

## 8. APPROVALS AND CONDITIONS

### 8.1 Conditions on Approvals for the Flotation Exercise

Our Listing on the MESDAQ Market has been approved by the SC via its letter dated 9 October 2007 pursuant to Section 212(5) of the CMSA and the SC MESDAQ Guidelines.

No equity conditions under the FIC's Guideline on the Acquisition of Interests, Mergers and Take-overs by Local and Foreign Interests are imposed on WinSun because our company is an MSC status company.

(a) The approval from the SC was subjected to, inter-alia, the following conditions:

Details of conditions imposed		Status of compliance														
(i)	Disclosure of the risk associated with competitive China market and mitigating factors / actions taken / to be taken by the Group;	Complied. Relevant disclosures have been made in Section 4.7 of this Prospectus.														
(ii)	Disclosure of the level of barrier to entry for potential entrants into the industry;	Complied. Relevant disclosures have been made in Section 6.5 of this Prospectus.														
(iii)	Disclosure of differentiation factors and competitive advantages of WinSun over its competitors;	Complied. Relevant disclosures have been made in Section 5.6.13 of this Prospectus.														
(iv)	Detailed disclosure on steps taken by the Company to protect its intellectual property rights;	Complied. Relevant disclosures have been made in Section 4.5 of this Prospectus.														
(v)	<p>Pursuant to paragraph 3.16 of the SC's Guidelines for Initial Public Offerings and Listings on the MESDAQ Market, the moratorium on the shareholdings of WinSun's promoters is as follows:</p> <table border="1"> <thead> <tr> <th rowspan="2">Promoter</th> <th colspan="2">WinSun shares to be held under moratorium</th> </tr> <tr> <th>No. of shares</th> <th>% of issued and paid up capital of WinSun</th> </tr> </thead> <tbody> <tr> <td>Choong Siew Meng</td> <td>90,000,000</td> <td>30.0</td> </tr> <tr> <td>Choong Lai Chun</td> <td>45,000,000</td> <td>15.0</td> </tr> <tr> <td><b>Total</b></td> <td><b>135,000,000</b></td> <td><b>45.0</b></td> </tr> </tbody> </table>	Promoter	WinSun shares to be held under moratorium		No. of shares	% of issued and paid up capital of WinSun	Choong Siew Meng	90,000,000	30.0	Choong Lai Chun	45,000,000	15.0	<b>Total</b>	<b>135,000,000</b>	<b>45.0</b>	To be complied.
Promoter	WinSun shares to be held under moratorium															
	No. of shares	% of issued and paid up capital of WinSun														
Choong Siew Meng	90,000,000	30.0														
Choong Lai Chun	45,000,000	15.0														
<b>Total</b>	<b>135,000,000</b>	<b>45.0</b>														
(vi)	PIVB / WinSun to inform the SC when the proposed flotation on MESDAQ Market is completed;	To be complied.														
(vii)	Full compliance with all the relevant requirements in Guidelines for Initial Public Offerings and Listings on the MESDAQ Market and any other requirements; and	On going compliance.														
(viii)	Approvals to be obtained from other relevant authorities, if any.	Not applicable.														

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

- (b) WinSun was granted MSC status via MDeC's letter dated 15 August 2007. The approval from the MDeC, was subjected to, inter-alia, the following conditions:

Details of conditions imposed	Status of compliance
<p>(i) 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 the date of this letter, and undertake such activities specified in the MSC Malaysia Status Company's business plan ("Business Plan") as approved by MDeC below ("MSC Malaysia Qualifying Activities") within six (6) months from the date of this letter or by such date(s) as may be specified in the Business Plan (which date(s) may be extended or modified with the written consent of MDeC) and thereafter continue with such business and activities unless otherwise approved by MDeC. The MSC Malaysia Qualifying Activities are as follows:-</p> <p>(a) Research, development and commercialisation of the following development activities:</p> <ul style="list-style-type: none"> <li>• Motor Uninterruptible Power Supply</li> <li>• Waste Water Treatment Software</li> </ul> <p>(b) Provision of implementation, technical services and support related to the above mentioned applications.</p> <p>Any changes proposed to the above MSC Malaysia Qualifying Activities as detailed in the Business Plan must receive the prior written consent of MDeC;</p>	<p>To be complied. WinSun was incorporated as a private limited company in Malaysia under the Companies Act 1965 on 21 March 2007 and was converted into a public limited company on 5 October 2007. WinSun is expected to commence its R&amp;D activities by 15 February 2008.</p> <p>R&amp;D activities on the MUPS have commenced since the FYE 31 December 2006 and the Group's designated R&amp;D team in China is currently developing the MUPS. Part of the R&amp;D activities including any enhancement to the MUPS will be transferred to Malaysia, upon commencement of business of WinSun which is expected to be in FYE 2008. The MUPS is expected to be commercialised in FYE 2008.</p> <p>Project planning on the Waste Water Treatment Software is expected to commence in FYE 2008 and R&amp;D activities is expected to commence in FYE 2009. The project is expected to be commercialised in FYE 2010.</p> <p>To be complied.</p> <p>Noted. WinSun will ensure continuous compliance.</p>

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

Details of conditions imposed		Status of compliance
(ii)	locate the implementation and operation of the MSC Malaysia Qualifying Activities in a Designated Zone in Cybercity with minimum office space of 1,132 sq ft, within six (6) months from the date of this letter. The MSC Malaysia Status Company shall obtain MDeC's prior written approval in the event of any changes in the location or address of the company;	To be complied.  Our Group is considering to transfer part of our R&D activities to the Suntech building located in the MSC-designated zone in Bayan Baru, Penang in 2008. We are in the midst of evaluating an offer from Emerald Capital Development Sdn Bhd for the purchase of an office located in OS-12-02 and OS-12-03, Suntech, Lintang Mayang Pasir 3, 11950, Bayan Baru, Pulau Pinang, Malaysia. Currently, the Suntech building is under construction and is expected to be completed and available for occupancy in early 2008.
(iii)	ensure that at all times at least fifteen percent (15%) of the total number of employees (excluding support staff) of the MSC Malaysia Status Company shall be "knowledge workers" (as defined by MDeC). "Knowledge workers" shall be recruited, employed and/or appointed solely for the purpose of undertaking the MSC Malaysia Qualifying activities. The recruitment, employment and/or appointment of foreign "knowledge workers" (if any) shall be the sole responsibility of the MSC Malaysia Status Company and MDeC shall not be held responsible for any liability from such recruitment/ employment and/or appointment;	To be complied. Upon the commencement of its R&D activities, WinSun will ensure that at all times at least fifteen percent (15%) of the total number of employees (excluding support staff) shall be knowledge workers.
(iv)	ensure that any products produced pursuant to the MSC Malaysia Qualifying Activities are original, and that no part or portion of such Product is an infringement or violation of any intellectual property or any propriety rights of any third party, or constitutes a misappropriation of know-how belonging to any third party;	Noted. WinSun will ensure continuous compliance.
(v)	submit to MDeC a copy of the MSC Malaysia Status Company's Annual Report and Audited Statements in parallel with submission to the Companies Commission of Malaysia;	Noted. WinSun will ensure continuous compliance.

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

Details of conditions imposed		Status of compliance
(vi)	ensure that all information and/or documents furnished by MSC Malaysia Status Company to MDeC or any other authority or agency do not contain any false, untrue or inaccurate statements or omit to state any facts, the omission of which would make any statements made therein in the light of the circumstances under which they are made, misleading;	Noted. WinSun will ensure continuous compliance.
(vii)	inform and obtain the prior approval of MDeC for any proposed change in the name of the MSC Malaysia Status Company;	Complied.  WinSun had via its letter dated 1 November 2007 informed MDeC that WinSun has been converted into a public limited company on 5 October 2007.
(viii)	inform MDeC of any change in the equity structure or shareholding structure of the MSC Malaysia Status Company, or such other changes that may affect the direction or operation of the MSC Malaysia Status Company. MDeC must be informed of any change before steps are taken to effect such change; and	WinSun had, via its letter dated 1 November 2007 informed MDeC of the change in the shareholding structure pursuant to the Acquisitions.  WinSun will inform MDeC of the equity and shareholding structure after the completion of the Flotation Exercise.
(ix)	comply with all such statutory, regulatory and/or licensing requirements as may be applicable, including but not limited to the Transfer Pricing Guidelines issued by the Inland Revenue Board of Malaysia on 2 July 2003, and such other amendments as may be applicable from time to time.	Noted. WinSun will ensure continuous compliance.

- (c) Bursa Securities has granted its approval-in-principal for our Listing vide its letter dated 3 December 2007.

