Infortech Alliance Bhd. (439230-A)
(Formerly known as Infortech MSC Sdn. Bhd.)
58-1, Jalan PJS11/28A, Bandar Sunway, 46150 Petaling Jaya, Selangor Darul Ehsan, Malaysia
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Registered Office:
No. 58-1, Jalan PJS 11/28A
Bandar Sunway
46150 Petaling Jaya
Selangor Darul Ehsan

16 June 2003

The Shareholders

Infortech Alliance Berhad ("IAB" or "Company")

Dear Sir/Madam

On behalf of the Board of Directors of IAB, I report that after making due enquiries in relation to the interval between 31 December 2002, being the date to which the last audited accounts of the Company and its subsidiary companies have been made up, and 16 June 2003, being a date not earlier than fourteen (14) days before the issue of this Prospectus:-

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

(b) In the opinion of the Directors, save as disclosed in **Section 4.20 and 4.21** of this Prospectus, no circumstances have arisen since the last audited accounts of the Company and its subsidiary companies which have adversely affected the trading or the value of the assets of the Company or its subsidiary companies;

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

(d) Save as disclosed in **Section 5.7** of this Prospectus, no contingent liabilities have arisen by reason of any guarantees or indemnities given by the Company or its subsidiary companies;

(e) There have not been, since the last audited accounts of the Company and its subsidiary companies, any default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings in which they are aware of; and

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

Yours faithfully
For and on behalf of the Board of Directors of
Infortech Alliance Berhad

Tan Teong Boon
Managing Director

NatCom
Powers Business Across Borders

MSC-Status Company

Horwath

Horwath (AF No 1018)
Kuala Lumpur Office
Chartered Accountants

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16 June 2003

The Board of Directors
Infortech Alliance Berhad
(formerly known as Infortech MSC Sdn. Bhd.)
No. 58-1, Jalan PJS 11/28A
Bandar Sunway
46150 Petaling Jaya,
Selangor Darul Ehsan.

Dear Sirs/Madam

INFORTECH ALLIANCE BERHAD (FORMERLY KNOWN AS INFORTECH MSC SDN. BHD.) ("THE COMPANY" OR "IAB")

ACCOUNTANTS' REPORT

1. PURPOSE OF REPORT

This report has been prepared by Horwath (formerly practising under the name Horwath Mok & Poon), an approved company auditor, for inclusion in the Prospectus of Infortech Alliance Berhad ("the Company" or "IAB") to be dated 30 June 2003 in connection with the proposed public issue of 15,000,000 new ordinary shares of RM0.10 each in IAB at an issue price of RM0.37 per share and the listing of and quotation for the entire enlarged issued and paid-up share capital of IAB on the MESDAQ Market of the Kuala Lumpur Stock Exchange ("KLSE").

2. DETAILS OF IAB AND ITS SUBSIDIARIES

2.1 THE COMPANY

The Company was incorporated on 14 July 1997 in Malaysia as a private company limited by shares under the Malaysian Companies Act, 1965 under the name of Infortech Hypersoft Sdn. Bhd. The Company changed its name to Infortech MSC Sdn. Bhd. on 9 September 1997. On 10 December 2002, the Company changed its name again to Infortech Alliance Sdn. Bhd. The Company assumed its present name upon its conversion to a public limited company on 16 December 2002.

The Company is principally involved in the business of developing intellectual property rights and providing research and development and software services, and investment holding.

2.2 LISTING SCHEME

In conjunction with and as an integral part of the proposed listing of and quotation for the entire enlarged issued and fully paid-up ordinary share capital of IAB on the MESDAQ Market of the KLSE, the Company undertook the following proposals which had been approved by the relevant authorities:-

(a) conversion of the existing 413,221 Redeemable Convertible Preference Shares ("RCPS") of RM0.10 each in IAB on the basis of one (1) new ordinary share of RM1.00 each in IAB for every one (1) existing RCPS held ("Conversion of RCPS");

(b) bonus issue to the existing shareholders of IAB amounting to 1,745,191 new ordinary shares of RM1.00 each in IAB after the Conversion of RCPS. The bonus issue is effected via capitalisation from the share premium account and retained profits of the IAB ("Bonus Issue");

(c) sub-division of one (1) ordinary share of RM1.00 each in IAB into ten (10) ordinary shares of RM0.10 each. This would result in the increase in the number of ordinary shares in issue from 4,500,000 ordinary shares of RM1.00 each to 45,000,000 ordinary shares of RM0.10 each ("Sub-division of Shares");

(d) Proposed Public Issue of 15,000,000 new ordinary shares of RM0.10 each in IAB at an issue price of RM0.37 per share to the Malaysian public, institutional and individual investors, eligible directors and employees of IAB ("Proposed Public Issue"); and

(e) proposed listing of and quotation for the entire enlarged issued and paid-up share capital of IAB comprising 60,000,000 ordinary shares of RM0.10 each on the MESDAQ Market of the KLSE.

2.3 DETAILS OF THE SUBSIDIARIES

A summary of the details of the subsidiaries of IAB is as follows:-

Name	Date and Country of incorporation	Issued and paid-up share capital	Effective equity interest %	Principal activities
ISSB	22 October 1990 / Malaysia	RM1,000,000	100	Marketing and support of atCom Hospitality Suite/ System Integration/ Network Solutions
IASB	25 April 1994 / Malaysia	RM758,000	100	Marketing and support of Group's product
IAIPL	24 September 1997 / India	Rs500,000	60	Software development and export

Notes:-

ISSB - Infortech Software Sdn. Bhd.
IASB - Infortech Alliance Sdn. Bhd.
IAIPL - Infortech Alliance India Private Limited, interest held through ISSB.

3. SHARE CAPITAL

As at the date of this Report, the authorised share capital of IAB is RM10,000,000 comprising 100,000,000 ordinary shares of RM0.10 each.

The issued and paid-up share capital of IAB as of the date of this Report is RM4,500,000 comprising 45,000,000 ordinary shares of RM0.10 each.

The changes in the issued and paid-up share capital of the Company since the date of incorporation are as follows:-

Ordinary Shares

Date of allotment/ sub-division	Number of ordinary shares issued	Resultant number of ordinary shares in issue	Par value	Consideration/ Type of issue	Cumulative issued and paid-up ordinary share capital
			RM per share		RM
14 July 1997	2	2	1.00	Subscriber shares	2
12 November 1999	2,998	3,000	1.00	Cash	3,000
8 December 1999	7,000	10,000	1.00	Cash	10,000
18 March 2002	540,000	550,000	1.00	Cash	550,000
29 October 2002	270,000	820,000	1.00	Cash	820,000
29 November 2002	1,271,070	2,091,070	1.00	Acquisition of ISSB	2,091,070
29 November 2002	250,518	2,341,588	1.00	Acquisition of IASB	2,341,588
16 May 2003	413,221	2,754,809	1.00	Conversion of RCPS	2,754,809
28 May 2003	1,745,191	4,500,000	1.00	Bonus Issue	4,500,000
30 May 2003	40,500,000	45,000,000	0.10	Sub-division of Shares	4,500,000

3. **SHARE CAPITAL (CONT'D)**

RCPS

Date of allotment/ sub-division	Number of RCPS issued	Resultant number of RCPS in issue	Par value	Consideration/ Type of issue	Cumulative issued and paid-up RCPS
			RM per share		RM
9 December 2002	413,221	413,221	0.10	Issued for cash at a premium of RM2.32 per RCPS	41,322
16 May 2003	(413,221)	-	0.10	Conversion to ordinary shares	-

Upon completion of the Public Issue of 15,000,000 new ordinary shares of RM0.10 each at an issue price of RM0.37 per share undertaken in connection with the flotation of IAB on the MESDAQ Market of the KLSE, the issued and fully paid-up share capital of IAB would be increased to RM6,000,000 comprising 60,000,000 ordinary shares of RM0.10 each.

