3. INTRODUCTION & DETAILS OF THE PUBLIC ISSUE

3.1 Introduction

This Prospectus is dated 30 June 2003.

Approval has been obtained from the SC on 5 May 2003 for the proposed listing of the Group on the MESDAQ Market. Approval has also been obtained from the KLSE on 8 May 2003 for the proposed listing of the Group and admission to the Official List of the MESDAQ Market and for permission to deal in and for quotation of the entire issued and paid-up share capital of IAB including the Issue Shares which are the subject of this Prospectus.

These Shares will be admitted to the Official List of the MESDAQ Market and official quotation will commence upon receipt of confirmation from MCD that all the CDS Accounts of the successful applicants have been duly credited and notices of allotment have been dispatched to all the successful applicants. The KLSE and the SC assume no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus. Admission to the MESDAQ Market is not to be taken as an indication of the merits of the Company and its subsidiary companies or of its Shares.

Under KLSE's trading rules, effective from the date of listing, trading in all KLSE listed securities can only be executed through an ADA who is also a KLSE Member.

A copy of this Prospectus has been lodged with the Registrar of Companies and registered by the SC who takes no responsibility for its contents.

Pursuant to Section 14 (1) of the Securities Industry (Central Depositories) Act, 1991, the KLSE has prescribed the Shares of the Company as a prescribed security. In consequence thereof, the Issue Shares offered through this Prospectus will be deposited directly with the MCD and any dealings in these Shares will be carried out in accordance with the aforesaid Act and the Rules of the MCD.

An applicant for the Issue Shares should state his CDS Account number in the space provided in the Application Form if he presently has such an account. Where an applicant does not presently have a CDS Account, he should state in the Application Form his preferred ADA Code.

The written consents of the Adviser, Sponsor, Underwriter, Placement Agent, Auditors, Solicitors, Principal Bankers, Registrars, Company Secretary and Issuing House to the inclusion in this Prospectus of their names in the form and context in which their names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.

The written consent of the Reporting Accountants to the inclusion in this Prospectus of their name, Accountants' Report and letter relating to the Proforma Consolidated Balance Sheets in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

No person is authorised to give any information or to make any representation not contained herein in connection with the Public Issue and if given or made, such information or representation must not be relied upon as having been authorised by IAB. Neither the delivery of this Prospectus or any offer made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Group since the date hereof.

The distribution of this Prospectus and the sale of the Issue Shares in certain other jurisdictions may be restricted by law. Persons who may come into possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an invitation to subscribe for the Issue in any jurisdiction in which such invitation is not authorised or lawful, or to any person to whom it is unlawful to make such an invitation.

Acceptance of applications will be conditional upon permission being granted to deal in, and quotation for all of the Issue Shares. Monies paid in respect of any application accepted will be returned if the said permission is not granted.

If you are unsure of any information contained in this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser.

3.2 Opening and Closing of the Applications

Applications will be accepted from 10.00 a.m. on 30 June 2003 and will close at 8.00 p.m. on 11 July 2003 or such other later time and date or dates as the Directors of IAB and the Underwriter may in their absolute discretion mutually decide.

3.3 Indicative Timetable

The indicative timing of events leading up to the Listing is set out below:

Event	**Indicative Date**
Opening of the application for the Issue Shares	30 June 2003
Closing of the application for the Issue Shares	11 July 2003*
Balloting of the application for the Issue Shares	15 July 2003
Allotment of the Issue Shares	17 July 2003
Tentative listing date	28 July 2003

Note:

* *The Directors of IAB and the Underwriter may in their absolute discretion mutually decide to extend the closing date of the application to a further date or dates. Should the closing date of the application be extended, the dates for the allotment of the Issue Shares and the Listing of and quotation for the entire enlarged issued and paid-up share capital of IAB on the MESDAQ Market of the KLSE would be extended accordingly.*

3.4 Purposes of the Public Issue

The purposes of the Public Issue are as follows:-

(a) To raise funds for the Group's continued operation and expansion, details of which are elaborated in **Section 3.7 "Utilisation of Proceeds"** below;

(b) To obtain the listing of and quotation for the entire issued and paid-up capital of IAB on the MESDAQ Market, which is expected to enhance the business, profile and future prospects of the Group;

(c) To enable the Group to have access to the capital market for its future expansion and growth; and

(d) To provide an opportunity for the directors and employees of the Company and its subsidiaries to participate in the equity growth of the Company.

