

11. ACCOUNTANTS' REPORT

(Prepared for inclusion in the Prospectus)



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16 June 2003

The Board of Directors
IFCA MSC Berhad
(formerly known as
Software Online Sdn Bhd)
Wisma IFCA
19 Jalan PJU 1/42A
Dataran Prima
47301 Petaling Jaya
Selangor Darul Ehsan

Dear Sirs,

1 INTRODUCTION

This Report has been prepared by Ernst & Young, an approved company auditor, for inclusion in the Prospectus to be dated 25 June 2003 in connection with the following:

- i. Public Issue of 72,430,000 new ordinary shares of RM0.10 each at an issue price of RM0.20 per ordinary share comprising:
 - (a) 42,810,000 new ordinary shares of RM0.10 each available for placement to selected investors;
 - (b) 2,000,000 new ordinary shares of RM0.10 each available for application by the Malaysian public; and
 - (c) 27,620,000 new ordinary shares of RM0.10 each available for application by eligible directors and employees of the Group;
- ii. Listing and quotation for the enlarged issued and paid-up share capital of the Company comprising 276,200,000 ordinary shares of RM0.10 each on the MESDAQ Market of the Kuala Lumpur Stock Exchange.

2 GENERAL INFORMATION

2.1 INCORPORATION AND PRINCIPAL ACTIVITIES

IFCA MSC Berhad was incorporated in Malaysia on 20 November 1997 as a private limited company, limited by shares under the Companies Act, 1965 under the name Software Online Sdn Bhd. On 4 July 2002, the Company changed its name to IFCA MSC Sdn Bhd and subsequently was converted to a public limited company on 27 July 2002. The Company is principally involved in the research and development of enterprise-wide business solutions and investment holding.

11. ACCOUNTANTS' REPORT (cont'd)**2.2 SHARE CAPITAL**

As at the date of this Report, the authorised share capital of IFCA is RM50,000,000 divided into 500,000,000 ordinary shares of 10 sen each. The issued and paid up share capital is RM20,377,000 comprising 203,770,000 ordinary shares of 10 sen each.

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

Date of allotment	Number of ordinary shares	Par value	Consideration	Cumulative issued and fully paid-up share capital RM
20 November 1997	3	RM1.00	Cash/subscribers' shares	3
2 May 1998	1,149,997	RM1.00	Cash	1,150,000
6 May 1998	1,000,000	RM1.00	Cash	2,150,000
24 March 2003	12,450,000	RM1.00	Bonus issue	14,600,000
30 May 2003	5,777,000	RM1.00	Property Acquisitions	20,377,000
30 May 2003	203,770,000	10 sen	Sub-division of RM1.00 par value to 10 sen par value	20,377,000

11. ACCOUNTANTS' REPORT (cont'd)**2.3 SUBSIDIARY COMPANIES**

At the date of this Report, the subsidiary companies of IFCA are as follows:-

<u>Company</u>	<u>Date of incorporation</u>	<u>Issued and paid-up share capital</u> RM	<u>Effective equity interest</u> %	<u>Principal activities</u>
IFCA Solutions Sdn Bhd ("IFCAS")	11 November 1997	700,000	85.71	Turnkey solutions provider
IFCA Technology Sdn Bhd ("IFCAT")	16 October 1997	700,000	85.71	Turnkey solutions provider
Network Online Sdn Bhd ("NOSB")	16 July 1997	700,000	85.71	Installation and servicing of computer hardware and networks
IFCA Systems (JB) Sdn Bhd ("IFCA (JB)")	27 August 1993	700,000	99.99	Turnkey solutions provider
IFCA Systems (Penang) Sdn Bhd ("IFCA (Penang)")	7 September 1991	300,000	99.99	Turnkey solutions provider
IFCA Consulting (Sarawak) Sdn Bhd ("IFCA (Sarawak)")	17 March 1997	300,000	99.99	Turnkey solutions provider
IFCA Consulting (Sabah) Sdn Bhd ("IFCA (Sabah)")	29 May 1995	250,000	60.00	Turnkey solutions provider
Push Technology Sdn Bhd ("PTSB")	5 December 1997	10	100.00	Turnkey solutions provider
Jingyou Information Technology (Shanghai) Co Ltd ("IFCA (Shanghai)")	3 July 2002	1,317,261	100.00	Turnkey solutions provider

All of the above companies were incorporated in Malaysia as private limited companies, limited by shares under the Companies Act, 1965 except for IFCA (Shanghai) which is a limited liability company incorporated in the People's Republic of China.

IFCA and its subsidiary companies are collectively known as the "Group" throughout the financial periods/years covered in this Report.

11. ACCOUNTANTS' REPORT (cont'd)



3 FINANCIAL STATEMENTS AND AUDITORS

The financial statements included in this Report, which are the responsibility of the Directors of the Group, have been prepared on the basis consistent with the accounting policies normally adopted by the Group and comply with applicable Approved Accounting Standards.

Ernst & Young act as statutory auditors of the Group since the financial year ended 31 December 2000, except for IFCA (Shanghai), whose financial statements for the period ended 31 December 2002 were audited by Shanghai JaHwa Certified Public Accountants. For the periods/years prior to 31 December 2000, the Group were audited by another firm of chartered accountants, Messrs. Kiat & Associates.

There were no reservations or qualifications in the auditors' reports on the financial statements of the Company and its subsidiary companies in the respective financial periods/years covered in this Report.

4 DIVIDENDS

The Company and its subsidiary companies did not declare or pay any dividends during the financial periods/years covered in this Report.

11. ACCOUNTANTS' REPORT (cont'd)**5 SUMMARISED INCOME STATEMENT****5.1 Proforma Consolidated Income Statements**

The proforma consolidated income statements of IFCA Group as set out below are based on the audited financial statements of IFCA and its subsidiary companies, and have been presented on the assumption that the Group has been in existence throughout the financial years under review.