4. **RELEVANT FINANCIAL PERIOD**

The relevant financial period for the purpose of this Report ("Relevant Financial Period") is as follows:-

Company	Relevant Financial Period
IAB	Financial period from 14 July 1997 (date of incorporation) to 31 December 1998 and financial years ended 1999, 2000, 2001 and 2002.
ISSB	Financial years ended 31 December 1998, 1999, 2000, 2001 and 2002.
IASB	Financial years ended 31 December 1998, 1999, 2000, 2001and 2002.
IAIPL	Financial period from 24 September 1997 (date of incorporation) to 31 March 1998, financial years ended 31 March 1999, 2000, 2001 and 2002, and 9-month period ended 31 December 2002.

Horwath

5. ACCOUNTING STANDARDS AND POLICIES

5.1 BASIS OF PREPARATION

The financial statements of IAB and its subsidiaries ("the Group") are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with applicable approved accounting standards in Malaysia.

5.2 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the Group in the preparation of this Report are as follows:-

(a) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December 2002.

A subsidiary is defined as a company in which the parent company holds directly or indirectly more than 50% of the equity share capital and has control over the financial and operating policies. All subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements.

Intragroup transactions, balances and unrealised gains on transactions are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Minority interests are measured at the minorities' share of post acquisition fair values of the identifiable assets and liabilities of the acquiree. Separate disclosure is made of minority interests.

(b) Goodwill or Negative Goodwill on Consolidation

Goodwill represents the excess of the fair value of the purchase consideration over the Group's share of the fair values of the separable net assets of the subsidiaries at the date of acquisition. Negative goodwill represents the excess of the Group's share of the fair values of the separable net assets of the subsidiaries at the date of acquisition over the fair value of the purchase consideration.

Goodwill is stated net of negative goodwill, and the net carrying amount of goodwill is amortised on a straight-line basis to write off the amount of the net goodwill over a period of 7 years.

Goodwill is also reviewed annually, and is written down for impairment where it is considered necessary. The impairment value of the goodwill written off is taken to the income statement.

5.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) **Plant and Equipment**

Plant and equipment are stated at cost less accumulated depreciation. Depreciation is calculated under the straight-line method to write off the cost of the assets over their estimated useful lives. The principal annual rates used for this purpose are:-

Furniture, fittings and office equipment	10% to 20%
Motor vehicles	20%
Computers and printers	20%
Renovation	20%

Fully depreciated plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

(d) **Impairment of Assets**

The carrying values of assets, other than those to which MASB Standard 23 Impairment of Assets does not apply, are reviewed at each balance sheet date for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts.

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

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at its revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to the revaluation surplus. However, to the extent that an impairment loss on a same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

(e) **Investments**

Investments are held on a long-term basis and are stated at cost. Allowance for diminution in value is only made if the directors are of the opinion that the diminution is permanent.

5.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) **Development Costs**

Development costs comprise expenditure incurred for the development of specific software products which are expected to generate future economic benefits. The net development costs, after deducting the government grant received are amortised on a straight-line method over a period of 7 years when the products are ready for sale or use. In the event that the expected future economic benefits are no longer probable of being recovered, the development costs are written down to their recoverable amounts.

(g) **Inventories**

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a first-in-first-out basis, and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition.

In arriving at net realisable value, allowance is made for damaged, obsolete and slow-moving items.

(h) **Receivables**

Receivables are carried at anticipated realisable value. Bad debts are written off in the period in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts at the balance sheet date.

(i) **Deferred Taxation**

Deferred taxation is provided using the liability method on all material timing differences except where no liability is expected to arise in the foreseeable future. Deferred tax benefit is only recognised when there is reasonable expectation of realisation in the foreseeable future.

(j) **Foreign Currencies**

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

The financial statements of the foreign subsidiary are translated into Ringgit Malaysia using the closing rate for the balance sheet whilst the average rate is used for the translation of the income statement for consolidation purposes. All exchange differences arising from the retranslation are taken directly to equity as a movement in the exchange fluctuation reserve. Foreign exchange differences relating to the foreign subsidiary are recognised as income or expense on the disposal of that subsidiary.

5.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Assets under Finance Leases and Hire Purchase

Leases of plant and equipment where substantially all the benefits and risks of ownership are transferred to the Group and the Company are classified as finance leases.

Plant and equipment acquired under finance leases and hire purchase are capitalised in the financial statements.

Each lease or hire purchase payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding outstanding obligations due under the finance lease and hire purchase after deducting finance charges are included as liabilities in the financial statements.

Finance charges are allocated to the income statements over the periods of the respective lease and hire purchase agreements.

Plant and equipment acquired under finance leases and hire purchase are depreciated over the useful lives of the assets in accordance with the policy set out in Note 5.2(c) above. If there is no reasonable certainty that the ownership will be transferred to the Group or the Company, the assets are depreciated over the shorter of the lease terms and their useful lives.

(l) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, deposits pledged with financial institutions, bank overdrafts and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(m) Revenue Recognition

(i) Sales of Goods and Services

Sales are recognised upon delivery of goods and customers' acceptance or the performance of services.

(ii) Software Maintenance Fee

Software maintenance fee is recognised as income over the periods of the maintenance agreements.

Prior to 1 January 2002, IASB recognised the maintenance fee as income on a receipt basis. During the financial year ended 31 December 2002, IASB changed its accounting policy to recognise the maintenance fee as revenue over the period during which the service is performed, in compliance with MASB 9 on "Revenue". This change in accounting policy has been accounted for retrospectively.

(iii) Interest Income

Interest income is recognised on an accrual basis, based on the effective yield on the investment.

5.3 Consistency Of Application Of Accounting Policies

There were no changes in the significant accounting policies adopted by the Group during the Relevant Financial Period, other than as disclosed in Paragraph 5.2(m)(ii).

6. AUDITORS AND AUDIT REPORTS

6.1 Auditors

We have acted as the auditors for IAB, ISSB and IASB for the Relevant Financial Period.

The financial statements of IAIPL for the Relevant Financial Period were audited by another firm of accountants.

