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6 SUMMARISED BALANCE SHEET (CONTD.)

6.7 IFCA (Sarawak)

	At 31 December				
	1998	1999	2000	2001	2002
	RM	RM	RM	RM	RM
NON-CURRENT ASSET					
Plant and equipment	35,262	28,677	49,356	50,623	54,320
CURRENT ASSETS					
Trade receivables	161,167	269,567	559,730	692,252	567,800
Other receivables	3,630	3,630	12,362	14,476	11,424
Due from a related company	-	-	-	-	1,500
Cash and bank balances	22,327	51,748	8,294	151,036	143,980
	187,124	324,945	580,386	857,764	724,704
CURRENT LIABILITIES					
Trade payables	4,800	-	-	35,324	24,337
Other payables	24,725	51,306	98,166	165,848	129,057
Due to:					
- immediate holding company	-	-	-	344,437	479,231
- a related company	-	-	-	1,411	2,885
- related parties	190,260	313,329	383,150	-	-
- a director	-	-	100,000	100,000	100,000
Provision for taxation	-	-	9,400	12,375	12,375
	219,785	364,635	590,716	659,395	747,885
NET CURRENT (LIABILITIES)/ASSETS	(32,661)	(39,690)	(10,330)	198,369	(23,181)
	2,601	(11,013)	39,026	248,992	31,139

6 SUMMARISED BALANCE SHEET (CONTD.)

6.7 IFCA (Sarawak) (Contd.)

	At 31 December				
	1998	1999	2000	2001	2002
	RM	RM	RM	RM	RM
FINANCED BY:					
SHARE CAPITAL AND RESERVES					
Share capital	2	2	10	300,000	300,000
(Accumulated loss)/ Retained profit	2,599	(11,015)	32,916	(51,008)	(268,861)
	2,601	(11,013)	32,926	248,992	31,139
NON-CURRENT LIABILITY					
Deferred taxation	-	-	6,100	-	-
	2,601	(11,013)	39,026	248,992	31,139
Net tangible (liabilities)/ assets per share (RM)	1,300.50	(5,506.50)	3,292.60	0.83	0.10

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6 SUMMARISED BALANCE SHEET (CONTD.)

6.8 IFCA (Sabah)

	At 31 December				
	1998	1999	2000	2001	2002
	RM	RM	RM	RM	RM
NON-CURRENT ASSETS					
Plant and equipment	295,682	323,851	62,081	53,522	33,980
Investment	-	30,000	30,000	30,000	30,000
	295,682	353,851	92,081	83,522	63,980
CURRENT ASSETS					
Trade receivables	266,420	303,219	254,508	602,537	434,508
Other receivables	33,868	18,522	231,873	8,696	12,300
Due from:					
- related parties	104,193	53,143	-	-	-
- a director	19,998	19,998	-	-	-
Cash and bank balances	25,577	71,126	148,542	236,049	68,141
	450,056	466,008	634,923	847,282	514,949
CURRENT LIABILITIES					
Trade payables	-	-	28,464	34,079	10,053
Other payables	188,151	146,286	137,415	252,308	423,894
Due to:					
- immediate holding company	-	-	-	-	162,222
- related company	-	-	-	-	24
- related parties	234,837	184,439	155,673	398,298	-
- a director	-	2,259	-	-	-
Provision for taxation	-	-	-	-	-
	422,988	332,984	321,552	684,685	596,193
NET CURRENT ASSETS/ (LIABILITIES)	27,068	133,024	313,371	162,597	(81,244)
	322,750	486,875	405,452	246,119	(17,264)

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6 SUMMARISED BALANCE SHEET (CONTD.)

6.8 IFCA (Sabah) (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	100,000	250,000
Retained profit/ (Accumulated loss)	221,250	385,375	303,952	146,119	(267,264)
	321,250	485,375	403,952	246,119	(17,264)
NON-CURRENT LIABILITY					
Deferred taxation	1,500	1,500	1,500	-	-
	322,750	486,875	405,452	246,119	(17,264)
Net tangible assets/ (liabilities) per share (RM)	3.21	4.85	4.04	2.46	(0.07)

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6 SUMMARISED BALANCE SHEET (CONTD.)