	← Proforma Group →				
	Year Ended 31 December				
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
	RM	RM	RM	RM	RM
Revenue	12,061,316	24,521,119	19,958,849	19,823,816	23,412,602
Cost of sales	(3,767,160)	(8,117,728)	(5,143,159)	(4,618,316)	(5,723,081)
Gross profit	8,294,156	16,403,391	14,815,690	15,205,500	17,689,521
Other operating income	78,764	65,325	203,473	214,428	72,828
Selling and distribution expenses	(793,844)	(1,250,505)	(1,605,111)	(2,098,195)	(2,661,679)
Administration expenses	(4,641,939)	(8,439,665)	(8,460,488)	(7,456,985)	(8,609,617)
Profit before depreciation, amortisation, interest and taxation	2,937,137	6,778,546	4,953,564	5,864,748	6,491,053
Depreciation	(128,399)	(335,515)	(361,641)	(570,369)	(727,168)
Amortisation of deferred development costs	(390,073)	(695,908)	(1,536,876)	(2,351,892)	(3,096,213)
Interest expenses	(1,407)	(6,268)	(12,871)	(26,477)	(30,601)
Profit before taxation	2,417,258	5,740,855	3,042,176	2,916,010	2,637,071
Taxation	(44,370)	(1,984)	(165,403)	(61,441)	12,301
Profit after taxation	2,372,888	5,738,871	2,876,773	2,854,569	2,649,372
Minority interests	16,519	(207,157)	17,278	154,860	220,992
Profit for the year	2,389,407	5,531,714	2,894,051	3,009,429	2,870,364

The Group first came into existence in the financial year ended 31 December 2001. Reconciliation of the proforma consolidated profit for the year and the audited results are as follows:

	<u>2001</u>	<u>2002</u>
	RM	RM
Proforma consolidated profit for the year (as per above)	3,009,429	2,870,364
Add: Pre acquisition loss	784,194	277,163
Audited consolidated profit for the year	3,793,623	3,147,527

11. ACCOUNTANTS' REPORT (cont'd)**Commentary****Analysis of Revenue****Revenue by geographical segments**

	← Proforma Group →				
	Year Ended 31 December				
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
- Malaysia	11,832	22,945	19,821	18,479	19,228
- Foreign	230	1,576	138	1,345	4,184
Total Turnover	12,061	24,521	19,959	19,824	23,413

Revenue by products

- Software application	3,320	9,053	7,205	7,988	10,087
- Hardware, networking and operating systems	5,286	10,592	7,490	6,010	6,641
- Training and implementation services	715	2,699	1,775	1,611	1,532
- Maintenance and support services	2,740	2,177	3,489	4,215	5,153
Total Turnover	12,061	24,521	19,959	19,824	23,413

In 1999, the Group recorded significant growth in revenue primarily because of the Y2K concern amongst the business community. Revenue dipped by approximately 19% in 2000 as most businesses would have been Y2K compliant by the end of 1999. Spending on systems upgrades slowed as well in 2000 due to the higher spending in the previous year. Revenue from Malaysian sources stabilised thereafter with no major fluctuation. However, revenue from foreign sources continue to increase as the Group's expanded its market to countries like the Philippines, South Africa, Singapore and etc. From 1998 to 2002, the foreign market established an average annual growth rate of approximately 206%.

Whilst hardware, networking and operating system dictated sales in 1998, software application sales registered a more impressive growth rate. Software applications sales grew to 43% of total revenue from 28% in 1998 whereas hardware, networking and operating systems sales declined to 28% of total revenue in 2002 from 44% in 1998.

Software applications such as Property Plus and Contract Plus (Fully Integrated Property Development and Management System and Fully Integrated Project Management System) and Loan Plus (Fully Integrated Asset Leasing and Hire-Purchase Management System) have recorded impressive growth in recent year, growing by 52% and 243% respectively in 2002.

There was no extraordinary item included in the income statement for the relevant years under review.

11. ACCOUNTANTS' REPORT (cont'd)**5 SUMMARISED INCOME STATEMENT (CONTD.)****5.2 IFCA MSC BERHAD**

	20.11.1997				
	to	Year ended 31 December			
	31.12.1998	1999	2000	2001	2002
	RM	RM	RM	RM	RM
Revenue	4,132,393	7,565,604	6,041,279	8,364,076	10,374,152
Cost of sales	-	(62,096)	(280,605)	(190,035)	(215,583)
Gross profit	4,132,393	7,503,508	5,760,674	8,174,041	10,158,569
Other operating income	29,000	36,146	10,149	85,807	1,738
Selling and distribution expenses	(175,066)	(162,341)	(150,223)	(215,751)	(737,710)
Administration expenses	(875,342)	(2,057,336)	(1,022,858)	(1,328,529)	(1,483,918)
Profit before depreciation, amortisation, interest and taxation	3,110,985	5,319,977	4,597,742	6,715,568	7,938,679
Depreciation	(27,404)	(153,732)	(181,098)	(336,560)	(455,921)
Amortisation of deferred development costs	(390,073)	(695,908)	(1,536,876)	(2,351,892)	(3,085,282)
Interest expenses	-	-	(8,040)	(26,477)	(27,901)
Profit before taxation	2,693,508	4,470,337	2,871,728	4,000,639	4,369,575
Taxation	(8,000)	(120)	(1,613)	406	(123)
Profit after taxation	2,685,508	4,470,217	2,870,115	4,001,045	4,369,452
Weighted average number of ordinary shares in issue	1,279,117	2,150,000	2,150,000	2,150,000	2,150,000
Net earnings per share (RM)	2.10	2.08	1.33	1.86	2.03
Effective tax rate	0.3%	-	0.1%	-	-
Statutory tax rate	28.0%	0.0%	28.0%	28.0%	28.0%

11. ACCOUNTANTS' REPORT (cont'd)



5 SUMMARISED INCOME STATEMENT (CONTD.)

5.2 IFCA MSC BERHAD

- (1) IFCA was awarded the Multimedia Super Corridor status ("MSC status") on 22 January 1998. Accordingly, income derived from its operating activities is exempted from taxation for a 5-year period up to January 2003. The tax free period has been extended for another 5 years to January 2008, subject to the approval of the Ministry of Finance and the Ministry of International Trade and Industry. The taxation charge relates to interest income arising from fixed deposits.
- (2) There was no extraordinary item included in the income statement for the relevant periods/years under review.
- (3) The net earnings per share is calculated based on profit after taxation to the weighted average number of ordinary shares in issue for the respective financial periods/years under review.

