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

GLOBAL
http://www.globalsoft.com.my

Global Soft (MSC) Bhd (533441-W)
13A-10 (Penthouse), Block B,
Pusat Dagangan Phileo Damansara II
No. 15, Off Jalan 16/11, Off Jalan Damansara
46350 Petaling Jaya, Selangor Darul Ehsan, Malaysia.
Tel: 603-7660 1686/85 Fax: 603-7660 1689

Registered Office :

Level 11-2 Faber Imperial Court
Jalan Sultan Ismail
P.O. Box 12337
50774 Kuala Lumpur

Dated: 19 February 2003

The Shareholders of Global Soft (MSC) Bhd,

Dear Sir/ Madam

On behalf of the Board of Directors of Global Soft (MSC) Bhd. ("Global Soft"), I report after due enquiry that in relation to the interval between 31 December 2002 (being the date of the last audited accounts of Global Soft and its subsidiary ("Group")) to 19 February 2003 (being a date not earlier than fourteen (14) days before the issuance of this Prospectus):-

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

(ii) in the opinion of the Directors, no circumstances have arisen since the last audited accounts of the Group which have adversely affected the trading or the value of the assets of the Group;

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

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

(v) there have been, since the last audited accounts of the Group, no 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
Global Soft (MSC) Bhd.

Koh Kean Mum
Managing Director

TAN TIN & CO.
(AF 0823)
Chartered Accountants (M)

No: 93A, Jalan SS 21/37, Damansara Utama
47400 Petaling Jaya, Selangor Darul Ehsan
Tel No: 03-77268992; Fax No: 03-77284992
Email: tan_ch18@hotmail.com

ACCOUNTANTS' REPORT
(Prepared for inclusion in this Prospectus)

Date: 19 February 2003

The Board of Directors
GLOBAL SOFT (MSC) BHD
Level 11-2, Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur

Dear Sirs and Madams

1. INTRODUCTION

This report has been prepared by Tan Tin & Co, an approved company auditor, for inclusion in the Prospectus of Global Soft (MSC) Bhd (hereinafter referred to as "Global Soft" or "the Company") to be dated 3 March 2003 in connection with the issue of 10,000,000 new ordinary shares of RM0.10 each in Global Soft at an issue price of RM0.495 per ordinary share ("Private Placement") and the listing of and quotation for the entire enlarged issued and paid-up share capital of 42,800,000 ordinary shares of RM0.10 each of Global Soft on the MESDAQ Market of the Kuala Lumpur Stock Exchange ("MESDAQ Market").

2. GENERAL INFORMATION

2.1 INCORPORATION

Global Soft was incorporated in Malaysia on 30 November 2000 under the Companies Act, 1965 as a private limited company with the name of Competitive Design Sdn. Bhd. On 27 March 2001, the name of the Company was changed to Global Soft (MSC) Sdn. Bhd. It was subsequently converted into a public limited company on 22 October 2001and assumed its present name.

Global Soft is principally involved in the research and development of software, system design, integration and installation and provision of information technology services.

2.1.1 SUBSIDIARY COMPANY

The Company has one subsidiary company as follows:-

Name of company	Date and place of incorporation	Equity interest	Date of acquisition	Principal activity
Global Soft (Pg) Sdn. Bhd. ["Global Soft (Pg)"]	9 October 1999/ Malaysia	90%	16 May 2001	Marketing of Global Soft ERP solutions

TAN TIN & CO. CHARTERED ACCOUNTANTS

2.2 SHARE CAPITAL

At the date of incorporation, the Company's authorised share capital was RM100,000 comprising 100,000 ordinary shares of RM1.00 each. On 2 April 2001 and 5 July 2001, the authorised share capital was increased to RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each and RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each respectively, and subsequently on 13 September 2002, the authorised share capital was sub-divided into 50,000,000 ordinary shares of RM0.10 each.

The present issued and paid-up share capital of the Company is RM3,280,000 comprising 32,800,000 ordinary shares of RM0.10 each. Upon completion of the Private Placement, the issued and paid-up capital of Global Soft will be increased to RM4,280,000 comprising 42,800,000 ordinary shares of RM0.10 each.

The changes in the Company's issued and fully paid up capital since its incorporation are as follows:-

Date of allotment	No of shares	Par value (RM)	Consideration	Resultant Issued and Paid-up Share Capital (cumulative) (RM)
30.11.00	2	1.00	Subscribers' shares	2
16.04.01	99,998	1.00	Settlement of advances	100,000
31.07.01	467,401	1.00	Settlement of advances	567,401
12.08.01	682,599	1.00	Capitalisation from retained profits	1,250,000
17.08.01	250,000	1.00	Cash	1,500,000
13.09.02	13,500,000	0.10	Subdivision of RM1.00 par value shares to RM0.10 par value shares	1,500,000
18.11.02	17,800,000	0.10	Cash and capitalisation of debts	3,280,000

THE REST OF THIS PAGE IS LEFT BLANK INTENTIONALLY

TAN TIN & CO. * CHARTERED ACCOUNTANTS *

2.3 PARTICULARS ON GLOBAL SOFT (PG)

Global Soft (Pg) was incorporated on 9 October 1999 as a private limited company with an authorised share capital of RM100,000 divided into 100,000 ordinary shares of RM1.00 each.

