared cybercity status in 2005, thus enabling new MCS-status companies to be based in the northern region. In the second phase of the rollout (2004-2010), the focus is on accelerating the MSC flagship applications, increasing adoption and introducing new initiatives to increase its competitiveness. As at end of 2005, a total of 1,421 companies have been given the MSC-status with total approved investment of RM18.2 billion.

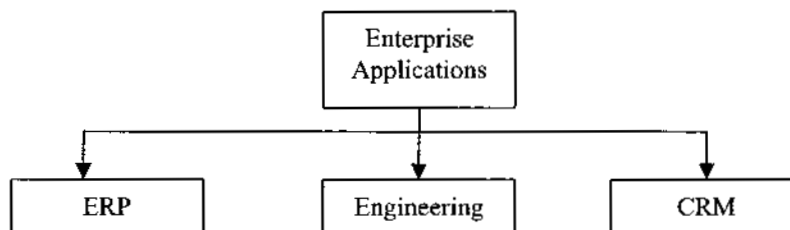
*(Source: Bank Negara Malaysia Annual Report 2005)*

### 6.4 GLOBAL, REGIONAL AND LOCAL INDUSTRY OVERVIEW

#### 6.4.1 Description of Industry and Differing Segment

ERP applications are classified under the broader category of Enterprise Applications alongside Engineering applications and Customer Relationship Management ("CRM") applications.

#### Categories under Enterprise Applications



## 6. INDUSTRY OVERVIEW AND OUTLOOK (Cont'd)

ERP applications refer to applications that assist in automating and optimising business processes. The resources automated may include people, finances, capital, materials or facilities. Typical functions that fall under the ERP category are financial applications, human capital management, payroll, procurement, order management, business performance management and financial analytic applications, project management, enterprise asset management, supply chain management applications and operations and manufacturing applications.

Engineering applications refer to applications that automate business process and manage data areas related to concept planning, design and execution. Typical functions that fall under the Engineering category are mechanical computer assisted design, computer assisted engineering, computer assisted manufacturing and product information management.

CRM applications refer to applications that automate customer facing business processes irrespective of industry. Typical functions that fall under the CRM category include sales, marketing, customer service and contact center.

### 6.4.2 Global ERP Market

#### Current size and growth rate

In 2004, the size of the global ERP market was USD26.6 billion (RM101.1 billion<sup>1</sup>) as compared to USD24.9 billion (RM94.6 billion) in 2003. The market is estimated to have grown to USD28.5 billion (RM108.3 billion) in 2005.

The market grew at a higher rate of 6.5% in 2004 compared to 5.0% in 2003. The market is estimated to have grown at an even higher rate of 7.2% in 2005. Some of the key factors contributing to the growth include:

- Increased investment by companies as they step up replacements and upgrades of legacy systems in order to improve business process automation and increase overall productivity;
- Increased emphasis by vendors to tailor their products for vertical industries; and
- Declining products and implementation cost helped make ERP more attractive to customers.

#### Key Players and Market Share

In 2004, the global ERP market continued to be concentrated. The top two global players, SAP and Oracle, accounted for 21% and 13% of the market respectively.

Collectively, the top two players accounted for 34% of the market. The remaining 66% was served by a number of small players, each holding no more than 3% market share.

#### Forecasts

The global ERP market is expected to continue to grow in size reaching USD39.4 billion (RM149.7 billion) by 2009 from its expected size of USD28.5 billion (RM108.6 billion) in 2005.

Between 2005 and 2009, the market is expected to grow at a compounded annual growth rate ("CAGR") of 8.4%. A renewed vendors' effort in product innovation is expected to be the key driving factor behind the ERP growth.

<sup>1</sup> USD1=RM3.80

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## 6. INDUSTRY OVERVIEW AND OUTLOOK (Cont'd)

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### Future Outlook

The key global ERP market trends are elaborated below:

- **Small and Medium Enterprise (“SME”) Market Is a Major Opportunity.** The future of ERP market consolidations will revolve around the SME market segment and certain verticals such as manufacturing, hospitality, and wholesale and distribution that are more susceptible to structural changes, including user willingness to replace legacy systems to boost competitiveness in an age of globalisation.
- **Fixed Fee Implementation to Grow.** Not happy with the high integration cost of running ERP applications, customers have been demanding simpler ways to implement the software. Increasingly they are demanding greater predictability as to the cost and delivery schedules of these engagements and vendors have been responding with fixed fee implementations, which could become permanent fixtures in the mid-market.
- **Competitive and Pricing Pressures Remain.** ERP vendors will find themselves struggling for new business amid price erosion. Another round of price wars is expected as major ERP players are aiming to block rivals from entering into their dominant markets. Another reason behind price erosion is economic recovery, with vendors aiming to recoup lost business from the earlier IT industry slowdown by slashing prices.
- **Niche Players to Gain Momentum.** Although big ERP players have gained shares, niche players will continue to attract and retain customers because of their domain expertise, channel partnership, and familiarity with business processes at the vertical and sub-vertical levels.

### 6.4.3 Asia Pacific ERP Market

#### Current size and growth rate

In 2004, the size of the Asia Pacific ERP market was USD3.2 billion (RM12.2 billion) or 12% of the total global ERP market. The Asia Pacific ERP market is estimated to have grown to USD3.7 billion (RM14.1 billion) in 2005.

Asia Pacific was the third largest market in comparison with the other three regions, North America, Europe and Rest of the World.

Vendor-wise, SAP had the biggest market share, commanding 24% of the Asia Pacific ERP market in 2004.

In 2005, the Asia Pacific ERP market was estimated to have grown by 15.6%. Growth was primarily due to spending from large multinationals that have operations in Asia Pacific.

#### Forecasts

The Asia Pacific ERP market is expected to increase to USD6.4 billion (RM24.3 billion) in 2009 from its expected size of USD3.7 billion (RM14.1 billion) in 2005.

Growth is expected to be driven by increased spending by companies wishing to optimise production efficiencies and increase operational capabilities.

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## 6. INDUSTRY OVERVIEW AND OUTLOOK (Cont'd)

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### Future Outlook

The key Asia Pacific ERP market trends are elaborated below:

- **Chinese Software Market.** China demand for ERP is expected to grow over the next few years as Chinese enterprises and business models mature.
- **Growth in Demand from Philippines, China and Thailand.** Growth in ERP expected to be highest in Philippines, China and Thailand. Spending would primarily come from large multinationals.
- **SME Market to Grow.** SME market is expected to have higher growth potential compared to large enterprises market. Vendors, such as SAP and Oracle, will continue to focus on this market and have started to market scaled down version of their solutions and services to medium sized companies.
- **Global Players Expected to Acquire Local Players.** Most global players are competing for market share in Asia Pacific. However, so far, establishing local partnership has been met with little success. Therefore, global players are expected to acquire local players since local players have local business know-how and are more successful in terms of penetration. This is expected to continue as long as Asia Pacific continues to be one of the fastest IT growth region.

#### 6.4.4 Malaysian ERP Market

##### Current size and growth rate

In 2004, the Malaysian ERP market was worth USD161.6 million (RM614.1 million) growing from a size of USD149.7 million (RM568.7 million) in 2003. The Malaysian ERP market is estimated to have grown to USD172.4 million (RM655.1 million) in 2005.

SAP dominated 68% of the Malaysian ERP market in 2004 at USD109.9 million (RM417.5 million).

In 2004, the Malaysian ERP market grew by 7.8%. It is estimated to have grown at a lower rate of 6.8% in 2005.

Possible drivers of growth for the Malaysian ERP market are globalisation, modernisation and government support provided to SMEs to adopt ERP.

##### Forecasts

The Malaysian ERP market is expected to continue to grow in size reaching USD208.2 million (RM791.2 million) by 2008 from its expected size of USD172.4 million (RM655.2 million) in 2005.