11. ACCOUNTANTS' REPORT (cont'd)

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5 SUMMARISED INCOME STATEMENT (CONTD.)**5.3 IFCA SOLUTIONS SDN BHD ("IFCAS")**

	11.11.1997				
	to	Year ended 31 December			
	31.12.1998	1999	2000	2001	2002
	RM	RM	RM	RM	RM
Revenue	4,658,113	10,219,771	9,372,217	8,722,107	8,562,275
Cost of sales	(3,527,331)	(6,006,577)	(4,986,178)	(5,671,306)	(5,211,335)
Gross profit	1,130,782	4,213,194	4,386,039	3,050,801	3,350,940
Other operating income	42,339	17,754	128,104	110,712	2,500
Selling and marketing expenses	(141,964)	(457,246)	(650,811)	(660,177)	(867,208)
Administration expenses	(880,649)	(2,820,718)	(3,506,769)	(2,680,288)	(2,842,163)
Profit/(loss) before depreciation, interest and taxation	150,508	952,984	356,563	(178,952)	(355,931)
Depreciation	(14,398)	(54,047)	(72,402)	(81,276)	(101,240)
Interest expenses	-	-	-	-	(2,355)
Profit/(loss) before taxation	136,110	898,937	284,161	(260,228)	(459,526)
Taxation	(43,900)	(145)	(100,290)	(66,436)	67,045
Profit/(loss) after taxation	92,210	898,792	183,871	(326,664)	(392,481)
Weighted average number of ordinary shares in issue	75,001	100,000	100,000	305,479	700,000
Net earnings/(loss) per share (RM)	1.23	8.99	1.84	(1.07)	(0.56)
Effective tax rate	32%	-	35%	N/A	N/A
Statutory tax rate	28%	-	28%	28%	28%

N/A :- The effective tax rate could not be computed as IFCAS was in a tax loss position in the year under consideration.

11. ACCOUNTANTS' REPORT (cont'd)**5 SUMMARISED INCOME STATEMENT (CONTD.)****5.3 IFCA SOLUTIONS SDN BHD ("IFCAS") (Contd.)**

- (1) The effective tax rates for 1998 and 2000 were higher than the statutory tax rate due to certain expenses being disallowed for tax purposes. Due to the same reasons, a taxation charge arose in 2001 despite the operating loss during that year.

There was no tax charge in 1999, as it constituted the basis period for the year of assessment 2000 (preceding year basis), wherein tax on income other than dividend income was waived pursuant to the provisions of the Income Tax (Amendment) Act, 1999.

For 2002, the tax charge comprised the following:

	RM
Deferred tax	25,900
Over provision in prior year	<u>41,145</u>
	<u>67,045</u>

The over provision in prior year relates to tax paid for the financial year 2001. The reversal of deferred tax is in line with the increase in unutilised tax loss arising during the financial year.

- (2) There was no extraordinary item included in the income statement for the relevant periods/years under review.
- (3) The net earnings/(loss) per share is calculated based on profit/(loss) after taxation to the weighted average number of ordinary shares in issue for the respective financial periods/years under review.

11. ACCOUNTANTS' REPORT (cont'd)**5 SUMMARISED INCOME STATEMENT (Contd.)****5.4 IFCA TECHNOLOGY SDN BHD ("IFCAT")**

	16.10.1997				
	to		Year ended 31 December		
	31.12.1998	1999	2000	2001	2002
	RM	RM	RM	RM	RM
Revenue	2,428,769	5,084,617	2,751,449	1,408,067	92,617
Cost of sales	(1,782,779)	(3,269,530)	(1,065,933)	(650,695)	(42,570)
Gross profit	645,990	1,815,087	1,685,516	757,372	50,047
Other operating income	6,141	807	42,618	89,874	40,172
Selling and distribution expenses	(102,610)	(169,094)	(244,961)	(191,847)	(72,621)
Administration expenses	(593,339)	(1,602,215)	(1,643,108)	(680,833)	(502,142)
(Loss)/profit before depreciation and taxation	(43,818)	44,585	(159,935)	(25,434)	(484,544)
Depreciation	(4,244)	(21,215)	(21,644)	(23,769)	(25,446)
(Loss)/profit before taxation	(48,062)	23,370	(181,579)	(49,203)	(509,990)
Taxation	-	(1,719)	-	1,719	-
(Loss)/profit after taxation	(48,062)	21,651	(181,579)	(47,484)	(509,990)
Weighted average number of ordinary shares in issue	70,589	100,000	100,000	300,000	700,000
Net (loss)/earnings per share (RM)	(0.68)	0.22	(1.82)	(0.16)	(0.73)
Effective tax rate	N/A	-	N/A	N/A	N/A
Statutory tax rate	28%	-	28%	28%	28%

N/A :- The effective tax rate could not be computed as IFCAT was in a tax loss position in the year under consideration.

11. ACCOUNTANTS' REPORT (cont'd)



5 SUMMARISED INCOME STATEMENT (Contd.)

5.4 IFCA TECHNOLOGY SDN BHD ("IFCAT") (Contd.)

- (1) There was no taxation charge for the financial period/years under review due to the operating loss incurred, except for 1999, as it constituted the basis period for the year of assessment 2000 (preceding year basis), wherein tax on income other than dividend income was waived pursuant to the provisions of the Income Tax (Amendment) Act, 1999.

In 1999, the tax charge of RM1,719 relate to a payment of corporate taxation for the current year and this amount was subsequently reversed in 2001, upon the receipt of the revised assessment issued by the Inland Revenue Board.

- (2) There was no extraordinary item included in the income statement for the relevant periods/years under review.
- (3) The net (loss)/earnings per share is calculated based on (loss)/profit after taxation to the weighted average number of ordinary shares in issue for the respective financial periods/years under review.