3.5 Particulars of the Issue

	RM
Issued and fully paid-up share capital:	
45,000,000 ordinary shares of RM0.10 each	4,500,000
To be issued pursuant to the Public Issue:	
15,000,000 ordinary shares of RM0.10 each	1,500,000
Enlarged Share Capital	6,000,000

3. INTRODUCTION & DETAILS OF THE PUBLIC ISSUE

There is only one (1) class of shares in the Company, namely ordinary shares of RM0.10 each. The Issue Shares shall rank pari passu in all respects with the existing issued Shares of the Company, including voting rights and rights to all dividends and distributions that may be declared, paid or made subsequent to the date of allotment thereof.

Subject to any special rights attaching to any shares which may be issued by the Company in the future, the holders of Shares in the Company shall, in proportion to the amount paid-up on the Shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and the whole of any surplus in the event of liquidation of the Company, such surplus to be distributed amongst the members in proportion to the capital paid-up at the commencement of the liquidation, in accordance with the Company's Articles of Association.

Each shareholder shall be entitled to vote at any general meeting of the Company in person or by proxy or by attorney, and, on a show of hands, every person present who is a shareholder or representative or proxy or attorney of a shareholder shall have one (1) vote, and on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for each Share held. A proxy may but need not be a member of the Company. If the proxy is not a member, he need not be an advocate, an approved company auditor or a person approved by the Companies Commission of Malaysia.

The Issue of a total of 15,000,000 Shares at an Issue Price of RM0.37 per Share shall be subject to the terms and conditions of this Prospectus and, upon acceptance, will be allocated in the following manner :-

(a) 1,500,000 Issue Shares will be made available for application by the public;
(b) 12,500,000 Issue Shares will be made available for private placement to prospective institutional and individual investors; and
(c) 1,000,000 Issue Shares will be made available for application by the eligible directors and employees of the Group.

The Issue Shares in respect of item (c) above are allocated to eligible employees and directors of the IAB Group as at 3 June 2003. Based on the criteria, and in compliance with Guidance Notes 3 of the Listing Requirements of the KLSE for the MESDAQ Market, there are 59 employees and directors who are eligible and are interested in taking up the reserved Issue Shares. All of the 1,000,000 Issue Shares have been allocated to eligible and interested employees and directors based on their respective position and number of years of service.

The Issue of a total of 15,000,000 Shares has been fully underwritten by the Underwriter listed in **Section 1**. In the event of an under-subscription of the public offer, Shares may be transferred from the public offer tranche and allocated by way of private placement, and vice-versa. Any Shares in respect of paragraph (c) not subscribed for will be made available for application under the public offer and/or private placement.

The basis of allocation shall take into account the desirability of distributing the Issue to a reasonable number of applicants with a view to broadening the shareholding base of the Company to meet the public spread requirements, and to establishing a liquid and adequate market in the Shares. To ensure compliance with Clause 2.9 of the MESDAQ Listing Rules, the final allocation to any single applicant shall not exceed 5% of the enlarged share capital of the Company upon listing, regardless of the number of Shares applied for. Applicants will be selected in a manner to be determined by the directors of the Company.

In the event of an overall under-subscription of the Issue, all the Shares not applied for will be made available for subscription by the Underwriter in accordance with the terms and conditions specified in the underwriting agreement dated 3 June 2003 ("Underwriting Agreement").

3.6 Pricing of the Issue

Prior to the offering, there has been no public market for the Shares of the Company. The Issue Price of RM0.37 per Share was negotiated between the Company and the Underwriter. The factors that were considered in determining the Issue Price include prevailing market conditions, demand from institutional and individual investors, the Group's technology enhancement, the business growth potential and revenue prospects for the Group, assessment of the Group's management and market valuation of companies in related businesses.

3.7 Utilisation of Proceeds

The gross proceeds of the Public Issue will amount to RM5.55 million. The proceeds shall accrue to the Company and the Company shall bear all expenses relating to the listing of and quotation for its entire issued and paid-up share capital on MESDAQ Market.