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

### 8.2 Moratorium on the Disposal of Promoters' Shares

Pursuant to the MMLR, Shares held by Promoters amounting to 45% of the enlarged issued and paid-up share capital of our Company at the date of admission of our Company to the Official List of the MESDAQ Market, are to be placed under moratorium. The Promoters and details of the Shares that are subjected to moratorium are as follows:

Shareholders	After the Public Issue and Bonus Issue							
	No. of Shares held <sup>^</sup>				No. of Shares held under moratorium			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	% of enlarged share capital	No. of Shares	% of enlarged share capital	No. of Shares	% of enlarged share capital	No. of Shares	% of enlarged share capital
Choong Siew Meng	90,999,000	30.33	-	-	90,000,000	30.00	-	-
Choong Lai Chun	63,999,000	21.33	-	-	45,000,000	15.00	-	-
<b>TOTAL</b>	<b>154,998,000</b>	<b>51.66</b>	-	-	<b>135,000,000</b>	<b>45.00</b>	-	-

Note:

<sup>^</sup> Includes their respective indicative pink form share allocations.

The moratorium condition has been accepted by our Promoters. Our Promoters will not be allowed to sell, transfer or assign their shareholdings amounting to 45% of the issued and paid-up share capital of our Company within one (1) year from the date of our admission to the Official List of the MESDAQ Market. Thereafter, they are permitted to sell, transfer or assign up to a maximum of one third (1/3) of their shareholdings per annum on a straight-line basis of their respective shareholdings under moratorium.

The Share Registrar and Bursa Depository have been informed in writing in relation to the moratorium on the Shares held by our Promoters to ensure that it does not register any transfer not in compliance with the moratorium restriction.

### 8.3 Profit Guarantee

As at 23 November 2007, being the latest practicable date prior to the printing of this Prospectus, there have not been any existing or proposed profit guarantee agreements which have been entered into by our Company and/or our subsidiaries.

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## 9. RELATED PARTY TRANSACTIONS/CONFLICT OF INTEREST

### 9.1 Existing and Proposed Related Party Transactions/Conflict of Interest

Save as disclosed below, there are no related party transactions and/or conflict of interests, existing or proposed, entered into between our Group and our related parties for the past three (3) FYE 31 December 2004 to 2006 and for the six (6) months FPE 30 June 2007. Related parties means Directors, substantial shareholders and/or persons connected with such Director or substantial shareholder as defined under Section 122A of the Act.

- (i) Advances from Choong Siew Meng the Managing Director/CEO who is also a Promoter and substantial shareholder of our Group.

	FYE 31 December			Six (6) Months FPE 30 June 2007
	2004 RM'000	2005 RM'000	2006 RM'000	RM'000
Advances from Choong Siew Meng for working capital purposes.	156	160	2	40

The advances are unsecured, interest free and have no fixed term of repayment.

- (ii) Provision of personal guarantees by our Directors who are also Promoters and substantial shareholders of our Group for banking facilities extended to our Group.

Name	Description	Amount	Amount outstanding as at 15 November 2007 RM'000
Choong Siew Meng	Personal guarantee in favour of Malayan Banking Berhad	RMB5,000,000 <sup>(1)</sup>	-
Choong Siew Meng and Choong Lai Chun	Joint and several personal guarantee in favour of Malayan Banking Berhad	USD715,000 <sup>(2)</sup>	846
Choong Siew Meng and Choong Lai Chun	Joint and several personal guarantee in favour of United Overseas Bank	RMB2,000,000 <sup>(3)</sup>	-
Choong Siew Meng	Personal guarantee in favour of Public Bank (Hong Kong) Ltd. Shenzhen Branch	RMB4,300,000 <sup>(4)</sup>	680

**Notes:**

- (1) The personal guarantee was in respect of banking facility granted to Winner. The banking facility was fully settled in January 2007.
- (2) The joint and several guarantee is in respect of a short term loan banking facility of RMB3,000,000 granted to Winco at the applicable PBOC Rate + 1.50% per annum.
- (3) The joint and several guarantee is in respect of a short term loan banking facility of RMB2,000,000 granted to Winco at 120% of the PBOC Rate per annum.
- (4) The personal guarantee is in respect of a short term loan banking facility of RMB4,300,000 granted to Winco at the PBOC Rate per annum.

We intend to obtain a release and discharge of the above guarantees by replacing the same with corporate guarantees by our Company subsequent to our Listing. Should the terms and conditions of our existing facilities be affected by the withdrawal of the above guarantees, our Directors are confident that with our listing status and strengthened financial position due to the listing proceeds, we would be able to secure alternative bank facilities on terms similar to those applicable to the current facilities.

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**9. RELATED PARTY TRANSACTIONS/CONFLICT OF INTEREST (Cont'd)**

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**9.2 Loans Made to Related Parties**

There are no outstanding loans (including guarantees of any kind) made by our Group to or for the benefit of related parties in respect of the past three (3) FYE 31 December 2004 to 2006 and the subsequent financial period thereof, immediately preceding the date of this Prospectus.

**9.3 Transactions that are Unusual in their Nature or Condition**

There are no transactions that are unusual in nature or conditions, involving goods, services, tangible or intangible assets, to which we or our subsidiary was a party in respect of the past three (3) FYE 31 December 2004 to 2006 and the subsequent financial period thereof, immediately preceding the date of this Prospectus.

**9.4 Promotion of Assets**

Save for the Acquisitions, of which details are set out in Section 5.3.1 of this Prospectus, none of our Directors and/or substantial shareholders has any interest, direct or indirect, in the promotion of or in any material assets which have, within the three (3) FYE 31 December 2004 to 2006 and the subsequent financial period thereof, immediately preceding the date of this Prospectus, been acquired or disposed of by or leased to our Group, or are proposed to be acquired or disposed of by or leased to our Group.

**9.5 Interest in Similar Business**

None of our Directors and/or substantial shareholders has any interest, direct or indirect, in any other businesses and corporation carrying on a similar trade as that of our Group.

**9.6 Declaration by Advisers**

PIVB has given the confirmation that there are no existing or potential conflicts of interest in their capacity as the Adviser, Sponsor, Underwriter and Placement Agent for the Listing.

Messrs. Shamsir Jasani Grant Thornton has given the confirmation that there are no existing or potential conflicts of interest in their capacity as Auditors and Reporting Accountants for the Listing.

Messrs. Ong and Manecksha has given the confirmation that there are no existing or potential conflicts of interest in their capacity as Solicitors for the Listing and due diligence respectively.

Shanghai Wintell Law Firm has given the confirmation that there are no existing or potential conflicts of interest in their capacity as Foreign Solicitors for the Listing and due diligence respectively.

Dun & Bradstreet (D&B) Malaysia has given the confirmation that there are no existing or potential conflicts of interest in their capacity as Independent Market Researcher for the Listing.

## 10. OTHER INFORMATION CONCERNING THE WINSUN GROUP

### 10.1 Land and Buildings

#### 10.1.1 Landed Properties Owned by Our Group

There are no landed properties owned by our Group as at 23 November 2007 (being the latest practicable date prior to printing of this Prospectus).

#### 10.1.2 Properties Rented by Our Group

A summary of the information on buildings tenanted by our Group as at 23 November 2007, being the latest practicable date prior to the printing of this Prospectus is as follows:

Registered owner/Lessor	Postal address/ Title <sup>(4)</sup>	Tenant	Approximate land area/ Built-up area	Approximate age of building <sup>(1)</sup> (years)	Description/ Existing use	Monthly rentals (RM)	Tenancy period	
							Start date	Expiry date
Shanghai Pudong Automobile Transportation Company	No. 2507 Pudong Avenue, Shanghai, 200136 China	Winner	1,020 sq. m	N/A	Standard plant building <sup>(3)</sup> / Production and R&D use	4,875	01.10.2003	30.09.2008
Shanghai Pudong Automobile Transportation Company	No. 2507 Pudong Avenue, Shanghai, 200136 China	Winco	297 sq. m	N/A	2 storey building/ Office use	4,125	01.07.2006	30.06.2008
Zhangjiagang Tian Yue Electrical Co. Ltd	South Industrial Suburb Gang Kou Zhen, Zhangjiagang, Jiangsu Province 215612 China	Winco	400 sq. m	N/A	Standard plant building/ Production use	Nil <sup>(2)</sup>	30.06.2006	29.06.2008
Dai Jun	Room 16C, Sunny Building, No. 98, Shigu Road, Nanjing City, Jiangsu Province, 210004 China	Winner	122 sq. m	N/A	23 storey tower/ Office use	1,688	01.01.2007	31.12.2007
Beijing Industrial Hongyang Property Management Co. Ltd	Room 505A, Hongyang Building, No. 25 Binhe South Road, Beijing, 100055 China	Winner	52.35 sq. m	N/A	5 storey building/ Office use	1,350	19.11.2007	02.12.2008



