10 APPROVALS AND CONDITIONS

10.1 CONDITIONS TO THE APPROVALS AND COMPLIANCE THEREOF

The SC, pursuant to Section 212(5) of the Capital Market & Services Act 2007, the MESDAQ IPO Guidelines, the Listing Requirements and the Foreign Investment Committee's Guideline on the Acquisition of Interests, Mergers and Take-Overs by Local and Foreign Interests, had approved the Listing via its letter dated 14 November 2007. The conditions imposed by the SC and the status of compliance are as follows:-

	SC's conditions	Status of compliance
(i)	TFP Solutions to meet the 30% Bumiputera requirements within one (1) year after it has achieved the profit record for companies seeking listing on the Second Board of Bursa Securities or within 5 years after admission to the MESDAQ Market of Bursa Securities, whichever is earlier, in which the shares to be allocated to Bumiputera investors should be approved by Ministry of International Trade and Industry	To be complied
(ii)	TFP Solutions to submit a preliminary proposal to SC on how the company proposes to meet the Bumiputera equity condition, 6 months before the expiry date of compliance	To be complied
(iii)	Pursuant to paragraph 3.16.1 of the MESDAQ IPO Guidelines which requires that the shares held by promoters amounting to 45% of the applicant's issued and paid-up share capital at admission to be placed under moratorium, the moratorium on the shareholdings of TFP Solutions' promoter is as follows:-	To be complied

Promoter	TFP Shares to be held under moratorium	
	No.	% of enlarged issued and paid-up share capital of TFP Solutions
MPSB	63,034,758	45.0

(iv)	Approvals to be obtained from other relevant authorities, if any;	Complied
(v)	Full compliance with all the relevant requirements in the MESDAQ IPO Guidelines and any other relevant requirements; and	To be complied
(vi)	Kenanga/ TFP Solutions to inform the SC when the proposed flotation on MESDAQ Market is completed.	To be complied

The SC noted that the equity structure relating to Bumiputera, non-Bumiputera and foreign shareholding in TFP Solutions would change arising from the implementation of the Listing as follows:-

	Before Proposal * %	After Proposal %
Bumiputera	50.00	0.00
Non-Bumiputera	50.00	100.00
Foreigners	-	-
Total	**100.00**	**100.00**

Note:-
* *As at incorporation*

10 APPROVALS AND CONDITIONS *(Cont'd)*

Certain of our Subsidiary Companies, namely SoftFac and ProDserv were granted MSC Malaysia Status by the MDeC vide its letter dated 17 August 2005 and 1 September 2006 respectively. To maintain its preferential status, SoftFac and ProDserv are expected to operate according to certain conditions.

The conditions imposed by MDeC and the status of compliance is set out below:-

	MDeC's Conditions	Status of compliance
	SoftFac	
(i)	The Company must complete business registration of the proposed entity as a locally incorporated company under the Act within one (1) month from the date of the letter issued by MDeC, and commence operations of the proposed entity within six (6) months from the date of the Letter, and undertake such activities specified in SoftFac's business plan as approved by MDeC below ("**SoftFac MSC Qualifying Activities**") within six (6) months from the date of the SoftFac aforementioned letter or such other date(s) as may be specified in the business plan (which dates may be extended or modified with written consent of MDeC) and thereafter continue with such business and activities unless otherwise approved by MDeC. The SoftFac MSC Qualifying Activities are as follows:- (a) Research, development and commercialisation of the SoftFac Enterprise Human Capital & Resources Management Solution Suite (SoftFac Enterprise HCRM); (b) Provision of technical support and maintenance services related to the SoftFac Enterprise HCRM. Any changes to the above SoftFac MSC Qualifying Activities as detailed in the business plan must receive the prior written consent of MDeC;	Complied
(ii)	Locate the implementation and operation of the SoftFac MSC Qualifying Activities in Cyberjaya with an office space requirement of 600 square feet within six (6) months from the date of the abovementioned letter, and will seek MDeC's prior written approval in the event any changes in the location or address of SoftFac;	Complied
(iii)	Ensure that at all times at least fifteen percent (15%) of the total number of employees shall be "knowledge workers" (as defined by MDeC);	Complied
(iv)	Submit to MDeC a copy of SoftFac's annual report and audited statements in parallel with submission to the Companies Commission of Malaysia;	Complied
(v)	Ensure that all information and/or documents furnished by SoftFac 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;	Complied
(vi)	Inform and obtain the prior approval of MDeC for any proposed change in the name of SoftFac;	Complied
(vii)	Inform MDeC of any change in the equity structure or shareholding structure of SoftFac, or such other changes that may affect the direction or operation of SoftFac. MDeC must be informed of any change before steps are taken to effect such change; and	Complied
(viii)	Comply with all such statutory, regulatory and/or licensing requirements as may be applicable.	Complied

10 APPROVALS AND CONDITIONS *(Cont'd)*

MDeC's Conditions		Status of compliance
ProDserv		
(i)	The Company must complete business registration of the proposed entity as a locally incorporated company under the Act within one (1) month from the date of the letter issued by MDeC, and commence operations of the proposed entity within six (6) months from the date of the Letter, and undertake such activities specified in ProDserv's business plan as approved by MDeC below ("**ProDserv MSC Qualifying Activities**") within six (6) months from the date of the aforementioned letter or such other date(s) as may be specified in the business plan (which dates may be extended or modified with written consent of MDeC) and thereafter continue with such business and activities unless otherwise approved by MDeC. The ProDserv MSC Qualifying Activities are as follows:- (a) Development and comemrcialization of B2Logix suite of solutions that comprise of the following:- ▪ B2Apps – Business Application Developer Framework; ▪ B2Connect – Technical Connectors & Adaptors; ▪ B2Message – Message Transformation Engine; ▪ B2Manage – Enterprise Transaction Management Engine; and ▪ Add-on/ Plug-in Applications. (b) Provision of maintenance and technical support services related to the abovementioned solutions. Any changes to the above ProDserv MSC Qualifying Activities as detailed in the business plan must receive the prior written consent of MDeC;	Complied
(ii)	Locate the implementation and operation of the ProDserv MSC Qualifying Activities in a Designated Zone in Cybercity in a minimum office space of 600 square feet within six (6) months from the date of the abovementioned letter. ProDserv shall obtain MDeC's prior written approval in the event any changes in the location or address of ProDserv;	Complied.
(iii)	Ensure that at all times at least fifteen percent (15%) of the total number of employees shall be "knowledge workers" (as defined by MDeC);	Complied
(iv)	Ensure that any products produced pursuant to the ProDserv MSC Qualifying Activities are original, and that no part or portion of such product is an infringement or violation of any intellectual property or any proprietary rights of any third party, or constitutes a misappropriation of know-how belonging to any third party;	Complied
(v)	Submit to MDeC a copy of ProDserv's annual report and audited statements in parallel with submission to the Companies Commission of Malaysia;	Complied
(vi)	Ensure that all information and/or documents furnished by ProDserv 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;	Complied
(vii)	Inform and obtain the prior approval of MDeC for any proposed change in the name of ProDserv;	Complied
(viii)	Inform MDeC of any change in the equity structure or shareholding structure of ProDserv, or such other changes that may affect the direction or operation of ProDserv. MDeC must be informed of any change before steps are taken to effect such change; and	Complied
(ix)	Comply with all such statutory, regulatory and/or licensing requirements as may be applicable.	Complied

10 APPROVALS AND CONDITIONS *(Cont'd)*

10.2 MORATORIUM ON PROMOTERS' SHARES

Upon the completion of the Listing, the TFP Shares held by our Promoters consisting 51.50% of our enlarged issued and paid-up share capital are as tabulated below.