6.9 PTSB

	At 31 December				
	1998	1999	2000	2001	2002
	RM	RM	RM	RM	RM
NON-CURRENT ASSETS					
Plant and equipment	-	-	-	3,627	5,772
Deferred expenditure	3,442	3,742	-	-	-
	3,442	3,742	-	3,627	5,772
CURRENT ASSETS					
Trade receivables	-	-	-	411,562	944,816
Other receivables	-	-	2,722	16,331	9,600
Due from:					
- related companies	-	-	-	-	297,479
- related parties	-	-	-	148,900	-
Cash and bank balances	10	10	3,434	131,905	39,859
	10	10	6,156	708,698	1,291,754
CURRENT LIABILITIES					
Trade payables	-	-	-	29,620	91,804
Other payables	942	1,242	2,042	112,960	134,581
Due to:					
- a director	2,500	2,500	2,500	2,500	-
- immediate holding company	-	-	-	-	1,041,201
- ultimate holding company	-	-	-	-	4,082
- related parties	-	-	25,766	644,054	-
Provision for taxation	-	-	-	-	37,700
	3,442	3,742	30,308	789,134	1,309,368
NET CURRENT LIABILITIES	(3,432)	(3,732)	(24,152)	(80,436)	(17,614)
	10	10	(24,152)	(76,809)	(11,842)
FINANCED BY:					
SHARE CAPITAL AND RESERVES					
Share capital	10	10	10	10	10
Accumulated loss	-	-	(24,162)	(76,819)	(11,852)
	10	10	(24,152)	(76,809)	(11,842)
Net tangible liabilities per share (RM)	(343.20)	(373.20)	(2,415.20)	(7,680.90)	(1,184.20)

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6 SUMMARISED BALANCE SHEET (CONTD.)

6.10 IFCA (Shanghai)

	At 31 December 2002 RM
NON-CURRENT ASSETS	
Plant and equipment	61,146
Deferred expenditure	43,723
	104,869
CURRENT ASSETS	
Other receivables	21,227
Cash and bank balances	259,862
	281,089
CURRENT LIABILITIES	
Other payables	2,044
Due to immediate holding company	84,364
	86,408
NET CURRENT ASSETS	194,681
	299,550
FINANCED BY:	
SHARE CAPITAL AND RESERVES	
Share capital	532,000
Accumulated loss	(233,322)
Exchange reserve	872
	299,550
Net tangible assets per share (RM)	0.48

7 PROFORMA STATEMENTS OF ASSETS AND LIABILITIES

The proforma statements of assets and liabilities of IFCA Group which have been prepared for illustrative purposes only, to show the effects of events subsequent to 31 December 2002 and the date of this Report as set out in Note 13 and the Public Issue as set out in Note 1 to this Report, have been drawn up based on the audited financial statements of IFCA and its subsidiary companies as at 31 December 2002.

	Note	Audited Group as at 31 December 2002	← Proforma Group as at 31 December 2002 →			
			Bonus Issue (I)	After (I) and Property Acquisitions (II)	After (II) and Share Split (III)	After (III) and Public Issue (IV)
		RM	RM	RM	RM	RM
NON-CURRENT ASSETS						
Property, plant and equipment	9.2	2,663,449	2,663,449	8,440,449	8,440,449	8,440,449
Deferred development costs	9.3	7,410,104	7,410,104	7,410,104	7,410,104	7,410,104
Other investments	9.4	171,274	171,274	171,274	171,274	171,274
		10,244,827	10,244,827	16,021,827	16,021,827	16,021,827
CURRENT ASSETS						
Trade receivables	9.5	10,000,524	10,000,524	10,000,524	10,000,524	10,000,524
Other receivables	9.6	904,974	904,974	904,974	904,974	436,217
Tax recoverable		106,090	106,090	106,090	106,090	106,090
Fixed deposits with licensed banks		51,300	51,300	51,300	51,300	51,300
Cash and bank balances	9.7	2,142,168	2,142,168	2,142,168	2,142,168	15,296,925
		13,205,056	13,205,056	13,205,056	13,205,056	25,891,056
CURRENT LIABILITIES						
Trade payables	9.8	927,722	927,722	927,722	927,722	927,722
Other payables	9.9	2,915,304	2,915,304	2,915,304	2,915,304	2,915,304
Due to:						
- holding company	9.10	4,082	4,082	4,082	4,082	4,082
- a director	9.11	100,000	100,000	100,000	100,000	100,000
Hire purchase creditors	9.12	127,646	127,646	127,646	127,646	127,646
Provision for taxation		61,075	61,075	61,075	61,075	61,075
		4,135,829	4,135,829	4,135,829	4,135,829	4,135,829
NET CURRENT ASSETS		9,069,227	9,069,227	9,069,227	9,069,227	21,755,227
		19,314,054	19,314,054	25,091,054	25,091,054	37,777,054