## 10. OTHER INFORMATION CONCERNING THE WINSUN GROUP (Cont'd)

Registered owner/Lessor	Postal address/ Title <sup>(4)</sup>	Tenant	Approximate land area/ Built-up area	Approximate age of building <sup>(1)</sup> (years)	Description/ Existing use	Monthly rentals (RM)	Tenancy period	
							Start date	Expiry date
Si ZongLi	Room B-714, City Plaza, No. 41, Liuzhuang Street, Haishu District, Ningbo, 315010 China	Winner	82.70 sq. m	N/A	15 storey tower/ Office and Residential use	945	03.01.2007	03.01.2008
Xu RenXing	Room 2403, Huatong Building, No.1, Yongding Street, Wuxi, 214001 China	Winner	125 sq. m	N/A	26 storey tower/ Office and Residential use	1,080	06.01.2007	05.01.2008
Mao YueLing	Room 1902, Building H Century Garden, No. 259 Beijing East Road, Wuhu, 241000 China	Winner	63.8 sq. m	N/A	26 storey tower for business/ Office and Residential use	306	21.01.2007	21.01.2008
Chui Hua	Room 4-302, China Merchant Bank Building, No. 118, Shouyi Street, Wuchong District, Wuhan, 430060 China	Winner	90 sq. m	N/A	7 storey building/ Office and Residential use	450	24.04.2007	24.04.2008

**Notes:**

- (1) Information on the age of the building is not available as at 23 November 2007.
- (2) No rental payable on the condition that Winco purchases more than 1,000 unit of cabinets with a contract sum above RMB2 million or approximately RM0.9 million per annum.
- (3) The premise was issued with a Certification of Use of Premises (Business Premises) dated 2 December 2003.
- (4) All the properties are issued with Certificate of Property Ownership ("CPO") as opposed to titles in China. The CPO will only be issued to the owner of the property upon compliance of the local building bye-laws. This is similar to that of Certificate of Fitness. In this regard, the Promoters confirmed that all their rented properties have the relevant CPO.

To the best of our Directors' knowledge and belief, there are no material non-compliance with current statutory requirements, land rules or building regulations by our Group.

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**10. OTHER INFORMATION CONCERNING THE WINSUN GROUP (Cont'd)**

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**10.2 Plant and Equipment**

As at 23 November 2007 (being the latest practicable date prior to the printing of this Prospectus), our Group does not have any material plant and equipment (those with audited net book value as at 30 June 2007 exceeding RM200,000).

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## 11. FINANCIAL INFORMATION

### 11.1 Proforma Consolidated Income Statements

The following is a summary of our proforma consolidated income statements for the past three (3) FYE 31 December 2004 to 2006 and six (6) months FPE 30 June 2006 and 2007, which have been prepared, based on the assumption that the Acquisitions and Share Split had been effected throughout the period under review. The proforma consolidated income statements are prepared for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions included in the Reporting Accountants' Letter on the Proforma Consolidated Financial Information set out in Section 11.17 of this Prospectus.

	FYE 31 December			Six (6) Months FPE 30 June	
	2004 RM'000	2005 RM'000	2006 RM'000	2006^ RM'000	2007 RM'000
Revenue	24,235	28,397	39,691	18,905	27,161
Gross profit	2,043	3,380	4,587	2,011	5,037
Profit before amortisation, depreciation, interest and taxation	70	2,279	3,229	1,496	3,514
Amortisation	-	-	-	(46)	(57)
Depreciation	(144)	(190)	(196)	(21)	(139)
Interest expense	(11)	(74)	(39)	(24)	(16)
(LBT)/PBT but after amortisation, depreciation and interest	(85)	2,015	2,994	1,405	3,302
Taxation	(53)	(29)	(42)	-	(276)
(LAT)/PAT	(138)	1,986	2,952	1,405	3,026
Gross profit margin (%)	8.43	11.90	11.56	10.64	18.54
(LBT)/PBT margin (%)	(0.35)	7.10	7.54	7.43	12.16
(LAT)/PAT margin (%)	(0.57)	6.99	7.44	7.43	11.14
Number of Shares assumed in issue # ( '000)	70,000	70,000	70,000	70,000	70,000
Gross (LPS)/EPS (sen)	(0.12)	2.88	4.28	4.01*	9.43*
Net (LPS)/EPS (sen)	(0.20)	2.84	4.22	4.01*	8.65*

#### Notes:

- The Proforma Consolidated Income Statements have been prepared based on the audited financial statements of WinSun, Winner and Winco for the past three (3) FYE 31 December 2004 to 2006 and the six (6) months FPE 30 June 2007.
  - There were no extraordinary or exceptional items in all the financial years/period under review.
  - WinSun Group's results have been restated through appropriate consolidation adjustments to eliminate inter-company transactions under the existing group structure.
- # As WinSun was only incorporated on 21 March 2007, the number of ordinary shares of RM0.10 each assumed to be issued was computed using the issued and fully paid-up ordinary share capital of WinSun assuming the acquisitions of Winner and Winco and the Share Split have been completed on 1 January 2004.
- \* Annualised

## 11. FINANCIAL INFORMATION (Cont'd)

<sup>^</sup> *The proforma consolidated income statement for the six (6) months FPE 30 June 2006 has not been audited and are provided for illustrative purposes only as a comparison to the six (6) months FPE 30 June 2007.*

### 11.2 Overview of our Group's Historical Financial Performance

#### Review of the FYE 31 December 2004

##### Revenue

Our Group's revenue for the FYE 31 December 2004 increased by RM7.05 million or 41.04% as compared to the last financial year. As Winco was newly incorporated on 26 December 2003, the Group's revenue generated during the financial period under review was wholly generated from Winner.

Revenue increased mainly from the increase in sales of Industrial System Solution ("ISS") where it had represented 96.34% (before excluding the inter-branch and inter-company transactions) of the total revenue generated in the FYE 31 December 2004. The increase in the revenue of ISS was mainly due to the increase in demand from an existing customer, namely Maanshan Iron & Steel Co., Ltd. – Automation Engineering and good rapport has been established with this customer.

The main contributors to the increase in the revenue of our Group are as follows:-

- (a) Our Group was honoured with the Siemens Automation and Drives "1999/2000 Excellency Award" for our contribution in Large Drives.
- (b) Our Group was honoured with the Siemens Automation and Drives "2000/2001 Best Performing Partner" for our contribution in Large Drives.
- (c) Our Group was honoured with the Siemens Automation and Drives "2001/2002 Best Partner" for our contribution in Large Drives.
- (d) Our Group was honoured with the Siemens Automation and Drives "FY2002/2003 Best Partner Award".
- (e) Our Group was awarded with ISO9001:2000 Standard in relation to the design, manufacture and service of Alternating Current ("AC") and Direct Current ("DC") electrical apparatus industry system; supplying and service of Siemens drive and standardised products by IQ Net Association International Certification Network ("IQNET") and China Certification Center for Quality Mark ("CQM").
- (f) Our Group was appointed as an Authorised Partner of Siemens Automation and Drives Group for Automation System/PT1-2/PAS.
- (g) Our Group was appointed as a Designated System Integrator of Electrical Drives Products of Siemens.

##### Gross profit margin

The gross profit margin of our Group increased from 6.51% in FYE 31 December 2003 to 8.43% in FYE 31 December 2004 mainly due to the sales to Maanshan Iron & Steel Co., Ltd - Automation Engineering which was able to yield a higher gross profit margin.

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

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**LBT**

The improvements in our Group's LBT from RM3.67 million in the FYE 31 December 2003 to RM0.09 million in the FYE 31 December 2004 was mainly due to the higher gross profit, lower selling and distribution expenses as well as other expenses in FYE 31 December 2004 as compared to the FYE 31 December 2003.

Higher selling and distribution expenses had been incurred in the FYE 31 December 2003 due to the need to establish good business relationships with the customers in order to secure more contracts. This had eventually led to the improvement of revenue in the FYE 31 December 2004 as compared to the FYE 31 December 2003.

Other expenses had been reduced by RM1.77 million or 90.88%, mainly due to the allowance for doubtful debts which amounted to RM1.0 million and allowance for slow moving inventories which amounted to another RM0.94 million, both of which have been provided in the FYE 31 December 2003. Such expenses were not incurred in the FYE 31 December 2004.

**Taxation**

The effective tax rate for the Group for the financial year under review is 61.69% despite having LBT. During this financial year, Winco has not commenced operations and the tax was on Winner. The effective tax rate of the Group of 61.69% is higher than the statutory tax rate of 27% mainly due to Winner's adjustments for allowance for doubtful debts and allowance for slow moving inventories and these expenses were not deductible for income tax computation purposes in accordance with the China Tax Authority.

**Review of the FYE 31 December 2005****Revenue**

The revenue in the FYE 31 December 2005 had improved and recorded a growth of 17.17% or RM4.16 million as compared to the FYE 31 December 2004 due to the increase in sales of ISS and System Support Services ("SSS").

The increase in the sales of ISS was mainly attributed to new contracts secured from Wu Han Fu Dian Technology Control Co., Ltd.; Wu Han Yu Ke Co., Ltd.; and Maanshan Iron & Steel Co., Ltd. – Automation Engineering.

The increase in new contracts secured was due to:-

- (a) The Group was appointed as an Authorised Partner of Siemens Automation and Drives Group for automation system, large drive and motion control system.
- (b) The Group was awarded with ISO9001:2000 Standard in relation to the design, manufacture and service of AC and DC electrical apparatus industry system; supplying and service of Siemens drive and standardised products by IQNET and CQM.
- (c) The Group was honoured with the Siemens Automation and Drives "FY2003/2004 Best LD/MC BU Sales Volume Award".