In the period 2005 to 2008, the Malaysian ERP market is expected to grow at a CAGR of 6.5%, a rate that is lower than the Asia Pacific ERP CAGR of 17.5%. It would appear that Philippines, China and Thailand are expected to contribute significant growth in the Asia Pacific ERP market.

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## 6. INDUSTRY OVERVIEW AND OUTLOOK *(Cont'd)*

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### Future Outlook

There are numerous factors expected to contribute to the growth in demand for ERP products and services in Malaysia:

- **Globalisation.** Multilateral and regional trade and investment liberalisation policies have led to intensified competition in foreign and domestic markets. This requires Malaysian companies to enhance their competitiveness by improving their business efficiency and productivity, as well as reducing their business costs. These requirements are expected to fuel the demand for ERP products and services as ERP solutions can assist companies in penetrating foreign markets and maintaining competitiveness, by improving business productivity and decreasing costs.
- **Modernisation.** The growth in client/server computing, multimedia personal computers, online computing services, network technologies and reduced internet costs is expected to lead SMEs to explore the opportunities of utilising internet-based and other applications within their organisations.
- **Government Support.** The Malaysian government has formulated several strategies to further strengthen SMEs. This includes assisting SMEs to acquire ERP software. Government assistance in the form of soft loans to SMEs to acquire ERP software is expected to contribute to the growth in demand for ERP products and services.

*(Source: Ernst & Young Industry Overview Report, 28 March 2006)*

### 6.5 INDUSTRY PLAYERS AND COMPETITION

The market for the Group's products and services is competitive and characterised by rapid technological innovation. The Group's competitors vary in size and in the scope and breadth of the products and services offered. Each competitor takes a different approach to attract customers and offers substitute products and services.

The Group faces competition from competitors which could be broadly categorised as follows:

- (i) SAP's consulting division;
- (ii) international professional service groups of large technology and management consulting companies such as IBM Business Consulting, HP Consulting, Deloitte Consulting, Computer Science Corporation and Electronic Data Systems Corporation;
- (iii) international/regional IT consulting companies with a focus on SAP such as Magnus Management Consultants Sdn Bhd, Atos Origin (M) Sdn Bhd, Axon Solutions Sdn Bhd and JSPC i-Solutions Berhad; and
- (iv) local consulting firms.

In addition, the Group also faces competition from other non-SAP platform based companies such as Oracle, Movex Limited, Microsoft Business Solutions and etc.

## 6. INDUSTRY OVERVIEW AND OUTLOOK *(Cont'd)*

The market for ERP is made up of players of varying sizes who each offer a varied range of services and products. The Board is not aware of any independent published industry statistic pertaining to the Group's market share in the ERP industry. Based on the Industry Overview Report prepared by Ernst & Young dated 28 March 2006, the following key observations with regards to a competitive profiling and positioning of the Group were noted:

- Sixteen (16) market players identified for competitive profiling:
  - Of the sixteen (16) market players, fourteen (14) are SAP service partners and four (4) are mySAP partners. Only ISS and JSPC i-Solutions Berhad fall under both the service partner and mySAP partner categories;
  - Business Formula (M) Sdn Bhd and ISS differentiate themselves from the rest by offering in-house proprietary ERP software solutions built upon the SAP platform;
  - Of the sixteen (16) market players, nine (9) players are global-based companies with a presence in Malaysia. The remaining seven (7) market players are Malaysian-based companies, of which only ISS and JSPC i-Solutions Berhad have ventured into the Asian region; and
  - In terms of profitability of local companies, ISS was the only company which recorded an increase in profits in 2004.

### 6.6 SUBSTITUTE PRODUCTS AND SERVICES

Substitute products for the SAP ERP solutions can be broadly classified into two (2) categories:

#### (i) Lower end non-ERP solutions

Substitute exists in the form of basic or lower-end products such as basic spreadsheet and stock-check software. Businesses which view existing basic software as sufficient to meet their current needs will be less willing to make the shift to ERP products.

#### (ii) Non-SAP ERP solutions

Companies can also use non-SAP ERP solutions from other vendors such as Oracle, Microsoft, Sage and McKessonHBOC.

### 6.7 RELEVANT LAWS AND REGULATIONS GOVERNING THE INDUSTRY

There is currently no specific regulations governing the software applications industry in Malaysia, Singapore, Indonesia and Thailand and the Board is currently not aware of any specific material peculiarity in the said industry.

Notwithstanding the above, the following legislations are of relevance:

- the Trade Marks Act, 1976, which stipulates that a registered proprietor of a mark is entitled to commence infringement action against others who use his mark without consent or lodge a complaint under the Trade Description Act, 1972.
- the Patents Act, 1983, which stipulates that the owner of a patent has the exclusive rights to exploit the patentable invention, assign or transmit the patent and conclude license contract; and
- the Copyright Act, 1987, which provides for the protection of works and remedies for the infringement of copyright.



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**6. INDUSTRY OVERVIEW AND OUTLOOK (Cont'd)**

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**6.8 DEMAND AND SUPPLY CONDITIONS**

The growth in demand for ERP products and services is fuelled by, among others, globalisation and modernisation. As set out in Section 6.4 of this Prospectus, to keep up with intensified competition in foreign and domestic markets, Malaysian companies are driven to embark on enhancement of their competitiveness by improving their business efficiency and productivity as well as reducing their business costs. By deploying ERP products and services, companies are able to maintain their competitiveness by improving business productivity and decreasing business costs. The growth in client/server computing, multimedia personal computers, online computing services, network technologies and reduced internet costs is expected to lead SMEs to explore the opportunities of utilising internet-based and other applications within their organisations.

The Board is of the view that the demand for ERP market is expected to be sustainable with continuous demand for SAP solutions from new customers as well as existing customers who will seek out new upgrades, new projects, solution enhancements and support services.

The suppliers of ERP products and services ranges in size, scope and breadth of products and services offered. They include consulting divisions of large originators of ERP platforms, international professional service groups of large technology and management consulting companies, international/regional IT consulting companies and local consulting companies. The Board is of the view that there will not be any supply constraints.

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## 7. FUTURE PLANS, STRATEGIES AND PROSPECTS

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### 7.1 FUTURE PLANS AND STRATEGIES

The future plans and strategies are set out in the Group's five (5)-year business development plan, which is summarised as follows:

#### 7.1.1 BUSINESS VISION AND MISSION

ISS' *vision* is:

**"To be the premier provider of mySAP and related e-business solutions for medium and large-sized organisations in Asia."**

ISS' *mission* is:

**"To provide superior SAP related professional solutions and products to customers, grow its practice by building partnerships with customers, and work jointly with them to improve their business environments."**

#### 7.1.2 BUSINESS DEVELOPMENT STRATEGY

The ISS Group's marketing and business development strategies are primarily driven by the Board who works closely with the Group's key management in formulating the overall marketing strategies. The ISS Group has operations covering the Asia-Pacific region and, to take into consideration the needs of each local environment, the Group has continuously developed and improved the Group's marketing and business techniques for each country where the Group operates.

The ISS Group pursues the following strategies designed to achieve accelerated growth:

- **Proprietary Software Solutions**

The ISS Group directly sources for and undertakes implementation projects for customers through the Group's business network with SAP, SMBs and MNCs in the region.

- **Business Partnerships and Alliances**

The ISS Group will continue to form partnerships with other consulting firms to address their manpower needs or to tap their expertise by acting as a sub-contractor and supplying them with consultants and vice-versa.

The ISS Group assists its business partners in fulfilling their commitments through, *inter alia*, implementing services and providing support to their customers. Such collaboration, besides being a source of revenue for the Group, creates opportunities for the Group's consultants to gain additional experience and exposure to different environments. Furthermore, such efforts enable the Group to maximise the productivity of the Group's consultants, especially during lead time of the Group's own projects. In the past, the ISS Group has collaborated on joint projects with companies such as SAP Indonesia, SAP Malaysia, Teliti Computers Sdn Bhd, Hewlett Packard Singapore (Pte) Ltd and IBM Taiwan Corporation.