6.2 Audit Reports

The audited financial statements for IAB, ISSB, IASB and IAIPL for the Relevant Financial Period were reported upon without any qualification.

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7. SUMMARISED INCOME STATEMENTS

7.1 INCOME STATEMENTS OF IAB

The summary of the results of IAB based on its audited financial statements for the Relevant Financial Period is set out below:-

	Period from 14.7.1997 to 31.12.1998 RM'000	{------Year ended 31 December 1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000------}
Turnover	1,846	737	1,301	1,143	2,000
Cost of sales	(1,131)	(746)	(611)	(602)	(638)
Gross profit/(loss)	715	(9)	690	541	1,362
Other operating income	-	5	1	20	-
Administrative and other operating expenses	(350)	(126)	(292)	(222)	(188)
Finance costs	-	-	(3)	(19)	(18)
Operating profit/(loss)	365	(130)	396	320	1,156
Depreciation	1	2	32	8	8
Interest expense	-	-	3	18	18
Amortisation	-	-	-	-	19
Earnings/(Loss) before interest, depreciation, taxation and amortisation ("EBIDTA")	366	(128)	431	346	1,201
Less: Depreciation	(1)	(2)	(32)	(8)	(8)
Interest expense	-	-	(3)	(18)	(18)
Amortisation	-	-	-	-	(19)
Profit/(loss) before taxation ("PBT/(LBT)")	365	(130)	396	320	1,156
Taxation	-	-	-	-	-
Profit/(loss) after taxation ("PAT/(LAT)")	365	(130)	396	320	1,156
Number of ordinary shares of RM1 each in issue	2	*1,085	10,000	10,000	*643,734
Gross earnings/loss per share ("EPS/(LPS)") (RM)	182,500	(119.8)	39.60	32.00	1.80
Net EPS/(LPS) (RM)	182,500	(119.8)	39.60	32.00	1.80

* - *Weighted average number of ordinary shares in issue.*

7.1 **INCOME STATEMENTS OF IAB (CONT'D)**

Notes:-

(a) *IAB commenced business in August 1997. The significant decrease in turnover in 1999 was mainly due to the decline in IT spending by the corporate sector, arising from the downturn in the local and regional economies as a result of the Asian financial crisis. The substantial increase in turnover in 2000 was mainly due to the increase in the overseas turnover as a result of the establishment of a business relationship with Fujitsu Asia Pte Ltd. and the increased business with Cell-Infortech Inc., Japan. The lower turnover in 2001 was mainly due to the decrease in demand from the Japanese market as a result of the slow-down in its economy. The improved turnover in 2002 was mainly due to more customization projects secured during the year from the Japanese market and the licence fee charged to the subsidiaries for all software sold by its subsidiaries.*

(b) *The variation in PBT is in line with the fluctuation in turnover except for the year 1999 which recorded a loss. IAB suffered a gross loss in 1999 as a result of the lower turnover. The majority of the direct costs is staff costs which could not be reduced immediately. The significant increase in PBT for 2002 was mainly attributable to more customization projects that have contributed higher margins.*

(c) *No taxation is provided because IAB is an MSC status company, and has been granted a pioneer status incentive with no tax on the Company's income from pioneer activities during the pioneer period from 1 September 1997 to 31 August 2002. IAB had on 19 November 2002 obtained approval from the Multimedia Development Corporation for an extension of five (5) years to its MSC status.*

(d) *There were no extraordinary items during the Relevant Financial Period under review.*

(e) *The gross EPS/LPS is computed by dividing the profit/loss before taxation by the weighted average number of ordinary shares in issue, for the respective Relevant Financial Period under review.*

(f) *The net EPS/LPS is computed by dividing the profit/loss after taxation by the weighted average number of ordinary shares in issue, for the respective Relevant Financial Period under review.*

Horwath

7.2 PROFORMA/AUDITED CONSOLIDATED RESULTS OF IAB GROUP

The following is a summary of the consolidated results of IAB Group for the Relevant Financial Period. The consolidated results for the financial years ended 31 December 1998 to 2002 have been presented on a proforma basis, on the assumption as if the IAB Group had been in existence throughout that period. It has prepared for illustration purposes only.

	{---Proforma Group				---}	Audited Group
Year ended 31 December	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2002 RM'000
Turnover	3,356	2,956	3,863	4,408	5,142	5,142
Cost of sales	(2,249)	(1,734)	(2,449)	(2,693)	(2,446)	(2,446)
Gross profit	1,107	1,222	1,414	1,715	2,696	2,696
Other operating income	120	48	34	65	34	34
Administrative and other operating expenses	(1,190)	(957)	(1,045)	(1,462)	(1,446)	(1,446)
Finance costs	(39)	(20)	(40)	(71)	(49)	(49)
Operating profit/(loss)	(2)	293	363	247	1,235	1,235
Depreciation	141	120	156	124	40	40
Interest expense	37	16	34	63	43	43
Amortisation	-	-	-	-	19	19
EBIDTA	176	429	553	434	1,337	1,337
Less : Depreciation	(141)	(120)	(156)	(124)	(40)	(40)
Interest	(37)	(16)	(34)	(63)	(43)	(43)
Amortisation	-	-	-	-	(19)	(19)
(LBT)/PBT	(2)	293	363	247	1,235	1,235
Taxation	8	-	-	(12)	(3)	(3)
PAT	6	293	363	235	1,232	1,232
Pre-acquisition profit	-	-	-	-	-	(369)
Profit attributable to shareholders	6	293	363	235	1,232	863
Assumed number of ordinary shares of RM0.10 each in issue ('000)	*45,000	*45,000	*45,000	*45,000	*45,000	#10,515
Gross (LPS)/EPS (Sen)	(0.004)	0.65	0.81	0.54	2.74	8.24
Net EPS (Sen)	0.013	0.65	0.81	0.52	2.74	8.21

* - *Assumed number of ordinary shares in issue, based on the existing paid-up capital before the Public Issue.*

\# - *Assumed weighted average number of ordinary shares in issue, after taking into account the Conversion of RCPS, the Bonus Issue and the Sub-division of Shares.*

7.2 PROFORMA CONSOLIDATED RESULTS OF IAB GROUP (CONT'D)

Notes:-

(a) *The Proforma Group consolidated income statements for the financial years ended 31 December 1998 to 2002 have been prepared based on accounting policies consistent with those previously adopted in the preparation of the audited financial statements of the Group, taking into consideration the change in the accounting policy as explained in Paragraph 5.2(m)(ii).*

(b) *The results of IAIPL have been time-apportioned to be co-terminous with that of the other companies within the Group.*

(c) *The difference between the effective tax rate and the statutory tax rate is explained in the notes to each individual company.*

(d) *There were no extraordinary items during the Relevant Financial Period under review.*

(e) *The proforma gross EPS/LPS for the financial years ended 31 December 1998 to 2001 is computed by dividing the profit/loss before taxation by the assumed number of ordinary shares in issue, based on the existing paid-up capital before the Public Issue.*

