Registered Office:
Third Floor, No. 79 (Room A)
Jalan SS21/60
Damansara Utama
47400 Petaling Jaya
Selangor Darul Ehsan

23 December 2002

The Shareholders

AKN MESSAGING TECHNOLOGIES BERHAD ("AKN MTech" or "Company")

Dear Sir/Madam

On behalf of the Board of Directors of AKN MTech, I report that after making due enquiries in relation to the interval between 30 June 2002, being the date to which the last audited accounts of the Company have been made up, and 10 December 2002, being a date not earlier than fourteen (14) days before the issue of this Prospectus:-

(a) The business of the Company has, in the opinion of the Directors, been satisfactorily maintained;

(b) In the opinion of the Directors, save as disclosed in this Prospectus, no circumstances have arisen since the last audited accounts of the Company which have adversely affected the trading or the value of the assets of the Company;

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

(d) Save as disclosed in the section on "Working Capital, Borrowings and Contingent Liabilities", no contingent liabilities have arisen by reason of any guarantees or indemnities given by the Company; and

(e) Save as disclosed in the Accountants' Report as set out in Section 11 of this Prospectus, there have been no changes to the published reserves or any unusual factors affecting the profits of the Company since the last audited accounts of the Company.

Yours faithfully
For and on behalf of the Board of Directors of
AKN MESSAGING TECHNOLOGIES BERHAD

LIM SENG BOON
Managing Director

AKN MESSAGING TECHNOLOGIES BERHAD (482772-D)
(formerly known as AKN Messaging Technologies Sdn Bhd)
(A member of AKN Group of Companies)

Unit 1007, Block A, Phileo Damansara II, Jalan 16/11
46350 Petaling Jaya, Selangor Darul Ehsan.
Tel : 603-7665 1101 Fax : 603-7665 1121

No. 1, 2 & 3, 2nd Floor, Block 2310, Century Square
63000 Cyberjaya, Selangor Darul Ehsan.
Tel : 603-8319 1101 Fax : 603-8318 4188

Email : info@gsm.com.my website : http:/www.gsm.com.my

ERNST & YOUNG
AF:0039

■ Chartered Accountants
Level 22, MWE Plaza
No. 8, Lebuh Farquhar
10200 Penang, Malaysia.

Mail Address:
P.O. Box 148,
10710 Penang, Malaysia.

■ Phone : (04) 264 1878
Fax : (04) 262 1812
www.ey.com/my

17 December 2002

The Board of Directors
AKN Messaging Technologies Berhad
(formerly known as Messaging Technologies Sdn. Bhd.)
Third Floor, No. 79 (Room A)
Jalan SS21/60
Damansara Utama
47400 Petaling Jaya
Selangor Darul Ehsan

Dear Sirs

1.0 INTRODUCTION

This report has been prepared by Ernst & Young, an approved company auditor, for inclusion in the Prospectus of AKN Messaging Technologies Berhad (formerly known as Messaging Technologies Sdn. Bhd.) ("AKN MTech" or "the Company") to be dated 24 December 2002, in connection with the public issue of 22,500,000 new ordinary shares of RM0.10 each in AKN MTech at an issue price of RM0.45 per share payable in full on application and the listing of and quotation for the entire issued and paid-up share capital of AKN MTech on the Kuala Lumpur Stock Exchange MESDAQ Market.

The report has been prepared on a basis consistent with the accounting policies normally adopted by AKN MTech, which are in accordance with applicable Approved Accounting Standards issued or adopted by the Malaysian Accounting Standards Board.

2.0 GENERAL INFORMATION

2.1 Background

AKN MTech was incorporated in Malaysia on 6 May 1999 under the Companies Act 1965 as a private limited liability company under the name Messaging Technologies Sdn. Bhd. On 31 May 2002, the Company changed its name to AKN Messaging Technologies Sdn. Bhd. On 20 June 2002, the Company was converted into a public limited liability company and assumed its present name. The principal activity of the Company is the provision of mobile-internet messaging solution using the Short Message Services (SMS) and Wireless Application Protocol (WAP) technology and has obtained an ASP Class Licence from the Malaysian Communications and Multimedia Commission.