7 PROFORMA STATEMENTS OF ASSETS AND LIABILITIES (CONTD.)

	Note	Audited Group as at 31 December 2002	← Proforma Group as at 31 December 2002 → Bonus Issue (I)	After (I) and Property Acquisitions (II)	After (II) and Share Split (III)	After (III) and Public Issue (IV)
		RM	RM	RM	RM	RM
FINANCED BY:						
SHARE CAPITAL AND RESERVES						
Share capital	9.13	2,150,000	14,600,000	20,377,000	20,377,000	27,620,000
Share premium	9.14	-	-	-	-	5,443,000
Retained profit	9.15	16,966,990	4,516,990	4,516,990	4,516,990	4,516,990
Exchange reserve		872	872	872	872	872
		19,117,862	19,117,862	24,894,862	24,894,862	37,580,862
Goodwill	9.16	(111,647)	(111,647)	(111,647)	(111,647)	(111,647)
Minority interests		253,702	253,702	253,702	253,702	253,702
		19,259,917	19,259,917	25,036,917	25,036,917	37,722,917
NON-CURRENT LIABILITIES						
Deposits and advance maintenance fees	9.9	23,986	23,986	23,986	23,986	23,986
Hire purchase creditors	9.12	26,551	26,551	26,551	26,551	26,551
Deferred taxation	9.17	3,600	3,600	3,600	3,600	3,600
		54,137	54,137	54,137	54,137	54,137
		19,314,054	19,314,054	25,091,054	25,091,054	37,777,054
Net Tangible Assets per share		5.39	0.79	0.85	* 0.09	* 0.11

Note
* Upon implementation of the share split, the net tangible assets per share is calculated based on the number of ordinary shares of 10 sen each in issue.

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8 CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2002

The consolidated cash flow statement of the Audited Group for the year ended 31 December 2002 is set out below based on the audited financial statements of IFCA and its subsidiary companies as at 31 December 2002.

	RM
Cash flows from operating activities	
Profit before taxation	2,916,921
Adjustments for:	
Depreciation of property, plant and equipment	712,201
Amortisation of deferred development costs	3,096,213
Hire purchase interest	30,601
Provision for doubtful debts	401,550
Interest on short term deposit	(4,248)
Provision for diminution in value of investment	12,500
Property, plant and equipment written off	1,384
Operating profit before working capital changes	7,167,122
Working capital changes:	
Receivables	(926,085)
Payables	(131,747)
Directors	(2,500)
Balance with holding company	365,998
Balances with related parties	681,360
	(12,974)
Cash generated from operations	7,154,148
Taxation paid	(103,463)
Net cash generated from operating activities	7,050,685
Cash flows from investing activities	
Interest received	4,248
Purchase of club memberships	(72,000)
Purchase of property, plant and equipment	(742,087)
Development costs	(3,721,606)
Acquisition of subsidiaries net of cash acquired	(1,019,979)
Net cash used in investing activities	(5,551,424)
Balance carried forward	1,499,261

8 CONSOLIDATED CASH FLOW STATEMENT (CONTD.)

	RM
Balance brought forward	1,499,261
Cash flows from financing activities	
Interest paid	(30,601)
Financing of computer laptops purchased by employees through hire purchase contracts	36,992
Payments to hire purchase creditor	(284,389)
Net cash used in financing activities	(277,998)
Net increase in cash and cash equivalents	1,221,263
Cash and cash equivalents at 1 January	970,905
Cash and cash equivalents at 31 December	2,192,168
Cash and cash equivalents comprise the following:	
Fixed deposits with licensed banks	50,000
Cash and bank balances	2,142,168
	2,192,168

A fixed deposit of RM1,300 (2001: RM1,300) is pledged as security for a bank guarantee facility granted to a subsidiary company.