The changes in Global Soft (Pg)'s issued and fully paid up capital since its incorporation are as follows:-

Date of allotment	No of shares	Par value (RM)	Consideration	Resultant Issued and Paid-up Share Capital (cumulative) (RM)
09.10.99	3	1.00	Subscribers' shares	3
28.01.00	9,997	1.00	Cash	10,000
16.05.01	90,000	1.00	Settlement of advances	100,000

The principal activity of Global Soft (Pg) is that of marketing of Global Soft ERP solutions. Global Soft (Pg) had temporary ceased business operations since January 2001 and was re-activated in February 2002.

2.4 RESTRUCTURING SCHEME

In conjunction with and as an integral part of the listing of and quotation for the entire issued and paid-up share capital of Global Soft, the Company undertook a restructuring exercise which was approved by the Securities Commission ("SC") and the Kuala Lumpur Stock Exchange ("KLSE") on 19 August 2002 and 21 August 2002 respectively.

The restructuring scheme involved the following :-

(a) Sub-division of the Company's 1,500,000 ordinary shares of RM1.00 each into 15,000,000 ordinary shares of RM0.10, the share sub-division was effected on 13 September 2002;

(b) An interim tax exempt dividend declaration of RM856,000 for the financial year ended 31 December 2002 by the Company to the existing shareholders of Global Soft, was effected on 18 November 2002;

(c) The rights issue of 17,800,000 new ordinary shares of RM0.10 each in Global Soft at an issue price of RM0.10 per share on the basis of approximately 1.19 new ordinary share for every 1 existing ordinary share held, was effected on 18 November 2002;

(d) Issue of 10,000,000 new ordinary shares of RM0.10 each in Global Soft at an issue price of RM0.495 per share; and

(e) The listing of and quotation for Global Soft's entire enlarged issued and paid-up share capital comprising 42,800,000 ordinary shares of RM0.10 each on the MESDAQ Market.

TAN TIN & CO. CHARTERED ACCOUNTANTS

All new ordinary shares issued pursuant to the restructuring scheme rank pari passu in all respect with the existing ordinary shares of Global Soft.

3. ACCOUNTING POLICIES AND STANDARDS

This report is based on the audited financial statements which have been prepared in accordance with applicable approved accounting standards issued by the Malaysian Accounting Standards Board and is presented on a basis consistent with accounting policies normally adopted by Global Soft and Global Soft (Pg) (hereinafter referred to as "Global Soft Group" or "the Group")

4. FINANCIAL STATEMENTS AND AUDITORS

The financial statements for the relevant periods under review have been audited and reported without any qualification. We have acted as the auditors of Global Soft since the first financial period ended 31 December 2001.We have also acted as the auditors of Global Soft (Pg) since the financial year ended 31 December 2001.

THE REST OF THIS PAGE IS LEFT BLANK INTENTIONALLY

TAN TIN & CO. CHARTERED ACCOUNTANTS

5. SUMMARISED INCOME STATEMENTS

The promotors of Global Soft established Jestell Sdn. Bhd. ("Jestell") (Formerly known as Global Soft Sdn. Bhd.) in 1997 which was principally involved in software development and provision of software consultancy services. In February 2001, pursuant to a restructuring exercise, the assets and liabilities of Jestell (save for a minimal amount) were transferred to Global Soft. As such, the business operations of Global Soft is a continuation to the business operations of Jestell. In this respect, in order to better reflect the historical track records of Global Soft, the historical track records of Jestell have been included in this report.

5.1 JESTELL AND GLOBAL SOFT GROUP

We set out below the results of Jestell from the date of incorporation (3 September 1997) to 31 December 1998 and for the financial years ended 31 December 1999 and 2000, and Global Soft Group from the date of incorporation (30 November 2000) to 31 December 2001 and for the financial year 31 December 2002. The results are to be read in conjunction with the notes thereto.