2.2 Share Capital

On 12 June 2002, the authorised and ordinary issued and paid-up share capital of the Company was subdivided in such manner that every existing one (1) ordinary share of RM1.00 each be subdivided into ten (10) ordinary shares of RM0.10 each. The Company's authorised share capital of RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each was subdivided into 10,000,000 ordinary shares of RM0.10 each. On 13 June 2002, the Company increased its authorised share capital from RM1,000,000 to RM25,000,000 by the creation of 240,000,000 units of new ordinary shares of RM0.10 each.

On 12 June 2002, the Company's ordinary issued and paid-up share capital of RM450,000 comprising 450,000 ordinary shares of RM1.00 each was subdivided into 4,500,000 ordinary shares of RM0.10 each. On 13 June 2002, the Company increased its ordinary issued and paid-up share capital from RM450,000 to RM6,750,000 by the issuance of 63,000,000 ordinary shares of RM0.10 each at par, by way of capitalising from the amounts due to a shareholder and due to a director, i.e. Mr. Lim Seng Boon amounting to RM6,192,000 and RM108,000 respectively.

The movement in AKN MTech's ordinary issued and paid-up share capital since the date of incorporation is as follows:

Date of allotment	No. of shares	Par value (RM)	Consideration	Resultant ordinary issued and paid-up share capital (cumulative) (RM)
6.5.1999	100	1.00	Cash – Subscribers' shares	100
11.6.1999	99,900	1.00	Conversion of advances to equity	100,000
29.6.1999	100,000	1.00	Cash	200,000
29.6.1999	150,000	1.00	Conversion of advances to equity	350,000
12.1.2000	100,000	1.00	Cash	450,000
12.6.2002	4,500,000	0.10	Subdivision of ordinary paid-up share capital of RM1.00 each into RM0.10 each	450,000
13.6.2002	63,000,000	0.10	Conversion of advances to equity	6,750,000

2.3 Auditors and Audited Financial Statements

We, Ernst & Young, were appointed as the auditors of AKN MTech for the financial year ended 30 June 2002. Hanafiah Raslan & Mohamad, were appointed as the auditors of AKN MTech for the financial years ended 30 June 2000 and 2001. The said financial statements were reported without any qualification.

3.0 TRACK RECORD OF PROFIT PERFORMANCE OF AKN MTECH

3.1 Track record of profit performance

We set out below the financial results of AKN MTech from the date of incorporation, 6 May 1999 to 30 June 2000, for the financial years ended 30 June 2001 and 2002 as follows:

	Date of incorporation, 6.5.1999 to 30.6.2000 RM'000	1.7.2000 to 30.6.2001 RM'000	1.7.2001 to 30.6.2002 RM'000
Revenue	77	950	4,228
Cost of sales	(44)	(349)	(1,100)
Gross profit	33	601	3,128
Other operating income	-	10	-
Selling and distribution expenses	(181)	(396)	(374)
General and administrative expenses	(581)	(2,130)	(2,112)
(Loss)/Profit from operations	(729)	(1,915)	642
Finance cost	(6)	(5)	(5)
(Loss)/Profit before taxation *	(735)	(1,920)	637
Taxation	-	-	-
(Loss)/Profit for the period/year	(735)	(1,920)	637
* (Loss)/ Profit before taxation is stated after charging:			
Depreciation	(72)	(731)	(783)
Amortisation	(7)	(47)	(85)
Weighted number of ordinary shares in issue ('000)	350	450	-
Weighted number of ordinary shares in issue ('000) **	-	-	7,434
Gross (loss)/earnings per share (RM)	(2.10)	(4.27)	0.09
Net (loss)/earnings per share (RM)	(2.10)	(4.27)	0.09

** On 12 June 2002, the authorised and ordinary issued and paid-up share capital of the Company was subdivided in such manner that every existing one (1) ordinary share of RM1 each was subdivided into ten (10) ordinary shares of RM0.10 each.

Notes to the financial results:

(i) The increasing trend of revenue generated by AKN MTech is due to the introduction of more services and products commencing financial year 2001. The eCast platform solution (an enabling technology that allows high volume broadcasts of information or alerts pre-set by the corporations to its customers' mobile phones) and m@ads (mobile advertising) were launched in May 2000 and the Smart Partnership Programme was launched in August 2001. The Smart Partnership Programme is an arrangement formed with local mobile telecommunications companies (telcos) to deliver contents and services to their mobile phone users on a revenue sharing basis with the telcos. The contents and applications are developed in-house by the Company and are sold to mobile phone users through the telcos. As a result, the Company's services were extended to a larger customer base.