The increase in the sales of SSS was mainly attributed to the increase in orders from existing customers, such as SIAS, Shanghai Baosight Software GuFen Co., Ltd; Maanshan Iron & Steel Co., Ltd; - Automation Engineering and Maanshan Iron & Steel Co., Ltd – Equipment Department.

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

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The growth in the revenue of the Group during the financial year was partly due to the awards and honours received in the previous financial year in which the customers have gained confidence on the ability of our Group to deliver, as required by our customers.

**Gross profit margin**

The gross profit margin of the Group increased by 3.47% from 8.43% in the FYE 31 December 2004 to 11.90% in the FYE 31 December 2005, mainly due to higher gross margin contracts secured from its major customers in line with our Group's overall business plan to penetrate into more sophisticated and high-end automation systems market.

**PBT**

Better results were achieved for the FYE 31 December 2005 as the Group recorded a PBT of RM2.0 million, in contrast to a LBT for the FYE 31 December 2004 of RM0.08 million. The increase in PBT for the financial year is mainly due to the increase in revenue, gross profit margin and the write back of allowance for the slow moving inventories.

**Taxation**

The effective tax rate for the Group for the financial year under review is 1.46%. Winco has commenced operations in this financial year. The lower effective tax rate as compared to the statutory tax rate of 27% was mainly due to the amount of allowance for slow moving inventories no longer required, which was not taxable and tax exemption enjoyed by Winco. Winco is a foreign investment company, and by virtue of that, it is tax exempted for the FYE 31 December 2005 as the China government allows a tax exemption for a foreign investment company for the first two (2) years in which the company began to make profit.

**Review of the FYE 31 December 2006****Revenue**

Our Group's revenue increased by 39.77% or RM11.29 million from RM28.40 million in the FYE 31 December 2005 to RM39.69 million in the FYE 31 December 2006 mainly due to increase in sales for ISS in the form of contracts from Maanshan Iron & Steel Co., Ltd – Automation Engineering which contributed a significant portion of the total revenue of our Group of approximately 39%, and SIAS which contributed approximately 18% of the total revenue of our Group.

Additionally, our Group was appointed as an authorised system integrator of Siemens Automation and Drives Group during the FYE 31 December 2006 and was honoured with the Siemens Automation and Drives "FY2006/2007 Most Improved East Region System Integrator".

**Gross profit margin**

Despite the increase in gross profit from RM3.38 million in FYE 31 December 2005 to RM4.59 million in FYE 31 December 2006, the gross profit margin of the Group decreased marginally from 11.90% to 11.56%. This was mainly due to the completion of high gross profit margin contracts from SIAS and Maanshan Iron & Steel Co., Ltd – Equipment Department. The new contracts secured yielded lower margins.

**PBT**

In line with the improvement in revenue and gross profit, our Group's profit before taxation for the FYE 31 December 2006 improved by RM0.98 million or 48.54% to RM2.99 million compared with profit before taxation of RM2.02 million recorded in FYE 31 December 2005.

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

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**Taxation**

The effective tax rate for the Group for the financial year under review is 1.41%. This is mainly due to Winner recording lower profits and the tax exemption enjoyed by Winco. Winco is a foreign investment company, and by virtue of that, it is tax exempted for the FYE 31 December 2006 as the China government allows a tax exemption for a foreign investment company for the first two (2) years in which the company began to make profit.

**Review of the six (6) months FPE 30 June 2007****Revenue**

Revenue for the six (6) months FPE 30 June 2007 of approximately RM27.16 million shows an improvement of RM8.26 million or 43.70% as compared to RM18.9 million recorded in the six (6) months FPE 30 June 2006. The reason for the increase was mainly due to increase in sales to Wu Han Engineering Technologies Group Automation Co. Ltd of RM5.09 million and Maanshan Iron & Steel Co. Ltd of RM5.11 million.

**Gross profit margin**

The gross profit margin of the Group increased by 7.9% in the six (6) months FPE 30 June 2006 to 18.54% in the six (6) months FPE 30 June 2007, mainly due to the Group's effort in penetrating in the more sophisticated projects with better margin on the back of tighter cost control in 2007.

**Profit before taxation**

Profit before taxation for the six (6) months FPE 30 June 2007 was approximately RM3.3 million as compared to RM1.4 million for the six (6) months FPE 30 June 2006, mainly due to the overall increase in revenue of the Group.

**Taxation**

The effective tax rate for the Group for the financial period under review is 8.36%. This is mainly due to temporary timing differences between financial accounting treatment and tax computation over certain expenses claims and capital allowances.

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## 11. FINANCIAL INFORMATION (Cont'd)

### 11.3 Segmental Analysis of our Proforma Revenue, Gross Profit and PBT

#### 11.3.1 Analysis of Revenue

##### (a) Revenue by Companies

	FYE 31 December			Six (6) months FPE 30 June	
	2004 RM'000	2005 RM'000	2006 RM'000	2006^ RM'000	2007 RM'000
WinSun	-	-	-	-	-
Winner	24,235	26,341	22,284	9,482	9,744
Winco	200	15,990	28,473	14,345	23,309
	24,435	42,331	50,757	23,827	33,053
Less: Inter-company transactions	(200)	(13,934)	(11,066)	(4,922)	(5,892)
<b>Total</b>	<b>24,235</b>	<b>28,397</b>	<b>39,691</b>	<b>18,905</b>	<b>27,161</b>

Note:

^ Unaudited and stated for comparative purpose only

##### (b) Revenue by Products

	FYE 31 December			Six (6) months FPE 30 June	
	2004 RM'000	2005 RM'000	2006 RM'000	2006^ RM'000	2007 RM'000
Industrial system solutions	23,349	37,180	47,542	22,569	29,354
System support services	2,404	6,640	3,215	1,258	3,699
	25,753	43,820	50,757	23,827	33,053
Less:					
- Inter-branch transactions	(1,318)	(1,489)	-	-	-
- Inter-company transactions	(200)	(13,934)	(11,066)	(4,922)	(5,892)
<b>Total</b>	<b>24,235</b>	<b>28,397</b>	<b>39,691</b>	<b>18,905</b>	<b>27,161</b>

Note:

^ Unaudited and stated for comparative purpose only

##### (c) Revenue by Geographical Locations

All the sales throughout the financial periods/years under review were derived from China.

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## 11. FINANCIAL INFORMATION (Cont'd)

### 11.3.2 Analysis of Gross Profit

#### (a) Gross Profit by Companies

	FYE 31 December			Six (6) months FPE 30 June	
	2004 RM'000	2005 RM'000	2006 RM'000	2006 <sup>^</sup> RM'000	2007 RM'000
WinSun	-	-	-	-	-
Winner	2,021	2,195	1,251	542	1,801
Winco	22	1,185	3,336	1,470	3,236
<b>Total</b>	<b>2,043</b>	<b>3,380</b>	<b>4,587</b>	<b>2,012</b>	<b>5,037</b>

Note:

<sup>^</sup> Unaudited and stated for comparative purpose only

#### (b) Gross Profit by Product

	FYE 31 December			Six (6) months FPE 30 June	
	2004 RM'000	2005 RM'000	2006 RM'000	2006 <sup>^</sup> RM'000	2007 RM'000
Industrial system solutions	1,712	2,832	3,918	1,703	4,164
System support services	331	548	669	309	873
<b>Total</b>	<b>2,043</b>	<b>3,380</b>	<b>4,587</b>	<b>2,012</b>	<b>5,037</b>

Note:

<sup>^</sup> Unaudited and stated for comparative purpose only

#### (c) Gross Profit by Geographical Locations

All the gross profit throughout the financial periods/years under review were derived from China.

### 11.3.3 Analysis of PBT by Companies

	FYE 31 December			Six (6) months FPE 30 June	
	2004 RM'000	2005 RM'000	2006 RM'000	2006 <sup>^</sup> RM'000	2007 RM'000
WinSun	-	-	-	-	(3)
Winner	(12)	816	(717)	(310)	272
Winco	(73)	1,199	3,711	1,715	3,033
<b>Total</b>	<b>(85)</b>	<b>2,015</b>	<b>2,994</b>	<b>1,405</b>	<b>3,302</b>

Note:

<sup>^</sup> Unaudited and stated for comparative purpose only

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


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**11.4 Proforma Consolidated Statement of Assets and Liabilities**

The following is the proforma consolidated statement of assets and liabilities as at 30 June 2007 which is presented for illustrative purposes only on the basis that the Acquisitions, Share Split, Public Issue and Bonus Issue had been completed on that date and should be read in conjunction with the Reporting Accountants' Letter on the Proforma Consolidated Financial Information set out in Section 11.17 of this Prospectus.