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## 7. FUTURE PLANS, STRATEGIES AND PROSPECTS *(Cont'd)*

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The ISS Group also works closely with companies who can provide solutions that are complementary to the Group's products and services to broaden the Group's range of offerings. These companies are typically involved in the provisions of hardware, archiving solutions, bar codes and other applications. By offering a wider range of services and solutions, the ISS Group will be able to increase its potential customer base.

The ISS Group will continue to form strategic partnerships and alliances with companies which provide synergistic benefits and complementary solutions to the business of the Group.

- **Training for SAP's Customers and Partners**

The ISS Group has, on behalf of SAP, conducted various training courses in the Asia-Pacific region. These training courses include SAP's Partner Academy, which is a five (5)-week course to train participants in SAP software. At the end of the course, the participants would be certified by SAP.

Training courses are held either at the customers' site (for specific projects' team training) or at the SAP office in the relevant country. The training courses of the Group are conducted by the Group's experienced consultants.

Being a training provider for SAP, the ISS Group has a competitive edge to bid for SAP projects, as customers would be confident of the expertise of the ISS Group's consultants.

- **Expansion to Asia**

The Group plans to expand its business in China in 2006. As most of the Group's existing employees are able to speak the local language in China, the Group does not anticipate any major communication barriers in the implementation of projects in China.

The Board also foresees that opportunities will arise for the Group from rollout projects by European (specifically German) companies for their subsidiary companies in Asia in future. Medium-sized companies in Germany with Asian subsidiary companies have only started to implement SAP in recent years. As such, the Board foresees that there will be a considerable potential demand from such companies in their rollout efforts for their subsidiary companies in Asia.

### 7.1.3 HUMAN RESOURCES DEVELOPMENT

Over the next five (5) years, the Group will continue to train its staff to ensure they are well-versed with the latest technology know-how in SAP software as well as in the Xpress suites. This is also to ensure that employees will be able to provide the required standard of service and meet customers' expectations.

The staff training policy of the Group is as follows:

- (i) **Certification of Consultant/SAP Training**

The ISS Group frequently sends its consultants to SAP certification programmes to improve their SAP technical skills. The SAP certification programmes are designed on a worldwide standard and are internationally recognised by SAP. These certification programmes aim to train participants in the features and functionality of mySAP software and to assess consultants' technical skills and know-how.

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## 7. FUTURE PLANS, STRATEGIES AND PROSPECTS *(Cont'd)*

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### (ii) Consulting Skill Sets

The ISS Group also uses the ISS Consultant Education training programme. The training program runs over several months, by way of a mix of workshops running for a single day or over a continuous period of three (3) to five (5) days. This training course covers topics such as presentation and communication skills, project methodology and project management skill. The Board is of the opinion that such skills are essential for successful project implementation.

### (ii) External Training

The Group also sends its consultants for external training organised by SAP with the aim of broadening the knowledge of its consultants in new functionalities provided in the SAP software. Other training courses attended by consultants are courses on Oracle database management, Hewlett Packard and IBM system management and SAP technology-related courses.

## 7.2 PROSPECTS AND OUTLOOK OF THE ISS GROUP

The Group strives to be the premier provider for mySAP IT solutions for medium and large-sized organisations in Asia by providing superior IT solutions to its customers, growing its practice by building partnerships with its customers and jointly working with its customers to improve their business environments.

The ISS Group, leveraging on its years of experience in the implementation of SAP software and extensions to its products and service offerings, should be able to maintain its position and lead as well as capitalise on the growth opportunities in the ERP market. The Board foresees that ICT investments for the next few years will increase again, after the decline of investments in ICT in the previous years. However, the future competitive environment will increase pressure on the ICT services providers to achieve cost efficiency in their present business conducts.

The Board anticipates that demand for outsourcing of ERP solutions will increase. This allows customers to focus on their respective core competencies and helps them to keep the cost of maintaining the IT infrastructure low.

Even if the overall growth for the ERP market may slow down, the need for additional ERP complementary solutions is expected to increase, such as CRM, SCM and Business Intelligence. With SAP's dominant presence worldwide, companies already deploying SAP ERP solutions are most likely to demand additional ERP complementary solutions which augurs well for the ISS Group.

Given the prospects and positive outlook on the Malaysian economy and specifically the ICT industry and ERP implementation services market as set out in Section 6 of this Prospectus and the prospects and plans of the Group stated herein, the Board believes that the Group's business will continue to grow.

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## 8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

### 8.1 PROMOTERS

#### 8.1.1 Particulars and Shareholdings of Promoters

The promoters of the Company and their direct and indirect shareholdings in the Company as at the date of this Prospectus and after the Public Issue are as follows:

Name	Designation	Nationality	As at date of Prospectus		After Public Issue*					
			No. of shares held	% held	No. of shares held	% held				
Harald Weinbrecht	Managing Director/ Chief Executive Officer	German	77,746,949	43.87	(i) 5,345,259	3.02	78,296,949	35.85	(i) 5,895,259	2.70
Christina Ingeburg Orth	Executive Director/ Chief Financial Officer	German	26,726,294	15.08	-	-	27,276,294	12.49	-	-
Gloria Chan Mei Ling	Executive Director	Malaysian	5,345,259	3.02	(ii) 77,746,949	43.87	5,895,259	2.70	(ii) 78,296,949	35.85

#### Notes:

- \* Assuming that the Pink Form Shares allocated are fully taken up.  
 (i) Deemed interest by virtue of Gloria Chan Mei Ling being his spouse.  
 (ii) Deemed interest by virtue of Harald Weinbrecht being her spouse.

#### 8.1.2 Profile and Industry Knowledge and Experience of Promoters

The profile and the knowledge and experience in the Group's industry of the Promoters who are also the directors of ISS are set out in Section 8.3.2 of this Prospectus.

#### 8.1.3 Directorships and Substantial Shareholdings of Promoters in Other Public Corporations

None of the promoters has any directorships or substantial shareholdings in other public corporations during the two (2) years preceding the date of this Prospectus.

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

### 8.2 SUBSTANTIAL SHAREHOLDERS

#### 8.2.1 Particulars and Shareholdings of Substantial Shareholders

The substantial shareholders of ISS and their shareholdings in the Company as at the date of this Prospectus and after the Public Issue are as follows:

Name	Designation	Nationality/ Place of Incorporation	As at date of Prospectus		After Public Issue*					
			No. of shares held	% held	No. of shares held	% held				
Harald Weinbrecht	Managing Director/ Chief Executive Officer	German	77,746,949	43.87	<sup>(i)</sup> 5,345,259	3.02	78,296,949	35.85	<sup>(i)</sup> 5,895,259	2.70
Christina Ingeburg Orth	Executive Director/ Chief Financial Officer	German	26,726,294	15.08	-	-	27,276,294	12.49	-	-
Gloria Chan Mei Ling MAVCAP	Executive Director	Malaysian	5,345,259	3.02	<sup>(ii)</sup> 77,746,949	43.87	5,895,259	2.70	<sup>(ii)</sup> 78,296,949	35.85
MTSB	-	Malaysia	25,678,563	14.49	<sup>(iii)</sup> 10,642,212	6.01	25,678,563	11.76	<sup>(iii)</sup> 10,642,212	4.87
Minister of Finance Incorporated	-	Malaysia	10,642,212	6.01	-	-	10,642,212	4.87	-	-
JL Nexus	-	Malaysia	-	-	<sup>(iv)</sup> 36,320,775	20.50	-	-	<sup>(iv)</sup> 36,320,775	16.63
Loo Chan Yue	Non-Independent Non-Executive Director	Malaysian	9,161,397	5.17	-	-	9,161,397	4.20	-	-
			-	-	<sup>(v)</sup> 9,161,397	5.17	400,000	0.18	<sup>(v)</sup> 9,161,397	4.20

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

### Notes:

- \* Assuming that the Pink Form Shares allocated are fully taken up.
- (i) Deemed interest by virtue of Gloria Chan Mei Ling being his spouse.
- (ii) Deemed interest by virtue of Harald Weinbrecht being her spouse.
- (iii) Deemed interest by virtue of its shareholding in MTSB pursuant to Section 6A of the Act.
- (iv) Deemed interest by virtue of its shareholding in MAVCAP pursuant to Section 6A of the Act.
- (v) Deemed interest by virtue of his shareholding in JL Nexus pursuant to Section 6A of the Act.