(ii) Higher losses incurred in financial year 2001 as compared to financial year 2000 were mainly due to high fixed costs incurred, i.e. depreciation and staff costs, resulting from full year's operations. The depreciation expense was lower in financial year 2000 as the computers and software were purchased towards year end. The gross profit margin improved from approximately 43% in financial year 2000 to 63% in financial year 2001 mainly due to full year's operations, as well as revenue from eCast platform solution which include the one-off installation fees, where there is no associated direct costs.

(iii) The Company has managed to achieve profitability in financial year 2002 reversing previous years' losses following increased sales with a wider range of products available. As a result of the change in the composition of the revenue as compared to the previous years, the gross profit margin of the Company for the financial year 2002 has increased to 74%.

(iv) The Company has been accorded Multimedia Super Corridor (MSC) Status and was granted Pioneer Status effective from 24 October 2000, which exempts 100% of the statutory business income from taxation for a period of 5 years, with an option to extend for another 5 years subject to the approval from the relevant authorities. For the period from the date of incorporation, 6 May 1999 to 23 October 2000, there was no tax charge as the Company was in a tax loss position.

(v) No dividend has been paid or declared by the Company for the period/years under review.

(vi) There has been no change in the accounting policies adopted by the Company for the period/years under review.

(vii) There is no extraordinary item throughout the period/years under review.

4.0 SUMMARISED BALANCE SHEETS

The balance sheets of AKN MTech for the financial years ended 30 June 2000, 2001 and 2002 are as follows:

	30.6.2000 * RM'000	30.6.2001 RM'000	30.6.2002 RM'000
NON-CURRENT ASSETS			
Plant and equipment	6,173	6,289	5,781
Intangible assets	202	356	576
	6,375	6,645	6,357
CURRENT ASSETS			
Trade receivables	38	204	2,733
Other receivables	69	61	282
Cash and bank balances	61	57	230
	168	322	3,245
CURRENT LIABILITIES			
Short term borrowing (secured)	8	13	14
Trade payables	20	183	518
Other payables	6,728	8,795	4,162
Due to a director	39	159	165
	6,795	9,150	4,859
NET CURRENT LIABILITIES	(6,627)	(8,828)	(1,614)
	(252)	(2,183)	4,743
(REPRESENTED)/FINANCED BY:			
Share capital	450	450	6,750
Accumulated losses	(735)	(2,655)	(2,018)
Shareholders' (deficit)/equity	(285)	(2,205)	4,732
Hire-purchase payable	33	22	11
	(252)	(2,183)	4,743
Net (liabilities)/Net tangible assets per share (RM)	(0.63)	(4.90)	0.06 **

* This set of financial statements was prepared from the date of incorporation, 6 May 1999 to 30 June 2000.

** On 12 June 2002, the authorised and ordinary issued and paid-up share capital of the Company was subdivided in such manner that every existing one (1) ordinary share of RM1.00 each was subdivided into ten (10) ordinary shares of RM0.10 each.

5.0 STATEMENT OF ASSETS AND LIABILITIES

We set out below the statement of assets and liabilities of the Company based on the audited financial statements as at 30 June 2002.

	Note	RM'000
NON-CURRENT ASSETS		
Plant and equipment	6.1	5,781
Intangible assets	6.2	576
		6,357
CURRENT ASSETS		
Trade receivables	6.3	2,733
Other receivables		282
Cash and bank balances		230
		3,245
CURRENT LIABILITIES		
Short term borrowing (secured)	6.4	14
Trade payables	6.5	518
Other payables	6.6	4,162
Due to a director	6.7	165
		4,859
NET CURRENT LIABILITIES		(1,614)
		4,743
FINANCED BY:		
Share capital	6.8	6,750
Accumulated losses		(2,018)
Shareholders' equity		4,732
Hire-purchase payable	6.9	11
		4,743
Net tangible assets per share (RM)		0.06

6.0 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements of the Company have been prepared under the historical cost convention unless otherwise indicated in the accounting policies below and comply with the provisions of the Companies Act 1965 and applicable Approved Accounting Standards in Malaysia.

(b) Revenue Recognition

(i) Sale of products
Revenue from sales of products is recognised net of service taxes and discounts when transfer of risks and rewards have been completed.

(ii) Sale of services
Revenue from sales of services rendered is recognised net of service taxes and discounts as and when the services are rendered.