The proceeds from the Public Issue of RM5.55 million are expected to be utilised for the following purposes:-

Purpose	Note	RM'000
Capital expenditure	(i)	600
Proposed overseas investments	(ii)	1,000
R & D expenditure	(iii)	1,000
Estimated listing expenses		1,200
Working capital	(iv)	1,750
		5,550

Notes:-

(i) Approximately RM600,000 of the gross proceeds from the Public Issue will be utilized for the purchase and upgrade of the Company's computing hardware, software and network.

(ii) Approximately RM1,000,000 of the gross proceeds from the Public Issue will be used to finance the Group's investments into its existing and new joint venture companies. These investments will be directed mainly towards meeting the costs for the setting-up of the Group's new joint venture companies in China.

(iii) Approximately RM1,000,000 million of the gross proceeds from the Public Issue will be used to finance the Group's existing R&D projects. The estimated expenditure mainly covers salaries payable to the software developers and is estimated to be fully utilised by the end of 2003.

(iv) Approximately RM1,750,000 million of the gross proceeds from the Public Issue will be utilized as the Group's working capital.

It is intended that the above-mentioned proceeds of RM5.55 million will be fully utilized within 24 months from the date of listing.

The proceeds from the Public Issue is expected to be received in the 3rd quarter of 2003, and is expected to have a positive impact on the Group's financial position for the financial year ending 31 December 2003. The major portion of the proceeds from the Public Issue will be utilized for defraying the listing expenses, for proposed overseas investments and R&D expenditure.

3.8 Brokerage, Underwriting and Listing Expenses

The Underwriter mentioned herein have agreed to underwrite up to 15,000,000 Shares in IAB to be offered to individuals, companies, societies, co-operatives and institutions pursuant to the Public Issue. Underwriting commission is payable by the Company at the rate of 2.5% of the Issue Price of RM0.37 per Share.

The abovementioned underwriting commission is payable by the Company in respect of all the Issue Shares.

The Underwriting Agreement dated 3 June 2003 between IAB and OSK, as Underwriter, contains certain clauses as set out below which may allow the Underwriter to withdraw from its obligations under the Underwriting Agreement.

The obligations of the Underwriter to underwrite the Issue Shares is conditional upon the fulfilment and/or satisfaction of the following:-

1. the Company obtaining SC's final approval to the Prospectus;

2. the delivery to the SC of the Prospectus for registration in accordance with the requirement under Section 41 of the SC Act together with copies of all documents required for submission under Section 42 of the SC Act;

3. the lodgement with the Registrar of Companies of the Prospectus in accordance with Section 36A(4) of the Act;

4. the Company obtaining KLSE's approval in principle to the listing and quotation for all the paid-up Shares on the MESDAQ Market of the KLSE;

5. prior to the closing date of the application of the Issue Shares, there not being any adverse and material change or development reasonably and likely to involve a prospective adverse and material change in the condition (financial or otherwise) of the Company or any of its subsidiaries from that set out in the Prospectus which is material in the context of the proposed listing or any occurrence of any event rendering untrue or incorrect or not complied with to an extent which is material, any of the warranties and representations in the Underwriting Agreement as though given or made on such date;

6. the approvals and consents obtained in relation to the Public Issue as at the date of the Underwriting Agreement not being withdrawn, revoked, suspended or terminated on or prior to the closing date of the application of the Issue Shares;

7. the composite index of the KLSE not falling below the benchmark of 580 points on or prior to the closing date of the application of the Issue Shares; and

8. as at the closing date of the application of the Issue Shares, the Underwriter being reasonably satisfied that the Company can meet the public shareholding spread requirements under the Listing Requirements of the KLSE for the MESDAQ Market.

3. INTRODUCTION & DETAILS OF THE PUBLIC ISSUE

Notwithstanding anything contained in the Underwriting Agreement, the Underwriter may be entitled to terminate the Underwriting Agreement in the following circumstances:-

1. If in the reasonable opinion of the Underwriter there shall have been such a change in national monetary, financial, political or economic conditions or exchange control or currency exchange rates and any event or series of events beyond the reasonable control of the Underwriter (including without limitation acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, sabotage, act of God or accidents) as would in their reasonable opinion prejudice materially the issue and offering of the Issue Shares and their distribution or sale then the Underwriter may give written notice to the Company to terminate the Underwriting Agreement before 5.00 p.m. on the closing date of the application of the Issue Shares and thereupon the parties hereto shall (except for the liability of the Company in the payment of costs and expenses referred to in the Underwriting Agreement below incurred prior to or in connection with such termination) be released and discharged from their respective obligations under the Underwriting Agreement.