### 8.2.2 Profiles of Substantial Shareholders

The profiles of Harald Weinbrecht, Christina Ingeburg Orth, Gloria Chan Mei Ling and Loo Chan Yue who are also directors of ISS are set out in Section 8.3.2 of this Prospectus.

MAVCAP was incorporated in Malaysia on 19 April 2001 by the Government of Malaysia. It is principally involved in venture capital funding. As at the date of this Prospectus, the authorised share capital of MAVCAP is RM100,000,000 comprising 99,999,999 ordinary shares of RM1.00 each and one (1) special rights redeemable preference share of RM1.00, of which RM50,000,001 ordinary shares of RM1.00 each and one (1) special rights redeemable preference share of RM1.00 are issued and fully paid-up. The directors and substantial shareholders of MAVCAP and their shareholdings in MAVCAP are as follows:

Name	Direct		Indirect	
	No. of shares held	% held	No. of shares held	% held
<b>Directors</b>				
Y Bhg Datuk Dr Abdul Samad bin Haji Alias	-	-	-	-
Y Bhg Datuk Siti Hadzar binti Mohd Ismail	-	-	-	-
Y Bhg Datuk Mohamed Yunus Ramli bin Abbas	-	-	-	-
Norazharuddin bin Abu Talib	-	-	-	-
Tn Haji Abdul Wahab bin Abdullah	-	-	-	-
<b>Substantial Shareholder</b>				
Minister of Finance Incorporated	<sup>(i)</sup> 50,000,002	100	-	-

### Note:

- (i) Comprises 50,000,001 ordinary shares of RM1 each and one (1) special rights redeemable preference share of RM1.00.

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

MTSB was incorporated in Malaysia on 26 November 2001 under the Act. It is principally engaged in venture capital funding for ICT and multimedia activities. As at the date of this Prospectus, the authorised share capital of MTSB is RM100,000 comprising 50,000 ordinary shares of RM1.00 each and 50,000 redeemable preference shares of RM1.00 each, of which RM20,000 ordinary shares of RM1.00 each and RM20,000 redeemable preference shares of RM1.00 each are issued and fully paid-up. The directors and substantial shareholders of MTSB and their shareholdings in MTSB are as follows:

Name	<-----Direct----->		<-----Indirect----->	
	No. of shares held	% held	No. of shares held	% held
<b>Director</b>				
Y Bhg Datuk Dr Abdul Samad bin Haji Alias	-	-	-	-
Norazharuddin bin Abu Talib	-	-	-	-
Fong Seow Kee	-	-	-	-
<b>Substantial Shareholder</b>				
MAVCAP	* 40,000	100	-	-
Minister of Finance Incorporated	-	-	* (i) 40,000	100

**Notes:**

\* Comprises 20,000 ordinary shares of RM1.00 each and 20,000 redeemable preference shares of RM1.00 each.

(i) Deemed interest by virtue of its shareholdings in MAVCAP pursuant to Section 6A of the Act.

JL Nexus was incorporated in Malaysia on 29 September 2003 under the Act as a private limited company. Its principal activity is investment holding. As at the date of this Prospectus, the authorised share capital of JL Nexus is RM100,000 comprising 100,000 ordinary shares of RM1.00 each, of which RM1,000 ordinary shares of RM1.00 each are issued and fully paid-up. The directors who are also substantial shareholders of JL Nexus and their shareholdings in JL Nexus are as follows:

Name	<-----Direct----->		<-----Indirect----->	
	No. of shares held	% held	No. of shares held	% held
Loo Chan Yue	999	99.9	(i) 1	0.1
Liew Lee Cheng	1	0.1	(ii) 999	99.9

**Notes:**

(i) Deemed interest by virtue of Liew Lee Cheng being his parent.

(ii) Deemed interest by virtue of Loo Chan Yue being her child.

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

**8.2.3 Directorships and Substantial Shareholdings of Substantial Shareholders in Other Public Corporations**

Save as disclosed below, none of the substantial shareholders of ISS has any directorships or substantial shareholdings in other public corporations during the two (2) years preceding the date of this Prospectus.

Name	Public Corporation	<-----Direct----->		<-----Indirect----->	
		No. of shares held	% held	No. of shares held	% held
MAVCAP	GPRO Technologies Berhad	33,565,246	13.4	-	-
	NTI International	-	-	<sup>(i)</sup> 9,670,000	6.8

**Note:**

(i) Deemed interest by virtue of its shareholdings in MAVCAP ICT Sdn Bhd pursuant to Section 6A of the Act.

The directorship of Loo Chan Yue in other public corporations is set out in Section 8.3.3 of this Prospectus.

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

### 8.3 DIRECTORS

#### 8.3.1 Particulars and Shareholdings of Directors

The Directors of the Company and their shareholdings in the Company as at the date of this Prospectus and after the Public Issue are as follows:

Name	Designation	Nationality	As at date of Prospectus		After Public Issue*					
			No. of shares held	% held	No. of shares held	% held				
Harald Weinbrecht	Managing Director/ Chief Executive Officer	German	77,746,949	43.87	<sup>(i)</sup> 5,345,259	3.02	78,296,949	35.85	<sup>(ii)</sup> 5,895,259	2.70
Christina Ingeburg Orth	Executive Director/ Chief Financial Officer	German	26,726,294	15.08	-	-	27,276,294	12.49	-	-
Gloria Chan Mei Ling	Executive Director	Malaysian	5,345,259	3.02	<sup>(ii)</sup> 77,746,949	43.87	5,895,259	2.70	<sup>(iii)</sup> 78,296,949	35.85
Anwar Ali bin Mustafa Jumabhoy	Non-Independent Non-Executive Director	Malaysian	-	-	-	-	-	-	-	-
Loo Chan Yue	Non-Independent Non-Executive Director	Malaysian	-	-	<sup>(iii)</sup> 9,161,397	5.17	400,000	0.18	<sup>(iii)</sup> 9,161,397	4.20
Mohamed Nor Abdul Hamid	Independent Non- Executive Director	Malaysian	-	-	-	-	200,000	0.09	-	-
Md Nahar Noordin	Independent Non- Executive Director	Malaysian	-	-	-	-	200,000	0.09	-	-

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

### Notes:

- \* *Assuming that the Pink Form Shares allocated are fully taken up.*
- (i) *Deemed interest by virtue of Gloria Chan Mei Ling being his spouse.*
- (ii) *Deemed interest by virtue of Harald Weinbrecht being her spouse.*
- (iii) *Deemed interest by virtue of his shareholding in JL Nexus Sdn Bhd pursuant to Section 6A of the Act.*

### 8.3.2 Profiles of Directors/Promoters/Substantial Shareholders

**Harald Weinbrecht**, a German national aged 39, was appointed the Managing Director cum Chief Executive Officer of ISS on 26 May 2006 and is one of the Group's co-founders. He obtained a Degree in Business Computer Science from the University of Applied Sciences in Karlsruhe, Germany in 1993. He is responsible for the overall management of the ISS Group and is involved in major projects by advising customers on strategic issues for e-business implementation. He began his career in 1992 as a software developer with SAP AG and was responsible for developing various components of the SAP software. After graduation, he joined the International Consulting Group of SAP in 1993, where he was responsible, inter-alia, for supporting customers on implementation of SAP software as well as for training new consultants and customers. In 1995, he was attached to SAP Asia as a Corporate Pre-Sales Consultant responsible for supporting the local presales team as well as for product demonstrations and marketing of SAP's products in Asia. In 1996, he was promoted to the position of Customer Support Manager with SAP Asia where he managed the accounts of customers such as Singapore Telecom Ltd. In 1997, prior to establishing the ISS Group, he helped SLI Consulting Sdn Bhd ("SLI") set up its operations in Asia and the west-coast of the USA. Within the first six (6) months of 1997, he set up two (2) subsidiary companies of SLI in San Francisco, USA and Kuala Lumpur, Malaysia. In September 1997, he co-founded ISS Malaysia together with Christina Ingeburg Orth, and has since been responsible for the overall management of the ISS Group.