(c) Plant and Equipment and Depreciation

Plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The carrying values of plant and equipment are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts.

An impairment loss is charged to the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of previously recognised revaluation surplus for the same asset.

Subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of depreciation and amortisation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately.

Depreciation of plant and equipment is provided on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates:

Computers and software	10% -15%
Furniture, fixtures, fittings and office equipment	15%
Motor vehicle	10%
Renovation	10%

(d) Intangible Assets

Product development expenditure comprise costs incurred in relation to programming and development activities and are amortised at 15% per annum.

The carrying value of the product development expenditure and the amortisation period is reviewed annually at each balance sheet date.

(e) Deferred Taxation

Deferred taxation is provided under the liability method for all material timing differences except where there is reasonable evidence that these timing differences will not reverse. Deferred tax benefits are recognised only if there is a reasonable expectation of their realisation.

(f) Finance Lease and Hire-Purchase

A lease is recognised as a finance lease if it transfers substantially to the Company all the risks and rewards incident to ownership. Hire-purchase contract is a form of finance lease.

The Company recognises finance leases as assets and liabilities in the balance sheets at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. In calculating the present value of the minimum lease payments the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used. Initial direct costs incurred are included as part of the asset. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

A finance lease gives rise to depreciation expense for the asset as well as a finance expense for each accounting period. The depreciation policy for leased asset is consistent with that for depreciable plant and equipment as described in Note 6 (c).

(g) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and at banks, deposits at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

(h) Trade and Other Receivables

Trade and other receivables are carried at anticipated realisable value. Bad debts are written off when identified. An estimate is made for doubtful debts based on review of all outstanding amounts as at balance sheet date.

(i) Provisions for liabilities

Provisions for liabilities are recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

(j) Currency Conversion and Translation

Transactions in foreign currencies are converted into Ringgit Malaysia at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated into Ringgit Malaysia at rates of exchange ruling at that date. All exchange differences are taken to the income statement.

6.1 PLANT AND EQUIPMENT

Cost	**Computers and software RM'000**	**Motor vehicle RM'000**	**Furniture fixtures, fittings and office equipment RM'000**	**Renovation RM'000**	**Total RM'000**
At 1 July 2001	6,786	53	175	68	7,082
Additions	266	-	2	10	278
Disposals	-	-	(3)	-	(3)
At 30 June 2002	7,052	53	174	78	7,357
Accumulated Depreciation					
At 1 July 2001	745	11	30	8	794
Charge for the year	745	5	26	7	783
Disposals	-	-	(1)	-	(1)
At 30 June 2002	1,490	16	55	15	1,576
Net Book Value					
At 30 June 2002	5,562	37	119	63	5,781

The motor vehicle of the Company with a net book value of RM37,213 was held under hire-purchase arrangement.

6.2 INTANGIBLE ASSETS

Product Development Expenditure	**RM'000**
As at 1 July 2001	410
Incurred during the year	305
	715
Less: Accumulated amortisation	(139)
As at 30 June 2002	576

Included in the product development expenditure is a director, i.e. Mr. Lim Seng Boon's remuneration amounting to RM60,000.

6.3 TRADE RECEIVABLES

	RM'000
Trade receivables	2,733

Included in trade receivables are amounts due from the following companies:

- Dataco (M) Sdn. Bhd. ("Dataco")	142
- Messaging Technologies (H.K.) Limited ("MTech (HK)")	527

Dataco is a private limited liability company, incorporated and domiciled in Malaysia and is a company in which a former director, i.e. Ms. Lim Liang Bee has an interest.

Pursuant to the Company's sales of the rights to use the SMS gateway server's software and the SMS content and application to MTech (HK) amounting to RM500,000 in January 2002, the Company entered into a technical assistance agreement with MTech (HK) on 15 June 2002 whereby the Company was granted an option to subscribe for 20% of MTech (HK)'s equity interest for a consideration of RM500,000 within 6 months from the date of agreement. On 18 October 2002, the parties hereto have agreed to extend the option period to 15 April 2003.

The amounts due from Dataco and MTech (HK) are unsecured, interest free and are repayable in accordance with normal terms of trade.