2. In the event that the closing date of the application of the Issue Shares does not occur within ninety (90) days from the date of the Underwriting Agreement (or any other date as may be extended by the Underwriter), the Underwriting Agreement will lapse and the Underwriter will be released and discharged from all of its obligations under the Underwriting Agreement.

3. In the event of any breach by the Company of its representations, warranties, undertakings or material obligations under the Underwriting Agreement which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated in the notice given to the Company, then the Underwriter may terminate the Underwriting Agreement by giving written notice to the Company before 5.00 p.m. on the closing date of the application of the Issue Shares and thereupon the parties hereto shall (except for the liability of the Company in the payment of costs and expenses referred to in the Underwriting Agreement) be released and discharged from their respective obligations hereunder without prejudice to their rights under the Underwriting Agreement.

Listing expenses are estimated at approximately RM1.2 million, with the following estimated breakdown:-

	RM
Professional fees	560,000
Fees of the authorities	40,000
Underwriting/placement fees and brokerage fee	250,000
Printing and advertising fees	200,000
Miscellaneous	150,000
Total	**1,200,000**

4. RISK FACTORS

If you are unsure about any of the information contained in this section, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser.

In addition to other information contained elsewhere in this Prospectus, the following factors (which may not be exhaustive) should be considered carefully in evaluating an investment in the Shares offered by this Prospectus, notwithstanding the prospects of the Company/Group as outlined in this Prospectus.

*The discussion in this Prospectus contains certain forward-looking statements that involve risks and uncertainties. Prospective investors are cautioned that actual results or events may differ materially from those disclosed in this Prospectus. Factors which could cause and contribute to such differences include, but are not limited to those discussed in **Sections 4, 5 and 8** and elsewhere in this Prospectus.*

4.1 Operating Risks

The Group, has remained profitable for the last three (3) financial years. However, there is no assurance that these companies will remain profitable in the future years, or that they will maintain a consistent or increasing level of profitability. The Group's revenue and operating results are difficult to forecast and are subject to many adverse factors. These include, amongst others, problems relating to debtors' collection, client order deferrals, fluctuations in the Group's operating costs and expenses, the Company's ability to develop and market new products in a timely manner as well as market acceptance of new products or services, and other business risks common to going concerns.

The Group is also seeking to penetrate the China market for its products and services. In doing so, it has invested in a joint venture company in China, SISD, to act as its marketing and support office for China. In addition, it is also seeking to establish additional joint venture companies in China. While substantial management and financial resources will be devoted to launch its products and grow its operations in these new markets, the Group cannot assure that these new sales and marketing efforts will be successful or generate significant revenue. Any such failure could adversely affect its business, financial condition and/or operating results. However, IAB's experience and prudence in strategic and operational management will help minimize such risks.

4.2 Competition

The Group's future success is largely dependent on its continued ability to compete for client business and assignments and to win market share from a variety of firms, many of which have been operating in the ICT industry for a much longer period of time, have larger client bases and professional staff, greater brand recognition and greater financial, technical, marketing and other resources than the Group. In this regard, its competitors may also be able to respond more quickly to new or emerging technologies and changes in customer requirements.

Aside from the atCom Studio engine, IAB does not own any proprietary technologies that preclude or inhibit potential competitors from entering its industry. Competition is expected to intensify in the future and the Group will face additional competition from new entrants into its markets.

At the same time, the Company faces other competitive factors which are not within the control of the Group, such as the level of disposable resources of competitors, competitors' product cycle, the general local economic and investment climate and developments in competing technologies. If the Group fails to compete successfully against current or future competition, its business, financial condition and operating results could be affected.

As a mitigating factor to the above, the Group intends to leverage on its close relationship with Cell-Infortech and Fujitsu to enhance its position to be able to serve the OJC markets, especially in China. In addition, the Group is able to rely on its experience from having served the same market for over five (5) years as well as having operated in Malaysia for more than ten (10) years.

4.3 Brand Awareness

An important element of the Group's future business strategy is to develop and maintain widespread awareness of its new brand name, "atCom" and "Infortech Alliance". In order to do so, the Company is planning to embark on a marketing campaign to promote its new brand name both in the local and overseas markets. This is expected to increase the Company's marketing expenses, which may cause its operating margin to decline. If its initial efforts are not successful, the Company may not experience any increase in revenue to offset the increase in marketing expenses. If it fails to successfully promote and maintain its brand name or incur significant related expenses, its operating margins and profitability may decline.