	Jestell			GLOBAL SOFT GROUP	
	Period from 3 September 1997 to 31 December 1998 RM('000)	Financial year ended 31 December 1999 RM('000)	Financial year ended 31 December 2000 RM('000)	Period from 30 November 2000 to 31 December 2001 RM('000)	Financial year ended 31 December 2002 RM('000)
Turnover	144	1,360	1,709	2,512	3,414
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	(49)	194	506	1,194	1,628
Less:					
Interest expense	-	-	-	(5)	(19)
Depreciation	(2)	(10)	(20)	(70)	(132)
Amortisation	-	-	(51)	(80)	(165)
Profit/(loss) before taxation	(51)	184	435	1,039	1,312
Less: Taxation	-	-	-	(1)	(4)
Profit/(loss) after taxation	(51)	184	435	1,038	1,308
Minority interest ("MI")	-	-	-	1	(4)
Profit/(loss) after taxation and MI	(51)	184	435	1,039	1,304

TAN TIN & CO. CHARTERED ACCOUNTANTS

Weighted average number of ordinary shares of RM0.10 each in issue ('000)	1,000	1,000	1,000	10,157	17,146
Net earnings/(loss) per share based on weighted average number of shares in issue (RM)	(0.05)	0.18	0.44	0.10	0.08
Dividend (%)	-	-	-	-	57.1

Notes:
Some reclassification and adjustment to certain items in the audited financial statements of Jestell from the date of incorporation (3 September 1997) to 31 December 1998 and for the financial years ended 31 December 1999 and 2000 have been made. This is to conform with the presentation of audited consolidated financial statements of Global Soft for the financial period from date of incorporation (30 November 2000) to 31 December 2001 and financial year ended 31 December 2002 so that a meaningful comparison between aforementioned financial years/period can be made.

The financial results of Global Soft (Pg) have been included in the Global Soft Group from 16 May 2001 onwards (date of acquisition of Global Soft (Pg) by Global Soft).

The net earnings/(loss) per share for the respective financial years/periods under review have been calculated based on the profit/(loss) after taxation and MI divided by the weighted average number of ordinary shares of RM0.10 each in issue for the respective financial years/periods. The par value of the ordinary shares in issue during the respective financial years/periods of RM1.00 each have been subdivided into ordinary shares of RM0.10 each to facilitate comparison since Global Soft has on 13 September 2002 sub-divided its ordinary shares of RM1.00 each into ten (10) ordinary shares of RM0.10 each. This basis of calculation will apply to net profit/(loss) per share calculation for the rest of the report.

The consolidated results of the Group have been prepared based on accounting policies consistent with those previously adopted in the preparation of Group's audited financial statements.

THE REST OF THIS PAGE IS LEFT BLANK INTENTIONALLY

TAN TIN & CO. * CHARTERED ACCOUNTANTS *

5.1.1 NOTE TO SUMMARISED INCOME STATEMENTS

Commentary on results

The contribution of the subsidiary company's results to the Group was insignificant for the years/periods under review, therefore, analysis is only performed on the Group results whereby the bulk of the results were contributed by Global Soft (Company level) and not by the subsidiary company.

The steady increase in revenue for the financial years/periods under review from 3 September 1997 to financial year ended 31 December 2002 were mainly due to the following :-

a) Continued enhancement and development of new modules of Enterprise Resource Planning ("ERP") software solutions over the financial years/periods under review;

b) Continued increase of workforce over the financial years/periods under review has significantly enhanced the ability of the Company to handle higher business volume and more complex assignments and hence increase revenue;

c) Intensified marketing efforts to establish Global Soft brandname; and

d) Continued effort to appoint distributors to open new markets especially in Johor, Perak and Penang.

The improvement in the profit after taxation and MI of Jestell for the financial year ended 31 December 2000 as compared to the previous financial year was in line with the increase in turnover.

The Global Soft Group registered a profit after taxation and MI of RM1.0 million from the date of incorporation (30 November 2000) to 31 December 2001.

The Group's turnover of RM3.41 million for the financial year ended 31 December 2002 is 35.9% higher than the previous financial period's turnover of RM2.51 million with the correspondence increase in Group profit after taxation and MI of RM1.3 million as against RM1.04 million registered in the previous financial period, registered an increase of 25.6%. The lower proportionate increase in profit after taxation and MI against the proportionate increase in turnover for the financial year ended 31 December 2002 as compared to the previous period was mainly due to additional expenses on provision for doubtful debts of approximately RM72,000 and amortisation of trademarks of RM18,000 as well as higher depreciation cost, staff cost and amortisation of development cost.

No provision for taxation has been made in the financial year ended 31 December 1999 as income earned in basis year 1999 is exempted from tax in accordance with the provisions of the Income Tax (Amendment) Act 1999.

No provision for taxation has been made eventhough Jestell generated profit before taxation of RM435,000 in the financial year ended 31 December 2000 as Jestell's double deduction tax incentive on research and development expenses were more than sufficient to offset against profit generated by Jestell.

TAN TIN & CO. CHARTERED ACCOUNTANTS

There was no provision for taxation and deferred taxation for business profits for the financial period from date of incorporation (30 November 2000) to 31 December 2001 as Global Soft has been granted pioneer status under the Promotion of Investments Act 1986, by virtue of its MSC status. The tax provision in respect of financial period from date of incorporation (30 Novemer 2000) to 31 December 2001 and financial year ended 31 December 2002 arose from bank interest income and dividend income received.