In compliance with the Listing Requirements, the TFP Shares amounting to 45.0% of the enlarged share capital of TFP Solutions, and any interest therein may not be sold, transferred, assigned or otherwise disposed of, within one (1) year from the date of admission of TFP Solutions to the Official List of the MESDAQ Market. Thereafter, they are permitted to sell, transfer, assign or otherwise dispose of up to a maximum of one third per annum on a straight-line basis of their respective shareholdings in the Company, which is under moratorium.

The TFP Shares held by our Promoters which are under moratorium are as follows:-

	No. of TFP Shares held after Listing				**No. of TFP Shares under moratorium**	
Name	**Direct**	**%**	**Indirect**	**%**		**%**
MPSB	63,034,758	45.0	-	-	63,034,758	45.0
Lim Lung Wen	4,856,024	3.46	[(a)] 63,034,758	45.0	-	-
Quah Teik Jin	4,243,689	3.03	[(a)] 63,034,758	45.0	-	-
Ow Poh Kwang	8,691	0.01	[(a)] 63,034,758	45.0	-	-

Notes:-

[(a)] *Deemed interested by virtue of his substantial shareholdings in MPSB*

The restriction which is fully acknowledged by the aforesaid shareholders is specifically endorsed on our share certificates representing the shareholding of the aforesaid shareholders, which are under moratorium to ensure that our Share Registrars will not register any transfer not in compliance with the aforesaid restriction.

The endorsement affixed on the share certificate is as follows:-

"The shares comprised herein are not capable of being sold, transferred or assigned for the period as determined by the Securities Commission ("moratorium period"). The shares comprised herein will not constitute good delivery pursuant to the Rules of the Exchange during the moratorium period. No share certificates will be issued to replace this certificate during the moratorium period unless the same shall be endorsed with this restriction".

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11 RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS

Save as disclosed in 11.1 and 11.2, there has been no related party transactions (as defined below) existing or proposed and/or conflict of interests, which involve the interest, direct or indirect, of a Director, substantial shareholder, key management, persons connected with such Director, substantial shareholder or key management in respect of the past three (3) FYE 31 December 2004 to FYE 31 December 2006, nine (9) months FPE 30 September 2007 and up to the period 31 December 2007.

"Related party transactions" are defined in the Listing Requirements as transactions entered into by a listed issuer or its subsidiaries that involve the interest, direct or indirect, of a related party. A "related party" means a director, major shareholder or person connected with such director or major shareholder. "Director" shall have the meaning given in Section 4 of the Act and includes any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon, a director of the listed issuer or any other company which is its subsidiary or holding company or a chief executive officer of the listed issuer, its subsidiary or holding company. "Major shareholder" includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a major shareholder of the listed issuer or any other company which is its subsidiary or holding company.

"Major shareholder" means a person who has an interest or interests in one or more voting shares in a company and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is:-

(a) equal to or more than 10% of the aggregate of the nominal amounts of all the voting shares in the company; or

(b) equal to or more than 5% of the aggregate of the nominal amounts of all the voting shares in the company where such person is the largest shareholder of the company.

Chapter 10 of the Listing Requirements sets out the requirements that must be complied with in respect of transactions entered into by a listed issuer or its subsidiaries including related party transactions.

11.1 EXISTING AND PROPOSED RELATED PARTY TRANSACTIONS

Name of Company	Transacting/ interested party	Nature of transaction	Actual FYE 31 December 2005	Actual FYE 31 December 2006	Actual FPE 30 September 2007	Estimate FYE 31 December 2007	Estimate FYE 31 December 2008
SoftFac	Software Factory Sdn Bhd (**"SFSB"**) Ooi Chee Hong, a Management of our Group holds 28.33% equity interest in SFSB.	SPA dated 22 September 2005 for the sale to SoftFac of all rights and interest of SFSB in Human Resources and Payroll Software (**"HRES"**), its continuing maintenance contracts for HRES and ten (10) units of personal computers.	RM400,000	-	-	-	-

11 RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS *(cont'd)*

Name of Company	Transacting/ interested party	Nature of transaction	Actual FYE 31 December 2005	Actual FYE 31 December 2006	Actual FPE 30 September 2007	Estimate FYE 31 December 2007	Estimate FYE 31 December 2008
Our Group	TTL Our Directors, Lim Lung Wen, Quah Teik Jin and Ow Poh Kwang are also shareholders of TTL and they hold 19.60%, 9.80% and 19.60% equity interest respectively in TTL. The remaining 51% equity interest is held by Thai individuals.	Our Group provides its range of products and services, inter alia, HCRM solutions, EBS value added solutions, ITO/SSO and ERP consulting and implementation, to TTL on an exclusive basis.	-	RM91,000	RM264,711	RM264,711	RM2,000,000
MBP	HumanEdge Management Consulting Sdn Bhd (**"HMCSB"**) Our Director, namely Quah Teik Jin is also a director of HMCSB and holds 60% equity interest in HMCSB.	Provision of IT hardware	RM393,000	RM42,000	-	-	-
TenInfo	Our Directors, Lim Lung Wen & Quah Teik Jin are the owners of shophouse at No. 22-2, Jalan Puteri 1/2, Bandar Puteri, 47100 Puchong, Selangor D. E.	Rental of 2nd floor of shophouse to TenInfo for a period of one (1) year commencing 1 September 2007. This property has been acquired by our Group as part of our Listing.	RM1,500 per month	RM1,500 per month	RM1,500 per month	RM1,500 per month *	-

Note:-

* *Apportioned in view that the Acquisition of Property was completed on 19 December 2007.*

11 RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS *(cont'd)*

Note:-

* *Apportioned in view that the Acquisition of Property was completed on 19 December 2007.*

The Directors of our Company are of the opinion that all business transactions set out above between our Group and the Directors, substantial shareholders and key management of our Company and/or persons connected to them are on arm's length basis and on terms not more favourable to the related parties than those generally available to the public. The Audit Committee will supervise the terms of related party transactions, and the Directors of our Company will report related party transactions, if any, annually in our Group's annual report.