The Company maintains that the "atCom" brand name has achieved a certain level of brand awareness in Malaysia, as evidenced by more than 2,500 customers in the past, and as such, they intend to develop the brand name further by promoting the same as an Asian product brand name.

4.4 Rapid Technological / Product Change in the ICT Market

The market for the Group's products and services is characterised by rapid technological advancements, changes in customer requirements, frequent new product launches and the continued development of software and hardware enhancements. The Group has and will continue to derive a substantial portion of its revenue from creating software solutions that are based on today's leading technologies and that are capable of adapting to future technologies. In this regard, its success is dependent on its ability to offer commercially viable software solutions and services that keep pace with continuing changes in technology, evolving industry standards and emerging client needs and preferences. Failure to respond successfully to these mitigating factors may affect the Group's future business and profitability.

To mitigate the above, the Company has adopted the use of its proprietary atCom Studio engine and Microsoft's .NET framework, C#, XML and web services platforms on which to develop their product. The Company believes that with the adoption of these technologies, it is in a better position to compete in the ICT market.

The Group is also susceptible to various security risks in the form of computer viruses, industrial espionage, hacking and fraud.

4.5 Product Risks

The life cycle of the Group's software solutions is difficult to estimate and its current market position may be undermined by rapid technological changes and the introduction of new products and enhancements by new or existing competitors.

Furthermore, the enhancement of existing and the development of new software solutions involves a significant amount of time and resources. It cannot assure investors that it will be successful in effectively using new technologies, adapting its services and products to emerging industry standards, developing, introducing and marketing service and product enhancements, or new products and services, or that it will not experience difficulties that could delay or prevent the successful development or marketing of these services and products, or that any such new service and product enhancements will adequately meet the requirements of the marketplace and achieve market acceptance.

Notwithstanding the above, the products offered by the Company have been well accepted in the market, with approximately 2,500 customers to date. With further improvements incorporated into its new product offerings, the Company's products should achieve similar, if not higher, levels of acceptance in future.

Software products such as those that the Group sells commonly contain undetected programming bugs and glitches when first introduced or as new versions are released. Despite extensive product testing procedures, the Company acknowledges that defects or errors even after the initial commercial launch may be reported. This is mainly due to the fact that it is difficult to simulate the wide variety of computing environments and ways in which its customers may deploy these software products. Due to the Group's long experience in developing and supporting software for the Japan and OJC market, the Group has developed software quality assurance procedures that will minimise such risks.

4.6 Foreign Operations

Presently, IAB has one subsidiary operating outside Malaysia, namely IAIPL which is based in India. The Group also plans to expand its operations in China by increasing its stake in SISD as well as in setting-up additional joint venture companies in China. Thus, the Group will be subjected to risks arising from the prevailing economic, political, legal, social and other conditions in India and China. Any unfavourable changes in the said conditions in India and China will, potentially, have an adverse effect on the Group's operations and performance.

4.7 Dependence on Directors and Key Personnel

The Group's future performance depends largely on the continued efforts and abilities as well as the networking skills of its directors, key technical, sales and marketing, and senior management personnel. As such, the loss of any of its directors or key personnel could result in the loss of existing business and make it difficult to attract new clients. Accordingly, the loss of a few members of its senior management team could have a direct adverse impact on its future sales and profitability. Furthermore, clients or other companies may hire away some of its key employees. This practice may result in the loss not only of key employees, but also client relationships and new business opportunities, and could seriously affect its business.

The Group's continued success is also largely dependent on its ability to hire, train, motivate and retain qualified professionals within the industry. There is currently significant competition for professionals with the skills necessary to perform the services it offers. The Group offers no guarantee that it will be successful in attracting and retaining such professionals. In addition, the Group may incur substantial costs in the process of recruiting, hiring and training these professionals before they become productive, in addition to the compensation that must be paid to these employees in order to retain them within the Company.

As a mitigating factor, the Promoters of the Group are made up of a balanced mix of experienced marketing and technical professionals. The Group currently enjoys a cordial relationship with its employees and they do not belong to any trade union. The employees are also frequently sent to various courses to upgrade their knowledge as well as for overseas training and assignments. In addition, the Group is looking to put in place a suitable employment package which includes an ESOS.