(f) *The proforma net EPS/LPS for the financial years ended 31 December 1998 to 2001 is computed by dividing the profit/loss after taxation by the assumed number of ordinary shares in issue, based on the existing paid-up capital before the Public Issue.*

(g) *The gross EPS for the financial year ended 31 December 2002 is computed by dividing the profit before taxation attributable to shareholders by the assumed weighted average number of ordinary shares in issue, after taking into account the Conversion of RCPS, the Bonus Issue and the Sub-division of Shares.*

(h) *The net EPS for the financial year ended 31 December 2002 is computed by dividing the profit after taxation attributable to shareholders by the assumed weighted average number of ordinary shares in issue, after taking into account the Conversion of RCPS, the Bonus Issue and the Sub-division of Shares.*

(i) *All significant intra-group transactions are eliminated on consolidation and the consolidated results reflect external transactions only.*

(j) *The comparative figures for the financial years ended 31 December 1998, 1999 and 2001 have been restated to reflect the prior year adjustments made, details of which are set out in Paragraphs 7.3(g) and 7.4(i).*

7.3 INCOME STATEMENTS OF ISSB

The summary of the results of ISSB based on its audited financial statements for the Relevant Financial Period, after incorporating the adjustments as stated in Note 7.3(g), is set out below:-

	Year ended 31 December 1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000
Turnover	3,186	2,340	2,395	2,255	1,923
Cost of sales	(2,577)	(1,259)	(1,959)	(1,669)	(1,427)
Gross profit	609	1,081	436	586	496
Other operating income	190	53	25	21	17
Administrative and other operating expenses	(788)	(693)	(643)	(551)	(452)
Finance costs	(36)	(18)	(31)	(45)	(26)
Operating (loss)/profit	(25)	423	(213)	11	35
Depreciation	125	91	91	71	65
Interest expense	34	13	26	37	21
EBIDTA	134	527	(96)	119	121
Less: Depreciation	(125)	(91)	(91)	(71)	(65)
Interest expense	(34)	(13)	(26)	(37)	(21)
(LBT)/PBT	(25)	423	(213)	11	35
Taxation	8	-	-	(4)	(3)
(LAT)/PAT	(17)	423	(213)	7	32
Weighted average number of ordinary shares of RM1 each in issue	500,000	500,000	500,000	625,000	1,000,000
Gross (LPS)/EPS (RM)	(0.05)	0.85	(0.43)	0.02	0.03
Net (LPS)/EPS (RM)	(0.03)	0.85	(0.43)	0.01	0.03

Horwath

7.3 INCOME STATEMENTS OF ISSB (CONT'D)

Notes:-

(a) *The significant decrease in turnover in 1998 was mainly due to the significant lower IT spending by corporate clients, arising from the downturn in the local and regional economies as a result of the Asian financial crisis. Turnover continued to decrease in 1999 due to the transfer of its software customisation to IAB and the declining orders from Japan as a result of the slow-down in its economy. The turnover for 2000 and 2001 remained fairly constant and comprised mainly sales of software, software maintenance and training. Turnover in 2002 decreased mainly due to the fall in the sale of hardware, software and accessories.*

(b) *In 1998, ISSB recorded a loss before taxation as a result of the significant decrease in revenue. However, ISSB recorded a profit before taxation in 1999 despite the lower turnover due to a one-off royalty income of RM380,000 and lower operating overheads in that year. In 2000, the turnover was derived mainly from the sales of proprietary software called "Aquila Hospitality Suite" and "Aquila Call Billing Systems" with a lower gross profit margin, thus resulting a loss before taxation. Despite lower turnover recorded in 2001, ISSB recorded a profit before taxation as a result of improved profit margin arising from the customisation of "atCom HRM software" and lower operating overheads. In 2002, profit before taxation has improved from the previous year mainly due to lower operating overheads such as lower staff costs and finance costs.*

(c) *No provision for tax was made on the profit for 1999 as the amount of tax payable is waived in accordance with the provisions of the Income Tax (Amendment) Act, 1999. The effective tax rates for 2001 were higher than the statutory tax rate mainly due to certain expenses being disallowed for tax purposes. The taxation in 2002 is in the respect of interest income.*

(d) *There were no extraordinary items during the Relevant Financial Period under review.*

(e) *The gross EPS/LPS is computed by dividing the profit/loss before taxation by the weighted average number of ordinary shares in issue, for the respective Relevant Financial Period under review.*

(f) *The net EPS is computed by dividing the profit/loss after taxation by the weighted average number of ordinary shares in issue, for the respective Relevant Financial Period under review.*

7.3 INCOME STATEMENTS OF ISSB (CONT'D)

(g) *The comparatives figures for the financial years ended 31 December 1998 and 1999 have been restated to account for the correction of a fundamental error. The fundamental error relates to the accounting treatment of direct costs of approximately RM170,000 incurred in 1998 for uncompleted customisation contracts. The recoverability of these costs was uncertain at that time as the acceptance of the customised products from the clients had not been finalised. On prudent grounds, these costs were charged to the income statement for the financial year ended 31 December 1998.*

As these costs were recovered subsequently, they have been restated as contract work-in-progress as at 31 December 1998 and charged out as an expense in the financial year ended 31 December 1999, the year in which the acceptance of the customised products was confirmed and the related revenue was recognised.

The financial effects on the results of ISSB for the financial years ended 31 December 1998 and 1999 arising from the correction of error are as follows:-

Financial year ended 31 December 1998	As reported in the audited financial statements	Correction of error	As restated
	RM'000	RM'000	RM'000
Gross profit	439	170	609
Loss before taxation	(195)	170	(25)
Loss after taxation	(187)	170	(17)

Financial year ended 31 December 1999	As reported in the audited financial statements	Correction of error	As restated
	RM'000	RM'000	RM'000
Gross profit	1,251	(170)	1,081
Profit before taxation	593	(170)	423
Profit after taxation	593	(170)	423

7.4 INCOME STATEMENTS OF IASB

The summary of results of IASB based on its audited financial statements for the Relevant Financial Period, after incorporating the adjustments as stated in Note 7.4(i), is set out below:-

	Year ended 31 December				
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000
Turnover	243	183	344	1,088	1,559
Cost of sales	(143)	(97)	(94)	(461)	(767)
Gross profit	100	86	250	627	792
Other operating income	4	-	5	22	5
Administrative and other operating expenses	(215)	(122)	(71)	(654)	(741)
Finance costs	(2)	(2)	(5)	(8)	(4)
Operating (loss)/profit	(113)	(38)	179	(13)	52
Depreciation	12	13	11	19	31
Interest expense	2	2	5	8	4
EBIDTA	(99)	(23)	195	14	87
Less: Depreciation	(12)	(13)	(11)	(19)	(31)
Interest expense	(2)	(2)	(5)	(8)	(4)
(LBT)/PBT	(113)	(38)	179	(13)	52
Taxation	-	-	-	(8)	-
(LAT)/PAT	(113)	(38)	179	(21)	52
Weighted average number of ordinary shares of RM1 each in issue	241,667	300,000	300,000	325,000	758,000
Gross (LPS)/EPS (RM)	(0.47)	(0.13)	0.60	(0.04)	0.07
Net (LPS)/EPS (RM)	(0.47)	(0.13)	0.60	(0.07)	0.07