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9 NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES

The following accounting policies are adopted by the Group and are consistent with those adopted in previous years.

9.1 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention.

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those companies in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences which were not previously recognised in the consolidated income statement.

Minority interest is measured at the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the acquiree.

9 NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES (CONTD.)

9.1 SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(c) Goodwill

Goodwill represents the difference between the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary.

Goodwill is stated at cost less accumulated amortisation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 9.1(m). Goodwill is presented separately in the balance sheet.

Goodwill is not amortised but is written down when impairment in the carrying amount is noted.

(d) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (if any), except for freehold land which is stated at cost and is not depreciated. The policy for the recognition and measurement of impairment losses is in accordance with Note 9.1(m).

Long leasehold land is amortised over the lease period of 97 years.

Depreciation of plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the expected useful life as follows:

Buildings and apartments	1% - 2%
Motor vehicles	20%
Computer equipment	18% - 20%
Office equipment	10% - 20%
Furniture and fittings	10%
Renovation	20%
Air-conditioners	10% - 12%
Signboard	10% - 50%

Upon the disposal of an asset, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

(e) Deferred development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Expenditure on development activities is also recognised as an expense in the period incurred except when the expenditure meet the following criteria where it will be capitalised as intangible assets:

(a) the product or process is clearly defined and costs are separately identified and measured reliably;

9 NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES (CONTD.)

9.1 SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(b) the technical feasibility of the product is demonstrated;

(c) the product or process will be sold or used in-house;

(d) the assets will generate future economic benefits (e.g. a potential market exists for the product or its usefulness in case of internal use is demonstrated); and

(e) adequate technical, financial and other resources required for completion of the project are available.

Development costs initially recognised as an expense are not recognised as an asset in subsequent periods.

Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement based on a straight-line basis over 5 years. The policy for the recognition and measurement of impairment losses is in accordance with Note 9.1(m).

(f) Investments in subsidiaries

The Company's investments in subsidiaries are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 9.1(m). On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is charged or credited to the income statement.

(g) Provisions for liabilities

Provisions for liabilities are recognised when the Group or 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.

(h) Hire purchase commitments

Assets acquired by way of hire purchase are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. 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 Group's incremental borrowing rate is used.

9 NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES (CONTD.)

9.1 SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(h) Hire purchase commitments (Contd.)

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is consistent with that for depreciable property, plant and equipment as described in Note 9.1(d).

(i) Deferred taxation

The tax expense for the year is based on the profit for the year, as adjusted for tax purposes, together with a charge or credit for deferred taxation.

Deferred taxation is provided for by the liability method for all timing differences except when there is reasonable evidence that these timing differences will not reverse in the foreseeable future. Deferred tax benefits are only recognised when there is a reasonable expectation of realisation in the near future.

(j) Cash and cash equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank, deposits at call and short term highly liquid investments which have insignificant risk of changes in value.

(k) Revenue recognition

Revenue is recognised when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price is fixed or determinable and collectibility is reasonably assured.

Deposits and maintenance fees received in advance from customers are recognised as revenue over the respective periods to correlate with the delivery of goods or service obligations, as applicable.

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9 NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES (CONTD.)

9.1 SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(l) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are recorded in Ringgit Malaysia at the rates of exchange prevailing at the time of transactions, where settlement has not taken place at balance sheet date, at the rates prevailing at that date or at contracted rates, as applicable.

At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rate ruling at that date. Non-monetary items which are carried at historical cost are translated using the historical rate as of the date of acquisition and non monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined.

All exchange differences are taken to the income statement.

(ii) Foreign entities

Financial statements of foreign subsidiary are translated at year-end exchange rate with respect to the assets and liabilities, and at exchange rates at the dates of the transactions with respect to the income statement. All resulting translation differences are included in the foreign exchange reserve in shareholders' equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the Company and translated at the exchange rate ruling at the date of the transaction.

The principal exchange rate for the translation of foreign subsidiary's financial statements is as follows:

	2002 RM
1 Chinese Yuan Renminbi	0.4599

9 NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES (CONTD.)

9.1 SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(m) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its assets, other than assets arising from construction contracts, deferred tax assets and financial assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

An impairment loss is charged to the income statement immediately.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately.