4.8 Reliance on Major Relationships

The Group relies and expects to continue to rely mainly on sales to OJC operating in various parts of Asia for most of its revenue. The Group's relationship with its existing Japanese customers has produced considerable goodwill generated through the customer's repeat orders. Under present circumstances, any material reduction in revenue from these customers is expected to adversely affect the Group's sales and operating results in the future. However, the Group is presently trying to widen its customer base so as to reduce its dependence on any single group of customers.

The Group also maintains a number of business alliances with third parties and affiliates to provide marketing and support activities for the Group's products and services, most notably under its existing VAR programs. However, there can be no assurance that these companies will not develop or market products which compete with the Group's products in the future or will not otherwise discontinue their relationships with or support of the Group. The failure of the Group to maintain its existing relationships, or to establish new relationships in the future for any reason, could adversely affect the Group's future operating results and financial condition.

Notwithstanding the above, the Company contends that one of its major partners is Cell-Infortech, who presently has substantial interests in IAB through one of its major shareholders, Mr Hideo Hirahara. As such, it is highly likely that Cell-Infortech will continue to help market, localize and support the Group's products and services in the markets in which it operates in.

Furthermore, the Company maintains that most VAR will not have the capability to develop the ERM software to such high degree as that attained by the Group, nor will they have the market reach in Asia.

4.9 Protection of Group Proprietary Technology / Intellectual Property Rights

A substantial portion of the Group's revenue is derived from its own proprietary software which takes time and resources to develop. In order to protect its intellectual property rights, it relies on a combination of trademark and copyright protection. IAB has asserted copyright ownership, and has applied to register its trademarks in Malaysia. These, however, only afford it with limited protection and there is no assurance that the Company will be able to protect or effectively enforce its proprietary rights against unauthorised third party copying, use or exploitation of its software.

The Company may have previously inadvertently misplaced or omitted to execute certain assignments of intellectual property from co-authors, co-inventors and other collaborators in its favour. In such event, the non-execution of such agreements may put parties against its claim to intellectual property ownership, thus undermining the Company's efforts to establish effective ownership of intellectual property rights in respect of all original and new creations in its software solutions.

The Company could be forced to commit substantial resources and/or incur substantial expenses in defending against intellectual property infringement claims, which may also cause disruption to its operations. Whilst it is unaware of any claim that its software infringes the intellectual property rights of others, other parties may assert infringement claims against it or claims that it has violated a patent or infringed a trademark, copyright, or other proprietary (whether statutory or otherwise) right belonging to them. This in turn could materially and adversely affect its business, as well as its operational and financial performance.

Notwithstanding the above, the Company maintains that the chances of end users infringing its copyrights is remote, as products offered by the Company requires the implementation of specific software upgrades and regular product servicing in order for the product to keep up with technological and operational changes.

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4.10 Future Capital Injections

The management is satisfied that the net proceeds of the Public Issue, together with cash flow from operations and other existing sources of liquidity will be sufficient to meet its projected working capital and other cash requirements. However, there is no assurance that future events may not cause the Group to seek additional capital sooner. If additional capital is required, there can be no assurance that it will be available or, if available, that it will be on terms satisfactory to the Group. The sale of additional equity or other convertible securities to non-shareholders will result in further dilution of the Group's shareholdings. However, for project, R&D and working capital financing, the Group may be able to tap into various funding options from banks, MDC or organizations such as Malaysian Debt Ventures Berhad.

4.11 No Prior Market for IAB Shares and Possible Volatility of Share Price

There has been no prior public market for the Company's Shares. The Issue Price was determined through negotiation between the Company and the Underwriter based upon several factors and may not be an indication of the market price of the Shares after the Issue. See **Section 3.6** on **"Pricing of the Issue"** for a discussion of the factors considered in determining the Issue Price.

There can be no assurance that an active public market in the Shares will be developed or be sustained after this Issue or that the market price of the Shares will not decline below the Issue Price. The directors believe that a variety of factors could cause the price of the Shares to fluctuate, including sales of substantial amounts of Shares in the public market in the immediate future, announcements of developments relating to the Group's business, fluctuations in the Group's operating results and sales levels, general industry conditions or the world-wide economy, announcements of new products or product enhancements by the Group or its competitors and developments in patent, copyright or other intellectual property rights. In addition, in recent years the stock market in general, and the market for the shares of many high technology companies in particular, has experienced extreme price fluctuations which have often been unrelated to the operating performance of such companies. Such fluctuations may adversely affect the market price of the Company's Shares.