There were no extraordinary items or exceptional items for the financial years/periods under review.

5.2 COMPANY LEVEL - GLOBAL SOFT

We set out below the results of Global Soft from the date of incorporation (30 November 2000) to 31 December 2001 and for the financial year ended 31 December 2002. The results are to be read in conjunction with the notes thereto.

	Period from 30 November 2000 to 31 December 2001 RM('000)	Financial year ended 31 December 2002 RM('000)
Turnover	2,512	3,414
EBITDA	1,200	1,583
Less:		
Interest expense	(5)	(19)
Depreciation	(69)	(130)
Amortisation	(80)	(160)
Profit before taxation	1,046	1,274
Less: Taxation	(1)	(4)
Profit after taxation	1,045	1,270
Weighted average number of ordinary shares of RM0.10 each in issue ('000)	10,157	17,146
Net earnings per share based on weighted average number of shares in issue (RM)	0.10	0.07
Dividend (%)	-	57.1

TAN TIN & CO. CHARTERED ACCOUNTANTS

Notes:

(a) Global Soft commenced business operations on 1 February 2001.

(b) There was no provision for taxation and deferred taxation for business profits for the financial period from date of incorporation (30 November 2000) to 31 December 2001 as Global Soft has been granted pioneer status under the Promotion of Investments Act 1986, by virtue of its MSC status. The tax provision in respect of financial period from date of incorporation (30 November 2000) to 31 December 2001 and financial year ended 31 December 2002 arose from bank interest income and dividend income received.

(c) There were no extraordinary items or exceptional items for the financial period/year under review.

THE REST OF THIS PAGE IS LEFT BLANK INTENTIONALLY

TAN TIN & CO. CHARTERED ACCOUNTANTS

5.3 SUBSIDIARY COMPANY LEVEL - GLOBAL SOFT (PG)

We set out below the results of Global Soft (Pg) from the date of incorporation (9 October 1999) to 31 December 2000, for the financial years ended 31 December 2001 and for the financial year ended 31 December 2002. The results are to be read in conjunction with the notes thereto.

	Period from 9 October 1999 to 31 December 2000 RM('000)	Financial year ended <-------- 31 December ------> 2001 RM('000)	2002 RM('000)
Turnover	83	-	172
EBITDA	(125)	(11)	45
Less:			
Interest expense	-	-	-
Depreciation	(2)	(2)	(2)
Amortisation	-	-	-
Profit/(Loss) before taxation	(127)	(13)	43
Less: Taxation	-	-	-
Profit/(Loss) after taxation	(127)	(13)	43
Weighted average number of ordinary shares of RM0.10 each in issue ('000)	75	667	1,000
Net profit/(loss) per share based on weighted average number of shares in issue (RM)	(1.69)	(0.02)	0.04
Dividend (%)	-	-	-

Global Soft has on 13 September 2002 sub-divided its ordinary shares of RM1.00 each into ten (10) ordinary shares of RM0.10 each. As such, for this Report, the par value of Global Soft (Pg) shares have been adjusted to RM0.10 each to facilitate comparison of performance.

TAN TIN & CO. * CHARTERED ACCOUNTANTS *

Notes:

(a) Global Soft (Pg) commenced business operations during the financial period ended 31 December 2000, ceased business operations in January 2001 and was re-activated in February 2002.

(b) There was no provision for taxation as losses were incurred

(c) There were no extraordinary items or exceptional items for the financial period/years under review.

(d) The higher loss in 2000 was mainly due to certain expense items such as directors' emoluments and staff cost.

THE REST OF THIS PAGE IS LEFT BLANK INTENTIONALLY

TAN TIN & CO. CHARTERED ACCOUNTANTS

6. SUMMARISED BALANCE SHEETS

6.1 JESTELL AND GLOBAL SOFT GROUP

We set out below the summarised balance sheets of Jestell and Global Soft Group for the relevant financial years/periods under review:-

	<---- Jestell ----		---->	<-GLOBAL SOFT GROUP->	
	<---- As at 31 December				---->
	1998 RM('000)	1999 RM('000)	2000 RM('000)	2001 RM('000)	2002 RM('000)
Current assets	65	540	699	1,019	2,525
Less : Current liabilities	(23)	(608)	(665)	(232)	(563)
Net current assets/ (liabilities)	42	(68)	34	787	1,962
Property, plant and equipment	7	46	250	482	584
Intangible assets	-	256	385	708	1,682
	49	234	669	1,977	4,228
Financed by:					
Share capital	100	100	100	1,500	3,280
Retained profit/ (Accumulated loss)	(51)	134	569	356	804
	49	234	669	1,856	4,084
Minority interest	-	-	-	(4)	-
Long term liabilities	-	-	-	125	144
	49	234	669	1,977	4,228
Net tangible assets (NTA) per share of RM0.10 each (RM)	0.05	(0.02)	0.28	0.08	0.07