**Christina Ingeburg Orth**, a German national aged 39, was appointed Executive Director of ISS on 26 May 2006 and is one of the Group's co-founders. She is also Managing Director of ISS Thailand. She obtained a Degree in Business Studies from University of Bayreuth, Germany in 1992. She was instrumental in the establishment of ISS Singapore, ISS Thailand and ISS Indonesia and is jointly responsible for strategic and operational decisions relating to the business and operations of the ISS Group. She is also responsible for the overall management of ISS Thailand. She started her career in 1992 as a trainee with Ciba-Geigy AG, a chemical manufacturing MNC in Basel, Switzerland. She left the company and join SLI Consulting AG, an SAP consulting company based in Frauenfeld, Switzerland in 1994. Her last position in SLI Consulting AG prior to co-founding ISS Malaysia in 1997 was as a consultant and one of the team leaders responsible for the management of SAP projects.

**Gloria Chan Mei Ling**, aged 40, was appointed Executive Director of ISS on 26 May 2006. She obtained a Bachelor of Science in Industrial Management from Purdue University, USA in 1986. She began her career as Quality Assurance Executive and Capacity Planner in 1987 with Franklin Porcelain Sdn Bhd. where she was responsible for incorporating quality assurance policies and implementing a capacity requirements plan in a factory. She left the company and joined Ernst & Young Consulting (Singapore) as Manufacturing Engineering Consultant in 1989 and subsequently Thomas Consumer Electronics – TV division (Singapore) in 1991. In June 1994, she began her career with SAP by joining SAP Asia (Singapore) as Senior Consultant and was promoted to Pre-Sales Consultant in January 1996. In January 1997, she was transferred to SAP America to provide consultancy services for customers in the Silicon Valley in California. In January 1998, she joined ISS Malaysia as Principal Consultant, being responsible for SAP consulting services in the area of materials management, warehouse management and quality management. Her duties include human resource management, optimising productivity of staff as well as being the head of R&D of the ISS Group. She is the wife of Harald Weinbrecht.

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

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**Anwar Ali Mustafa Jumabhoy**, aged 49, was appointed Non-Independent Non-Executive Director of ISS on 26 May 2006. He represents MAVCAP on the Board. He received a Bachelor Science (Hons) from the University of Newcastle Upon Tyne, United Kingdom in 1979. He started his career as a Naval Architect with Sunderland Shipbuilders Ltd, United Kingdom in 1980. In 1981, he moved to Singapore and joined Keppel-FELS Limited, as an Engineer. He left Keppel-FELS Limited, as Corporate Development Executive, in 1987, to pursue an MBA degree. He obtained a Masters in Business Administration (Hons) from International Management Development Institute, Switzerland in 1988. Following which he has held management positions in a number of companies. From 2001 to 2004, he was engaged as a consultant by New Technology & Innovation Sdn Bhd and Efficient E-Solutions Berhad, to assist in the listing of these companies on the Singapore Exchange Limited and MESDAQ Market of the Securities Exchange, respectively. He joined MAVCAP in 2004, where he is currently the Senior Vice President – Seed Ventures, primarily responsible for investments in early stage technology companies.

**Loo Chan Yue**, aged 35, was appointed Non-Independent Non-Executive Director of ISS on 26 May 2006. He represents JL Nexus on the Board. He graduated from University of Sheffield, the United Kingdom, with a Bachelor of Social Sciences in Accounting and Financial Management and Economics (dual honours). Upon graduation in 1992, he began his career with Bumiputra Merchant Bankers Berhad, working in the corporate banking department and then the corporate finance department. He left in 1996 when he was appointed Executive Director of Corporate Finance of Woo Hing Holdings Berhad, a public listed company in Malaysia. After a one (1)-year stint, he rejoined Bumiputra Merchant Bankers Berhad's corporate finance department. He left the bank in 2001 and joined a boutique investment advisory firm, Asiasons Capital Sdn Bhd and subsequently joined MAA Corporate Advisory Sdn Bhd as Associate Director in 2002. To date, he has been involved in the listing of numerous companies in three (3) jurisdictions and has been involved in mergers and acquisitions as well as fund-raising/private placement exercises in various parts of the world.

**Mohamed Nor Abdul Hamid**, aged 56, was appointed an Independent Non-Executive Director of ISS on 26 May 2006 responsible to bring an independent judgement on the issues of strategy, performance and resources, including key appointments and standards of conduct. He graduated from University of Newcastle, Australia with a Bachelor of Commerce in March 1972 and was admitted as a Chartered Accountant in the Institute of Chartered Accountants in Australia in April 1975. He joined the Accountant General's Office on his return to Malaysia in May 1975 and was posted to Selangor to take up the post of Selangor State Treasurer. He left the Selangor State Treasury in 1979 to fill the post of Senior Treasury Accountant with the Foreign Investment Committee. He left the government service to head the Corporate Finance Division of Chartered Merchant Bankers Berhad in 1980 where he rose to become the bank's chief executive in 1986. In 1988, he left the bank to head the Sime Darby group's Corporate Finance and Planning Department. Since then, he has filled in a number of senior management positions within the Sime Darby group, his last being the Divisional Director, Power Division, a post he assumed in 2000. He retired in July 2005.

**Md Nahar Noordin**, aged 49, was appointed Independent Non-Executive Director of ISS on 26 May 2006 responsible to bring an independent judgement on the issues of strategy, performance and resources, including key appointments and standards of conduct. He graduated from University of Pacific California with a Bachelor of Science (Finance) in 1984 and obtained a Master of Science (Finance) from California State University, Hayward in 1985. He began his career in Citibank Investment Banking from 1986 to 1990 as Assistant Vice President. From 1990 to 1993, he was engaged by Metacorp Berhad and left as a Deputy Managing Director. His past experiences included being the Chief Executive Officer of Capital Corp Securities from 1996 to 1997 and a Senior General Manager (Investment) in Perbadanan Nasional Berhad from 1999 to 2001. He is currently the Non-Independent Non-Executive Director of Prestar Resources Berhad, a company listed on the Main Board of the Securities Exchange.

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

### 8.3.3 Directorships and Substantial Shareholdings of Directors in Other Public Corporations

Save as disclosed below, none of the Directors of ISS has any directorships or substantial shareholdings in other public corporations during the two (2) years preceding the date of this Prospectus.

Name	Name of company	Position	Date appointed	Shareholdings (Direct/Indirect)	Principal activities
Loo Chan Yue	Mithril Berhad	Director	21.12.2005	-	Property letting and investment holding
	MAACA Labuan Ltd	Director	25.07.2005	-	Investment holding and consultancy services
Md Nahar Noordin	Prestar Resources Berhad	Non-Independent Non-Executive Director	18.06.1994	5.71%	Rental of properties, investment holding and indent activity

### 8.3.4 Directors' Remuneration and Material Benefits-in-Kind

The aggregate remuneration and material benefits-in-kind paid to the Directors of ISS for services rendered in all capacities to the Group for the FYE 31 December 2005 amounted to RM785,672. An aggregate sum of RM785,672 in remuneration and material benefits-in-kind is estimated to be paid to the Directors of ISS for the FYE 31 December 2006.