4.12 Continued Control by Existing Shareholders

Upon completion of this Public Issue, the directors, and substantial shareholders of the Company will, in the aggregate, beneficially own approximately 61.65% of the issued and paid-up share capital of the Company. As a result, these shareholders, acting together, will possess voting control over the Company, giving them the ability, amongst others, to elect at least a majority of the Company's Board of Directors and to control the vote on significant corporate transactions.

However, the Company has appointed two (2) independent directors as a step towards good corporate governance to ensure that any future transactions involving related parties, if any, are entered into on arm's length terms.

4.13 Foreign Exchange Risks

The sales revenue of the Group and its overseas subsidiaries is denominated in RM, USD, Japanese Yen and Chinese Renminbi. Given that the reporting currency of the financial statements is in RM, it is exposed to foreign currency fluctuations, especially if the RM peg to USD or any of the currencies mentioned above is revised or removed. The Group will, as a mitigating factor, attempt to use various hedging techniques to mitigate this risk. In addition, some of the Group's revenue is also generated in USD, which provides a natural hedge to some degree for any adverse movements in foreign exchange rates. However, there can be no assurance that any future significant fluctuations in exchange rates and financial crisis will not impact on the revenue and earnings of the Group.

4.14 Underwriting Risks

The entire Public Issue has been fully underwritten by the Underwriter listed in **Section 1**. In the event of a shortfall in the subscription of the Issue Shares, the Underwriter will have to subscribe for all the under-subscribed shares. Should the amount subscribed for be a significant quantum, the Underwriter may end up as a substantial shareholder (i.e. holding 5% or more of the aggregate of the nominal amount of all the voting shares in the Company). This may result in non-compliance of the public shareholding spread requirements of the KLSE and could adversely affect the success of the Listing.

The Underwriting Agreement also provides for circumstances, as highlighted in **Section 3.8**, under which the Underwriter may be entitled, on or prior to the closing date of the application of the Issue Shares, to release or discharge their obligations under the Underwriting Agreement. This conditional obligation of the Underwriter may result in the Issue Shares not being underwritten and this could adversely affect the success of the Listing.

4.15 Litigation Risks

The Group's agreements with its customers typically contain provisions designed to limit the Group's exposure to potential product liability claims. To date, the Group has not experienced any material product liability claims. It is possible, however, that the limitation of liability provisions contained in the Group's customer agreements may not be effective as a result of existing or future laws or unfavourable judicial decisions. Furthermore, some of the Group's agreements with its customers are governed by foreign laws, and there is no assurance that purported limitation on liability clauses in those agreements would be enforced.

4.16 Regulatory Risks

Currently, save for general company and contract laws, the business activities of the Group in Malaysia, India and China are not subject to any specific legislation or regulations. However, there can be no assurances that future legislative or regulatory policy changes will not affect the operations of the Group.

4.17 Change in MSC Status

IAB was granted MSC status in 1997 by MDC. The salient general conditions imposed on IAB, as a MSC status company are as follows:

(i) undertake the MSC-qualifying activities as specified in the Company's business plan as approved, and thereafter continue with such business activities unless otherwise approved by MDC;

(ii) locate the Company's headquarters and the implementation and operation of the MSC-qualifying activities in Cyberjaya or any of the MSC-designated cybercities; and

(iii) ensure that at all times at least 15% of the total number of employees (excluding support staff) of the Company shall be "knowledge workers" (as defined by MDC).

Presently, all MSC status companies are granted financial and non-financial incentives. Financial incentives include:-

- a five (5) year exemption from Malaysian income tax (only on income derived from MSC related activities) commencing from the date when the company starts generating income, renewable to 10 years - renewal will depend on the Group's performance in transferring technology or knowledge to Malaysia, or a 100% investment tax allowance on new investments made in MSC cybercities, commencing from the date on which the first qualifying capital expenditure is incurred;
- duty-free importation of multimedia equipment, provided that the equipment is used by the company in the operation of its business, and not for direct sale and trading or use as components in manufactured items; and
- R&D grants for MSC small and medium enterprises that are at least 51% Malaysian-owned.