11. ACCOUNTANTS' REPORT (cont'd)**5 SUMMARISED INCOME STATEMENT (Contd.)****5.5 NETWORK ONLINE SDN BHD ("NOSB")**

	16.7.1997				
	to	Year ended 31 December			
	31.12.1998	1999	2000	2001	2002
	RM	RM	RM	RM	RM
Revenue	5,778,525	2,577,590	2,648,066	2,519,708	3,718,803
Cost of sales	(4,647,692)	(1,501,859)	(1,729,370)	(1,605,399)	(2,556,056)
Gross profit	1,130,833	1,075,731	918,696	914,309	1,162,747
Other operating income	-	-	-	2,197	4,248
Selling and distribution expenses	(231,517)	(227,325)	(246,864)	(405,273)	(323,980)
Administration expenses	(911,639)	(742,360)	(485,644)	(722,509)	(716,945)
(Loss)/profit before depreciation, interest and taxation	(12,323)	106,046	186,188	(211,276)	126,070
Depreciation	(28,656)	(29,703)	(28,618)	(61,632)	(68,179)
Interest expenses	(1,407)	(6,268)	(4,831)	-	-
(Loss)/profit before taxation	(42,386)	70,075	152,739	(272,908)	57,891
Taxation	-	-	(48,000)	5,000	(2,321)
(Loss)/profit after taxation	(42,386)	70,075	104,739	(267,908)	55,570
Weighted average number of ordinary shares in issue	78,839	100,000	100,000	305,479	700,000
Net (loss)/earnings per share (RM)	(0.54)	0.70	1.05	(0.88)	0.08
Effective tax rate	N/A	-	31%	N/A	-
Statutory tax rate	28%	-	28%	28%	28%

N/A :- The effective tax rate could not be computed as NOSB was in a tax loss position in the year under consideration.

11. ACCOUNTANTS' REPORT (cont'd)



5 SUMMARISED INCOME STATEMENT (CONTD.)

5.5 NETWORK ONLINE SDN BHD ("NOSB") (Contd.)

- (1) There were no tax charges for the financial period/year 1998 and 2001 due to the operating loss incurred. In 2001, the credit of RM5,000 relates to a reversal of an over provision of deferred taxation in the previous year.

There was no tax charge in 1999, as it constituted the basis period for the year of assessment 2000 (preceding year basis), wherein tax on income other than dividend income was waived pursuant to the provisions of the Income Tax (Amendment) Act, 1999.

The effective tax rate for 2000 was higher than the statutory rate due to certain expenses being disallowed for tax purposes.

There was no taxation charge for 2002 due to the utilisation of brought forward unabsorbed losses and unutilised capital allowances to offset against taxable profit for the year. Such utilisations resulted in a tax saving of approximately RM44,900. The charge of RM2,321 relate to under provision of tax in prior years.

- (2) There was no extraordinary item included in the income statement for the relevant periods/years under review.
- (3) The net (loss)/earnings per share is calculated based on (loss)/profit after taxation to the weighted average number of ordinary shares in issue for the respective financial periods/years under review.

11. ACCOUNTANTS' REPORT (cont'd)**5 SUMMARISED INCOME STATEMENT (CONTD.)****5.6 IFCA SYSTEMS (JB) SDN BHD ("IFCA (JB)")**

	Year ended 31 December				
	1998	1999	2000	2001	2002
	RM	RM	RM	RM	RM
Revenue	468,371	1,505,048	1,460,478	897,209	1,186,476
Cost of sales	(255,921)	(982,119)	(842,313)	(426,236)	(783,962)
Gross profit	212,450	522,929	618,165	470,973	402,514
Other operating income	-	703	5,368	5,400	17,309
Selling and distribution expenses	(39,620)	(75,060)	(92,520)	(120,046)	(86,695)
Administration expenses	(408,101)	(462,915)	(550,073)	(505,906)	(444,237)
Loss before depreciation, and taxation	(235,271)	(14,343)	(19,060)	(149,579)	(111,109)
Depreciation	(3,340)	(10,650)	(10,391)	(14,595)	(16,585)
Loss before taxation	(238,611)	(24,993)	(29,451)	(164,174)	(127,694)
Taxation	-	-	-	-	-
Loss after taxation	(238,611)	(24,993)	(29,451)	(164,174)	(127,694)
Weighted average number of ordinary shares in issue	2	2	2	239,727	700,000
Net loss per share (RM)	(119,305.50)	(12,496.50)	(14,725.50)	(0.68)	(0.18)
Effective tax rate	N/A	-	N/A	N/A	N/A
Statutory tax rate	28%	-	28%	28%	28%

N/A :- The effective tax rate could not be computed as IFCA (JB) was in a tax loss position in the year under consideration.

11. ACCOUNTANTS' REPORT (cont'd)



5 SUMMARISED INCOME STATEMENT (CONTD.)

5.6 IFCA SYSTEMS (JB) SDN BHD (Contd.)

- (1) There is no taxation charge for IFCA (JB) due to operating losses incurred since commencement of operations.
- (2) There was no extraordinary item included in the income statement for the relevant years under review.
- (3) The loss per share is calculated based on loss after taxation to the weighted average number of ordinary shares in issue for the respective financial years under review.

11. ACCOUNTANTS' REPORT (cont'd)**5 SUMMARISED INCOME STATEMENT (CONTD.)****5.7 IFCA SYSTEMS (PENANG) SDN BHD ("IFCA (Penang)")**

	Year ended 31 December				
	1998	1999	2000	2001	2002
	RM	RM	RM	RM	RM
Revenue	770,294	1,792,473	1,541,584	1,459,143	1,825,045
Cost of sales	(447,929)	(1,111,861)	(949,327)	(720,110)	(1,004,527)
Gross profit	322,365	680,612	592,257	739,033	820,518
Other operating income	-	-	2,934	-	6,861
Selling and distribution expenses	(44,436)	(96,141)	(124,151)	(214,744)	(204,053)
Administration expenses	(327,598)	(428,183)	(476,637)	(560,994)	(539,186)
(Loss)/profit before depreciation, interest and taxation	(49,669)	156,288	(5,597)	(36,705)	84,140
Depreciation	(180)	(3,670)	(3,671)	(9,127)	(15,089)
Interest expense	-	-	-	-	(345)
(Loss)/profit before taxation	(49,849)	152,618	(9,268)	(45,832)	68,706
Taxation	-	-	-	-	(14,600)
(Loss)/profit after taxation	(49,849)	152,618	(9,268)	(45,832)	54,106
Weighted average number of ordinary shares in issue	10	10	10	102,746	300,000
Net (loss)/earnings per share (RM)	(4,984.90)	15,261.80	(926.80)	(0.45)	0.18
Effective tax rate	N/A	-	N/A	N/A	21%
Statutory tax rate	28%	-	28%	28%	28%

N/A :- The effective tax rate could not be computed as IFCA (Penang) was in a tax loss position in the year under consideration.