6.4 SHORT TERM BORROWING (SECURED)

	RM'000
Hire-purchase due within 12 months (Note 6.9)	14

6.5 TRADE PAYABLES

Included in trade payables is an amount due to In-flux Technology (S) Pte. Ltd. ("In-flux") amounting to RM10,984. In-flux is a private limited liability company, incorporated and domiciled in Singapore, a company in which a director, i.e. Dato' Ahmad Kabeer bin Mohamed Nagoor is deemed to have an interest.

The amount due is unsecured, interest free and is repayable in accordance with normal terms of trade.

6.6 OTHER PAYABLES

	RM'000
Due to a supplier of computers and software	2,059
Advances from a shareholder	1,024
Due to Dataco (M) Sdn. Bhd.	57
Sundry payables and accruals	1,022
	4,162

The advances from the shareholder and amount due to Dataco are unsecured, interest free and have no fixed terms of repayment.

6.7 DUE TO A DIRECTOR

The amount due to a director, namely Mr. Lim Seng Boon, is unsecured, interest free and has no fixed terms of repayment.

6.8 SHARE CAPITAL

	Number of Ordinary Shares 2002	Number of Ordinary Shares 2001	Amount 2002 RM'000	Amount 2001 RM'000
(a) Authorised:				
At 1 July (at RM1.00 each)	1,000,000	1,000,000	1,000	1,000
Effect of subdivision of share (at RM0.10 each)	10,000,000	-	-	-
Created during the year	240,000,000	-	24,000	-
At 30 June (at RM0.10 each)	250,000,000	-	25,000	-
At 30 June (at RM1.00 each)	-	1,000,000	-	1,000
(b) Issued and fully paid:				
At 1 July (at RM1.00 each)	450,000	450,000	450	450
Effect of subdivision of share (at RM0.10 each)	4,500,000	-	-	-
Issued during the year - converted from advances to equity (at RM0.10 each)	63,000,000	-	6,300	-
At 30 June 2002 (at RM0.10 each)	67,500,000	-	6,750	-
At 30 June 2001 (at RM1.00 each)	-	450,000	-	450

On 12 June 2002, the authorised and ordinary issued and paid-up share capital of the Company was subdivided in such manner that every existing one (1) ordinary share of RM1 each was subdivided into ten (10) ordinary shares of RM0.10 each.

6.9 HIRE-PURCHASE PAYABLE

	RM'000
Future minimum payments are as follows:	
Payable within one year	14
Payable between one and five years	16
	30
Less: Finance charges	(5)
	25
Representing hire-purchase liabilities:	
Due within 12 months (Note 6.4)	14
Due after 12 months	11
	25

6.10 SIGNIFICANT EVENTS

The significant events which took place during the financial year are as follows:

(a) On 31 May 2002, the Company changed its name from Messaging Technologies Sdn. Bhd. to AKN Messaging Technologies Sdn. Bhd.

(b) On 12 June 2002, the authorised and ordinary issued and paid-up ordinary share capital of the Company was subdivided in such manner that every existing one (1) ordinary share of RM1 each was subdivided into ten (10) ordinary shares of RM0.10 each. As a result, the Company's authorised share capital of RM1,000,000 comprising 1,000,000 ordinary shares of RM1 each was subdivided into 10,000,000 ordinary shares of RM0.10 each and its ordinary issued and paid-up share capital of RM450,000 comprising 450,000 ordinary shares of RM1 each was subdivided into 4,500,000 ordinary shares of RM0.10 each.

(c) On 13 June 2002, the Company increased its authorised share capital from RM1,000,000 to RM25,000,000 by the creation of 240,000,000 units of new ordinary shares of RM0.10 each.

(d) On 13 June 2002, the Company also increased its ordinary issued and paid-up share capital from RM450,000 to RM6,750,000 by the issuance of 63,000,000 ordinary shares of RM0.10 each at par, by way of capitalising the amounts due to a shareholder and due to a director, Mr. Lim Seng Boon amounting to RM6,192,000 and RM108,000 respectively.

(e) Pursuant to the Company's sales of the rights to use the SMS gateway server's software and the SMS content and application to Messaging Technologies (H.K.) Limited ("MTech (HK)") amounting to RM500,000 in January 2002, the Company entered into a technical assistance agreement with MTech (HK) on 15 June 2002 whereby the Company was granted an option to subscribe for 20% of MTech (HK)'s equity interest at RM500,000 within 6 months from the date of agreement. On 18 October 2002, the parties hereto have agreed to extend the option period to 15 April 2003.