Notes:
Some reclassification and adjustment to certain items in the audited financial statements of Jestell from the date of incorporation (3 September 1997) to 31 December 1998 and for the financial years ended 31 December 1999 and 2000 have been made. This is to conform with the presentation of audited consolidated financial statements of Global Soft for the financial period from date of incorporation (30 November 2000) to 31 December 2001 and financial year ended 31 December 2002 so that a meaningful comparison between aforementioned financial years/period can be made.

$$\textit{NTA per share} = \frac{\textit{Net Assets - *Intangible Assets - Total Liabilities}}{\textit{Number of Ordinary Shares}}$$

The basis for NTA calculation would apply to all NTA calculation for the rest of this report.

* Intangible assets include trademarks, expenditure carried forward, development costs and goodwill on consolidation.

The intangible assets for the financial year ended 31 December 2002 was substantially higher than previous year were mainly due to acquisition of trademarks and additional expenditure carried forward arising from the expenses for the listing of Global Soft on the MESDAQ Market, of RM400,000 and RM335,000 respectively

THE REST OF THIS PAGE IS LEFT BLANK INTENTIONALLY

TAN TIN & CO. * CHARTERED ACCOUNTANTS *

6.2 COMPANY LEVEL - GLOBAL SOFT

We set out below the summarised balance sheets of Global Soft for the relevant financial period/year under review:-

	<---- As at 31 December ---->	
	2001	2002
	RM('000)	RM('000)
Current assets	1,063	2,526
Less : Current liabilities	(228)	(558)
Net current assets	835	1,968
Investment in subsidiary company	90	90
Property, plant and equipment	475	575
Intangible assets	588	1,569
	1,988	4,202
Financed by:		
Share capital	1,500	3,280
Retained profit	363	778
	1,863	4,058
Long term liabilities	125	144
	1,988	4,202
NTA per share of RM0.10 each (RM)	0.09	0.08

6.3 SUBSIDIARY COMPANY LEVEL - GLOBAL SOFT (PG)

We set out below the summarised balance sheets of Global Soft (Pg) for the relevant financial period/years under review:-

	<--------------As at 31 December		-------------->
	2000 RM('000)	2001 RM('000)	2002 RM('000)
Current assets	54	15	3
Less : Current liabilities	(180)	(62)	(9)
Net current liabilities	(126)	(47)	(6)
Property, plant and equipment	9	7	8
	(117)	(40)	2
Financed by:			
Share capital	10	100	100
Accumulated loss	(127)	(140)	(98)
	(117)	(40)	2
NTA per share of RM0.10 each (RM)	(1.17)	(0.04)	*

* negligible

7. DIVIDENDS

An interim tax exempt dividend of 57.1%, amounting to RM856,000 was declared on 18 November 2002 for the financial year ended 31 December 2002 by Global Soft. Except for the forgoing, there were no dividends paid or declared by Jestell or Global Soft Group during the financial years/periods under review.

TAN TIN & CO. * CHARTERED ACCOUNTANTS *

8. PROFORMA STATEMENT OF ASSETS AND LIABILITIES

The following is the statement of assets and liabilities of the proforma Global Soft Group based on the audited financial statements as at 31 December 2002 and should be read in conjunction with the notes set out in Section 9. The Proforma statement of assets and liabilities is provided for illustrative purposes only to show the effects of the restructuring scheme as detailed in Section 2.4 herein on the assumption that these transactions were completed as at 31 December 2002.

	Note	RM('000)
ASSETS EMPLOYED		
PROPERTY, PLANT AND EQUIPMENT	9.4	584
INTANGIBLE ASSETS		
Development costs	9.5	834
Trademarks	9.6	382
Goodwill on consolidation	9.7	114
CURRENT ASSETS		
Trade receivables	9.8	1,489
Other receivables and deposits		17
Cash and bank balances		4,923
		6,429
Less:		
CURRENT LIABILITIES		
Trade payables		58
Other payables and accrued expenses	9.9	164
Amount owing to directors	9.10	10
Hire purchase payables	9.11	32
Tax liabilities		1
		265
NET CURRENT ASSETS		6,164
		8,078
FINANCED BY:		
SHARE CAPITAL	9.12	4,280
SHARE PREMIUM	9.13	2,850
RETAINED PROFIT		804
		7,934
LONG TERM LIABILITIES		
Hire purchase payables	9.11	144
		8,078

9. NOTES TO THE PROFORMA STATEMENT OF ASSETS AND LIABILITIES

9.1 Basis Of Preparation Of The Financial Statements

The financial statements of the Group have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards of the Malaysian Accounting Standards Board.