The directors and the remunerations and material benefit-in-kinds received including contingent and deferred compensation accrued in the respective financial year end, payable at a later date, in bands of RM50,000 per annum, for the FYE 31 December 2005 and FYE 31 December 2006 are as follows:

Remuneration Band	Number of Directors	
	FYE 31 December 2005	FYE 31 December 2006
Below RM50,000	-	-
RM50,000 – RM100,000	-	-
RM100,001 – RM150,000	-	-
RM150,001 – RM200,000	* 2	* 2
RM200,001 – RM250,000	-	-
RM250,001 – RM300,000	-	-
RM300,001 – RM350,000	-	-
RM350,001 – RM400,000	-	-
RM400,001 – RM450,000	^ 1	^ 1
<b>Total</b>	<b>3</b>	<b>3</b>

**Notes:**

\* Christina Ingeburg Orth and Gloria Chan Mei Ling

^ Harald Weinbrecht

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

### 8.4 AUDIT, REMUNERATION AND NOMINATION COMMITTEE

#### Audit Committee

The Audit Committee of ISS comprises the following members of the Board:

Name	Designation	Date of Appointment	Directorship
Mohamed Nor Abdul Hamid	Chairman	26 May 2006	Independent Non-Executive Director
Md Nahar Noordin	Member	26 May 2006	Independent Non-Executive Director
Christina Ingeburg Orth	Member	26 May 2006	Executive Director/Chief Financial Officer

The Audit Committee's summary terms of reference are as follows:

- (i) to review the following and report the same to the Board:
  - (a) the audit plan and the evaluation done by the Audit Committee of the system of internal controls with the external auditors;
  - (b) the audit report and the assistance given by the Company's employees to the external auditors;
  - (c) any related party transaction and conflicts of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions or management integrity;
- (ii) to consider the appointment of the external auditors, the audit fee and any queries on resignation or dismissal of the external auditors;
- (iii) to discuss with the external auditors before the audit commences, the nature and scope of audit and ensure co-ordination where more than one audit firm is involved;
- (iv) to review the quarterly and year-end financial statements of the Company and Group, focusing particularly on:
  - (a) any changes in accounting policies and practices;
  - (b) significant adjustment arising from the audit;
  - (c) the going concern assumption; and
  - (d) compliance with accounting standards and other legal requirements;
- (v) to discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management where necessary);
- (vi) to review the external auditor's management letter and management's response;
- (vii) to do the following where an internal audit function exists:
  - (a) review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
  - (b) to review the internal audit programme and results of the internal audit process and where necessary, ensure that appropriate action is taken on the recommendations of the internal audit functions;
  - (c) review any appraisal or assessment of the performance of members of the internal audit function;

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

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- (d) approve any appointments or termination of senior staff members of the internal audit function; and
  - (e) inform itself of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- (viii) to consider the major findings of internal investigations and management's response;
- (ix) to consider other areas as defined by the Board; and
- (x) to perform any other functions or responsibilities as may be required of them as prescribed by the Securities Exchange or any other relevant authorities from time to time.

**Remuneration Committee**

The Remuneration Committee of ISS comprises the following members of the Board:

<b>Name</b>	<b>Designation</b>	<b>Date of Appointment</b>	<b>Directorship</b>
Md Nahar Noordin	Chairman	26 May 2006	Independent Non-Executive Director
Mohamed Nor Abdul Hamid	Member	26 May 2006	Independent Non-Executive Director
Christina Ingeburg Orth	Member	26 May 2006	Executive Director/Chief Financial Officer

The Remuneration Committee is responsible for the recommendation to the Board the remuneration of the executive directors, non-executive directors, senior management and executive staff in all form.

**Nomination Committee**

The Nomination Committee of ISS comprises the following members of the Board:

<b>Name</b>	<b>Designation</b>	<b>Date of Appointment</b>	<b>Directorship</b>
Mohamed Nor Abdul Hamid	Chairman	26 May 2006	Independent Non-Executive Director
Md Nahar Noordin	Member	26 May 2006	Independent Non-Executive Director
Christina Ingeburg Orth	Member	26 May 2006	Executive Director/Chief Financial Officer

The duties of the Nomination Committee are as follows:

- (i) recommend to the Board, candidates for all directorships and senior management for operations, corporate and finance departments. In making the recommendations, the Nomination Committee should also consider candidates proposed by the Chief Executive Officer, and within the bounds of practicability, by any other senior executive, director or shareholder;
- (ii) review annually the required mix of skills and experience of the Board, including the core competencies which non-executive directors should bring to the Board; and

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

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- (iii) assess annually the effectiveness of the Board as a whole, the Nomination Committee of the Board and the contribution of each of the individual directors.

**8.5 DIRECTORS' TERM OF OFFICE**

In accordance with the Company's Articles of Association, one third (1/3) of the Board, shall retire by rotation at each Annual General Meeting provided that all the Directors shall retire from office once every three (3) years. These retiring directors shall be eligible for re-election. The Board may appoint any one or more of their body to be Managing Director/Deputy Managing Director for a term of not exceeding five (5) years at a time. The Managing Director/Deputy Managing Director shall be subjected to retirement by rotation or be taken into account in determining the rotation of retirement of Directors but his appointment shall be automatically determined if he ceases from any cause to be a Director.

Harald Weinbrecht, Christina Ingeburg Orth, Gloria Chan Mei Ling, Anwar Ali bin Mustafa Jumabhoy, Loo Chan Yue, Mohamed Nor Abdul Hamid and Md Nahar Noordin have been appointed as directors of the Company on 26 May 2006. All directors shall hold office until the next annual general meeting which will be held no later than 10 May 2007 and shall be eligible for re-election.

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

### 8.6 KEY MANAGEMENT

#### 8.6.1 Particulars and Shareholdings of Key Management

The key management of the Company and their shareholdings in the Company as at the date of this Prospectus and after the Public Issue are as follows:

Name	Designation	Nationality	As at date of Prospectus		After Public Issue*					
			No. of shares held	% held	No. of shares held	% held				
Harald Weinbrecht	Managing Director/ Chief Executive Officer	German	77,746,949	43.87	(i) 5,345,259	3.02	78,296,949	35.85	(ii) 5,895,259	2.70
Christina Ingeburg Orth	Executive Director/ Chief Financial Officer	German	26,726,294	15.08	-	-	27,276,294	12.49	-	-
Gloria Chan Mei Ling	Executive Director	Malaysian	5,345,259	3.02	(iii) 77,746,949	43.87	5,895,259	2.70	(iii) 78,296,949	35.85
Sanjay Nair	Country Manager, ISS Malaysia and ISS Indonesia	Malaysian	-	-	-	-	50,000	0.02	-	-
Wisit Wirayagorn	Country Manager, ISS Thailand	Thai	-	-	-	-	65,000	0.03	-	-
Richard Tan Chye Chin	Country Manager, ISS Singapore	Singaporean	-	-	-	-	150,000	0.07	-	-

#### Notes:

- \* Assuming that the Pink Form Shares allocated are fully taken up.
- (i) Deemed interest by virtue of Gloria Chan Mei Ling being his spouse.
- (ii) Deemed interest by virtue of Harald Weinbrecht being her spouse.

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

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### 8.6.2 Profiles of Key Management

Please refer to Section 8.3.2 for profiles of Harald Weinbrecht, Christina Ingeburg Orth and Gloria Chan Mei Ling.

**Sanjay Nair**, a Malaysian aged 34, is the Country Manager for both ISS Malaysia and ISS Indonesia. He graduated from Bemidji State University, Minnesota, USA in 1996 as a Bachelor of Science in Computer Information Systems. He is also a SAP R/3 Certified Consultant (Financial Accounting) and a Microsoft Certified Professional. Mr. Nair joined ISS Malaysia in 2000 and was promoted to Country Manager for ISS Indonesia later that year, being responsible for all affairs of ISS Indonesia. He has more than nine years of Information Technology and Project Management experience. Mr. Nair began his career as a Systems Engineer in March 1996 with Diamet Klang (M) Sdn Bhd, which is a member of the MMC Group of Japan and has since served in various capacities and senior management positions in various large multinational organisations particularly in the manufacturing, telecommunications and logistics industry sectors in the areas of Information Technology Consulting and Project Management.