(f) On 20 June 2002, the Company was converted into a public limited liability company and assumed its present name.

6.11 SUBSEQUENT EVENTS

(a) On 8 October 2002 and 15 October 2002, the Company was granted approval by the Securities Commission and Kuala Lumpur Stock Exchange ("KLSE") respectively for its application for admission to the KLSE MESDAQ Market.

(b) On 31 October 2002, the Company terminated its lease line rental arrangement with Influx Technology (S) Pte. Ltd., a company in which a director, i.e. Dato' Ahmad Kabeer bin Mohamed Nagoor is deemed to have an interest.

6.12 CURRENCY

All amounts are stated in Ringgit Malaysia (RM).

7.0 CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2002

The cash flow statement for the financial year ended 30 June 2002 is set out below:

CASH FLOWS FROM OPERATING ACTIVITIES	**RM'000**
Profit before taxation	637
Adjustment for:	
Amortisation of product development expenditure	85
Bad debts written off	3
Depreciation	783
Interest expense	3
Loss on disposal of plant and equipment	1
Operating profit before working capital changes	1,512
Increase in receivables	(2,753)
Increase in payables	1,894
Increase in amount due to a director	114
Cash generated from operations	767
Interest paid	(3)
Net cash generated from operating activities	764
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from disposal of plant and equipment	1
Product development expenditure	(305)
Purchase of plant and equipment	(278)
Net cash used in investing activities	(582)
CASH FLOWS FROM FINANCING ACTIVITY	
Repayment to hire-purchase payable, representing net cash used in financing activity	(9)
NET INCREASE IN CASH AND CASH EQUIVALENTS	173
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	57
CASH AND CASH EQUIVALENTS AT END OF YEAR	230

8.0 NET TANGIBLE ASSETS PER ORDINARY SHARE

Based on the proforma statement of assets and liabilities of AKN MTech as at 30 June 2002, the net tangible assets per share is as follows:

	RM'000
Net Assets as at 30 June 2002	4,732
Less: Intangible Assets	(576)
Net Tangible Assets as at 30 June 2002	4,156
Net Proceeds from Proposed Public Issue	9,000
Proforma Net Tangible Assets	13,156
Enlarged number of ordinary shares of RM0.10 each ('000)	90,000
Net tangible assets per share (sen)	14.62

9.0 FINANCIAL STATEMENTS

No audited financial statements have been prepared in respect of any period subsequent to 30 June 2002 for AKN MTech.

Yours faithfully

Ernst & Young

ERNST & YOUNG
AF 0039
Chartered Accountants

Foo Chew

LIM FOO CHEW
1748/01/04(J)
Partner

12. PRO-FORMA BALANCE SHEETS OF AKN MTECH AS AT 30 JUNE 2002 TOGETHER WITH THE BASES AND ASSUMPTIONS, AND THE AUDITORS' LETTER THEREON

ERNST & YOUNG
AF:0039

■ Chartered Accountants
Level 22, MWE Plaza
No. 8, Lebuh Farquhar
10200 Penang, Malaysia.

Mail Address:
P.O. Box 148,
10710 Penang, Malaysia.

■ Phone : (04) 264 1878
Fax : (04) 262 1812
www.ey.com/my

17 December 2002

The Board of Directors
AKN MESSAGING TECHNOLOGIES BERHAD
(formerly known as Messaging Technologies Sdn. Bhd.)
Third Floor, No. 79 (Room A)
Jalan SS21/60
Damansara Utama
47400 Petaling Jaya
Selangor Darul Ehsan

Dear Sirs

PROFORMA BALANCE SHEETS AS AT 30 JUNE 2002

We have reviewed the presentation of the proforma balance sheets of AKN Messaging Technologies Berhad (formerly known as Messaging Technologies Sdn. Bhd.) ("AKN MTech" or "the Company") as at 30 June 2002, together with the notes thereto for which the Directors are solely responsible, as set out in the Prospectus to be dated 24 December 2002, in connection with the proposed listing of and quotation for the entire issued and paid-up share capital of AKN MTech on the Kuala Lumpur Stock Exchange MESDAQ Market ("Proposed Listing").

In our opinion, the proforma balance sheets of AKN MTech as at 30 June 2002, which are provided for illustrative purposes only, have been properly compiled to reflect the transactions as referred to in the notes to the proforma balance sheets set out in the Prospectus.