11.2 RECURRENT RELATED PARTY TRANSACTION OF A REVENUE OR TRADING NATURE

Our Group, in the ordinary course of business, may enter into transactions that are of revenue or trading in nature with related parties ("Recurrent Transactions"), which are necessary for our day-to-day operations. Our Directors confirm that such Recurrent Transactions are carried out and will be carried out (if any) on an arm's length basis and on commercial terms which are not more favourable to the related parties than those generally available to third parties and which will not be detrimental to our minority shareholders.

Under Chapter 10 of the Listing Requirements, a listed company may seek a shareholders' mandate for recurrent transactions of a revenue or trading nature or those necessary for its day to day operations such as supplies and materials, which may be carried out with the listed company's interested persons.

Transactions, which do not fall within the ambit of the shareholders' mandate, shall be subject to the relevant provisions of the Listing Requirements.

We will make disclosures in our annual report of the aggregate value of transactions conducted based on the nature of Recurrent Transactions made, names of the related parties involved and their relationship with our Group during the financial year and in the annual reports for the subsequent financial years.

Save as disclosed below, there has been no other recurrent related party transactions involving Recurrent Transactions involving our Company or our Group in respect of the past three (3) FPE/ FYE 31 December 2004 to 2006, nine (9) months FPE 30 September 2007 and up to the period 31 December 2007:-

Name of Company	Transacting/ interested party	Nature of transaction	Actual FYE 31 December 2006	Actual FPE 30 September 2007	Estimate FYE 31 December 2007	Estimate FYE 31 December 2008
Our Group	<u>TTL</u> Our Directors, Lim Lung Wen, Quah Teik Jin and Ow Poh Kwang are also shareholders of TTL and they hold 19.60%, 9.80% and 19.60% equity interest respectively in TTL. The remaining 51%	Our Group provides its range of products and services to TTL on an exclusive basis.	RM91,000	RM264,711	RM264,711	RM2,000,000

11 RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS *(cont'd)*

Name of Company	Transacting/ interested party	Nature of transaction	Actual FYE 31 December 2006	Actual FPE 30 September 2007	Estimate FYE 31 December 2007	Estimate FYE 31 December 2008
	equity interest is held by Thai individuals.					
MBP	Our Director, Lim Lung Wen is the owner of a shophouse located at No. 6-1, Jalan Puteri 4/2, Bandar Puteri, 47100 Puchong, Selangor D. E.	Rental of 1st floor of shophouse to MBP for a period of one (1) year commencing 1 January 2008.	RM1,500 per month	RM1,500 per month	RM1,500 per month	RM1,500 per month
SBOne	Our Director, Lim Lung Wen is the owner of a shophouse located at No. 6-2, Jalan Puteri 4/2, Bandar Puteri, 47100 Puchong, Selangor D. E.	Rental of 2nd floor of shophouse to SBOne for a period of one (1) year commencing 1 January 2008.	RM1,000 per month	RM1,000 per month	RM1,000 per month	RM1,000 per month
Our Group	Adaptive Training & Consulting Sdn Bhd (**"Adaptive"**) Our Directors, Lim Lung Wen and Quah Teik Jin are also directors of Adaptive and they hold 9.58% and 90.42% equity interest respectively in Adaptive.	Provision of training and consulting services to the employees of our Group.	RM5,400	RM39,200	RM50,450	RM50,000

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11.3 MITIGATING FACTORS AND STEPS FOR CONFLICTS OF INTEREST

11.3.1 Mitigating Factors

11.3.1.1 The appointment of Independent Non-Executive Directors on to our Board and disclosure in accordance with the requirements of Bursa Securities and good corporate governance will ensure that corporate transactions are conducted at an arms-length basis. Further in relation to matters arising from or to do with related party transactions, the substantial shareholders would be required to abstain from voting.

11.3.1.2 In relation to transactions with TTL specifically:

(i) To mitigate against conflict of interest situations, we had on 21 August 2007 entered into a Strategic Alliance Agreement ("**SAA**") with TTL, where TTL had appointed us as an exclusive provider for its products and services to TTL;

(ii) In the SAA, all shareholders of TTL have confirmed that all business transactions both present and future between our Group and TTL are and will be carried out on an arms-length basis and on commercial terms which are not disadvantageous to our Group; and

(iii) In addition, Lim Lung Wen, Quah Teik Jin and Ow Poh Kwang had individually, via a letter of undertaking, granted us the option to purchase their respective shares in TTL for a purchase consideration equivalent to the net tangible asset value of TTL at any time within the period of five (5) years from 21 August 2007. The granting of the option is intended to allow us to acquire TTL in the future as its business grows and as regulatory uncertainties in Thailand reduce.

11.3.2 Monitoring Of Related Party Transactions And Conflict Of Interest Situations

Audit Committee Review

An audit committee has been constituted by our Board ("Audit Committee") which will review any related party transactions and conflict of interest situations that may arise within our Group (including any future related party transactions and conflict of interest situations). The Audit Committee periodically reviews the procedures set by us to monitor related party transactions to ensure that these transactions are carried out on normal commercial terms not more favourable to the related party than those generally available to the third parties, at arm's length with our Group and are not to the detriment of our minority shareholders. All reviews by our Audit Committee are reported to our Board for its further action. Please refer to Section 9.3.1 of this Prospectus for details of our Audit Committee.

11.4 TRANSACTIONS WHICH ARE UNUSUAL IN THEIR NATURE OR CONDITIONS

There are no unusual transactions in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Group was a party in respect of the past three (3) FPE/ FYE 31 December 2004 to 2006, nine (9) months FPE 30 September 2007 and up to the period 31 December 2007.

11.5 OUTSTANDING LOANS MADE TO OR FOR THE BENEFIT OF RELATED PARTIES

Save as disclosed below, 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) FPE/ FYE 31 December 2004 to 2006, nine (9) months FPE 30 September 2007 and up to the period 31 December 2007:-

11 RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS *(cont'd)*

As at 30 September 2007, an amount of RM0.281 million comprising non-trade debts was due from TTL to us. As at the LPD, the entire amount has been settled.

11.6 INTEREST IN BUSINESS AND CORPORATIONS CARRYING SIMILAR TRADE

Save for our Directors' and substantial shareholders' interests in TTL as disclosed in Section 11.1 and 11.2 above, none of our other Directors and/or substantial shareholders has any interest, direct or indirect, in any other businesses and corporations carrying on a similar trade as that of our Group.