	<b>As at 30 June 2007</b> <b>RM'000</b>
<b>NON-CURRENT ASSETS</b>	
Property, plant and equipment	3,315
Development cost	7,284
Total non-current assets	<u>10,599</u>
<b>CURRENT ASSETS</b>	
Inventories	909
Receivables	6,772
Amount due from customers on contract	7,997
Cash and bank balances	13,579
Total current assets	<u>29,257</u>
<b>CURRENT LIABILITIES</b>	
Payables	9,532
Amount due to a director	40
Tax payable	272
	<u>9,844</u>
<b>NET CURRENT ASSETS</b>	<u>19,413</u>
	<u>30,012</u>
<b>SHARE CAPITAL</b>	30,000
<b>RESERVES</b>	12
	<u>30,012</u>

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## 11. FINANCIAL INFORMATION (Cont'd)

### 11.5 Proforma Consolidated Cash Flow Statements

The following is our proforma Group cash flow statements for the six (6) months FPE 30 June 2007 which have been prepared on the assumption that the Acquisitions and Share Split had been effected throughout the period under review. The proforma consolidated cash flow statements are prepared for illustrative purposes only and should be read in conjunction with the Reporting Accountants' Letter on the Proforma Consolidated Financial Information set out in Section 11.17 of this Prospectus.

	<b>Six (6) months FPE 30 June</b>	
	<b>2006<sup>^</sup></b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	1,405	3,302
<b>Adjustments for:</b>		
Allowance for doubtful debts	-	591
Allowance for slow moving inventories	45	366
Amortisation	-	57
Depreciation	92	139
Interest expenses	24	16
Allowance for obsolete inventories no longer required	-	(94)
Allowance for doubtful debts no longer required	(10)	-
Interest income	(2)	(3)
Operating profit before working capital changes	1,554	4,374
Changes in working capital:		
Development cost	(170)	(99)
Inventories	143	(682)
Director	(79)	38
Receivables	(952)	675
Payables	(775)	(452)
Customers on contracts	(227)	(5,354)
Cash used in operations	(506)	(1,500)
Interest received	2	3
Interest paid	(24)	(30)
Tax paid	-	(4)
Net cash used in operating activities	(528)	(1,531)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(175)	(43)
Net cash used in investing activity	(175)	(43)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of term loan	(180)	(272)
Drawdown of term loan	-	851
Proceeds from issuance of share capital	-	*
Net cash from financing activities	(180)	579
<b>CASH AND CASH EQUIVALENTS</b>		
Net changes	(883)	(995)
Effect of exchange rate changes	-	10
Brought forward	1,184	1,614
Carried forward	301	629

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

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*Notes:*

^ *Our proforma consolidated cash flow statement for the six (6) months FPE 30 June 2006 has not been audited and are provided for illustrative purposes only as a comparison to the six (6) months FPE 30 June 2007.*

\* *RM2*

The Proforma Consolidated Cash Flow Statement has been prepared based on the audited financial statements of WinSun, Winner and Winco as at 30 June 2007.

The Proforma Consolidated Cash Flow Statement has been prepared based on accounting principles and basis consistent with those normally adopted in the preparation of audited financial statements of WinSun Group.

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## 11. FINANCIAL INFORMATION (Cont'd)

### 11.6 Proforma Consolidated Balance Sheets

Our proforma consolidated balance sheets as set out below have been prepared for illustrative purposes only to show the effects on our audited balance sheets as at 30 June 2007 had the Acquisitions, Share Split, Public Issue and Bonus Issue been completed on that date. The proforma consolidated balance sheets below should be read in conjunction with the accompanying notes included in the Reporting Accountants' Letter on the Proforma Consolidated Balance Sheets set out in Section 11.17 of this Prospectus.

	As at 30.06.07 RM'000	Proforma I RM'000	Proforma II RM'000	Proforma III RM'000	Proforma IV RM'000
SHARE CAPITAL	*	7,000	7,000	10,000	30,000
RESERVES	(3)	12	12	20,012	12
Total shareholders' equity	(3)	7,012	7,012	30,012	30,012
Represented by:					
NON-CURRENT ASSETS					
Property, plant and equipment	-	1,015	1,015	3,315	3,315
Development costs	-	384	384	7,284	7,284
Total non-current assets	-	1,399	1,399	10,599	10,599
CURRENT ASSETS					
Inventories	-	909	909	909	909
Trade receivables	-	4,208	4,208	4,208	4,208
Other receivables	22	2,564	2,564	2,564	2,564
Amount due from customers on contracts	-	7,997	7,997	7,997	7,997
Cash and bank balances	15	630	630	13,579	13,579
Total current assets	37	16,308	16,308	29,257	29,257
CURRENT LIABILITIES					
Trade payables	-	1,861	1,861	1,861	1,861
Other payables	-	7,671	7,671	7,671	7,671
Amount due to a director	40	40	40	40	40
Tax payable	-	272	272	272	272
Bank borrowings	-	851	851	-	-
Total current liabilities	40	10,695	10,695	9,844	9,844
NET CURRENT (LIABILITIES)/ASSETS	(3)	5,613	5,613	19,413	19,413
	(3)	7,012	7,012	30,012	30,012
Number of shares in issue	2	7,000,000	70,000,000	100,000,000	300,000,000
Net tangible (liabilities)/assets per ordinary share of					
- RM1.00 each (sen)	(173,900)	94.69	-	-	-
- RM0.10 each (sen)	-	-	9.47	22.73	7.58
Net (liabilities)/assets per ordinary share of					
- RM1.00 each (sen)	(173,900)	100.17	-	-	-
- RM0.10 each (sen)	-	-	10.02	30.01	10.00

## 11. FINANCIAL INFORMATION (Cont'd)

### Notes:

*	:	Represents RM2 comprising 2 Shares.
Proforma I	:	After the Acquisitions
Proforma II	:	After Proforma I and Share Split
Proforma III	:	After Proforma II and Public Issue and utilisation of listing proceeds
Proforma IV	:	After Proforma III and Bonus Issue

### 11.7 Trend Information and Factors Affecting Financial Performance, Position and Operations of our Group

#### Business and Financial Prospects

Our Group's operations are currently based in China. Our Board believes that demand for our Group's IICMS is expected to have promising growth in view of the rapid growth and industrialisation in China.

As mentioned in Section 6.1 of this Prospectus, *"It's gross domestic product ("GDP") expanded by 11.1% in 2006 compared to the previous year, registering a ten (10)-year high. The industrial sector, including manufacturing and construction, contributed 7.0 percentage points, or 65% of total GDP growth, while the services sector contributed another 3.2 percentage points, or 30%".* In addition and as mentioned in Section 6.2 of this Prospectus, *"In recent years, China has become a manufacturing powerhouse, with the manufacturing sector becoming the magnet for foreign investment".* Furthermore and as mentioned in Section 6.8 of this Prospectus, *"As new industries enter into the mature production phase, an increase in operational expenditure is a natural outcome. In addition, increasing competitive pressures have forced many existing manufacturers to review both manufacturing efficiencies and scale. In this context, many plants require technology upgrades to achieve international optimum levels of energy consumption. This situation implies the need to invest selectively on industrial automation and system upgrades on their part. Lastly, as China increases its technological capabilities in the various industries, a natural progression would be the increasing utilisation of more industrial automation systems".*

Our Group's IICMS involves the design and development of electrical industrial automation to increase efficiency and improve plant performance and automation processes of the various industries that we operate in. As such, the above factors together and the implications arising from them have created vast opportunities and growth prospects for our Group. This is evidenced by the growth in our revenue and profits as disclosed in Section 11.1 of this Prospectus. In summary, our Group's revenue has improved from RM24.24 million in the FYE 31 December 2004 to RM39.69 million in the FYE 31 December 2006. For the six (6) months FPE 30 June 2007, our Group's revenue was RM27.16 million.

We expect our prospects for the FYE 31 December 2007 and 2008 to be favourable as reflected in our Consolidated Profit Estimate and Forecast in Section 11.12.

Our Group also intends to expand our operations and to venture into Malaysia in year 2008. Our Group views the intended venture to be promising in view of the anticipated strengthening of the Malaysian economy and encouraging prospects of the manufacturing and resource-based sectors.

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

*The Malaysian economy is anticipated to strengthen further to 6.0-6.5% in 2008 (2007: 6.0%) with positive contribution from all sectors of the economy. Domestic demand will be the main driver of the economy, while external demand is expected to pick up in tandem with improved prospects in world trade. Value added in the manufacturing sector is projected to grow by 3.8% (2007: 3.1%) in line with expansion in global trade. Global demand for manufactured goods, particularly electrical and electronics ("E&E") products is expected to rise sharply, underpinned by sustained world growth and strengthening US economy. This will benefit Malaysia's export-oriented industries. Output of resource-based products is expected to expand due to strong demand for refined petroleum products, plastics and chemicals including biofuels, rubber gloves as well as wooden furniture and fixtures. Growth in non-metallic minerals and metal industries will be further supported by increased activity in the domestic economy, in particular construction.*

*(Source: Economic Report 2007/2008, Ministry of Finance Malaysia)*

**Production and Sales**

There is no particular trend in the production and sales of our IICMS and the contracts/projects varies in size, value, specifications, customisation features, functionality, plant and environment specific features.