11. ACCOUNTANTS' REPORT (cont'd)



5 SUMMARISED INCOME STATEMENT (CONTD.)

5.7 IFCA SYSTEMS (PENANG) SDN BHD (Contd.)

- (1) There was no provision made for tax liability in the financial years ended 31 December 1997, 1998, 2000 and 2001 in view of the operating loss.

There was no taxation charge in 1999, as it constituted the basis period for the year of assessment 2000 (preceding year basis), wherein tax on income other than dividend income was waived pursuant to the provisions of the Income Tax (Amendment) Act, 1999.

The effective tax rate of IFCA (Penang) in 2002 is lower than the statutory tax rate due to the utilisation of brought forward unabsorbed losses and capital allowances to offset against taxable profit for the year. Such utilisations resulted in a tax savings of approximately RM16,500.

- (2) There was no extraordinary item included in the income statement for the relevant years/period under review.
- (3) The net (loss)/earnings per share is calculated based on (loss)/profit after taxation to the weighted average number of ordinary shares in issue for the respective financial periods/years under review.

11. ACCOUNTANTS' REPORT (cont'd)**5 SUMMARISED INCOME STATEMENT (CONTD.)****5.8 IFCA CONSULTING (SARAWAK) SDN BHD ("IFCA (Sarawak)")**

	Year ended 31 December				
	1998	1999	2000	2001	2002
	RM	RM	RM	RM	RM
Revenue	326,213	974,458	1,288,847	939,325	1,327,316
Cost of sales	(65,786)	(723,601)	(858,101)	(552,513)	(732,742)
Gross profit	260,427	250,857	430,746	386,812	594,574
Other operating income	-	-	100	-	-
Selling and distribution expenses	-	(14,212)	(25,413)	(57,248)	(86,871)
Operating expenses	(235,598)	(241,343)	(330,094)	(396,490)	(705,114)
(Loss)/profit before depreciation, and taxation	24,829	(4,698)	75,339	(66,926)	(197,411)
Depreciation	(8,829)	(8,916)	(15,908)	(20,123)	(20,442)
(Loss)/profit before taxation	16,000	(13,614)	59,431	(87,049)	(217,853)
Taxation	-	-	(15,500)	3,125	-
(Loss)/profit after taxation	16,000	(13,614)	43,931	(83,924)	(217,853)
Weighted average number of ordinary shares in issue	2	2	4	102,746	300,000
Net (loss)/earnings per share (RM)	8,000.00	(6,807.00)	10,982.75	(0.82)	(0.73)
Effective tax rate	-	-	26%	N/A	N/A
Statutory tax rate	28%	-	28%	28%	28%

N/A :- The effective tax rate could not be computed as IFCA (Sarawak) was in a tax loss position in the year under consideration.

11. ACCOUNTANTS' REPORT (cont'd)



5 SUMMARISED INCOME STATEMENT (CONTD.)

5.8 IFCA CONSULTING (SARAWAK) SDN BHD (Contd.)

- (1) There was no provision made for tax liability in the financial years ended 31 December 1997, 1999, 2001 and 2002 in view of the operating losses. In 2001, the credit of RM3,125 relates mainly to a reversal of deferred taxation accrued in the previous year.

There was no tax charge for 1998 due to the utilisation of brought forward unabsorbed losses and unutilised capital allowances to offset against taxable profit for the year. Such utilisations resulted in a tax saving of approximately RM7,300.

The effective tax rate of IFCA (Sarawak) for 2000 was lower than the statutory rate due to realisation of brought forward unabsorbed capital allowances claimed and unabsorbed losses which were not previously recognised in the financial statements. Such utilisations resulted in a tax saving of approximately RM12,665.

- (2) There was no extraordinary item included in the income statement for the relevant periods/years under review.
- (3) The net (loss)/earnings per share is calculated based on (loss)/profit after taxation to the weighted average number of ordinary shares in issue for the respective financial periods/years under review.

11. ACCOUNTANTS' REPORT (cont'd)**5 SUMMARISED INCOME STATEMENT (CONTD.)****5.9 IFCA CONSULTING (SABAH) SDN BHD ("IFCA (Sabah)")**

	Year ended 31 December				
	1998	1999	2000	2001	2002
	RM	RM	RM	RM	RM
Revenue	681,608	1,145,018	793,295	1,474,826	505,370
Cost of sales	(222,692)	(438,746)	(346,498)	(977,852)	(262,267)
Gross profit	458,916	706,272	446,797	496,974	243,103
Other operating income	1,284	9,915	14,200	-	-
Selling and distribution expenses	(58,631)	(49,086)	(51,811)	(149,696)	(120,470)
Administration expenses	(409,673)	(449,394)	(462,700)	(476,972)	(515,057)
Profit/(loss) before depreciation and taxation	(8,104)	217,707	(53,514)	(129,694)	(392,424)
Depreciation	(41,348)	(53,582)	(27,909)	(22,884)	(20,959)
Profit/(loss) before taxation	(49,452)	164,125	(81,423)	(152,578)	(413,383)
Taxation	7,530	-	-	(5,255)	-
Profit/(loss) after taxation	(41,922)	164,125	(81,423)	(157,833)	(413,383)
Weighted average number of ordinary shares in issue	100,000	100,000	100,000	100,000	169,452
Net earnings/(loss) per share (RM)	(0.42)	1.64	(0.81)	(1.58)	(2.44)
Effective tax rate	-	-	-	-	-
Statutory tax rate	28%	-	28%	28%	28%

11. ACCOUNTANTS' REPORT (cont'd)



5 SUMMARISED INCOME STATEMENT (CONTD.)

5.9 IFCA CONSULTING (SABAH) SDN BHD (Contd.)

- (1) The effective tax rate of IFCA (Sabah) for year 1997 was higher than the statutory tax rate due to certain expenses being disallowed for tax purposes.