11.7 PROMOTION OF ANY MATERIAL ASSETS ACQUIRED, DISPOSED OF OR LEASED

Save as disclosed below, none of our other Directors and/or substantial shareholders has any interest, direct or indirect, in the promotion of or in any material assets which have, within the past three (3) FPE/ FYE 31 December 2004 to 2006, nine (9) months FPE 30 September 2007 and up to the period 31 December 2007, 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:-

Name	Nature of interest
Lim Lung Wen	Acquisition of SoftFac, Acquisition of ProDserv, Acquisition of SBOne, Acquisition of MBP, Acquisition of TenInfo, Acquisition of Property
Quah Teik Jin	Acquisition of SoftFac, Acquisition of ProDserv, Acquisition of MBP, Acquisition of SBOne, Acquisition of Property
Ow Poh Kwang	Acquisition of SoftFac, Acquisition of MBP, Acquisition of SBOne, Acquisition of TenInfo

The particulars of the above acquisitions are set out in Section 5.2 of this Prospectus.

11.8 DECLARATION OF ADVISERS

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

(b) Messrs. Jeff Leong, Poon & Wong have given its confirmation that there are no existing or potential conflicts of interest in its capacity as the Solicitors for the IPO.

(c) Messrs. KPMG has given its confirmation that there are no existing or potential conflicts of interest in its capacity as the Reporting Accountant and Auditors for the Public Issue.

(d) Messrs. D&B Malaysia has given its confirmation that there are no existing or potential conflicts of interest in its capacity as the Independent Market Researcher.

(e) Messrs. Henry Butcher Malaysia (SEL) Sdn Bhd has given its confirmation that there are no existing or potential conflicts of interest in its capacity as the Valuers.

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12 EXECUTIVE SUMMARY FOR THE INDEPENDENT MARKET RESEARCH REPORT AND THE LETTER THEREON

(Prepared for the inclusion in this Prospectus)

Decide with Confidence

11 JAN 2008

The Board of Directors
TFP Solutions Berhad
Level 7, Menara Milenium,
Jalan Damanlela,
Pusat Bandar Damansara,
Damansara Heights,
50490 Kuala Lumpur

Dear Sirs

EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT ("EXECUTIVE SUMMARY") FOR TFP SOLUTIONS BERHAD ("TFP SOLUTIONS" OR "THE COMPANY")

Dun & Bradstreet (D&B) Malaysia Sdn Bhd ("D&B Malaysia) has prepared an Independent Market Research report ("Report") dated 24 August 2007, of which the Executive Summary dated 11 JAN 2008 which contains extracts updated from the said Report has been prepared for inclusion in the Prospectus dated 05 FEB 2008 pursuant to the listing of TFP Solutions on the MESDAQ Market of Bursa Malaysia Securities Berhad.

This research is undertaken with the purpose of providing an overview of the shared services industry in Malaysia. The research methodology includes both primary research, involving in-depth interviews with pertinent companies, as well as secondary research such as reviewing press articles, periodicals, Government literatures, in-house databases, Internet research and online databases.

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

The Executive Summary is highlighted in the following sections.

Yours faithfully,
For and on behalf of
DUN & BRADSTREET (D&B) MALAYSIA SDN BHD

TAN SZE CHONG
Managing Director

Dun & Bradstreet (D&B) Malaysia Sdn Bhd
Level 9-3A, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, 50490 Kuala Lumpur, Malaysia
T 603.2080.6000 F 603.2080.6001 www.dnb.com.my
Company Registration No.527570-M
A Member of Infocredit Group

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INTRODUCTION

Decades ago when computers were commercialised for industry usage, most applications needed were mainly on a standalone basis. Integration was not an issue then because there were a limited number of computer users. As computer usage became more prevalent, software companies began to provide application and hardware integration for better access and inter-department usage. Early adopters were office suites such as word processing and spreadsheets.

Integration became more sophisticated with more software companies introducing enterprise resource planning ("ERP") that consists of many different applications with a single interface and single database, customer relationship management ("CRM") and point-of-sale system that integrates with inventory system. As to date, the software application market is very competitive with competitions coming from global and domestic software vendors, especially in terms of pricing. There are many partnerships between local companies and international software application providers and most of them do not offer software as a product anymore. They provide business solutions or enterprise application software where such solutions include software application packages and servicing its customers with trainings.

However, having business software applications and being used independently by different departments within an organisation would incur information redundancy and higher expenditure.

Shared services is defined as the consolidation, centralisation and management of services of different operational units within an organisation. The purpose of shared services is to reduce cost and achieve greater operational efficiency and effectiveness within the organisation.

The principle of shared services is applied by multinational companies ("MNCs") around the world to improve the flow and quality of internal support services. It represents a fundamental change in organisational structure, the attitudes of the individuals who provide

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services to corporate personnel, and the nature of supplier-user relationships in most of the organisations that adopt it. Some of the common functions that are consolidated are human resources ("HR"), finance and information technology ("IT"). Adopted successfully by MNCs worldwide as a means to achieve further efficiency and effectiveness through the grouping of non-core units coupled with technology, shared services is gaining recognition from small and medium enterprises ("SMEs") as another essential tool by which to compete in the global economy.

One of the main advantages of the shared services model lies in resource optimisation, cost reduction and efficiency improvement. In addition, it encourages a shift towards a culture of continuous improvement through performance objectives, in addition to facilitating access to expertise and encouraging innovation and development through "centres of excellence". In addition, it allows clients to focus on their strategic activities.

Total Factor Productivity ("TFP") plays an important role in the shared services industry as Malaysia emphasises more on productivity-driven growth as opposed to input-driven growth. TFP measures the efficiency achieved through the combination of technology, skills and knowledge employed within an organisation. Realising that being overly dependent on physical inputs is not sustainable, the Government is enhancing its efforts to improve the country's labour and intellectual capital through investments in human capital, adopting new technologies and emphasising on innovation and research and development ("R&D").

Shared services are classified into four (4) major clusters and their respective sub-clusters, namely:

- IT Management
    - Enterprise Resource Planning
    - Human Resource Management System
    - IT Helpdesk
- Data Management Centres
- Enterprise Content Management and
- Contact Centres.

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As the Internet further evolves, with MNC setting tight IT budgets, Software-As-A-Service ("SaaS") becomes more of a realistic alternative to further reduce cost and achieve greater efficiency. SaaS is a model for users to make full use of the Internet to have access remotely to applications that they pay only when they need to use it. A key advantage of SaaS model is that it allows service providers to offer their services globally. The service providers have the responsibility to hosts and operate the applications being offered.