9.2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The operations of the Group are subject to a variety of financial risks, including market risk, credit risk, liquidity risk and cash flow risk. The Group has formulated a financial risk management framework whose principal objective is to minimize the Group's exposure to risks and/or costs associated with the financing, investing and operating activities of the Group.

Various risk management policies are made and approved by the Board for observation in the day-to-day operations for the controlling and management of the risk associated with financial instruments.

Market risk

The Group has in place policies to manage its competitive risks from its competitors in providing better services. The Group regularly takes part in various research to develop better and more attrative packages.

Credit risk

The Group is exposed to credit risk mainly from trade receivables. The Group extends credit to its customers based upon the evaluation of the customer's financial condition and credit history.

Liquidity risk

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liablities and to maintain sufficient funds for contingent funding requirement of working capital.

Cash flow risk

The Group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

Financial Assets

The Group's principal assets are cash and bank balances, trade and other receivables. The accounting policies applicable to the major financial assets are as disclosed in Note 9.3.

TAN TIN & CO. CHARTERED ACCOUNTANTS

Financial Liabilities

Significant financial liabilities include trade and other payables, and hire-purchase payables.

9.3 Significant Accounting Policies

(a) Accounting Convention

The financial statements are prepared under the historical cost convention.

(b) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The carrying amounts of property, plant and equipment are reviewed at each balance sheet to determine whether there is any indication of impairment. An impairment loss is recognised whenever the carrying amount of an item of property, plant and equipment exceeds its recoverable amount. The impairment loss is charged to the income statements.

Property, plant and equipment are depreciated over their estimated useful lives on a straight line method. The annual rates used are as follow:

	%
Computer equipment	20
Office equipment	20
Furniture and fittings	20
Motor vehicles	15
Renovation	20

(c) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary company made up to the end of the financial period. The results of subsidiary company acquired or disposed off are included in the consolidated financial statements from the date of acquisition or to the date of disposal, as appropriate. All significant inter-company accounts and transactions are eliminated in the preparation of the consolidated financial statements.

The difference between the purchase price and the fair value of the net assets of subsidiary company at the date of acquisition is included in the consolidated balance sheet as goodwill on consolidation.

(d) Investments

Investments in subsidiary company, which are eliminated on consolidation, are stated in the Company's financial statements at cost less any allowance for permanent diminution in value, if appropriate.

(e) Goodwill

Goodwill arising from consolidation represents the excess of the purchase consideration for an acquisition over the sum of the fair values of the identifiable net assets of the subsidiary company at the date of acquisition and is amortised over its economic useful lives of 25 years.

TAN TIN & CO. CHARTERED ACCOUNTANTS

(f) Research and Development Costs

Research costs are recognised as an expense in the period in which they are incurred.

Expenditure on development is charged to the income statements in the period in which it is incurred except where a clearly-defined project is undertaken and it is reasonably anticipated that development costs will be recovered through future commercial activity. Such development costs are recognised as an intangible asset and amortised on a straight-line basis over the life of the project from the date of commencement of commercial operation, which is on average five years.

(g) Trademarks

Trademarks are stated at cost less accumulated amortisation and impairment losses.

(h) Hire Purchase Arrangements

Assets held under hire purchase are treated as if they had been purchased at cost at the commencement of the hire purchase agreements. These costs are included under property, plant and equipment and depreciation is provided accordingly. The corresponding obligations under hire purchase are included under liabilities. The finance charges of instalments payable are charged to the income statements over the period of the hire purchase agreement on reducing balance basis.

(i) Revenue Recognition

Revenue from goods sold and services is recognised when the goods are delivered and services are rendered. Other operating income mainly consist of interest income, dividend income, gain on disposal of quoted shares and gain on disposal of property, plant and equipment.

(j) Receivables

Trade and other receivables are stated at nominal value as reduced by the appropriate allowances for estimated irrecoverable amounts. Allowance for doubtful debts is made based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

(k) Cash Flow Statements

The Group adopts the indirect method in the preparation of the cash flow statements.

Cash equivalents are short-term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risks of changes in value.

(l) Deferred Tax Liabilities

Provision for deferred tax liabilities is calculated on the "liability" method at current tax rate on all material timing differences. However, where the timing differences that give rise to net future tax benefits, the effects are recognised generally on actual realisation.

TAN TIN & CO. CHARTERED ACCOUNTANTS

9.4 PROPERTY, PLANT AND EQUIPMENT

	Computer and office equipment RM('000)	Furniture & fittings RM('000)	Motor vehicles RM('000)	Renovation RM('000)	Total RM('000)
Cost	372	54	324	35	785
Accumulated depreciation	115	13	61	12	201
Net book value as at 31 December 2002	257	41	263	23	584

The above motor vehicles were acquired under hire purchase arrangement.