7.4 INCOME STATEMENTS OF IASB (CONT'D)

Notes:-

(a) *The lower turnover recorded in 1999 was mainly due to the aftermath of the Asian financial crisis with corresponding lower IT spending by corporate clients. The significant increase in turnover in 2001 was mainly due to the setting up of a marketing team which resulted in IASB being able to broaden its customer base, primarily in the small and medium sized industries, and also the transfer of ISSB's customers of "atCom Payroll Plus" and "atCom Time Manager" to IASB as part of ISSB's efforts to streamline its operations. As a result of the transfer, these customers would have to refer to IASB for training and maintenance services. Turnover continued to increase in 2002 mainly due to several new contracts secured during the year.*

(b) *In spite of the lower turnover, IASB suffered a lower loss in 1999 due to the voluntary reduction in directors' emoluments. In 2000, IASB managed to report a profit mainly due to the higher selling prices of its proprietary software and better margins from software maintenance and training, as well as a further reduction in operating expenses. Despite the significant increase in the turnover in 2001, IASB recorded a loss before taxation largely due to the significant increase in the operating overheads attributed to the marketing staff costs. The improved results in the profit before taxation for 2002 were in line with the increased turnover for the year.*

(c) *No provision for taxation was made for 2000 and 2002 due to the utilisation of unutilised tax losses and unabsorbed capital allowances brought forward. Despite the loss reported in 2001, there was a provision for deferred taxation arising from the timing differences between the depreciation and capital allowances on plant and equipment.*

(d) *There were no extraordinary items during the Relevant Financial Period under review.*

(e) *The gross EPS/LPS is computed by dividing the profit/loss before taxation by the weighted average number of ordinary shares in issue, for the respective Relevant Financial Period under review.*

(f) *The net EPS is computed by dividing the profit/loss after taxation by the weighted average number of ordinary shares in issue, for the respective Relevant Financial Period under review.*

(g) *The comparative figures for the financial year ended 31 December 2001 have been restated to conform with the change in accounting policy as explained in Paragraph 5.2(m)(ii). The effects of the change in accounting policy are as follows:-*

Financial year ended 31 December 2001	As reported in the audited financial statements	Effect of change in policy	As restated
	RM'000	RM'000	RM'000
Turnover	1,174	(86)	1,088
Gross profit	713	(86)	627
Profit/(loss) before taxation	73	(86)	(13)
Profit/(loss) after taxation	65	(86)	(21)

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7.5 INCOME STATEMENTS OF IAIPL

The summary of the results of IAIPL based on its audited financial statements for the Relevant Financial Period is set out below:-

	Period from 24.9.1997 to 31.3.1998	{----Year ended 31 March			----}	9-month period ended 31 December
		1999	2000	2001	2002	2002
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	-	-	236	200	133	200
Cost of sales	-	-	(149)	(170)	(178)	(141)
Gross profit/(loss)	-	-	87	30	(45)	59
Other operating income	-	-	2	4	1	1
Administrative and other operating expenses	-	(36)	(26)	(44)	(23)	(65)
Finance costs	-	-				
Operating (loss)/profit	-	(36)	63	(10)	(67)	(5)
Depreciation	-	4	16	23	19	17
Interest expense	-	-	-	-	-	-
EBIDTA	-	(32)	79	13	(48)	12
Less: Depreciation	-	(4)	(16)	(23)	(19)	(17)
Interest expense	-	-	-	-	-	-
(LBT)/PBT	-	(36)	63	(10)	(67)	(5)
Taxation	-	-	-	-	-	-
(LAT)/PAT	-	(36)	63	(10)	(67)	(5)
Weighted average number of ordinary shares of Rs10 each in issue	20	1,685	41,666	50,000	50,000	50,000
Gross (LPS)/EPS (RM)	N/A	(21.36)	1.51	(0.20)	(1.34)	(0.13)*
Net (LPS)/EPS (RM)	N/A	(21.36)	1.51	(0.20)	(1.34)	(0.13)*

Notes:-

N/A - *Not Applicable*

Rs - *India Rupees*

* - *Annualised*

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7.5 INCOME STATEMENTS OF IAIPL (CONT'D)

Notes:-

(a) *The gradual decrease in turnover was due to less software customisation and development projects being assigned to IAIPL by IAB, ISSB and IASB.*

(b) *The variation in the PBT/LBT was in line with the decrease in turnover.*

(c) *There were no extraordinary items during the Relevant Financial Period under review.*

(d) *The gross EPS/LPS is computed by dividing the profit/loss before taxation by the weighted average number of ordinary shares in issue, for the respective Relevant Financial Period under review.*

(e) *The net EPS is computed by dividing the profit/loss after taxation by the weighted average number of ordinary shares in issue, for the respective Relevant Financial Period under review.*

(f) *The income statements of IAIPL are converted into Ringgit Malaysia using the average foreign exchange rates during the respective financial period/year.*

8. SUMMARISED BALANCE SHEETS

8.1 IAB

The summarised balance sheets of IAB based on its audited financial statements for the Relevant Financial Period are as follows:-

	At 31 December				
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000
Investment in subsidiaries	-	-	-	-	1,743
Other investments	-	-	-	-	38
Plant and equipment	6	10	580	553	441
Development costs	-	-	-	1,081	1,449
	6	10	580	1,634	3,671
Current assets	397	276	1,238	405	1,879
Current liabilities	(38)	(41)	(999)	(997)	(681)
Net current assets/(liabilities)	359	235	239	(592)	1,198
	365	245	819	1,042	4,869
Financed by:-					
Share capital	*	10	10	10	2,383
Share premium	-	-	-	-	959
Retained profits	365	235	632	952	1,527
Shareholders' equity	365	245	642	962	4,869
Long term liabilities	-	-	177	80	-
	365	245	819	1,042	4,869
NTA/(NL) per share (RM)	182,500	24.50	64.20	(11.90)	1.44

* - *RM2*

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8.2 ISSB

The summarised balance sheets of ISSB based on its audited financial statements for the Relevant Financial Period, after incorporating the adjustments as stated in Note 7.3(g), are as follows:-

	At 31 December 1998 * RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000
Investment in subsidiaries	#	10	#	27	27
Investment in associate	151	151	151	221	-
Plant and equipment	259	185	258	191	142
Other assets	-	2	73	51	13
Development costs	-	-	61	208	284
	410	348	543	698	466
Current assets	1,556	1,698	2,007	1,688	1,192
Current liabilities	(1,334)	(1,020)	(1,688)	(1,056)	(307)
Net current assets	222	678	319	632	885
	632	1,026	862	1,330	1,351
Financed by:-					
Share capital	500	500	500	1,000	1,000
Retained profits	103	526	312	319	351
Shareholders' equity	603	1,026	812	1,319	1,351
Long term liabilities	29	-	50	11	-
	632	1,026	862	1,330	1,351
NTA per share (RM)	1.21	2.05	1.50	1.11	1.07