SOFTWARE-AS-A-SERVICE

SaaS is a delivery model in the software application space that utilises Service-Oriented Architecture ("SoA") as its primary foundation for on-demand services. SaaS enablers ("enablers") offer services or business functions in the form of software applications to their customers that are to be used using web browser. This means their services are developed using web-native language. Such services can be CRM, HR and messaging such as e-mail. All the customer needs to do is to access the services through the Internet and everything will be done online. The customers only use the services and do not own it, while the enablers own the services and are responsible for the infrastructure deployment, operation and maintenance, which include all necessary upgrading.

SERVICE-ORIENTED ARCHITECTURE

SoA evolves from distributed computing where it is based on request/reply model for applications. The functions within the applications are always presented as a service for the customers or end users. The key in SoA is its loosely coupled function. This means application developers can build applications by composing one or more services without actually knowing the implementations of the services. This is useful particularly when the source or destination systems are always subject to frequent changes.

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SUBSTITUTES

There are no direct substitutes to shared services as it comprise the principles, practices and procedures for the consolidation, centralisation and management of services of different operational units within an organisation. An ever changing business landscape, competition and the endeavour for greater cost efficiencies have resulted in the evolution, and will continue to evolve shared services from the original distributed software and/or services model. Substitutes can only be found in terms of the products offered by different service providers, differing in terms of features, functionalities and support. An example of a product substitute would be ERP software or CRM software offered by Microsoft Corporation ("Microsoft") and SAP AG.

MARKET DRIVERS

ICT Expenditure

The ICT industry is earmarked as one of the main driving forces to transform Malaysia into a knowledge based economy and a developed nation by 2020. Malaysia's ICT spending grew an estimated 7.7% to RM32.2 billion in 2005 from RM29.9 billion in 2004.

According to the Association of Computer and Multimedia Industry of Malaysia ("PIKOM"), total technology expenditure in Malaysia is expected record RM45 billion in 2008. PIKOM has identified SSO and software services as potential growth factors in 2008. Accordingly, by 2012, the SSO industry in Malaysia is expected to be worth approximately USD2 billion and generating approximately 300,000 jobs.

Locally, export of software have also grown from an estimated RM28.1 million in 2004 to approximately RM211.9 million in 2005. Some of the key export destinations include the United States ("U.S."), Republic of Korea, People's Republic of China, Germany and Hong Kong According to the Malaysian Industrial Development Authority ("MIDA"), exports of local software are expected to continue growing in the near future with China remaining the

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favourite among local ICT companies as an export destination, followed by Indonesia, Philippines and Vietnam.

Growth Opportunities in Developing Countries

Numerous market opportunities can be found in developing countries such as Thailand, Indonesia and Vietnam. These countries have similar traits to Malaysia, namely growing economies, sizeable MNC presence and companies predominately comprising SMEs.

VIETNAM

In 2005, the Vietnam's ICT market was estimated to be worth USD7.9 billion which represented an increase of 25.0% compared to the previous year (2005: USD6.3 billion). Between 2001 and 2005, the ICT expenditure registered a Compound Annual Growth Rate ("CAGR") of 18.1%. Sales of IT software and provision of IT service recorded CAGR of 40.1% and 46.5% respectively for the same period. In 2005, the sales of IT software was valued at about USD215.0 million while provision of IT services recorded sales of USD414.4 million.

In 2006, Vietnam has recorded a growth domestic product ("GDP") growth rate of 8.0% which is highest in the past six (6) years. The growth is supported by a strong export demand for its commodities, crude oil and manufactures products. Vietnam's industry and services sectors have contributed more than 90% of the total GDP growth rate in the same year. The manufacturing sector alone registered a growth rate of 12.4%. For 2007 and 2008, Vietnam is expected to record a growth rate of 8.3% and 8.5% respectively. The growth will be supported by increase in private investment, increase in foreign direct investment as well as strong private consumption.

THAILAND

In 2005, Thailand's total ICT market was estimated to be worth USD7.2 billion of which the IT expenditure, which includes sales of IT hardware and software and provision of IT service, accounted for USD2.7 billion. Compared with IT spending in 2004 (USD2.2 billion), IT spending has grew by 22.7%. Between 2001 and 2005, Thailand's IT market has achieved

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an estimated CAGR of 22.9% compare to the total ICT market's CAGR rate of 15.1%. During the same period, the sales of IT software and provision of IT services markets recorded a CAGR of 40.3% and 26.1% respectively. The robust growth in the IT spending is due to the growth in the manufacturing services and consumer spending in IT.

In 2006, Thailand registered an economic growth of 5.0% which is slightly higher than the previous year (2005: 4.5%). In the first half of the year, the economy was affected by flooding and political uncertainties but strong exports have helped to support the economic growth. For 2007 and 2008, Thailand is predicted to achieve a GDP growth rate of 4.0% and 5.0% respectively.

INDONESIA

In 2005, Indonesia has recorded an estimated ICT spending of USD9.7 billion. Of the total ICT expenditure, sales of IT software and provision of IT services was worth USD425.3 million and USD 359.4.8 million respectively. Between 2001 and 2005, the ICT market recorded a CAGR of 24.7%. In the same period, sales of IT software and provision of IT services registered a CAGR of 38.3% and 27.1% respectively.

In 2006, Indonesia recorded a GDP growth rate of 5.5%. The growth was mainly driven by private consumptions and exports. The economy is expected to grow 6.0% and 6.3% in 2007 and 2008 respectively. The growth will be supported by stronger development spending and better investment climate.

Potential of SME Market

SMEs represent an important segment of the Malaysian economy as they represent approximately 92% of all companies registered and 30% of the country's manufacturing output. ICT spending among SMEs is one of the key drivers in Malaysia's vision to achieve a knowledge based economy and promote local ICT spending.

Moving forward, in an environment characterised by rapid advance in ICT, globalisation, liberalisation, and greater reliance on knowledge for value creation, SMEs are expected to

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invest in software and services that will allow them to maximise their assets and core values, and improve business process efficiency and productivity through information visibility and availability. This will assist them in achieving a level playing field to compete with their foreign counterparts and attain global competitiveness. Unlike their enterprise counterparts, due to a much smaller IT budget, SMEs are expected to invest in stages, according to their respective business growth and competitive pressures.

The Government has also taken steps to encourage the use of IT amongst SMEs by providing tax incentives, improving IT infrastructure and setting up of R&D sites, and benefits to attract technology experts. Several technology-related financial grants or assistance schemes are available for local SMEs, which are made available through various Government agencies including Small and Medium Industries Development Corporation ("SMIDEC") and Malaysia Technology Development Corporation ("MTDC"). SMIDEC is a specialised agency which promotes the development of SMEs through the provision of advisory services, fiscal and financial assistance, infrastructure facilities, market access and other support programmes. MTDC, on the other hand is an agency to promote wider applications of technology in the industrial sector for continuous growth and competitiveness.