**Wisit Wirayagorn**, a Thai national aged 38, is the Country Manager attached to ISS Thailand. He joined ISS Thailand in 2000 as Project Manager before being promoted to his present position in 2005. He obtained a Bachelor of Business Administration majoring in Information System from Rajamangala Institute of Technology, Thailand in 1990 and a Master of Business Administration major in Finance from The Thai Chamber of Commerce University, Thailand in 1995. He then pursued his studies at Sukhothai Thammathirat Open University, Thailand, obtaining a Bachelor of Business Administration major in Accounting in 2001. He is also a SAP R/3 certified application consultant in Material Management and Production Planning. He began his career with C L Computer (Thailand) Ltd in 1990 and was there until 1997 when he joined Fujitsu System Business (Thailand) Ltd as Project Manager, being involved in the implementation of CHESS V.3.2/GLOVIA V.4.0, an ERP package. In 1999, he joined Bernhof Consulting Thailand Ltd as a consultant responsible for the implementation, configuration and support of SAP R/3 Materials Management. He subsequently joined Nexus System Resources Co Ltd as a consultant in 2000, being responsible for the implementation configuration and support of SAP R3 material management modules. He has approximately fifteen (15) years of working experience in IT project management, business process consulting, implementation and support, project quality assurance and training of key users for the high technology industries, automotive, machinery, oil and gas, trading and retail industries.

**Richard Tan Chye Chin**, a Singaporean aged 31, is the Country Manager for ISS Singapore. He joined ISS Singapore in 2003 as Country Sales Manager and was promoted to his current position in 2005, thus being responsible for the all affairs in ISS Singapore. He obtained his Bachelor of Commerce from Deakin University Australia majoring in Marketing in 1999. He began his career as an account representative in IBM Singapore in the microelectronics division and was responsible for customers' interface within Asia Pacific region. He left in 1999 to join Frontline Technologies Pte Ltd as a major account manager in the commercial and industrial sector and was responsible for the sale of IT solutions based on products from Sun, Oracle and CISCO.

### 8.7 INVOLVEMENT OF EXECUTIVE DIRECTORS AND KEY MANAGEMENT IN OTHER BUSINESSES/CORPORATIONS

None of the executive directors and key management of the Group is involved in other businesses or corporations.

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

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**8.8 DECLARATIONS OF PROMOTERS, DIRECTORS AND KEY MANAGEMENT**

None of the promoters, directors or key management of the Group is or has been involved in the following events (whether inside or outside Malaysia):

- (i) A petition under any bankruptcy or insolvency laws was filed (and not struck out) 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) Such person was disqualified from acting as a director of any corporation, or from taking part directly in the management of any corporation;
- (iii) Such person was charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;
- (iv) Any judgement was entered against such person involving a breach of any law or regulatory requirement that relates to the securities or futures industry;
- (v) Such person was the subject of any order, judgement or ruling of any court, government or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity.

**8.9 FAMILY RELATIONSHIPS**

The only family relationship or association amongst the substantial shareholders, promoters of ISS, directors or key management of the Group is that of Harald Weinbrecht and Gloria Chan Mei Ling as husband and wife.

**8.10 SERVICE AGREEMENTS**

As at the Latest Practicable Date, none of the directors and key management of the ISS Group has entered or proposed to enter into service agreements/contracts with the Group.

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

### 8.11 CHANGES IN SUBSTANTIAL SHAREHOLDINGS IN ISS

The changes in the substantial shareholdings in the Company since 15 December 2004 (date of incorporation) up to the date of this Prospectus are as follows:

Name	As at 15 December 2004			After Share Split			After Acquisitions			
	No. of shares held	% held	Indirect	No. of shares held	% held	Indirect	No. of shares held	% held	Indirect	
Harald Weinbrecht *	-	-	-	-	-	-	(i) 5,385,236	43.87	-	3.02
Christina Ingeburg Orth *	-	-	-	-	-	-	77,746,949	15.08	-	-
Gloria Chan Mei Ling *	-	-	-	-	-	-	5,345,259	3.02	(ii) 78,328,414	43.87
MAVCAP **	-	-	-	-	-	-	25,678,563	14.49	(iii) 10,642,212	6.01
MTSB **	-	-	-	-	-	-	10,642,212	6.01	(iv) 36,320,775	20.50
Minister of Finance Incorporated **	-	-	-	-	-	-	-	-	-	-
JL Nexus **	-	-	-	-	-	-	9,161,397	5.17	-	-
Loo Chan Yue **	-	-	-	-	-	-	-	-	(v) 9,161,397	5.17

#### Notes:

- \* Promoter and substantial shareholder
- \*\* Substantial shareholder
- (i) Deemed interest by virtue of Gloria Chan Mei Ling being his spouse.
- (ii) Deemed interest by virtue of Harald Weinbrecht being her spouse.
- (iii) Deemed interest by virtue of its shareholding in MTSB pursuant to Section 6A of the Act.
- (iv) Deemed interest by virtue of its shareholding in MAVCAP pursuant to Section 6A of the Act.
- (v) Deemed interest by virtue of its shareholding in JL Nexus pursuant to Section 6A of the Act.

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

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**8.12 MANAGEMENT SUCCESSION PLAN**

As in any other business, the Board believes that the Group's continued success depends on the ability and retention of the Management. The Group's future success will also depend on attracting and retaining skilled personnel.

In this connection, the Group also has a management succession plan consisting of:

- (i) Sound recruitment and selection;
- (ii) Competitive remuneration and employee benefits;
- (iii) Structured career planning and development; and
- (iv) Continuous training and education.

Appropriate training as set out in Section 5.4.12 of this Prospectus will be provided to enhance the management and technical skills of skilled and technical personnel for the purpose of their career advancement within the Group.

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## 9. APPROVALS AND CONDITIONS

### 9.1 CONDITIONS ON APPROVALS

The Public Issue under the terms of this Prospectus was approved by the SC (and approved under the FIC's Guidelines on the Acquisition of Interest, Mergers and Takeovers by Local and Foreign Interest) on 6 April 2006 and 26 May 2006, subject to the following conditions:

Authority	Conditions imposed	Status of compliance																				
SC	<p>(i) With respect to reliance on SAP in generating the Company's revenue, ISS to make a detailed disclosure in its prospectus on the following:-</p> <p>(a) Steps/actions taken/to be taken to reduce reliance on SAP in generating the revenue for the ISS Group;</p> <p>(b) The impact to the Group should SAP terminate all licences given and no longer be the business partner of the Group; and</p> <p>(c) Alternatives taken/to be taken by the Group should the above scenario took place.</p> <p>(ii) Detailed disclosure in the prospectus, actions taken/to be taken by ISS Group to increase revenue contribution from sale of proprietary products;</p> <p>(iii) Pursuant to Rule 2.10 of the MMLR, which requires that the shares held by promoters amounting to 45% of the Applicant's issued and paid-up capital at admission to be placed under moratorium, the moratorium on the shareholdings of ISS's promoters are as follows:</p> <table border="1" data-bbox="464 1223 1026 1630"> <thead> <tr> <th rowspan="2"></th> <th colspan="2">ISS shares to be held under moratorium</th> </tr> <tr> <th>No. of shares</th> <th>% of issued and paid up capital of ISS</th> </tr> </thead> <tbody> <tr> <td><b>Promoter</b></td> <td></td> <td></td> </tr> <tr> <td>Harald Weinbrecht</td> <td>69,025,900</td> <td>31.61</td> </tr> <tr> <td>Christina Ingeburg Orth</td> <td>24,046,600</td> <td>11.01</td> </tr> <tr> <td>Gloria Chan Mei Ling</td> <td>5,197,200</td> <td>2.38</td> </tr> <tr> <td><b>Total</b></td> <td><b>98,269,700</b></td> <td><b>45.00</b></td> </tr> </tbody> </table>		ISS shares to be held under moratorium		No. of shares	% of issued and paid up capital of ISS	<b>Promoter</b>			Harald Weinbrecht	69,025,900	31.61	Christina Ingeburg Orth	24,046,600	11.01	Gloria Chan Mei Ling	5,197,200	2.38	<b>Total</b>	<b>98,269,700</b>	<b>45.00</b>	<p>Complied. Please refer to Section 5.4.4 and 4.2.3 of this Prospectus.</p> <p>Complied. Please refer to Section 5.4.4 of this Prospectus.</p> <p>Will be complied.</p>
	ISS shares to be held under moratorium																					
	No. of shares	% of issued and paid up capital of ISS																				
<b>Promoter</b>																						
Harald Weinbrecht	69,025,900	31.61																				
Christina Ingeburg Orth	24,046,600	11.01																				
Gloria Chan Mei Ling	5,197,200	2.38																				
<b>Total</b>	<b>98,269,700</b>	<b>45.00</b>																				