 # - RM4

* - *The current assets and retained profits as at 31 December 1998 have been restated as follows, to take into account the correction of a fundamental error as explained in Note 7.3(g) above.*

At 31 December 1998	As reported in the audited financial statements	Correction of error	As restated
	RM'000	RM'000	RM'000
Current assets	1,386	170	1,556
Retained profits/(Accumulated losses)	(67)	170	103

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8.3 IASB

The summarised balance sheets of IASB based on its audited financial statements for the Relevant Financial Period, after incorporating the adjustments as stated in Note 7.4(i), are as follows:-

	At 31 December 1998 RM'000	1999 RM'000	2000 RM'000	2001* RM'000	2002 RM'000
Plant and equipment	51	36	30	115	119
Investment in associate	-	-	-	45	-
Development costs	-	-	73	265	421
	51	36	103	425	540
Current assets	94	166	293	393	747
Current liabilities	(48)	(147)	(166)	(294)	(566)
Net current assets	46	19	127	99	181
	97	55	230	524	721
Financed by:-					
Share capital	300	300	300	600	758
(Accumulated losses)	(217)	(255)	(77)	(98)	(46)
Shareholders' equity	83	45	223	502	712
Long term liabilities	14	10	7	22	9
	97	55	230	524	721
NTA per share (RM)	0.28	0.15	0.50	0.40	0.38

Note:-

* - *The current liabilities and accumulated losses as at 31 December 2001 have been restated as follows, to take into account the effect of the change in accounting policy as explained in Note 7.4(i) above.*

At 31 December 2001	As reported in the audited financial statements	Correction of error	As restated
	RM'000	RM'000	RM'000
Current liabilities	208	86	294
Accumulated losses	12	86	98

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8.4 IAIPL

The summarised balance sheets of IAIPL based on its audited financial statements for the Relevant Financial Period are as follows:

	At 31 March 1998 RM'000	At 31 March 1999 RM'000	At 31 March 2000 RM'000	At 31 March 2001 RM'000	At 31 March 2002 RM'000	At 31 December 2002 RM'000
Plant and equipment	#	17	63	53	49	40
Deferred expenses	-	8	4	3	1	-
	#	25	67	56	50	40
Current assets	#	7	64	67	17	52
Current liabilities	#	(50)	(64)	(70)	(83)	(95)
Net current liabilities	#	(43)	-	(3)	(66)	(43)
	#	(18)	67	53	(16)	(3)
Financed by:-						
Share capital	#	22	48	48	48	42
(Accumulated losses)/Retained profit	-	(40)	19	5	(64)	(45)
Shareholders' equity	#	(18)	67	53	(16)	(3)
NTA/(NL) per share (RM)	#	(1.24)	1.27	1.01	(0.33)	(0.07)

Notes:-

\# *Insignificant*

The balance sheets of IAIPL as at 31 March 1998 to 2002 and 31 December 2002 have been converted to Ringgit Malaysia based on the respective closing rates as of the balance sheet date for illustration purposes only.

9. DIVIDENDS FOR THE RELEVANT FINANCIAL PERIODS

During the financial year ended 31 December 2002, the Company paid a tax-exempt interim dividend of RM580,000 in respect of the current financial year. No other dividends were declared or paid during the remaining Relevant Financial Period under review.

ISSB, IASB and IAIPL have not paid or declared any dividend during the Relevant Financial Period.

10. PROFORMA STATEMENT OF ASSETS AND LIABILITIES

The following is a detailed statement of the assets and liabilities of IAB Group at 31 December 2002 based on the audited financial statements of IAB, ISSB, IASB and IAIPL as at 31 December 2002.

The Proforma Group's statements of assets and liabilities are provided for illustrative purposes only to show the effects of the following :-

Proforma I - the Conversion of RCPS, the Bonus Issue and the Sub-division of Shares; and

Proforma II - after incorporating the effects of Proforma I and the Proposed Public Issue of 15,000,000 new ordinary shares of RM0.10 each in IAB at an issue price of RM0.37 per share.

The Proforma Group's statement of assets and liabilities should be read in conjunction with the accompanying notes thereon.

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10. PROFORMA STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

	Notes	The Group (Audited) As At 31 December 2002 RM'000	Proforma I RM'000	Proforma II RM'000
Plant and equipment	10.1	742	742	742
Other investment	10.2	51	51	51
Development costs	10.3	2,140	2,140	2,140
		2,933	2,933	2,933
Current assets				
Inventories for resale	10.4	17	17	17
Trade receivables	10.5	1,414	1,414	1,414
Other receivables, deposits and prepayments		472	472	472
Amount owing by related parties	10.6	556	556	556
Tax refundable		5	5	5
Fixed deposits with licensed banks	10.7	425	425	425
Cash and bank balances		428	428	4,778
Total current assets		3,317	3,317	7,667
Current liabilities				
Trade payables		403	403	403
Other payables and accruals		466	466	466
Amount owing to director		97	97	97
Amount owing to related parties	10.6	6	6	6
Lease and hire purchase payables	10.8	116	116	116
Bank overdrafts	10.9	7	7	7
Provision for taxation		-	-	-
Total current liabilities		1,095	1,095	1,095
Net current assets		2,222	2,222	6,572
		5,155	5,155	9,505
Financed by:				
Share capital	10.10	2,383	4,500	6,000
Share premium	10.11	959	-	2,850
Foreign exchange reserve		1	1	1
Negative goodwill	10.12	568	568	568
Retained profits		1,235	77	77
Shareholders' equity		5,146	5,146	9,496
NON CURRENT LIABILITIES				
Hire purchase payables	10.8	1	1	1
Deferred taxation	10.13	8	8	8
		5,155	5,155	9,505
Number of ordinary shares in issue ('000)		2,342	45,000	60,000
NTA per share (RM)		1.28	0.07	0.12

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NOTES TO THE PROFORMA STATEMENT OF ASSETS AND LIABILITIES

10.1 PLANT AND EQUIPMENT

	Cost RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
Furniture, fittings and office equipment	595	(272)	323
Motor vehicles	43	(24)	19
Computers and printers	892	(527)	365
Renovation	52	(17)	35
	1,582	(840)	742

The carrying value of plant and equipment acquired under hire purchase terms are as follows:-

	RM'000
Furniture, fittings and office equipment	184
Motor vehicles	19
Computers and printers	118

10.2 OTHER INVESTMENT

	RM'000
Quoted shares in Malaysia, at cost	13
Unquoted shares outside Malaysia, at cost	38
	51
Shares quoted in Malaysia, at market value	5

No allowance is made for the impairment of the shares quoted in Malaysia as the directors are of the opinion that they are held for long term purpose and will yield returns.

The investment in quoted shares was subsequently sold after the balance sheet date.