There have been initiatives from the private sector as well. One of them is SAP Malaysia. With the current sixteen (16) channel partners that cater only to SMEs, SAP Malaysia plans to increase by an additional of 40%. In addition, SAP Malaysia created the SME Solution Centre to assist SMEs in having the right end-to-end custom solutions that fit into their business models. These initiatives underscore the importance of SMEs for this IT conglomerate moving forward.

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BARRIERS TO ENTRY

Domain Knowledge

Having the appropriate domain knowledge in the industry the organisation services is crucial and serves as a barrier to entry to new and potential entrants. Domain knowledge is a general term to describe knowledge and skills that a software programme encodes. Application market specific domain knowledge can only be acquired through close interaction with the software users of a specific application market. For example, possessing domain knowledge in the field of retail management (retail market-related software programmes) does not necessarily mean an individual is effective in other application markets. A collection of programmers may be able to design a software application that is functional, but without an intricate understanding of the business processes, procedures and application knowledge of the target application market as well as close interaction with the end-users, the customer will unlikely be able to derive full value from the software application.

Development and Sunk Costs

Software development is characterised by substantial economies of scale. The fixed costs of producing software, including applications, are very high. By contrast, marginal costs are very low. Moreover, the costs of developing software are "sunk" - once expended to develop software, resources so devoted cannot be used for another purpose. The result of economies of scale and sunk costs is that application developers seek to sell as many copies of their applications as possible. In this respect, the more competitive the environment, the more difficult it would be to enjoy economies of scale in the short-term. A new entrant has to have quite substantial of working capital and stamina to sustain in the highly competitive environment before the path of profitability starts to flow in.

New entrants must often incur various start-up sunk costs, such as acquiring market information, developing and testing product designs, installing equipment, engaging personnel and setting up distribution systems. Potential entrants may also face significant sunk costs due to the need to:

- make investments in market specific assets and in learning how to optimise the use of these assets;

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- overcome product differentiation-related advantages enjoyed by incumbents; or
- overcome disadvantages presented by the strategic behaviour of incumbents.

These potential sources of sunk costs can create significant impediments to entry when they require that potential entrants factor greater costs into their decision-making relative to incumbents who can ignore such costs in their pricing decisions because they have already made their sunk cost commitment.

The investment required in establishing a reputation as a reliable or quality supplier is also a sunk cost and it can constitute a barrier to entry when it is a crucial element in attracting buyers, particularly in a service oriented industry. Under these circumstances, the time to gain a reputation may make profitable entry more difficult and hence delays the competitive impact that an entrant may have in the marketplace.

R&D Activities

In the rapidly evolving ICT environment, especially in the growing segments, products/services have a relatively short shelf life. External and internal business processes and methodologies are ever changing. Coupled with continuous innovation, regular upgrades on components such as hardware, operating systems and database management systems, global competition and the continuous endeavour for improved efficiency, an organisation's competitiveness and creation of a barrier to entry is dependent on its focus on R&D and anticipating the needs of the customers. Continuous R&D activities coupled with market acceptance of an organisation's products and services serve as a high barrier to new and potential entrants.

Companies offering shared services and business productivity related solutions in various formats comprise a broad base of individual, small, medium and multinational size of developers catering for businesses of all sizes in the country. The ability of an organisation to develop and maintain long term and strong relationship with its customers is vital as it forms another barrier to new and potential entrant for the continuity and sustainability of the business.

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Long Term Relationships and Business Continuity

Long term relationships also result in high switching costs for companies looking to switch service providers. This is especially true for services providers who have already entrenched themselves in the customers' establishments and offering a variety of solutions. This would especially apply to SMEs as their IT budgets are smaller in comparison.

The ability to ensure business continuity is important as the design, development, roll-out and implementation of software and services, requires on-going support and maintenance. Such support and maintenance can last between one (1) and five (5) years, depending on the Service Level Agreements and the complexity of the IT software. Over time, established goodwill and reputation are critical for IT companies in sustaining business continuity.

Knowledge Workers

Every year, there is an abundance of new knowledge workers graduate from universities around the world. Unfortunately, some of the universities do not provide up to date syllabus and relevant trainings that are tailored to market demand. Hence, there are a high number of graduates who do not possess relevant experience or trainings as needed in the working society after they have graduated, especially in ICT.

The shortage of qualified and experienced knowledge workers remain one of the key barriers to entry for new and potential entrants into the shared services industry. Training and retaining key knowledge workers remains a challenge for all IT organisations. Knowledge workers such as programmers, software engineers, system architects and content developers with a high level of competence and skills are in short supply, especially those with sufficient experience in the design and development of stable, reliable and robust systems.

Programming languages such as C, C++, Java Script, Java, J2EE, ASP and JSP are languages used to support the different types of software development and system architectures. The organisation has to find an optimal mix of personnel with good working knowledge of programming languages to develop robust applications that will be stable, reliable, functional and easily maintainable. Added to this is the need for skills in database design, system architecture and design, web design, knowledge in hardware sizing and configuration, data storage optimisation, network management and a host of other attributes that knowledge workers must possess. As a result of the demand, staff turnover is high and replacement costs prohibitive.

CRITICAL SUCCESS FACTORS

Attractive Product-Market Selection

Possessing an attractive products and services mix and operating within well defined target market segments are critical in ensuring an organisation's sustainability and future growth. Coupled with the ability to constantly develop better offerings through software R&D and complying to the ever changing target market needs, an organisation will be able to stay at the forefront of competition. Examples of essential features to differentiate and compete effectively include modularity and scalability of the marketed solutions. The inability to identify, customise and introduce suitable solutions for the respective target segments often result in business opportunity and financial losses.

Ability To Provide Integrated Software and Services

The ability to provide integrated software and services is critical to cater to the demand and requirements of varying customers at multiple levels. Examples of contemporary service offerings are service bundling and integrated services. Service bundling gathers several services under one contract while integrated services contracts cover a wide range of activities, from customisation of software to the provision of personnel and service maintenance. With companies focussing on their core businesses, software and services companies have to become more flexible in adapting to the requirements of their customers. Contemporary major goals in the relationship between software and services companies and their customers include optimisation of assets, efficiency maximisation and lowering of total costs.

The challenge for current software and services companies is to offer the best-in-class in the industry, in line with the way forward. This includes restructuring or even re-engineering

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themselves to meet this challenge. The need to provide integrated software and services is a formidable barrier for new entrants. Software and services companies that are able to offer the entire gamut of IT software and services in a targeted market segment are preferred as they can assist to improve operational and business performance efficiencies.