9.5 DEVELOPMENT COSTS

	RM('000)
At cost	1,055
Less: Cumulative amortisation	(221)
Net	834

9.6 TRADE MARK

	RM('000)
Deed of assignment, at cost	400
Less: Cumulative amortisation	(18)
Net	382

9.7 GOODWILL ON CONSOLIDATION

	RM('000)
Goodwill on consolidation arising from acquisition of subsidiary company	124
Less: Cumulative amortisation	(10)
Net	114

TAN TIN & CO. CHARTERED ACCOUNTANTS

9.8 TRADE RECEIVABLES

	RM('000)
Gross	1,554
Less: Allowance for doubtful debts	(65)
Net	1,489

9.9 OTHER PAYABLES AND ACCRUED EXPENSES

Included in the other payables and accrued expenses of the Group consists of an amount of RM12,201, owing to a company in which their directors are also directors of the Company, arose out of unsecured advances which are interest-free and have no fixed terms of repayment.

9.10 AMOUNT OWING TO DIRECTORS

The amount owing to directors is unsecured, interest-free and bears no fixed terms of repayment.

9.11 HIRE PURCHASE PAYABLES

	RM('000)
Net balance	176
Repayable as follows:-	
Portion payable within the next 1 year	
(Included in current liabilities)	32
Portion payable after the next 1 year	
repayable between 1 and 2 years	35
repayable between 2 and 5 years	107
repayable between 5 and 10 years	2
	144
Total	176

9.12 SHARE CAPITAL

	RM('000)
(a) Authorised:	
Ordinary shares of RM0.10 each	5,000
(b) Issued and fully paid:	
Ordinary shares of RM0.10 each	4,280

9.13 SHARE PREMIUM

	RM('000)
Ordinary shares issued at a premium	3,950
Less:	
Estimated listing expenses	(1,100)
	2,850

TAN TIN & CO. CHARTERED ACCOUNTANTS

9.14 PROFORMA NET TANGIBLE ASSETS COVER

Based on the proforma statement of assets and liabilities of Global Soft Group as at 31 December 2002, the proforma net tangible assets cover per share is calculated as follow :-

Proforma net tangible assets as at 31 December 2002 (RM'000)	6,604
Number of ordinary shares of RM0.10 each in issue ('000)	42,800
Proforma net tangible assets cover per share on the basis of the enlarged share capital of 42,800,000 ordinary shares of RM0.10 each (RM)	0.15

THE REST OF THIS PAGE IS LEFT BLANK INTENTIONALLY

10. PROFORMA CONSOLIDATED CASH FLOW STATEMENT

The Proforma consolidated cash flow statement is provided for illustrative purposes only to show the effects of the restructuring scheme as detailed in Section 2.4 herein on the assumption that these transactions were completed as at 31 December 2002.

	RM('000)
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before taxation	1,312
Adjustments for:-	
Fixed deposit interest received	(13)
Gain on disposal of property, plant and equipment	*
Amortisation of goodwill	5
Amortisation of development costs	142
Amortisation of trade mark	18
Bad debts written off	12
Hire purchase interest	19
Depreciation of property, plant and equipment	132
Allowance for doubtful debts	72
Operating profit before working capital changes	1,699
Changes in working capital:	
Increase in trade receivables	(933)
Decrease in other receivables, deposits and prepayments	10
Increase in trade payables	42
Increase in other payables and accrued expenses	73
Decrease in amount owing to directors	(95)
Cash generated from operations	796
Tax paid	(4)
Interest received	13
Interest paid	(19)
Net cash from operating activities	786
CASH FLOWS FROM INVESTING ACTIVITIES	
Development expenditure incurred	(406)
Purchase of property, plant and equipment	(179)
Acquisition of trademark	(400)
Proceeds from disposal of property, plant and equipment	6
Net cash used in investing activities	(979)

TAN TIN & CO. * CHARTERED ACCOUNTANTS *

CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from Rights Issue	924
Proceeds from Public Issue	4,950
Payment of estimated listing expenses	(1,082)
Repayment of hire purchase loan	(27)
Net cash from financing activities	4,765
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,572
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	351
CASH AND CASH EQUIVALENTS CARRIED FORWARD	4,923

*Negligible

NOTES TO PROFORMA CONSOLIDATED CASH FLOW STATEMENT

(a) Cash and cash equivalents carried forward consist of:-

	RM('000)
Cash and bank balances	4,923

(b) The Company carried out a rights issue of 17,800,000 new Global Soft shares at an issue price of RM0.10 each on the basis of approximately 1.19 new Global Soft shares for every one (1) existing Global Soft share held before the Rights Issue. The consideration for the subscription of the Rights Issue was satisfied by RM924,000 cash whilst the remaining RM856,000 was in the form of settlement against the amount owed by the Company to the existing shareholders of Global Soft arising from the dividend declaration as mentioned in Section 2.4(b) of this Report.