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10.3 DEVELOPMENT COSTS

	RM'000
At 1 January 2002	3,018
Acquisition of subsidiaries	693
Additions during the financial year	1,537
Total development costs incurred	5,248
Grant received	(3,089)
Development costs net of grant	2,159
Amortisation	(19)
	2,140

10.4 INVENTORIES FOR RESALE

Inventories are stated at cost. There are no inventories carried at net realisable value.

10.5 TRADE RECEIVABLES

	RM'000
Gross trade receivables	1,570
Allowance for doubtful debts	(156)
Net trade receivables	1,414

10.6 AMOUNT OWING BY/TO RELATED PARTIES

	RM'000
Amount owing by related parties:-	
Trade	555
Non-trade	1
	556
Amount owing to related parties:-	
Trade	5
Non-trade	1
	6

Related parties refer to companies in which certain directors have substantial financial interests.

The amount was unsecured, interest-free and not subject to fixed terms of repayment.

10.7 Fixed Deposits With Licensed Banks

The fixed deposits have been pledged as security for banking facilities granted to a subsidiary.

10.8 Lease And Hire Purchase Payables

	RM'000
Future minimum lease and hire purchase payments:-	
- Not later than one year	136
- Later than one year and not later than five years	1
	137
Future finance charges	(20)
Present value of lease and hire purchase payables	117
Current:	
- not later than one year	116
Non-current:	
- later than one year but not later than five years (shown under non-current liabilities)	1
	117

10.9 Bank Overdrafts

The bank overdrafts bear interest at 2% per annum above the banks' base lending rates and are secured by way of:-

(i) a pledge of the fixed deposits of a subsidiary;

(ii) a guarantee by Credit Guarantee Corporation Berhad (CGC); and

(iii) the joint and several guarantees of certain directors of the Company.

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10.10 SHARE CAPITAL

Authorised:-	**RM'000**
Ordinary shares of RM1 each	9,959
Redeemable Convertible Preference Shares	41
	10,000

Issued and Fully Paid-up Share Capital:-

	Ordinary Shares RM'000	*RCPS RM'000*	*Total RM'000*
As at 31 December 2002	2,342	41	2,383
Conversion of RCPS	413	(41)	372
	2,755	-	2,755
Bonus Issue	1,745	-	1,745
Per Proforma I	4,500	-	4,500
Proposed Public Issue	1,500	-	1,500
Per Proforma II	6,000	-	6,000

10.11 SHARE PREMIUM

	RM'000
At 31 December 2002	959
Utilised for Conversion of RCPS	(372)
Utilised for Bonus Issue	(587)
Per Proforma I	-
Public Issue	4,050
	4,050
Estimated listing expenses written off	(1,200)
Per Proforma II	2,850

10.12 NEGATIVE GOODWILL

	RM'000
At 1 January 2002	-
Negative goodwill arising on consolidation of ISSB and IASB	568
At 31 December 2002	568

10.13 DEFERRED TAXATION

The deferred taxation relates to timing differences between depreciation and capital allowances on qualifying cost of plant and equipment.

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11. CONSOLIDATED CASH FLOW STATEMENT

The consolidated cash flow statement of IAB Group set out below is based on the audited financial statements of IAB, ISSB, IASB and IAIPL for the financial year ended 31 December 2002.

	RM'000
Cash Flows From Operating Activities	
Profit before taxation	1,235
Pre-acquisition profit	(369)
	866
Adjustments for:-	
Allowance for doubtful debts	121
Amortisation of development costs	19
Amortisation of negative goodwill on consolidation	(11)
Bad debts written off	5
Depreciation of plant and equipment	40
Interest expense	43
Interest income	(11)
Operating profit before working capital changes	1,072
Increase in inventories	(2)
Increase in trade and other receivables	(492)
Decrease in trade and other payables	(195)
Decrease in amount owing to related parties	(488)
Cash For Operations	(105)
Interest paid	(43)
Income tax paid	(8)
Net Cash From Operating Activities	(156)
Cash Flows For Investing Activities	
Purchase of plant and equipment	(57)
Net cash inflow on acquisition of subsidiaries	493
Interest received	11
Development costs paid	(1,397)
Net Cash For Investing Activities	(950)
Cash Flows From Financing Activities	
Dividend paid	(580)
Proceeds from issuance of shares	1,810
Repayment of hire purchase obligations	(111)
Grant received	1,153
Repayment to directors	(540)
Net Cash From Financing Activities	1,732
Net Increase In Cash And Cash Equivalents	626
Effects of foreign currency translation	1
Cash And Cash Equivalents At Beginning Of The Financial Year	219
Cash And Cash Equivalents At End Of The Financial Year	846

11. **CONSOLIDATED CASH FLOW STATEMENT (CONT'D)**

ANALYSIS OF CASH AND CASH EQUIVALENTS

	RM'000
Fixed deposits with licensed banks	425
Cash and bank balances	428
Bank overdraft	(7)
	846

12. **NET TANGIBLE ASSETS PER ORDINARY SHARE**

The net tangible assets cover of IAB based on the Proforma Group statement of assets and liabilities as at 31 December 2002 as set out in Section 10 above is illustrated below:-

	RM'000
Shareholders' equity before Public Issue (Proforma I)	5,146
Less: Intangible assets - Development costs	(2,140)
Net tangible assets of IAB Group before the Public Issue	3,006
Increase in net tangible assets arising from the Public Issue	5,550
Less: Estimated listing expenses	(1,200)
Proforma Net Tangible Assets	7,356

Number of ordinary shares of RM0.10 each in IAB that are in issue:-

	Number of ordinary shares '000
Existing ordinary shares in issue	45,000
Additional shares to be issued pursuant to the Proposed Public Issue	15,000
Enlarged capital after the Proposed Public Issue	60,000

On the basis of the enlarged issued and paid-up share capital of 60,000,000 ordinary shares of RM0.10 each in IAB, the Group net tangible assets cover per ordinary share of IAB is approximately RM0.12.

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13. SUBSEQUENT EVENTS

There were no significant subsequent events between the date of the last financial statements used in the preparation of this Report and the date of this Report which will affect materially the content of this report.

14. AUDITED FINANCIAL STATEMENTS

As of the date of this report, no audited financial statements have been prepared in respect of any period subsequent to 31 December 2002 for IAB Group.

Yours faithfully

Horwath
Firm No : AF 1018
Chartered Accountants

Onn Kien Hoe
Approval No : 1772/11/04 (J/PH)
Partner

12. PROFORMA CONSOLIDATED BALANCE SHEET OF IAB AS AT 31 DECEMBER 2002, TOGETHER WITH THE BASES AND ASSUMPTIONS, AND THE REPORTING ACCOUNTANT'S LETTER THEREON

Horwath

Horwath *(AF No 1018)*
Kuala Lumpur Office
Chartered Accountants

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16 June 2003

The Board of Directors
Infortech Alliance Berhad
(formerly known as Infortech MSC Sdn. Bhd.)
No. 58-1, Jalan PJS 11/28A
Bandar Sunway
46150 Petaling Jaya,
Selangor Darul Ehsan.