There were no taxation charges for the financial years 2000 and 2002 due to the operating loss incurred.

In 1998, the credit of RM7,530 relates mainly to a reversal of deferred taxation. In 2001, the tax charge of RM5,255 mainly relates to an under provision of corporate taxation for the prior year.

There was no tax charge in 1999, as it constituted the basis period for the year of assessment 2000 (preceding year basis), wherein tax on income other than dividend income was waived pursuant to the provisions of the Income Tax (Amendment) Act, 1999.

- (2) There was no extraordinary item included in the income statement for the relevant years/period under review.
- (3) The net earnings/(loss) per share is calculated based on profit/(loss) after taxation to the weighted average number of ordinary shares in issue for the respective financial periods/years under review.

11. ACCOUNTANTS' REPORT (cont'd)**5 SUMMARISED INCOME STATEMENT (CONTD.)****5.10 PUSH TECHNOLOGY SDN BHD ("PTSB")**

	Year ended 31 December				
	1998	1999	2000	2001	2002
	RM	RM	RM	RM	RM
Revenue	-	-	-	1,065,583	2,212,605
Cost of sales	-	-	-	(850,398)	(1,306,096)
Gross profit	-	-	-	215,185	906,509
Other operating income	-	-	-	-	-
Selling and distribution expenses	-	-	(18,357)	(83,413)	(162,071)
Administration expenses	-	-	(5,805)	(184,026)	(640,956)
Loss before depreciation, amortisation, interest and taxation	-	-	(24,162)	(52,254)	103,482
Depreciation	-	-	-	(403)	(815)
(Loss)/profit before taxation	-	-	(24,162)	(52,657)	102,667
Taxation	-	-	-	-	(37,700)
(Loss)/profit after taxation	-	-	(24,162)	(52,657)	64,967
Weighted average number of ordinary shares in issue	10	10	10	10	10
Net(loss)/earning per share (RM)	-	-	(2,416.20)	(5,265.70)	6,496.70
Effective tax rate	N/A	N/A	-	N/A	37%
Statutory tax rate	28%	28%	-	28%	28%

N/A :- The effective tax rate could not be computed as PTSB was in a tax loss position in the year under consideration.

(1) There were no provision for taxation in 2000 and 2001 due to operating losses incurred.

The effective tax rate of the Company for 2002 is higher than the statutory tax rate due to certain expenses being not deductible for tax purposes.

(2) There was no extraordinary item included in the income statement for the relevant years/periods under review.

(3) The net (loss)/earning per share is calculated based on loss after taxation to the weighted average number of ordinary shares in issue for the respective financial periods/years under review.

11. ACCOUNTANTS' REPORT (cont'd)**5 SUMMARISED INCOME STATEMENT (CONTD.)****5.11 IFCA (Shanghai)**

	3.7.2002 to 31.12.2002 RM
Revenue	-
Cost of sales	-
Gross profit	-
Administration expenses	(219,899)
Loss before depreciation and taxation	(219,899)
Depreciation	(2,492)
Amortisation of deferred development costs	(10,931)
Loss before taxation	(233,322)
Taxation	-
Loss after taxation	(233,322)
Weighted average number of ordinary shares in issue	532,000
Net loss per share (RM)	(0.41)
Effective tax rate	N/A
Statutory tax rate	15%

N/A :- The effective tax rate could not be computed as IFCA (Shanghai) was in a tax loss position in the year under consideration.

- (1) There was no provision for taxation in 2002 due to operating loss incurred.
- (2) There was no extraordinary item included in the income statement for the relevant period under review.
- (3) The net loss per share is calculated based on loss after taxation to the weighted average number of ordinary shares in issue for the respective financial period under review.

11. ACCOUNTANTS' REPORT (cont'd)



6 SUMMARISED BALANCE SHEET

The summarised balance sheets of IFCA, IFCAS, IFCAT, NOSB, IFCA (JB), IFCA (Penang), IFCA (Sarawak), IFCA (Sabah), PTSB and IFCA (Shanghai) based on their audited financial statements, are set out below:-

6.1 IFCA

	At 31 December				
	1998	1999	2000	2001	2002
	RM	RM	RM	RM	RM
NON-CURRENT ASSETS					
Property, plant and equipment	550,196	1,030,475	1,007,381	1,534,690	1,678,657
Deferred development costs	1,560,293	2,908,535	4,546,548	6,784,711	7,366,381
Subsidiary companies	-	-	-	3,099,978	3,781,988
Other investments	-	-	41,600	56,600	128,600
	2,110,489	3,939,010	5,595,529	11,475,979	12,955,626
CURRENT ASSETS					
Trade receivables	-	-	-	2,452,161	3,678,260
Other receivables	52,100	127,942	167,828	1,192,642	674,202
Due from:					
- holding company	458,717	288,240	42,404	339,329	-
- subsidiary companies	-	-	-	1,940,277	3,759,861
- related parties	2,621,634	4,674,818	5,408,083	-	-
Tax recoverable	-	-	-	6,913	18,788
Fixed deposits with licensed banks	-	-	1,550,000	-	-
Cash and bank balances	222,198	1,366,104	191,981	23,259	631,272
	3,354,649	6,457,104	7,360,296	5,954,581	8,762,383
CURRENT LIABILITIES					
Other payables	112,830	474,547	558,088	871,350	415,482
Due to:					
- subsidiary companies	-	-	-	74,689	642,765
- related parties	-	129,042	-	-	-
- a director	508,800	486,800	-	-	-
Hire purchase creditors	-	-	146,856	238,549	101,800
Provision for taxation	8,000	-	1,613	-	-
	629,630	1,090,389	706,557	1,184,588	1,160,047
NET CURRENT ASSETS	2,725,019	5,366,715	6,653,739	4,769,993	7,602,336
	4,835,508	9,305,725	12,249,268	16,245,972	20,557,962