Close Relationships With Technology Partners

Establishing close relationships with their technology partners is critical for success for software and services companies as they are exposed to the latest technology offerings and related technical support. With technology far reaching and numerous in applications, IT companies are unable to meet all the requirements of an organisation. Strategic partnerships and alliances with technology partners are deemed critical to operate in the IT field. Software and services companies, especially SME companies, establish strategic relationships with big players such as Microsoft, Oracle and SAP to broaden their range of offered software and services. Such partnerships help companies in achieving a shorter time-to-market through reductions in time and resources in developing new products or enhancing current ones.

Established Market Presence And Proven Track Record

The long period of time required in establishing a strong track record in terms of establishing a pervasive market presence and building up relationships with clients can prove daunting to new entrants. It is mutually beneficial for both customers and software and services companies to form long-standing relationships once the quality of services are accepted and recognised. Having the right marketing channels is important, as customers do not easily respond to new players entering their market segment. Enterprises and SMEs are more inclined to use products and services from companies which have already established a proven track record. In this context, well-established software and services companies will most likely be the preferred choice. With a proven track record, services could be readily 'pushed' out to the customers, making services enhancement possible and reaching out to the targeted industries more easily.

After-Sales Service

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In the ICT industry today, after-sales service is an important factor for success. It is a long term relationship between the customers and the solution providers. Every sale is not just a one-off transaction. In fact, after-sales service helps the solution providers to understand more about customer's requirements and needs even after the sale is completed.

Another advantage of providing after-sales service is that it can be used as a selling point for the company to have good reputation. It gives the customer an impression that solution providers do care about what they are selling and providing. In short, customer satisfaction will lead to better future prospects through recommendations and better publicity. Some of the after-sales services can be consultation and technical support, where professional staffs can attend to customers' problems in terms of troubleshooting and advises. Such troubleshooting involves being at the customer's premises and train the end users to how to avoid and solve problems that arise.

Customer feedback is also another important element in which solution providers can improve if there is any complains. However, good feedback will encourage the solution providers to provide better before and after-sales service.

Unique And Innovative Business Model

Having the right business model is an important factor that will help the company to stay competitive in the market. A good business model will ensure that the company has enough resources, capabilities, marketing and distribution strategy, products and services offering catering to the right market segments. Most often than not, a lot of businesses fail due to lack of good business model with the right target market segments. Moreover, there are businesses that have good products and services but do not have the right target market segments.

A common business model will put the company in stiff competition with other players. However, a unique and innovative business model would be able to address problems and future potentials that will arise in all parts of the company's operations. It needs to be flexible in solving issues pertaining to the company's value propositions, be it internal or external, and this will help the company to expand and grow in the long term especially in the niche market segments.

INDUSTRY CHALLENGES

Different Tier Competitors

Globally, the shared services market is dominated by a handful of major players such as SAP, Computacenter Plc and IBM. The global players provide a wide spectrum of products and services, some covering the entire IT spectrum of an organisation. Their services are scalable to a global scale, catering to customers with a wide network of branches worldwide. Smaller players offering similar software and services may not have the capacity or the technical knowledge to serve such markets.

However, the products and services offered by the major players are primarily designed to cater to governments, MNCs and large-capital companies. This has created opportunities for smaller players to tap as the SME market is a big fragmented playing field, and due to globalisation and competition, the need for software and services implementation become more essential.

With an overflow of smaller players out there offering more or less similar software and/or services, it is crucial that in order to stay in competition, the smaller player needs to offer the right services to complement its software offerings and/or vice versa to the right market segments.

Rapid Technological Changes

Shared services is characterised by rapid technological developments, evolving industry standards, swift changes in customer requirements, computer operating environments and software applications as well as frequent new product introductions and enhancements. As such, companies must be able to address the increasingly sophisticated needs of the end-user markets.

With the emergence of newer, better technologies, new breakthroughs and shorter product lifecycles in the market, companies have to keep up with the rapid technological changes in

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order to stay competitive in the industry. Failure to develop new products and services or launch enhancements on a timely and cost-effective manner as well as inability to obtain market acceptance would adversely affect their competitiveness.

Breach of Intellectual Property Rights

Companies rely on a combination of trade marks, service marks, and domain name registrations, common law copyright protection and contractual restrictions to establish and protect their own technology developments, brand names and logos, marketing designs, and Internet domain names. Companies constantly face the risk of having their IP rights replicated and, as a result, lose their competitive advantage in the markets they operate within.

Dependency on Technology Partners

Companies who operate in the IT industry develop inter-dependency on each other. It is an industry norm for companies, especially SMEs, to have multiple technology partners in order to offer their customers a broader range of products and services. However, an over-dependency on technology partners remains a challenge as companies struggle with keeping up with rapid technological changes and constant downward pressures on pricing. Companies also run the risk of being priced out of the market and become uncompetitive in the medium to long term if they do not develop, own and market proprietary products and services.

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CONCLUSION

Today, major companies are seeking to consolidate their servers and storage, and are adopting a more centralised approach to computing. The centralised approach is also helping them to usher in a new era of service-centric computing. A consolidated environment helps IT managers to make judicious use of the services from external providers to reduce their fixed costs, help with workloads or to fill gaps in knowledge. Many industry commentators now feel that service-centric computing is set to reshape corporate IT infrastructures by reorganising the data centre and improving productivity.

However, service-centric computing projects require in-depth knowledge of client businesses, call for high-level expertise in new technologies, experience in management consulting, as well as in-depth knowledge in the transformation and management of information systems. During periods of rapid business and technological changes, organisations have also found that they are restricted in their ability to exploit the latest technologies due to the lack of internal IT resources. Most organisations address this challenge by using external resources.

The shared services industry has been identified as one of the key areas the Government is building and promoting. Through the Ninth Malaysian Plan, the Multimedia Super Corridor, various Acts, venture capital funds and infrastructural development, the Government, in collaboration with the private sector, will continue to build upon its existing comparative advantages to become one of the key shared services and outsourcing hub in Asia as well as a developed country by 2020. SMEs are targeted to be a key enabler for investments in shared services in order to enhance their core competencies and increase their competitiveness in the local and global market.

In a global market front, there is a growing trend for the creation of integrated IT related **Services** and **Software** companies, as "customer stickiness" created through the provision of either Software or Services inclined towards the demand for an integrated offering of both. There are Software or Services centric companies being bought over by global players such as Google Inc. ("Google"), Computer Associates International ("CA") and Microsoft.

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The purpose of the merger and acquisitions are for business expansion, provide integrated offerings and value added services to their customers.