11. AUDITED FINANCIAL STATEMENTS

No audited financial statements have been prepared in respect of any period subsequent to 31 December 2002 for Global Soft Group.

Yours faithfully

TAN TIN & CO
Firm No: AF 0823
Chartered Accountants (Malaysia)

TAN CHIN HUAT
Approved No: 2037/6/04(J)
Partner

TAN TIN & CO. CHARTERED ACCOUNTANTS

14 PROFORMA CONSOLIDATED BALANCE SHEETS AND REPORTING ACCOUNTANTS' LETTER THEREON

TAN TIN & CO.
(AF 0823)
Chartered Accountants (M)

No: 93A, Jalan SS 21/37, Damansara Utama
47400 Petaling Jaya, Selangor Darul Ehsan
Tel: 03-77268992 Fax: 03-77284992
Email: tan_ch18@hotmail.com

Date : 19 FEB 2003

The Board of Directors
Global Soft (MSC) Bhd
Level 11-2, Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur

Dear Sirs

GLOBAL SOFT (MSC) BHD ("GLOBAL SOFT")
PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2002

We have reviewed the presentation of the Proforma Consolidated Balance Sheets of Global Soft and its subsidiary company ("Global Soft Group") for which the Directors are solely responsible, as at 31 December 2002 together with the notes thereon, issued in connection with the issue of 10,000,000 new ordinary shares of RM0.10 each, at an issue price of RM0.495 per share and the listing of and quotation for its entire enlarged issued and fully paid-up share capital of 42,800,000 ordinary shares of RM0.10 each on the MESDAQ Market of the Kuala Lumpur Stock Exchange ("KLSE").

Based on the results of the review, we confirm that the Proforma Consolidated Balance Sheets of Global Soft as at 31 December 2002, which are provided for illustration purposes only, have been properly compiled on the bases consistent with the accounting policies normally adopted by the Global Soft Group and those set out in the Notes to the Proforma Consolidated Balance Sheets.

Yours faithfully

TAN TIN & CO
Firm No : AF 0823
Chartered Accountants (Malaysia)

TAN CHIN HUAT
Approved No: 2037/6/04(J)
Partner

14 PROFORMA CONSOLIDATED BALANCE SHEETS AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

PROFORMA CONSOLIDATED BALANCE SHEETS

The Proforma Consolidated Balance Sheets as at 31 December 2002 of Global Soft, as set out below are provided for illustrative purposes only to show the effects of the Private Placement of Global Soft on the assumption that this transaction was completed on 31 December 2002.

	(i) Audited as at 31 December 2002 RM'000	(ii) After (i) and Private Placement RM'000
CURRENT ASSETS	2,525	6,429
LESS : CURRENT LIABILITIES	563	265
NET CURRENT ASSETS	1,962	6,164
PROPERTY, PLANT AND EQUIPMENT	584	584
INTANGIBLE ASSETS	1,682	1,330
	4,228	8,078
Financed by :		
SHARE CAPITAL	3,280	4,280
SHARE PREMIUM	-	2,850
RETAINED PROFIT	804	804
	4,084	7,934
MINORITY INTEREST	-	-
LONG TERM LIABILITIES	144	144
	4,228	8,078
Number of ordinary shares of RM0.10 each in issue ('000)	32,800	42,800
NTA per share (Sen)	7.3	15.4
NAV per share (Sen)	12.5	18.5

TAN TIN & CO. * CHARTERED ACCOUNTANTS *

14 PROFORMA CONSOLIDATED BALANCE SHEETS AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS

1 The Proforma Consolidated Balance Sheets are provided for illustrative purposes only and have been prepared based on the audited balance sheets of Global Soft and its subsidiary company ("Global Soft Group") as at 31 December 2002 and on the assumption that the following transactions had been effected on 31 December 2002 :-

(i) the issue of 10,000,000 new ordinary shares of RM0.10 each at an issue price of RM 0.495 per share ("Private Placement"); and

(ii) the initial listing of and quotation for Global Soft's entire enlarged issued and paid-up share capital comprising 42,800,000 Global Soft shares pursuant to the Private Placement, on the MESDAQ Market of the KLSE.

2 The estimated listing expenses of RM1,100,000 (of which RM54,970 had been paid and RM298,249 had been accrued as at 31 December 2002), have been written off against the share premium account.

3 The Proforma Consolidated Balance Sheets are presented on a basis consistent with the accounting policies normally adopted by the Global Soft Group.

4 The movement of the issued and paid-up share capital, share premium and retained profit of the Group are as follows :-

	Share Capital RM'000	Share Premium RM'000	Retained Profit RM'000
As at 31 December 2002	3,280	-	804
Private Placement	1,000	3,950	-
Estimated listing expenses	-	(1,100)	-
Balance as at 31 December 2002 after the Private Placement	4,280	2,850	804