11. ACCOUNTANTS' REPORT (cont'd)



6 SUMMARISED BALANCE SHEET (CONTD.)

6.1 IFCA (CONTD.)

	At 31 December				
	<u>1998</u> RM	<u>1999</u> RM	<u>2000</u> RM	<u>2001</u> RM	<u>2002</u> RM
FINANCED BY:					
SHARE CAPITAL AND RESERVES					
Share capital	2,150,000	2,150,000	2,150,000	2,150,000	2,150,000
Retained profit	2,685,508	7,155,725	10,025,840	14,026,885	18,396,337
	4,835,508	9,305,725	12,175,840	16,176,885	20,546,337
NON-CURRENT LIABILITY					
Hire purchase creditors	-	-	73,428	69,087	11,625
	4,835,508	9,305,725	12,249,268	16,245,972	20,557,962
Net tangible assets per share (RM)	1.52	2.98	3.55	4.37	6.13

11. ACCOUNTANTS' REPORT (cont'd)



6 SUMMARISED BALANCE SHEET (CONTD.)

6.2 IFCAS

	At 31 December				
	1998	1999	2000	2001	2002
	RM	RM	RM	RM	RM
NON-CURRENT ASSET					
Plant and equipment	57,592	209,844	234,909	217,396	181,981
CURRENT ASSETS					
Trade receivables	1,155,990	1,511,287	2,033,855	2,559,046	2,503,800
Other receivables	3,300	3,636	199,492	192,566	94,392
Due from:					
- holding company	-	-	-	48,052	-
- related companies	-	-	-	35,135	209,253
- related parties	1,931	404,077	353,490	694,018	-
- a director	-	45,000	-	-	-
Tax recoverable	-	-	-	-	82,290
Fixed deposits with licensed banks	765,369	-	-	1,300	1,300
Cash and bank balances	744,768	481,664	1,125,191	361,345	515,220
	2,671,358	2,445,664	3,712,028	3,891,462	3,406,255
CURRENT LIABILITIES					
Trade payables	335,771	218,429	120,435	493,582	218,650
Other payables	504,282	716,687	1,064,511	1,151,813	1,137,289
Due to:					
- immediate holding company	-	-	-	845,795	1,014,194
- related companies	-	-	-	40,133	40,180
- related parties	1,652,787	626,200	1,383,928	-	-
Hire purchase creditor	-	-	-	-	18,880
Provision for taxation	41,000	290	77,290	3,426	-
	2,533,840	1,561,606	2,646,164	2,534,749	2,429,193
NET CURRENT ASSETS	137,518	884,058	1,065,864	1,356,713	977,062
	195,110	1,093,902	1,300,773	1,574,109	1,159,043

11. ACCOUNTANTS' REPORT (cont'd)**6 SUMMARISED BALANCE SHEET (CONTD.)****6.2 IFCAS (CONTD.)**

	At 31 December				
	1998	1999	2000	2001	2002
	RM	RM	RM	RM	RM
FINANCED BY:					
SHARE CAPITAL AND RESERVES					
Share capital	100,000	100,000	100,000	700,000	700,000
Retained profit	92,210	991,002	1,174,873	848,209	455,728
	192,210	1,091,002	1,274,873	1,548,209	1,155,728
NON-CURRENT LIABILITY					
Deferred taxation	2,900	2,900	25,900	25,900	3,315
	195,110	1,093,902	1,300,773	1,574,109	1,159,043
Net tangible assets per share (RM)	1.92	10.91	12.75	2.21	1.65

11. ACCOUNTANTS' REPORT (cont'd)**6 SUMMARISED BALANCE SHEET (CONTD.)****6.3 IFCAT**

	At 31 December				
	1998	1999	2000	2001	2002
	RM	RM	RM	RM	RM
NON-CURRENT ASSET					
Plant and equipment	16,976	81,862	62,151	51,440	32,996
CURRENT ASSETS					
Trade receivables	588,471	1,290,241	977,456	175,390	59,875
Other receivables	1,140	820	38,686	14,074	17,328
Due from :					
- a director	-	61,982	-	-	-
- immediate holding company	-	-	-	72,013	263,681
- related companies	-	-	-	7,682	-
- related parties	76,775	290,140	305,050	349,448	-
Tax recoverable	-	-	-	3,439	5,012
Fixed deposits with licensed banks	-	-	14,000	-	-
Cash and bank balances	267,407	316,029	53,081	22,518	29,608
	933,793	1,959,212	1,388,273	644,564	375,504
CURRENT LIABILITIES					
Trade payables	-	96,315	106,726	295	-
Other payables	223,733	368,269	496,316	57,134	15,191
Due to:					
- ultimate holding company	-	-	-	12,555	-
- related companies	-	-	-	32,744	458,773
- related parties	675,098	1,502,901	955,372	148,750	-
	898,831	1,967,485	1,558,414	251,478	473,964
NET CURRENT ASSETS/(LIABILITIES)	34,962	(8,273)	(170,141)	393,086	(98,460)
	51,938	73,589	(107,990)	444,526	(65,464)
FINANCED BY:					
SHARE CAPITAL AND RESERVES					
Share capital	100,000	100,000	100,000	700,000	700,000
Accumulated losses	(48,062)	(26,411)	(207,990)	(255,474)	(765,464)
	51,938	73,589	(107,990)	444,526	(65,464)
Net tangible assets/(net liabilities) per share (RM)	0.52	0.74	(1.08)	0.64	(0.09)