(n) Operating lease

Operating lease payments are charged to the income statement on a straight-line basis over the term of the relevant lease.

(o) Financial instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Other non-current investments

Non-current investments other than investments in subsidiaries are stated at cost less provision for any permanent diminution in value. Such provision is made when there is a decline other than temporary in the value of investments and is recognised as an expense in the period in which the decline occurred. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged or credited to the income statement.

9 NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES (CONTD.)

9.1 SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(o) Financial instruments (Contd.)

(i) (Contd.)

Investments in quoted shares are carried at the lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increases or decreases in the carrying amount of quoted shares are credited or charged to the income statement. On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is charged or credited to the income statement.

(ii) Trade receivables

Trade receivables are recognised and carried at original invoiced amounts less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Known bad debts are written off immediately.

(iii) Trade payables

Liabilities for trade payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(iv) Equity instruments

Ordinary shares are classified as equity.

The transaction costs of an equity transaction, other than in the context of a business combination, are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided. Cost of issuing equity securities in connection with a business combination are included in the cost of acquisition.

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9 NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES (CONTD.)

9.2 PROPERTY, PLANT AND EQUIPMENT

	Buildings and apartments RM	Motor vehicles RM	Computer equipment RM	Office equipment RM	Furniture and fittings RM	Air conditioners RM	Renovation and signboards RM	Total RM
COST								
Audited Group, at 1 January 2002	901,160	861,659	1,381,633	123,863	117,270	121,473	221,424	3,728,482
Additions	-	497,267	318,637	16,464	297	1,080	2,300	836,045
Written off	-	-	-	-	-	(1,730)	-	(1,730)
Arising from acquisition of subsidiaries	-	51,595	136,986	47,238	15,435	11,920	14,985	278,159
Audited Group, at 31 December 2002	901,160	1,410,521	1,837,256	187,565	133,002	132,743	238,709	4,840,956
Arising from acquisition of properties	5,777,000	-	-	-	-	-	-	5,777,000
After acquisition of properties	6,678,160	1,410,521	1,837,256	187,565	133,002	132,743	238,709	10,617,956
ACCUMULATED DEPRECIATION								
Audited Group, at 1 January 2002	26,287	271,661	686,169	46,443	32,211	43,872	126,621	1,233,264
Charge for the year	13,854	272,952	335,485	18,781	12,002	14,923	44,204	712,201
Written off	-	-	-	-	-	(346)	-	(346)
Arising from acquisition of subsidiaries	-	47,628	109,679	46,108	11,083	3,362	14,528	232,388
Audited Group, at 31 December 2002	40,141	592,241	1,131,333	111,332	55,296	61,811	185,353	2,177,507
Arising from acquisition of properties	-	-	-	-	-	-	-	-
After acquisition of properties	40,141	592,241	1,131,333	111,332	55,296	61,811	185,353	2,177,507

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9 NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES (CONTD.)

9.2 PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	Buildings and apartments RM	Motor vehicles RM	Computer equipment RM	Office equipment RM	Furniture and fittings RM	Air conditioners RM	Renovation and signboards RM	Total RM
NET BOOK VALUE								
Audited Group, at 31 December 2002	861,019	818,280	705,923	76,233	77,706	70,932	53,356	2,663,449
After Poperty Acquisitions (Note 12)	6,638,019	818,280	705,923	76,233	77,706	70,932	53,356	8,440,449

The title deed for the freehold land and building and the strata title for the freehold apartments have yet to be issued by the relevant authority.

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9 NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES (CONTD.)

9.2 PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Net book values of plant and equipment held under hire purchase arrangements are as follows:

	RM
Motor vehicle	59,014
Computer equipment	24,584
	83,598

Acquisitions of plant and equipment during the financial year were made by way of the following arrangements:

	RM
Hire purchase contracts	93,958
Cash payments	742,087
	836,045

9.3 DEFERRED DEVELOPMENT COSTS

	Audited Group as at 31 December 2002 RM
At 1 January	6,784,711
Additions for the year	3,721,606
	10,506,317
Less: Amortisation for the year	(3,096,213)
At 31 December	7,410,104
Additions for the year include the following:	
Directors' remuneration	6,784,711
Staff costs	3,721,606
	10,506,317

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9 NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES (CONTD.)