Google, a global search engine service provider, has bought over twenty (20) different software and services companies around the world. Google uses most of the acquired companies' software and services to integrate into its own search engine in order to provide value-added services to its ever-growing online users. This followed by Microsoft where it bought Giant Company Software to include its software in detecting spyware in Windows. This acquisition gives Windows users another options to protect their PCs. In order to keep up with Google's search engine, Microsoft tried to purchase Yahoo to complement its offering.

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COMPARATIVE ANALYSIS

TFP Solutions is a software services company that provides Software such as ERP and HRMS, which are clustered under the IT management cluster of the shared services industry, and Services, in terms of shared services and IT outsourcing, to complement their Software. Software is referred to as business productivity solutions such as HRMS, ERP, CRM, SCM and SRM) while Services is referred to as shared services and IT outsourcing.

Research has shown that companies providing both Services and Software achieve higher average PAT margins as compared to companies whose business activities are either Services centric or Software centric. The average PAT margin achieved by companies involved in Services and Software is 19.9% vis-à-vis 14.8% for Software centric companies and 10.3% for Service centric companies.

Average PAT Margin based on Business Activities, as at 14 August 2007

Business Activities	Average PAT Margin ^
Services and software centric	19.9%
Software centric*	14.8%
Services centric**	10.3%

Note:
^Financials used are based on the latest available financial information reported in the latest Annual Reports of respective public listed companies on Bursa Malaysia
** business productivity solutions such as ERP, HRMS, CRM, SCM and SRM*
*** shared services and outsourcing*

Source: D&B Malaysia Research

TFP Solutions is principally involved in the provision of both Software and Services to the manufacturing and services sectors. There are no absolute comparable competitors to TFP Solutions as each competitor has their own sub-sector focuses and different Software and Service mix. Companies selected below are deemed to be the closest comparable companies to TFP Solutions in terms of vertical markets serviced and products/services offered. As at 24 August 2007, the major comparative companies are:

a. ISS Consulting Solutions Berhad ("ISS");
b. SMR Technologies Berhad ("SMR Tech"); and
c. JSPC i-Solutions Berhad ("JSPC").

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JSPC was de-listed from the MESDAQ Market of Bursa Malaysia on 23 November 2007 and taken private by Axon Group Plc. JSPC is now a wholly-owned subsidiary of Axon Solutions Sdn Bhd. For consistency purposes, JSPC is used in the comparative analysis.

To establish a comparative ranking of TFP Solutions and its major comparable competitors, Revenue, PAT, PAT margin and EBITDA margin were selected as comparative variables.

Comparative Market Ranking of TFP Solutions and its Major Competitors, by Revenue, PAT, PAT Margin and EBITDA Margin, as at 15 December 2007

	Company	Revenue ** RM ('000)	PAT * (RM '000)	PAT Margin *	EBITDA Margin ***
1.	ISS	34,681,333	2,647	7.6%	14.5%
2.	JSPC	29,510,000	2,878	9.8%	16.6%
3.	SMR Tech	16,154,405	5,791	35.8%	49.1%
4.	**TFP Solutions ^**	**11,029,704**	**3,000**	**27.2%**	**28.9%**

Notes:
* *annualised PAT and PAT margin based on PAT taken from respective company's announcements made to Bursa Malaysia and based on the proforma consolidated financial accounts of TFP Solutions*
** *Annualised revenues based on revenues taken from respective company's announcements made to Bursa Malaysia and based on the proforma consolidated financial accounts of TFP Solutions*
*** *annualised EBITDA margin based on EBITDA calculations, where relevant figures were taken from respective company's announcements made to Bursa Malaysia and based on the proforma consolidated financial accounts of TFP Solutions*
^ *based on the proforma consolidated financial accounts of TFP Solutions. The higher PAT margin vis-à-vis EBITDA margin is attributed to the equity accounting of associate company, TenInfo Technology Sdn Bhd's 40% PAT.*

Source: D&B Malaysia Research; Management of TFP Solutions; Annual Reports

By revenue terms, TFP Solutions is ranked 4th. However, by PAT, PAT margin and EBITDA margin terms, TFP Solutions is ranked 2nd among its major comparable competitors that provide Services and Software to the various vertical markets in Malaysia.

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Comparative Market Ranking of TFP Solutions and Selected Major Services and Software Providers Listed on MESDAQ, Annualised Revenue as per Company's Prospectus, as at 15 December 2007

	Company	Revenue*	Prospectus Date	Date Listed
1.	ISS	18,388,000	30th June 2006	2nd August 2006
2.	JSPC	16,932,000	30th October 2003	3rd December 2003
3.	**TFP Solutions**	**11,029,704 ^**	**n.a.**	**n.a.**
4.	SMR Tech	7,769,544	22nd February 2006	13th March 2006

Note:
* *Annualised revenues based on revenues taken from respective company's prospectus and based on the proforma consolidated financial accounts of TFP Solutions*
^ *Annualised based on audited nine months ended 30 September 2007.*
n.a. – not applicable

Source: D&B Malaysia Research; Management of TFP Solutions; Prospectus of ISS, JSPC and SMR Tech.

Based on the revenues of the selected major Services and Software providers, extracted from the respective company's prospectus and annualised for comparative purposes, ISS and JSPC are ranked 1st and 2nd respectively with more than RM18 million and RM16 million. TFP Solutions is ranked 3rd with approximately RM11 million, ahead of SMR Tech.

13 DIRECTORS' REPORT
(Prepared for the inclusion in this Prospectus)

TFP Solutions Berhad
(773550-A)

28 January 2008

The Shareholders of
TFP Solutions Berhad
Level 7, Menara Milenium,
Jalan Damanlela,
Pusat Bandar Damansara,
Damansara Heights,
50490 Kuala Lumpur

Dear Sir/ Madam,

On behalf of the Board of Directors of TFP Solutions Berhad ("**TFP Solutions**"), I wish to report after due enquiry that between the period from 30 September 2007 (being the date of the last audited financial statements of the Company and its subsidiaries ("**Group**") were made up) to 28 January 2008 (being a date not earlier than fourteen (14) days before the issuance of this Prospectus):-

(a) the business of the Group has, in the opinion of our Directors, been satisfactorily maintained;

(b) in the opinion of the Directors, no circumstances have arisen subsequent to the last audited financial statements of the Group which have adversely affected the trading or the value of the assets of the Group;

(c) the current assets of the Group appear in the books at values, which are believed to be realisable in the ordinary course of business;

(d) there are no contingent liabilities by reason of any guarantees or indemnities given by the Group;

(e) there have been, since the last audited financial statements of the Group, no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings; and

(f) save as disclosed in this Prospectus, there have been, since the last audited financial statements of the Group, no material changes in the published reserves or any unusual factors affecting the profits of the Group.

Yours faithfully
For and on behalf of the Board of Directors
TFP SOLUTIONS BERHAD

LIM LUNG WEN
Managing Director

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