11. ACCOUNTANTS' REPORT (cont'd)**6 SUMMARISED BALANCE SHEET (CONTD.)****6.4 NOSB**

	At 31 December				
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
	RM	RM	RM	RM	RM
NON-CURRENT ASSETS					
Plant and equipment	115,636	93,523	65,655	168,479	133,920
Investment	-	-	-	18,000	5,500
	115,636	93,523	65,655	186,479	139,420
CURRENT ASSETS					
Trade receivables	338,417	220,318	466,613	663,806	578,648
Other receivables	5,627	3,527	11,748	24,025	17,624
Due from:					
- immediate holding company	-	-	-	2,676	379,084
- related companies	-	-	-	8,336	29,381
- related parties	596,988	252,726	45,345	9,524	-
Fixed deposits with licensed banks	-	-	-	200,000	50,000
Cash and bank balances	152,860	94,725	256,529	147,591	108,570
	1,093,892	571,296	780,235	1,055,958	1,163,307
CURRENT LIABILITIES					
Trade payables	663,124	176,318	378,793	452,242	514,140
Other payables	364,611	158,557	186,669	171,746	165,717
Due to:					
- ultimate holding company	-	-	-	3,247	-
- a related company	-	-	-	7,682	2,780
- related parties	64,163	176,039	-	-	-
Hire purchase creditor	33,800	26,216	-	-	-
Provision for taxation	-	-	43,000	43,000	-
	1,125,698	537,130	608,462	677,917	682,637
NET CURRENT (LIABILITIES)/ASSETS	(31,806)	34,166	171,773	378,041	480,670
	83,830	127,689	237,428	564,520	620,090

11. ACCOUNTANTS' REPORT (cont'd)**6 SUMMARISED BALANCE SHEET (CONTD.)****6.4 NOSB (CONTD.)**

	At 31 December				
	1998	1999	2000	2001	2002
	RM	RM	RM	RM	RM
FINANCED BY:					
SHARE CAPITAL AND RESERVES					
Share capital	100,000	100,000	100,000	700,000	700,000
(Accumulated losses)/Retained profit	(42,386)	27,689	132,428	(135,480)	(79,910)
	57,614	127,689	232,428	564,520	620,090
NON-CURRENT LIABILITIES					
Hire purchase creditor	26,216	-	-	-	-
Deferred taxation	-	-	5,000	-	-
	83,830	127,689	237,428	564,520	620,090
Net tangible assets per share (RM)	0.58	1.28	2.32	0.81	0.89

11. ACCOUNTANTS' REPORT (cont'd)**6 SUMMARISED BALANCE SHEET (CONTD.)****6.5 IFCA (JB)**

	At 31 December				
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
	RM	RM	RM	RM	RM
NON-CURRENT ASSET					
Property, plant and equipment	443,617	447,492	436,223	443,327	436,692
CURRENT ASSETS					
Trade receivables	144,082	342,804	382,065	282,393	368,624
Other receivables	5,850	7,682	22,250	25,612	20,555
Due from:					
- related companies	-	-	-	-	4,930
- related parties	807	-	9,216	64,077	-
Cash and bank balances	46,501	110,924	61,291	41,846	58,282
	197,240	461,410	474,822	413,928	452,391
CURRENT LIABILITIES					
Trade payables	41,867	19,137	37,479	9,777	19,397
Other payables	9,938	89,441	112,309	113,996	142,804
Due to:					
- ultimate holding company	-	-	-	9,000	-
- immediate holding company	-	-	-	472,257	611,805
- related companies	-	-	-	980	-
- related parties	825,833	1,062,098	1,054,310	8,474	-
- a director	1,828	1,828	-	-	-
	879,466	1,172,504	1,204,098	614,484	774,006
NET CURRENT LIABILITIES	(682,226)	(711,094)	(729,276)	(200,556)	(321,615)
	(238,609)	(263,602)	(293,053)	242,771	115,077
FINANCED BY:					
SHARE CAPITAL AND RESERVES					
Share capital	2	2	2	700,000	700,000
Accumulated loss	(238,611)	(263,604)	(293,055)	(457,229)	(584,923)
	(238,609)	(263,602)	(293,053)	242,771	115,077
Net tangible assets/(liabilities) per share (RM)	(119,304.50)	(131,801.00)	(146,526.50)	0.35	0.16

11. ACCOUNTANTS' REPORT (cont'd)**6 SUMMARISED BALANCE SHEET (CONTD.)****6.6 IFCA (Penang)**

	At 31 December				
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
	RM	RM	RM	RM	RM
NON-CURRENT ASSETS					
Plant and equipment	1,171	14,501	10,830	29,263	43,985
Investment	-	-	7,174	7,174	7,174
	1,171	14,501	18,004	36,437	51,159
CURRENT ASSETS					
Trade receivables	321,721	548,851	653,762	673,333	864,193
Other receivables	-	-	14,770	44,669	26,322
Due from:					
- related companies	-	-	-	32,932	1,000
- related parties	66	66	-	-	-
Cash and bank balances	89,550	381,380	58,856	23,310	287,374
	411,337	930,297	727,388	774,244	1,178,889
CURRENT LIABILITIES					
Trade payables	34,790	152,728	-	31,273	49,341
Other payables	19,140	182,589	166,560	188,108	343,815
Due to:					
- ultimate holding company	-	-	-	663	-
- holding company	-	-	-	275,054	372,274
- related companies	-	-	-	1,135	38,901
- related parties	440,031	538,316	518,542	-	-
- a director	-	-	-	-	-
Hire purchase creditor	-	-	-	-	6,966
Provision for taxation	-	-	-	-	11,000
	493,961	873,633	685,102	496,233	822,297
NET CURRENT					
(LIABILITIES)/ASSETS	(82,624)	56,664	42,286	278,011	356,592
	(81,453)	71,165	60,290	314,448	407,751

11. ACCOUNTANTS' REPORT (cont'd)



6 SUMMARISED BALANCE SHEET (CONTD.)

6.6 IFCA (Penang) (Contd.)

	At 31 December				
	1998 RM	1999 RM	2000 RM	2001 RM	2002 RM
FINANCED BY:					
SHARE CAPITAL AND RESERVES					
Share capital	10	10	10	300,000	300,000
(Accumulated loss)/ Retained profit	(83,070)	69,548	60,280	14,448	68,554
	(83,060)	69,558	60,290	314,448	368,554
NON-CURRENT LIABILITIES					
Deferred taxation	-	-	-	-	3,600
Hire purchase creditor	-	-	-	-	11,611
Deposits and advance maintenance fees	-	-	-	-	23,986
	-	-	-	-	39,197
	(83,060)	69,558	60,290	314,448	407,751
Net tangible (liabilities)/assets per share (RM)	(8,306.00)	6,955.80	6,029.00	1.05	1.23