9.4 OTHER INVESTMENTS

	Audited Group as at 31 December 2002 RM
At cost	
Investments in club memberships	165,774
At cost	
Quoted investments	18,000
Less: Provision for diminution in value	(12,500)
	5,500
As at 31 December	171,274
Market value of quoted investments	5,500

9.5 TRADE RECEIVABLES

	RM
Amounts receivable	
- others	7,159,651
- related parties	3,678,260
	10,837,911
Less: Provision for doubtful debts	
At 1 January	(563,918)
Provision in subsidiaries acquired	(51,719)
Provision for the year	(401,550)
Bad debts recovered	42,672
Bad debts written off	137,128
At 31 December	(837,387)
	10,000,524

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9 NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES (CONTD.)

9.6 OTHER RECEIVABLES

	Audited Group as at 31 December 2002	← Proforma Group as at 31 December 2002 →			
		Bonus Issue (I)	After (I) and Property Acquisitions (II)	After (II) and Share Split (III)	After (III) and Public Issue (IV)
	RM	RM	RM	RM	RM
Deposits	274,064	274,064	274,064	274,064	274,064
Prepayments	504,118	504,118	504,118	504,118	35,361
Others debtors	126,792	126,792	126,792	126,792	126,792
	904,974	904,974	904,974	904,974	436,217

The reduction in prepayment represents prepaid share issue expenses amounting to RM468,757 which is chargeable against share premium arising.

9.7 CASH AND BANK BALANCES

	Audited Group as at 31 December 2002	← Proforma Group as at 31 December 2002 →			
		Bonus Issue (I)	After (I) and Property Acquisitions (II)	After (II) and Share Split (III)	After (III) and Public Issue (IV)
	RM	RM	RM	RM	RM
Cash and bank balances	2,142,168	2,142,168	2,142,168	2,142,168	2,142,168
Add: Proceeds from Public Issue	-	-	-	-	13,154,757
	2,142,168	2,142,168	2,142,168	2,142,168	15,296,925

The proceeds from the Public Issue is derived after deducting RM1,331,243 of estimated share issue expenses.

9.8 TRADE PAYABLES

The trade credit terms granted to the Group vary between 30 to 60 days although in practice it is customary for certain suppliers to extend credit terms to exceed 60 days but generally not more than 12 months.

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9 NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES (CONTD.)

9.9 OTHER PAYABLES

	Audited Group as at 31 December 2002 RM
Accruals	541,413
Others	190,624
	732,037
Deposits and advance maintenance fees	2,207,253
Less: Due after 12 months	(23,986)
	2,183,267
	2,915,304

9.10 HOLDING COMPANY

The holding company is IFCA Software (Asia) Sdn Bhd, a company incorporated in Malaysia.

The amount due to holding company is unsecured, non-interest bearing and has no fixed term of repayment.

9.11 AMOUNT DUE TO A DIRECTOR

The amount due to a director is unsecured, non-interest bearing and has no fixed term of repayment.

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9 NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES (CONTD.)

9.12 HIRE PURCHASE CREDITORS

	Audited Group as at 31 December 2002 RM
Minimum lease payments:	
Not later than 1 year	139,379
Later than 1 year and not later than 5 years	31,138
	170,517
Less: Future finance charges	(16,320)
Present value of finance lease liabilities	154,197
Present value of hire purchase liabilities:	
Not later than 1 year	127,646
Later than 1 year and not later than 5 years	26,551
	154,197
Analysed as:	
Due within 12 months	127,646
Due after 12 months	26,551
	154,197

The hire purchase liabilities of the Group bear interest at rates between 9.23% and 11.01% per annum.

9.13 SHARE CAPITAL

	Audited	← Proforma Group as at 31 December 2002			→
	Audited Group as at 31 December 2002 RM	Bonus Issue (I) RM	After (I) and Property Acquisitions (II) RM	After (II) and Share Split (III) RM	After (III) and Public Issue (IV) RM
Issued and fully paid:					
Number of ordinary shares of RM1.00 each	2,150,000	14,600,000	20,377,000	-	-
Nominal value (RM)	2,150,000	14,600,000	20,377,000	-	-
Number of ordinary shares of 10 sen each	-	-	-	203,770,000	276,200,000
Nominal value (RM)	-	-	-	20,377,000	27,620,000

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9 NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES (CONTD.)