**Inventory**

	FYE 31 December			Six (6) months FPE 30 June 2007
	2004	2005	2006	
Inventory turnover (month)*	0.28	0.23	0.16	0.20^

**Notes:**

\* Based on average inventories balance

^ Annualised

Our Group's inventory turnover periods are fairly short as raw materials are purchased after careful consideration based on contracts/projects that our Group is fairly certain of securing.

**Cost and Selling Prices**

The prices of our system components and other materials (i.e. accessories, steel plates and copper) have been increasing gradually over the past three (3) FYE 31 December 2004 to 2006 and six (6) months FPE 30 June 2007. In order to minimise the increase, our Group purchases in higher quantities or in bulk to obtain discounts.

There is no particular trend in the selling prices of our IICMS and the contracts/projects varies in size, specifications, customisation features, functionality, plant and environment specific features and our ability to tender and/or negotiate for higher project values.

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

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**State of Order Book**

As the industrial automation market are characterised by technological changes, continuous development and improvements, customers do not award long term contracts. The state of our order book is dependent on our ability to secure contracts/projects for the implementation of new systems or enhancements/improvements to existing systems for our customers.

The duration of the majority of our contracts/projects ranges between 8 weeks to 16 weeks. Based on our order book as at 30 June 2007 and as disclosed in the Reporting Accountant's Letter on the Proforma Consolidated Financial Information in Section 11.17 of this Prospectus, our Group audited revenue for the FYE 30 June 2007 is RM27.16 million and secured sales as at 30 September 2007 is RM22.23 million.

As at 23 November 2007, being the latest practicable date prior to the printing of this Prospectus, save as disclosed in this Prospectus, our Group is not aware of the following:

- (i) any known trends, demands, commitments, events or uncertainties that have had, or that our Group reasonably expects to have, a material favourable or unfavourable impact on the financial performance, position and operations of our Group; and
- (ii) any known trends, demands, commitments, events or uncertainties that would cause the historical financial statements to be not necessarily indicative of future financial information.

**11.8 Liquidity and Capital Resources**

Our Group's principal sources of liquidity and capital resources are the cash flow from our internal operations derived mainly from cash generated from operations and various credit facilities from financial institutions.

As at 30 June 2007, our Group's cash and cash equivalents stood at RM0.63 million, and we have banking facilities amounting to approximately RM0.50 million which has yet to be utilised. As at 23 November 2007, our Group has obtained the following:

- (i) Letter of offer dated 6 March 2007 from Malayan Banking Berhad for a short term loan of RMB3,000,000 (equivalent to approximately RM1,350,000);
- (ii) Letter of offer dated 9 August 2007 from United Overseas Bank for a short term loan of RMB2,000,000 (equivalent to approximately RM900,000);
- (iii) Letter of offer dated 28 August 2007 from Public Bank (Hong Kong) Ltd., Shenzhen Branch for a short term loan of RMB4,300,000 (equivalent to approximately RM1,935,000).

Our Directors are of the opinion that after taking into consideration our Group's cash flow forecast and the banking facilities available to our Group, we will have adequate working capital for a period of twelve (12) months from the date of issue of this Prospectus.

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


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**11.8.1 Proforma Cash Flow Summary**

The following is a summary of our Group proforma cash flows for the six (6) months FPE 30 June 2007 which is prepared for illustrative purposes only on the basis that the Acquisitions, Share Split, Public Issue and Bonus Issue had been completed on that date and should be read in conjunction with the Reporting Accountants' Letter on the Proforma Consolidated Financial Information set out in Section 11.17 of this Prospectus.

	<b>Six (6) Months FPE 30 June 2007 RM'000</b>
Net cash used in operating activities	(1,531)
Net cash used in investing activity	(43)
Net cash from financing activities	579
Net decrease in cash and cash equivalents	(995)
Effect of exchange rate changes on cash and cash equivalents	10
Brought forward	1,614
Carried forward	629

Brief commentaries on our consolidated cash flow statement for the six (6) months FPE 30 June 2007 is set out below.

**Net cash used in operating activities**

The net cash used in operating activities of RM1.53 million were mainly attributable to the following:

- non-cash items of approximately RM1.07 million arising mainly from allowance for doubtful debts of RM0.59 million and allowance for slow moving inventories of RM0.37 million;
- working capital cash outflow of approximately RM5.87 million arising mainly from increase in amount due from customer on contracts of RM5.35 million;
- tax paid of approximately RM4,000; and
- Interest paid and received of approximately RM30,000 and RM3,000, respectively.

**Net cash used in investing activities**

Net cash used in investing activities amounted to approximately RM43,000 was mainly attributable to the purchase of machinery and equipments.

**Net cash generated from financing activities**

Net cash generated from financing activities of RM0.58 million was mainly attributable to the drawdown and repayment of term loan of RM0.85 million and RM0.27 million, respectively.

## 11. FINANCIAL INFORMATION (Cont'd)

### 11.8.2 Borrowings

As at 15 November 2007, being the latest practicable date prior to the printing of this Prospectus, the total outstanding borrowings of our Group amounted to approximately RM1.53 million, all of which are interest bearing.

Details of the outstanding bank borrowings as at 15 November 2007 are as follows:

Type of borrowings	Payable within 12 months RM'000	Payable after 12 months RM'000	Total RM'000
<u>Local</u>			
Term loan	-	-	-
<u>Foreign</u>			
Term loan	1,526	-	1,526
<b>TOTAL</b>	<b>1,526</b>	<b>-</b>	<b>1,526</b>

Out of the total outstanding borrowings as at 15 November 2007, approximately RM1.53 million (equivalent to RMB3.39 million) are outstanding term loan denominated in foreign currency.

Our gearing ratio is 0.03 times, which is computed based on our outstanding borrowings of RM0.85 million as at 30 June 2007 divided by our proforma shareholders' equity as at 30 June 2007 (after Public Issue and Bonus Issue and deducting estimated listing expenses) of RM30.01 million.

We have not defaulted in any of our payments of either interest charges and/or principal sums in respect of any of our borrowings throughout the past one (1) FYE and the subsequent period thereof, immediately preceding the date of this Prospectus.

### 11.9 Key Financial Ratios

Our key financial ratios for the FYE 31 December 2006 and the six (6) months FPE 30 June 2007 based on our Proforma Consolidated Balance Sheets and Income Statements, are as follows:

	FYE 31 December 2006 No. of months	Six (6) months FPE 30 June 2007 No. of months*
Inventory turnover	0.16	0.20
Trade receivable turnover	1.09	0.80
Trade payable turnover	0.97	0.46

Note:

\* Annualised

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


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**11.10 Impact of Foreign Exchange/Interest Rates on Operating Profits****Foreign Exchange**

Our Group is not exposed to foreign currency risk in our normal operations in view that all our operating activities in China are transacted in RMB. For that matter, our Company is only exposed to foreign currency risk in case of capital and profit repatriation or payment of dividend from subsidiary companies to our Company. As such, our Group does not use derivative financial instruments to hedge.

**Interest rates**

Based on the past three (3) FYE 31 December 2004 to 2006 and for the six (6) months FPE 30 June 2007, changes to interest rates would not have a material impact on our operating profit. The interest covers as compared to operating profit before interest and taxation ranged between (6.57) times and 209.38 times.

The following table sets out the interest expense and profit before interest and taxation for the past three (3) FYEs 31 December 2004 to 2006 and for the six (6) months FPE 30 June 2007:

	FYE 31 December			Six (6) months FPE 30 June
	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000
Interest expense	11	74	39	16
Profit before interest and taxation	(74)	2,089	3,033	3,318
Interest coverage (times)	(6.57)	28.28	78.17	209.38

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

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**11.11 Material Litigation/Arbitration, Contingent Liabilities and Material Commitments for Capital Expenditure**

**(i) Material Litigation/Arbitration**

Save as disclosed in Section 16.4, as at 23 November 2007, being the latest practicable date prior to the printing of this Prospectus, our Company and our subsidiary companies are not engaged in any litigation or arbitration, either as plaintiff or defendant, which have a material effect on our Company or subsidiary companies' financial position and our 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 our Company or subsidiary companies' financial position or business.

**(ii) Contingent Liabilities**

As at 23 November 2007, being the latest practicable date prior to the printing of this Prospectus, our Directors are not aware of any contingent liabilities, which upon becoming enforceable may have a substantial impact on the financial position of our Group.

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

As at 23 November 2007, being the latest practicable date prior to the printing of this Prospectus, there are no material commitments for capital expenditure contracted or known to be contracted by our Company or our subsidiaries, which may have a substantial impact on our financial position.

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## 11. FINANCIAL INFORMATION (Cont'd)

### 11.12 Consolidated Profit Estimate and Forecast

The following is the summary of our consolidated profit estimate and forecast for the FYEs 31 December 2007 and 2008.