9. APPROVALS AND CONDITIONS (Cont'd)

Authority	Conditions imposed	Status of compliance
	(iv) Alliance/ISS to inform the SC when the proposed flotation on MESDAQ Market is completed;	Will be complied.
	(v) Alliance/ISS to submit the following information on the places to SC with regard to the placement of shares in respect of the public issue:- (a) Name of places/ultimate beneficiaries for nominee companies (if any); (b) Identification card/passport/company registration number; (c) Central Depository System number; (d) Home/Business address; (e) Occupation/principal activities; (f) Date of listing of placement shares; (g) Number of placement shares allocated; (h) Issue price of the placement shares; and (i) Name of placement agent.	Will be complied.
	(vi) Undertaking letters to be given by the respective directors to ISS Malaysia with respect of the proposed waiver of amount owing by ISS Malaysia of RM1,482,448.	A copy of each of the undertaking letters by the respective directors have been furnished to the SC on 6 June 2006.

There is no equity condition imposed on ISS in conjunction with the listing of ISS on the MESDAQ Market of the Securities Exchange as its subsidiary company, ISS Malaysia, had obtained MSC status.

The Securities Exchange had, vide its letter dated 5 June 2006 granted its approval-in-principle on the admission to the Official List of the Securities Exchange and the listing and quotation of the entire enlarged issued and paid-up share capital of ISS of RM21,837,709 comprising 218,377,090 ordinary shares of RM0.10 each on the MESDAQ Market.

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

### 9.2 MORATORIUM ON SALE OF SHARES

As required under the MMLR, ISS Shares held by the Promoters amounting to 45% of the enlarged issued and paid-up share capital of the Company as at the date of admission of the Company to the Official List of the MESDAQ Market are to be placed under moratorium. The Promoters and the number of ISS Shares held by each of them that will be placed under moratorium are as follows:

Name of Promoter	No. of ISS Shares held after the Public Issue*	% of the enlarged issued and paid-up share capital	No. of ISS Shares to be placed under moratorium	% of the enlarged issued and paid-up share capital
Harald Weinbrecht	78,296,949	35.85	69,025,900	31.61
Christina Ingeburg Orth	27,276,294	12.49	24,046,600	11.01
Gloria Chan Mei Ling	5,895,259	2.70	5,197,200	2.38
<b>Total</b>	<b>111,468,502</b>	<b>51.04</b>	<b>98,269,700</b>	<b>45.00</b>

**Note:**

\* Inclusive of Pink Form Shares.

The moratorium has been fully accepted by the Promoters. They will not be allowed to sell, transfer or assign any part of the Shares placed under moratorium for a period of one (1) year from the date of admission of ISS to the Official List of the MESDAQ Market. Thereafter, they are permitted to sell, transfer or assign up to a maximum of one-third per annum on a straight line basis of their respective shareholdings in ISS which is under moratorium.

The restriction is specifically endorsed on the notices of allotment representing the respective shareholdings of the substantial shareholders/promoters which are under moratorium to ensure that the Company's Registrar does not register any transfer not in compliance with the above restriction. The public is deemed to have notice of this restriction.

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## 10. RELATED PARTY TRANSACTIONS/CONFLICT OF INTERESTS

### 10.1 EXISTING AND PROPOSED RELATED PARTY TRANSACTIONS AND/OR CONFLICTS OF INTERESTS

Save for the related party transaction, which was carried out on an arms length basis, as follows, there are no existing or potential related party transactions and/or conflicts of interests between the Group and its substantial shareholders and/or directors and/or persons connected with the substantial shareholders and/or directors as defined under Section 122A of the Act and/or its key management for the three (3) FYE 31 December 2003 to FYE 31 December 2005 immediately preceding the date of this Prospectus and for the financial year ending 31 December 2006.

Company involved	Transacting party	Nature of transaction	FYE 31.12.2005 RM	Estimated for the financial year ending 31.12.2006 RM
ISS Malaysia	Gloria Chan Mei Ling	Rental of apartment by Gloria Chan Mei Ling to ISS Malaysia for ISS Malaysia's staff accommodation (up to March 2006, thereafter the apartment has been sold by Gloria Chan Mei Ling to third party)	7,500	4,500

### 10.2 TRANSACTIONS UNUSUAL IN NATURE OR CONDITIONS

There are no transactions that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which the Group was a party in respect of the three (3) FYE 31 December 2003 to FYE 31 December 2005 and the subsequent period thereof immediately preceding the date of this Prospectus.

### 10.3 LOANS MADE BY GROUP TO OR FOR BENEFIT OF RELATED PARTIES

There are no outstanding loans, including guarantees of any kind, given by the Group to or for the benefit of related parties for the three (3) FYE 31 December 2003 to FYE 31 December 2005 and the subsequent period thereof immediately preceding the date of this Prospectus.

### 10.4 INTEREST IN SIMILAR BUSINESS

None of the directors or the substantial shareholders of the Company and its subsidiary companies has any interest, direct or indirect, in other businesses and corporations carrying on a trade similar to that of the Group.

### 10.5 PROMOTION OF MATERIAL ASSETS ACQUIRED/DISPOSED OF OR LEASED

Save for the Acquisitions as set out in Section 5.3.1 of this Prospectus, none of the Directors or substantial shareholders of the Company has or had any interest, direct or indirect, in the promotion of or in any assets acquired or proposed to be acquired or disposed of or proposed to be disposed of or leased to or proposed to be leased to the Group during the three (3) FYE 31 December 2003 to FYE 31 December 2005 and the subsequent financial period thereof immediately preceding the date of this Prospectus.

### 10.6 DECLARATION BY EXPERTS

Alliance does not have any equity interest in or financial relationship with ISS or any of its subsidiary companies that may give rise to a conflict of interests in its capacity as the Adviser, Co-Underwriter, Sponsor and Co-Placement Agent to ISS in relation to its listing exercise.

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**10. RELATED PARTY TRANSACTIONS/CONFLICT OF INTERESTS (Cont'd)**

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OSK does not have any equity interest in or financial relationship with ISS or any of its subsidiary companies that may give rise to a conflict of interests in its capacity as the Co-Underwriter and Co-Placement Agent to ISS in relation to its listing exercise.

Horwath does not have any equity interest in or financial relationship with ISS or any of its subsidiary companies that may give rise to a conflict of interests in its capacity as the Auditors and Reporting Accountants to ISS in relation to its listing exercise.

Siew Lee & Co does not have any equity interest in or financial relationship with ISS or any of its subsidiary companies that may give rise to a conflict of interests in its capacity as the due diligence solicitors to ISS in relation to its listing exercise.

Madhavan Partnership does not have any equity interest in or financial relationship with ISS or any of its subsidiary companies that may give rise to a conflict of interests in its capacity as expert on the regulations on the repatriation of profits and the relevant laws and regulations of Singapore to ISS in relation to its listing exercise.

Ernst & Young does not have any equity interest in or financial relationship with ISS or any of its subsidiary companies that may give rise to a conflict of interests in its capacity as the Issuer of the Industry Overview Report to ISS in relation to its listing exercise.

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