9.14 SHARE PREMIUM

	Audited Group as at 31 December 2002	← Proforma Group as at 31 December 2002 →			
		Bonus Issue (I)	After (I) and Property Acquisitions (II)	After (II) and Share Split (III)	After (III) and Public Issue (IV)
	RM	RM	RM	RM	RM
New issue of 72,430,000 ordinary shares of 10 sen each at a premium of 10 sen per share	-	-	-	-	7,243,000
Less: Estimated share issue expenses	-	-	-	-	(1,800,000)
	-	-	-	-	5,443,000

The estimated share issue expenses of RM1,800,000 is written off against the share premium arising therefrom, of which an amount of RM468,757 was prepaid.

9.15 RETAINED PROFIT

	Audited Group as at 31 December 2002	← Proforma Group as at 31 December 2002 →			
		Bonus Issue (I)	After (I) and Property Acquisitions (II)	After (II) and Share Split (III)	After (III) and Public Issue (IV)
	RM	RM	RM	RM	RM
Retained profit	16,966,990	16,966,990	16,966,990	16,966,990	16,966,990
Less: Bonus issue	-	(12,450,000)	(12,450,000)	(12,450,000)	(12,450,000)
	16,966,990	4,516,990	4,516,990	4,516,990	4,516,990

As at balance sheet date, the Company has sufficient tax exempt account balances to distribute RM11,816,000 (2001: RM7,389,000) as tax-exempt dividends. The Company also has estimated Section 108 tax credit under Income Tax Act 1965 to frank the payment of dividends amounting to approximately RM69,000 out of its retained profit as at balance sheet date. Any distribution of dividend in excess of these amounts will be subjected to taxation at the current prevailing rate.

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9 NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES (CONTD.)

9.16 GOODWILL

	Audited Group as at 31 December 2002 RM
At cost	
At 1 January	(105,568)
Arising from acquisitions of subsidiaries	217,215
At 31 December	111,647

9.17 DEFERRED TAXATION

	RM
At 1 January	25,900
Transfer to income statement	(22,300)
At 31 December	3,600

The deferred taxation arises from:

	RM
Capital allowances claimed in advance of depreciation	4,600
Others	(1,000)
	3,600

9.18 SIGNIFICANT RELATED COMPANY TRANSACTIONS

	RM
Rent payable to holding company	560,256
Purchase of property, plant and equipment from holding company	423,500

The directors of the Company are of the opinion that the above transactions were entered into in the normal course of business and at terms mutually agreed between the parties. There are no practical means available to identify the balances outstanding at balance sheet date, with respect to the above transactions.

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9 NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES (CONTD.)

9.19 SIGNIFICANT RELATED PARTY TRANSACTIONS

Transactions with companies where directors have financial interests:

	Royalty receivable RM	Sales RM
- IFCA Consulting (Sabah) Sdn Bhd	27,387	9,600
- Push Technology Sdn Bhd	356,986	37,200
- IFCA Software Ltd	4,164,879	14,800
- IFCA Consulting Pte Ltd	-	4,800

The directors of the Company are of the opinion that the above transactions were entered into in the normal course of business and at terms mutually agreed between the parties. There are no practical means available to identify the balances outstanding at balance sheet fate, with respect to the above transactions.

Transactions with IFCA Consulting (Sabah) Sdn Bhd and Push Technology Sdn Bhd occurred before these companies were acquired by the Group.

9.20 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

During the financial year:

(i) the Company obtained the approval from the relevant authority for the establishment of a subsidiary, IFCA (Shanghai) in the People's Republic of China with an initial investment of RM532,000;

(ii) the Group acquired a 60% equity interest in IFCA Consulting (Sabah) Sdn Bhd for a cash consideration of RM150,000; and

(iii) the Group acquired the entire equity interest in Push Technology Sdn Bhd for a cash consideration of RM10.