	Estimate 2007	Forecast 2008
	RM'000	RM'000
Revenue	59,100	81,069
Consolidated PBT	6,273	10,492
Taxation	(498)	(832)
Consolidated PAT	5,775	9,660
Less: Pre-acquisition profit*	(4,813)	-
	962	9,660
Weighted average number of ordinary shares in issue ('000)	213,041	297,616
Enlarged issued and paid-up share capital ('000)	300,000	300,000
<b>Based on the weighted average number of ordinary shares in issue:<sup>(1)</sup></b>		
Gross EPS (sen) <sup>(2)</sup>	2.94	3.53
Net EPS (sen) <sup>(3)</sup>	2.71	3.25
Gross PE Multiple (times) <sup>(2) and (4)</sup>	9.64	8.03
Net PE Multiple (times) <sup>(3) and (4)</sup>	10.46	8.72
<b>Based on the enlarged number of ordinary shares upon Listing:</b>		
Gross EPS (sen) <sup>(2)</sup>	2.09	3.50
Net EPS (sen) <sup>(3)</sup>	1.93	3.22
Gross PE Multiple (times) <sup>(2) and (4)</sup>	13.55	8.10
Net PE Multiple (times) <sup>(3) and (4)</sup>	14.68	8.80

**Notes:**

(1) On the assumption that the Public Issue and Bonus Issue will complete by end of January 2008.

(2) Based on the consolidated PBT of the Group before deducting the pre-acquisition profit.

(3) Based on the consolidated PAT of the Group before deducting the pre-acquisition profit.

(4) Based on the theoretical ex-bonus price of approximately RM0.28 per share.

\* WinSun was incorporated on 21 March 2007 and the Acquisitions were completed on 25 October 2007. Therefore, the pre-acquisition profit relates to period from 1 January 2007 to 25 October 2007.

Please refer to Section 11.13 of this Prospectus for details of the underlying bases and assumptions used in our profit estimate and forecast.

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

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**11.13 Reporting Accountants' Letter on the Consolidated Profit Estimate and Forecast**

*(Prepared for inclusion in this Prospectus)*

**Shamsir Jasani Grant Thornton** 

Chartered Accountants

**REPORTING ACCOUNTANTS' LETTER ON THE CONSOLIDATED PROFIT ESTIMATE AND FORECAST  
(Prepared for inclusion in this Prospectus)**

Date: 30 November 2007

The Board of Directors  
Winsun Technologies Berhad  
Level 15-2, Faber Imperial Court  
Jalan Sultan Ismail  
50250 Kuala Lumpur

Dear Sirs,

**WINSUN TECHNOLOGIES BERHAD ("WINSUN") AND ITS SUBSIDIARY COMPANIES  
("WINSUN GROUP" OR "THE GROUP")  
CONSOLIDATED PROFIT ESTIMATE AND FORECAST  
FOR THE FINANCIAL YEARS ENDING 31 DECEMBER 2007 AND 31 DECEMBER 2008**

We have reviewed the consolidated profit estimate and forecast of Winsun Technologies Berhad ("WINSUN") and its subsidiary companies ("WINSUN Group" or "The Group") for the financial years ending 31 December 2007 and 31 December 2008 as set out in the accompanying statement (which we have stamped for the purpose of identification) in accordance with the standard applicable to the review of estimate and forecast. The consolidated profit estimate and forecast have been prepared for inclusion in the Prospectus in connection with the Flotation Exercise of the entire enlarged issued and paid-up share capital of WINSUN on the MESDAQ Market of Bursa Malaysia Securities Berhad ("Bursa Securities") which includes the following and should not be relied on for any other purposes:-

**(i) Public Issue**

Public Issue of 30,000,000 new ordinary shares of RM0.10 each in WINSUN ("WINSUN Shares") at an issue price of RM0.85 per WINSUN Share.

The Shares shall be allocated to prospective investors in the following manner:-

**(a) Malaysian Public**

3,000,000 of the Public Issue Shares representing 3% of the enlarged issued and paid-up capital will be made available for application by the Malaysian Public.

**(b) Eligible Directors and employees**

2,000,000 of the Public Issue Shares representing 2% of the enlarged issued and paid-up share capital will be reserved for application by the eligible Directors and employees.

**Shamsir Jasani Grant Thornton** (AF:0737)

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Member of Grant Thornton International

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

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Shamsir Jasani Grant Thornton **(i) Public Issue (cont'd)****(c) Private placement**

25,000,000 of the Public Issue Shares representing 25% of the enlarged issued and paid-up share capital will be made available for application by way of private placement to identified investors.

**(ii) Bonus Issue**

Bonus Issue of 200,000,000 new ordinary shares of RM0.10 each in WINSUN at par to the shareholders of WINSUN on the basis of two (2) new ordinary shares of RM0.10 each in WINSUN for every one (1) WINSUN Share held after the Public Issue; and

**(iii) Listing and Quotation on the MESDAQ Market of Bursa Securities**

In conjunction with the Flotation Exercise, WINSUN will seek the admission and the listing of and quotation for its entire enlarged issued and paid-up share capital of WINSUN comprising 300,000,000 WINSUN Shares on the Official List of the MESDAQ Market of Bursa Securities.

Our review has been undertaken to enable us to form an opinion as to whether the estimate and forecast, in all material respects, are properly prepared on the basis of the assumptions made by the Directors of WINSUN Group as set out in the accompanying statement (which we have stamped for the purpose of identification) and are presented on a basis consistent with the accounting policies adopted and disclosed by the Group in its audited financial statements for the financial period ended 30 June 2007. The Directors of WINSUN Group are solely responsible for the preparation and presentation of the estimate and forecast and the assumptions on which the estimate and forecast are based.

Estimate and forecast, in this context, mean prospective financial information prepared on the basis of assumptions as to future events which management expects to take place and the actions which management expects to take as of the date of information is prepared (best-estimate assumptions). While information may be available to support the assumptions on which estimate and forecast are based, such information is generally future oriented and therefore uncertain. Thus, actual results are likely to be different from the estimate and forecast since anticipated events frequently do not occur as expected and the variation could be material.

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11. FINANCIAL INFORMATION (Cont'd)


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This letter is not to be reproduced, referred to in any other document, or used or relied upon for any other purpose without our prior written consent.

Yours faithfully,

  
~~SHAMSIR JASANI GRANT THORNTON~~  
NO. AF: 0737  
CHARTERED ACCOUNTANTS

  
DATO' N.K. JASANI  
NO: 708/03/08 (J/PH)  
PARTNER OF THE FIRM



## 11. FINANCIAL INFORMATION (Cont'd)

**WINSUN TECHNOLOGIES BERHAD**  
**(Company No: 766535 P)**  
**(Incorporated in Malaysia)**  
**AND ITS SUBSIDIARY COMPANIES**

**CONSOLIDATED PROFIT ESTIMATE AND FORECAST**  
**FOR THE FINANCIAL YEARS ENDING 31 DECEMBER 2007 AND**  
**31 DECEMBER 2008**

The Directors estimate and forecast that WINSUN Group's results for the financial years ending 31 December 2007 and 31 December 2008 will be as follows:-

	<b>Estimate 2007 RM'000</b>	<b>Forecast 2008 RM'000</b>
Revenue	59,100	81,069
Consolidated profit before taxation ("PBT")	6,273	10,492
Taxation	(498)	(832)
Consolidated profit after taxation ("PAT")	5,775	9,660
Less: Pre-acquisition profit	(4,813)	-
	<u>962</u>	<u>9,660</u>
Weighted average number of ordinary shares in issue ('000)	213,041	297,616
Enlarged issued and paid-up share capital ('000)	300,000	300,000
<b>Based on the weighted average number of ordinary shares in issue:- *</b>		
Gross EPS (sen) #	2.94	3.53
Net EPS (sen) ##	2.71	3.25
Gross PE Multiple (times) @ #	9.64	8.03
Net PE Multiple (times) @ ##	10.46	8.72
<b>Based on the enlarged number of ordinary shares upon listing:-</b>		
Gross EPS (sen) #	2.09	3.50
Net EPS (sen) ##	1.93	3.22
Gross PE Multiple (times) @ #	13.55	8.10
Net PE Multiple (times) @ ##	14.68	8.80

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11. FINANCIAL INFORMATION (Cont'd)

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**WINSUN TECHNOLOGIES BERHAD  
(Company No: 766535 P)  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARY COMPANIES**

**CONSOLIDATED PROFIT ESTIMATE AND FORECAST  
FOR THE FINANCIAL YEARS ENDING 31 DECEMBER 2007 AND  
31 DECEMBER 2008 (CONT'D)**

- \* on the assumption that the Public Issue and Bonus Issue will complete by the end of January 2008.
- # based on the consolidated PBT of the Group before deducting the pre-acquisition profit.
- ## based on the consolidated PAT of the Group before deducting the pre-acquisition profit.
- @ based on the theoretical ex-bonus price of approximately RM0.28 per share.

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11. FINANCIAL INFORMATION (Cont'd)

**WINSUN TECHNOLOGIES BERHAD**  
**(Company No: 766535 P)**  
**(Incorporated in Malaysia)**  
**AND ITS SUBSIDIARY COMPANIES**

**CONSOLIDATED PROFIT ESTIMATE AND FORECAST**  
**FOR THE FINANCIAL YEARS ENDING 31 DECEMBER 2007 AND**  
**31 DECEMBER 2008 (CONT'D)**

The specific bases and assumptions made in the preparation of the consolidated profit estimate and forecast are set out as below:-

(a) The following transactions are expected to be completed by the end of January 2008:-

(i) **Public Issue**

Public Issue of 30,000,000 new ordinary shares of RM0.10 each in WINSUN ("WINSUN Shares") at an issue price of RM0.85 per WINSUN Share.