Yours faithfully

Ernst - Young

ERNST & YOUNG
AF 0039
Chartered Accountants

Foo CC

LIM FOO CHEW
1748/01/04(J)
Partner

Company No. 482772-D

AKN MESSAGING TECHNOLOGIES BERHAD
(formerly known as Messaging Technologies Sdn. Bhd.)

PROFORMA BALANCE SHEETS

The proforma balance sheets have been prepared solely to illustrate the proforma effects of the proposals on AKN MTech as at 30 June 2002, on the assumption that the proposals were effected on that date.

	Audited 30 June 2002	Proforma (I)	Proforma (II)
	RM'000	RM'000	RM'000
NON-CURRENT ASSETS			
Plant and equipment	5,781	5,781	5,781
Intangible assets	576	576	576
	6,357	6,357	6,357
CURRENT ASSETS			
Trade receivables	2,733	2,733	2,733
Other receivables	282	282	282
Cash and bank balances	230	9,230	13,280
	3,245	12,245	16,295
CURRENT LIABILITIES			
Short term borrowing (secured)	14	14	14
Trade payables	518	518	518
Other payables	4,162	4,162	4,162
Due to a director	165	165	165
	4,859	4,859	4,859
NET CURRENT (LIABILITIES)/ASSETS	(1,614)	7,386	11,436
	4,743	13,743	17,793
FINANCED BY:			
Share capital	6,750	9,000	9,900
Share premium	-	6,750	9,900
Accumulated losses	(2,018)	(2,018)	(2,018)
Shareholders' equity	4,732	13,732	17,782
Hire-purchase payable	11	11	11
	4,743	13,743	17,793
NET TANGIBLE ASSETS PER SHARE (SEN)	6.16	14.62	17.38

AKN MESSAGING TECHNOLOGIES BERHAD
(formerly known as Messaging Technologies Sdn. Bhd.)

NOTES TO THE PROFORMA BALANCE SHEETS

1. BASIS OF PREPARATION

The proforma balance sheets of AKN MTech as presented have been prepared for illustrative purposes only on the assumption that the Proposed Listing were effected on that date and are based on the audited balance sheet of AKN MTech as at 30 June 2002. The accounting policies and bases are consistent with those normally adopted in the preparation of audited financial statements of AKN MTech and are adjusted to reflect the transactions as elaborated in Notes 2 and 3 as though they were effected on 30 June 2002.

2. PROFORMA (I) - PROPOSED LISTING OF AKN MTECH

Proforma (I) incorporates the transactions from the Proposed Listing of 22,500,000 new ordinary shares of RM0.10 each at an issue price of RM0.45 per share and no adjustment has been made to reflect the utilisation of funds raised from the proposed listing except for the estimated listing expenses. The estimated listing expenses of RM1,125,000 is set off against the share premium account arising from the Proposed Listing.

3. PROFORMA (II) - PROPOSED EXERCISE OF EMPLOYEES' SHARE OPTION SCHEME (ESOS)

Proforma (II) incorporates the transactions in Proforma (I) and the increase in paid-up share capital of AKN MTech by issuance of 9,000,000 new ordinary shares of RM0.10 at an issue price of RM0.45 per share arising from full exercise of the Company's ESOS.

4. UTILISATION OF PROCEEDS FROM PROPOSED LISTING

The utilisation of the proceeds from the Proposed Listing is as follows:

	RM'000
Capital expenditure	650
Product development expenditure	875
Expansion of overseas operations	3,500
Listing expenses	1,125
Working capital	3,975
	10,125

5. SHARE CAPITAL

The movements in share capital resulting from the implementation of the proposals as in Proforma (I) and (II) are summarised as follows:

	No. of Paid-up Ordinary Shares	Par Value RM	Amount RM'000
Audited as at 30 June 2002	67,500,000	0.10	6,750
Proforma (I)	90,000,000	0.10	9,000
Proforma (II)	99,000,000	0.10	9,900

6. SHARE PREMIUM ACCOUNT

The movements in the share premium account resulting from the implementation of the proposals in Proforma (I) and (II) are summarised as follows:

	RM'000
Audited as at 30 June 2002	-
Proforma (I) - Proposed Listing	7,875
Set off by estimated listing expenses	(1,125)
	6,750
Proforma (II) - Exercise of ESOS	3,150
	9,900