9.21 CAPITAL COMMITMENTS

The capital commitments as at 31 December 2002 are as follows:

	RM
Capital expenditure	
- approved and contracted for	5,796,928

9 NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES (CONTD.)

9.22 FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exchange, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's current policy is not to engage in speculative transactions.

(b) Interest rate risk

The Group's primary interest rate risk relates to interest-bearing for hire purchase creditors as the Group had no substantial long-term interest-bearing liabilities as at 31 December 2002. The investment in financial assets are mainly short term in nature and they are not held for speculative purposes but have been mostly placed in fixed deposit. The deposit placements at balance sheet date are short term and therefore its exposure to the effect of future changes in the prevailing level of interest rates is limited.

(c) Foreign currency risk

The Group has no material exposure to foreign exchange risk as majority of the Group's transactions are denominated in Ringgit Malaysia. The Company's foreign subsidiary, IFCA (Shanghai), was only established during the financial year and does not pose a material foreign exchange risk as at balance sheet date. However, the Group will continue to monitor the risks arising form foreign exchange from time to time and will formulate appropriate strategies should the risk becomes material.

(d) Liquidity risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements.

(e) Credit risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high creditworthiness.

Trade receivables are monitored on an ongoing basis via the Group credit control and management reporting procedures. The Group does not have any significant exposure to any individual customer or counter party nor does it have any major concentration of credit risk related to any financial instruments.

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10 PROCEEDS FROM PROPOSED LISTING

The proceeds from the Proposed Listing will be utilised in the following manner:

	RM
Proposed overseas investments	1,500,000
Research and development expenditure	7,000,000
Renovation and upgrading of computers and other office equipment	1,000,000
Working capital	3,186,000
Estimated listing expenses	1,800,000
	14,486,000

The listing expenses are further analysed as follows:

	RM
Professional fees	850,000
Regulatory authorities fees	32,500
Underwriting/placement fee	500,000
Brokerage fee	120,000
Printing and advertising fees	200,000
Miscellaneous	97,500
	1,800,000

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11 PROFORMA NET TANGIBLE ASSETS PER ORDINARY SHARE

Based on the Proforma Statement of Assets and Liabilities of IFCA Group (after the Proposed Public Issue) as at 31 December 2002, the proforma net tangible assets per ordinary share of 10 sen each is arrived at as follows:

	RM
Proforma net tangible assets as at 31 December 2002	30,059,111
Enlarged number of ordinary shares of 10 sen each in issue	276,200,000
Proforma net tangible assets per ordinary share (sen)	11

12 EVENTS SUBSEQUENT TO BALANCE SHEET DATE AND THE DATE OF THIS REPORT

(a) Authorised Share Capital

On 24 March 2003, the Company increased its authorised share capital from RM5,000,000 to RM50,000,000 through the creation of 45,000,000 ordinary shares of RM1 each.

(b) Bonus Issue

The Company made a bonus issue of 12,450,000 new ordinary shares of RM1 each to the existing shareholders of the Company on the basis of approximately 5.79 new ordinary shares for every one (1) existing ordinary share held in the Company by the capitalisation of RM12,450,000 out of retained profits. The issued and paid-up share capital has since been increased to RM14,600,000. The bonus shares rank pari passu with the then existing shares of the Company in all respects.

(c) Property Acquisitions

The Company entered into conditional agreements with its holding company, IFCA Software (Asia) Sdn Bhd, to acquire landed properties for a total consideration of RM5,777,000 to be wholly satisfied by the issuance of 5,777,000 new ordinary shares of RM1 each.

With the completion of the acquisition of these landed properties, the issued and paid-up share capital of the Company increased to RM20,377,000 comprising 20,377,000 ordinary shares of RM1 each.

(d) Share Split

The subdivision of every existing one (1) ordinary share of RM1 par value each in the Company into ten (10) new ordinary shares of RM0.10 par value each. Following the completion of the share split, the Company's issued and paid-up share capital comprised 203,770,000 share of RM0.10 par value each.

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13 AUDITED FINANCIAL STATEMENTS

There have been no financial statements prepared in respect of any period subsequent to 31 December 2002 for the Group.

Yours faithfully,

ERNST & YOUNG
AF :0039
Chartered Accountants

See Huey Beng 1495/03/05 (J)
Partner
Kuala Lumpur