The Shares shall be allocated to prospective investors in the following manner:-

(a) **Malaysian Public**

3,000,000 of the Public Issue Shares representing 3% of the enlarged issued and paid-up capital will be made available for application by the Malaysian Public.

(b) **Eligible Directors and employees**

2,000,000 of the Public Issue Shares representing 2% of the enlarged issued and paid-up share capital will be reserved for application by the eligible Directors and employees.

(c) **Private placement**

25,000,000 of the Public Issue Shares representing 25% of the enlarged issued and paid-up share capital will be made available for application by way of private placement to identified investors.

(ii) **Bonus Issue**

Bonus Issue of 200,000,000 new ordinary shares of RM0.10 each in WINSUN at par to the shareholders of WINSUN on the basis of two (2) new ordinary shares of RM0.10 each in WINSUN for every one (1) WINSUN Share held after the Public Issue; and

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## 11. FINANCIAL INFORMATION (Cont'd)

**WINSUN TECHNOLOGIES BERHAD**  
**(Company No: 766535 P)**  
**(Incorporated in Malaysia)**  
**AND ITS SUBSIDIARY COMPANIES**

**CONSOLIDATED PROFIT ESTIMATE AND FORECAST**  
**FOR THE FINANCIAL YEARS ENDING 31 DECEMBER 2007 AND**  
**31 DECEMBER 2008 (CONT'D)**

The specific bases and assumptions made in the preparation of the consolidated profit estimate and forecast are set out as below (cont'd):-

(a) cont'd

(iii) **Listing and Quotation on the MESDAQ Market of Bursa Securities**

In conjunction with the Flotation Exercise, WINSUN will seek the admission and the listing of and quotation for its entire enlarged issued and paid-up share capital of WINSUN comprising 300,000,000 WINSUN Shares on the Official List of the MESDAQ Market of Bursa Securities.

(b) WINSUN Group is expected to generate revenue as follows:-

<u>Segment by product</u>	<b>Estimate 2007</b>		<b>Forecast 2008</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
Industrial System Solutions	53,958	91	73,773	91
System Support Services	5,142	9	7,296	9
	<u>59,100</u>	<u>100</u>	<u>81,069</u>	<u>100</u>

(c) WINSUN Group is expected to generate revenue on the following bases:-

(i) <u>Financial year ending 31 December 2007</u>	<b>RMB'000</b>	<b>RM'000</b>	<b>%</b>
Audited revenue from 1 January 2007 to 30 June 2007	60,011	27,161	46
Secured orders as at 30 September 2007	49,400	22,225	37
Expected repetitive purchase orders	21,952	9,714	17
	<u>131,363</u>	<u>59,100</u>	<u>100</u>

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## 11. FINANCIAL INFORMATION (Cont'd)

**WINSUN TECHNOLOGIES BERHAD**  
**(Company No: 766535 P)**  
**(Incorporated in Malaysia)**  
**AND ITS SUBSIDIARY COMPANIES**

**CONSOLIDATED PROFIT ESTIMATE AND FORECAST**  
**FOR THE FINANCIAL YEARS ENDING 31 DECEMBER 2007 AND**  
**31 DECEMBER 2008 (CONT'D)**

The specific bases and assumptions made in the preparation of the consolidated profit estimate and forecast are set out as below (cont'd):-

(c) cont'd

Revenues are based on rolling purchase orders which are expected to be on consistent basis and no major fluctuations in the estimate year.

(ii) <u>Financial year ending 31 December 2008</u>	RMB'000	RM'000	%
Expected repetitive purchase orders			
- customers with business relationship more than 1 year	142,028	63,898	79
- customers with business relationship less than 1 year	23,366	10,512	13
Proposals/Tenders	14,800	6,659	8
	180,194	81,069	100

Revenue on forecast year from expected repetitive purchase orders are based on the following bases:-

- (i) Expected repetitive purchase orders from customers with business relationship more than 1 year are expected to grow by 32%.
- (ii) Expected repetitive purchase orders from customer' with business relationship less than 1 year are based on total revenue secured in the estimate year which is expected to be secured again in forecast year.

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## 11. FINANCIAL INFORMATION (Cont'd)

**WINSUN TECHNOLOGIES BERHAD**  
**(Company No: 766535 P)**  
**(Incorporated in Malaysia)**  
**AND ITS SUBSIDIARY COMPANIES**

**CONSOLIDATED PROFIT ESTIMATE AND FORECAST**  
**FOR THE FINANCIAL YEARS ENDING 31 DECEMBER 2007 AND**  
**31 DECEMBER 2008 (CONT'D)**

The specific bases and assumptions made in the preparation of the consolidated profit estimate and forecast are set out as below (cont'd):-

- (d) WINSUN Group is expected to generate gross profit as follows:-

	Estimate		Forecast	
	2007		2008	
	RM'000	%	RM'000	%
<u>Segment by product</u>				
Industrial System Solutions	6,206	76	9,871	76
System Support Services	2,009	24	3,100	24
	8,215	100	12,971	100

- (e) WINSUN Group is expected to have average gross profit margin of 14% and 16% in the estimate and forecast years respectively.
- (f) The consolidated profit estimate and forecast have been prepared on a basis consistent with those bases and accounting policies previously adopted in the preparation of financial statements of WINSUN Group and disclosed in the respective audited financial statements for the financial period ended 30 June 2007.
- (g) There will be no material changes in the costs and prices of the products of the Group.
- (h) All new products to be introduced into the market will commence as scheduled.
- (i) An estimated listing expenses of RM2.5 million in the estimate year will be incurred in relation to the Flotation Exercise and to be paid out from the proceeds of the Public Issue. The listing expenses will be set-off against the share premium account.
- (j) The Group is expected to acquire property, plant and equipment amounting to RM0.54 million and RM1.29 million in the estimate and forecast years respectively which will be depreciated over the respective estimated useful life of the assets concerned.

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

**WINSUN TECHNOLOGIES BERHAD**  
**(Company No: 766535 P)**  
**(Incorporated in Malaysia)**  
**AND ITS SUBSIDIARY COMPANIES**

**CONSOLIDATED PROFIT ESTIMATE AND FORECAST**  
**FOR THE FINANCIAL YEARS ENDING 31 DECEMBER 2007 AND**  
**31 DECEMBER 2008 (CONT'D)**

The specific bases and assumptions made in the preparation of the consolidated profit estimate and forecast are set out as below (cont'd):-

(k) Statutory tax rate will be as follows:-

	<b>Estimate</b>	<b>Forecast</b>
	<b>2007</b>	<b>2008</b>
	<b>%</b>	<b>%</b>
(i) Winsun Technologies Berhad	27.0	26.0
(ii) Shanghai Winner Electrical Co., Ltd. ("WINNER")	27.0	27.0
(iii) Shanghai Winco Electrical Co., Ltd. ("WINCO")	7.5	7.5

- (l) The consolidated profit estimate and forecast of the Group for the financial years ending 31 December 2007 and 31 December 2008 are compiled based on the profit estimate and forecast of WINNER and WINCO.
- (m) The Group is expected to capitalise development expenditure of RM0.46 million and RM0.61 million in the estimate and forecast years respectively which will be amortised over 3 years commencing in the year it is incurred.
- (n) Administrative expenses are expected to increase at an average rate of 10% and 19% per annum during the estimate and forecast years respectively.
- (o) Selling and distribution expenses are expected to increase in accordance with the increase in revenue in estimate and forecast years.
- (p) The Renminbi (RMB) exchange rate is expected to remain at RM0.45: RMB 1 throughout the estimate and forecast years respectively.
- (q) The Group is expected to drawdown borrowings amounting to RM3.599 million at an average interest rate of 8% per annum during the estimate year and the borrowings of the Group are expected to be fully repaid during the forecast year.
- (r) The Group will commence to transfer part of its research and development function from China to Malaysia in year 2008 after the completion of the Flotation Exercise.

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11. FINANCIAL INFORMATION (Cont'd)

**WINSUN TECHNOLOGIES BERHAD  
(Company No: 766535 P)  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARY COMPANIES**

**CONSOLIDATED PROFIT ESTIMATE AND FORECAST  
FOR THE FINANCIAL YEARS ENDING 31 DECEMBER 2007 AND  
31 DECEMBER 2008 (CONT'D)**

The specific bases and assumptions made in the preparation of the consolidated profit estimate and forecast are set out as below (cont'd):-

- (s) Utilisation of proceeds from Public Issue throughout the estimate and forecast years shall be as follows:-

	<b>RM'000</b>
Research and development	6,900
Capital expenditure	2,300
Repayment of borrowings	2,300
Working capital	9,200
Business development	2,300
Listing expenses	2,500
	<hr/>
	25,500
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