Dear Sirs/Madam

INFORTECH ALLIANCE BERHAD ("IAB")
PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2002

We have reviewed the Proforma Consolidated Balance Sheets of IAB and its subsidiaries as at 31 December 2002 together with the accompanying notes thereto, for which the Directors are solely responsible, as set out in the accompanying statements (initialed by us for the purpose of identification only) for inclusion in the Prospectus of IAB to be dated 30 June 2003 in connection with the following:-

(a) conversion of the existing 413,221 8% Redeemable Convertible Preference Shares ("RCPS") of RM0.10 each in IAB on the basis of one (1) new ordinary share of RM1.00 each in IAB for every one (1) existing RCPS held ("Conversion of RCPS");

(b) bonus issue to the existing shareholders of IAB amounting to 1,745,191 new ordinary shares of RM1.00 each in IAB ("Bonus Issue") after the Conversion of RCPS. The bonus issue is effected via capitalisation from the share premium account and retained profits of the IAB;

(c) sub-division of one (1) ordinary share of RM1.00 each in IAB into ten (10) shares of RM0.10 each. This would result in an increase in the number of ordinary shares in issue from 4,500,000 ordinary shares of RM1.00 each to 45,000,000 ordinary shares of RM0.10 each ("Sub-division of Share");

(d) Proposed Public Issue of 15,000,000 new ordinary shares of RM0.10 each in IAB at an issue price of RM0.37 per share to the Malaysian public, institutional and individual investors, eligible directors and employees of IAB ("Proposed Public Issue"); and

(e) proposed listing of and quotation for the entire enlarged issued and paid-up share capital of IAB comprising 60,000,000 ordinary shares of RM0.10 each on the MESDAQ Market of the Kuala Lumpur Stock Exchange.

12. PROFORMA CONSOLIDATED BALANCE SHEET OF IAB AS AT 31 DECEMBER 2002, TOGETHER WITH THE BASES AND ASSUMPTIONS, AND THE REPORTING ACCOUNTANT'S LETTER THEREON

Horwath

In our opinion, the Proforma Consolidated Balance Sheets have been prepared on the bases as set out in the notes to the Proforma Consolidated Balance Sheets and are presented on a basis consistent with the accounting policies normally adopted by the Group.

Yours faithfully

Horwath
Firm No : AF 1018
Chartered Accountants

Onn Kien Hoe
Approval No: 1772/11/04(J/PH)
Partner

12. PROFORMA CONSOLIDATED BALANCE SHEET OF IAB AS AT 31 DECEMBER 2002, TOGETHER WITH THE BASES AND ASSUMPTIONS, AND THE REPORTING ACCOUNTANT'S LETTER THEREON

For Identification Purposes Only
Horwath
(AF 0018)
Initialed

INFORTECH ALLIANCE BERHAD
PROFORMA CONSOLIDATED BALANCE SHEETS

	Audited At 31 December 2002 RM	Proforma I RM	Proforma II RM	Proforma III RM
ASSETS				
Plant and equipment	741,634	741,634	741,634	741,634
Development costs	2,140,512	2,140,512	2,140,512	2,140,512
Other investments	51,126	51,126	51,126	51,126
	2,933,272	2,933,272	2,933,272	2,933,272
Current assets	3,316,976	3,316,976	3,316,976	7,666,976
Current liabilities	(1,095,270)	(1,095,270)	(1,095,270)	(1,095,270)
Net current assets	2,221,706	2,221,706	2,221,706	6,571,706
	5,154,978	5,154,978	5,154,978	9,504,978
Financed by:				
Share capital - Ordinary shares	2,341,588	4,500,000	4,500,000	6,000,000
Redeemable Convertible Preference Shares	41,322	-	-	-
Share premium	958,673	-	-	2,850,000
Exchange translation reserve	1,189	1,189	1,189	1,189
Negative goodwill	568,432	568,432	568,432	568,432
Retained profits	1,234,836	76,419	76,419	76,419
Shareholders' equity	5,146,040	5,146,040	5,146,040	9,496,040
Non-current liabilities	8,938	8,938	8,938	8,938
	5,154,978	5,154,978	5,154,978	9,504,978
Number of ordinary shares in issue	2,341,588	4,500,000	45,000,000	60,000,000
Par value (RM/share)	1.00	1.00	0.10	0.10
Net tangible assets per ordinary share (RM)	1.28	0.67	0.07	0.12

NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS

1. Basis of Preparation

The Proforma Consolidated Balance Sheets have been prepared based on the audited consolidated balance sheets of Infortech Alliance Berhad ("IAB") and its subsidiaries ("the Group") as at 31 December 2002, solely for illustrative purposes, to show the effects of the Proposals as though they were effected as of that date.

1.1 Proforma I

Proforma I incorporates the effects of the following:-

(a) conversion of the existing 413,221 8% Redeemable Convertible Preference Shares ("RCPS") of RM0.10 each in IAB on the basis of one (1) new ordinary share of RM1.00 each in IAB for every one (1) existing RCPS held; and

(b) bonus issue of 1,745,191 new ordinary shares of RM1.00 each in IAB ("Bonus Issue") to the existing shareholders of IAB after the Conversion of RCPS by way of capitalising the share premium account and retained profits.

1.2 Proforma II

Proforma II incorporates the effects of Proforma I and the sub-division of share of RM1.00 each in IAB into ten (10) shares of RM0.10 each. This will result in the increase in the number of ordinary shares in issue from 4,500,000 ordinary shares of RM1.00 each to 45,000,000 ordinary shares of RM0.10 each ("Sub-division of Share").

1.3 Proforma III

Proforma III incorporates the effects of Proforma II and the Proposed Public Issue of 15,000,000 new ordinary shares of RM0.10 each in IAB at an issue price of RM0.37 per share. The estimated listing expenses of RM1,200,000 have been debited against the share premium account.

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Horwath (AF 0018)

NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS (CONT'D)

2. Share Capital

The movements in the issued and paid-up share capital of IAB are as follows:-

Issued and Fully Paid-up Share Capital	*Number of Ordinary Shares*	*Amount of Share Capital* RM
Ordinary shares of RM1.00 each as at 31 December 2002	2,341,588	2,341,588
Ordinary shares to be issued pursuant to the Conversion of RCPS	413,221	413,221
Ordinary shares to be issued pursuant to the Bonus Issue	1,745,191	1,745,191
As per Proforma I	4,500,000	4,500,000
Sub-division of Share	40,500,000	-
As per Proforma II	45,000,000	4,500,000
Proposed Public Issue	15,000,000	1,500,000
As per Proforma III	60,000,000	6,000,000

3. Share Premium Account

The estimated listing expenses have been charged against the share premium account under Proforma III. The movements in the share premium account are as follows:-

	RM
As at 31 December 2002	958,673
Amount utilised on conversion of RCPS	(371,899)
Amount utilised pursuant to the Bonus Issue	(586,774)
As per Proforma I/II	-
Premium arising from the Proposed Public Issue	4,050,000
Estimated listing expenses	(1,200,000)
As per Proforma III	2,850,000