Non-financial incentives include:-

- unrestricted employment of foreign knowledge workers;
- freedom of ownership; and
- freedom to source capital for MSC infrastructure globally, and the right to borrow funds globally. All MSC status companies will be given exemptions by the Controller of Foreign Exchange from exchange control requirements which will allow them to execute transactions in any currency in Malaysia or elsewhere, borrow any amount from financial institutions, associate companies or non-residents, hedge foreign exchange exposure, remit funds globally and open foreign currency accounts in Malaysia or abroad with no limits on balances.

IAB had on 19 November 2002 obtained approval from the MDC for a further extension of five (5) years to its tax-free status for the Company. As such, IAB will continue to enjoy tax-free benefits on its income derived from MSC-related activities up to 31 August 2007.

MDC is the body responsible for monitoring all MSC designated companies. MDC has the right to revoke any company's MSC status at any time. As such, there can be no assurance that IAB will continue to retain its MSC status or that it will continue to enjoy the MSC incentives outlined above, all of which could materially and adversely affect the Group's business, operating results and financial condition.

4.18 Uncertainty of Proposed 5-year Business Development Plan

The success of the Group's business development plan will be largely dependent upon market acceptance of its products, successful penetration into the OJC market in China and in other parts of Asia, as well as the Group's ability to successfully market its products and to further develop and commercialise further applications of its proprietary technology. In addition, the Group's proposed future plan and prospects will be dependent upon, among other things, the Group's ability to enter into strategic marketing and licensing or other arrangements on a timely basis and on favourable terms, establish satisfactory arrangements with sales representatives and marketing consultants, hire and retain skilled management as well as financial, technical, marketing and other personnel, successfully manage growth (including monitoring operations, controlling costs and maintaining effective quality, inventory and service controls) and obtain adequate financing as and when needed.

4.19 Disclosure Regarding Forward-Looking Statements

This Prospectus includes forward-looking statements, which are statements other than statements of historical facts. Although the Group believes that, barring unforeseen circumstances, the expectations reflected in such forward-looking statements are reasonable at this time, there can be no assurance that such expectations will prove to have been correct.

4.20 Impact of Severe Acute Respiratory Syndrome ("SARS")

The impact of SARS on the Malaysian economy is not as severe as compared to the other countries in the region. The Government has taken immediate steps in containing the spread of the virus. However, until a permanent cure is found or the authorities are able to effectively contain the spread of the virus, there can be no assurance that the Malaysian economy will remain relatively unaffected by the crisis affecting the airline and tourism industries which will have spillover effects on other industries, including the IT industry which IAB is a part of.

The impact of SARS is also a serious threat in China, one of IAB's export markets. As a mitigating factor, IAB intends to concentrate its sales effort in Japan and other Asian countries which are not currently affected by SARS. However, the Company remains committed to its China expansion plans, as the Company believes in the long term gains to be achieved there.

4.21 Reliance on Economic, Political and Social Stability

The Group has clients in various countries and is presently also expanding into new markets in Asia. Political and social uncertainties lead to social tensions such as war, hostility, strikes, terrorist attacks which may interrupt normal civilian life and adversely affect the Group's daily operations. The instability of economic and market conditions may also adversely affect the business, financial condition and results of operations of the Group. In addition, any modification or change in policies by the authorities may lead to changes in laws and regulations or the interpretation thereof, currency control policies, taxation and import and export restrictions. These changes .may have a material adverse impact on the Group's business, results of operation and financial condition. The implementation of foreign ownership business restrictions in a particular foreign market may constrain the Group's ability to operate in that foreign market. The implementation of currency control policies may affect the Group's ability to remit profits to its head office. Unfavourable taxation and import and export policies may also adversely affect the pricing and competitiveness of the Group's application software and services.

4.22 Security Risks and Service Disruption

The Group is operating in the high technology environment where its operations are susceptible to various security risks in the form of computer viruses, industrial espionage, hacking and fraud. The Group, in response to this threat, has set up firewalls and taken all other necessary steps to minimize the risk of any potential security breaches. In addition, the Group's valuable data is backed-up on a regular basis on data tapes and stored physically on another premise. As a result, there has not been any stoppages or instances of attacks or damage to the Group's system or data. However, there can be no assurance that in the future, there will not be any security breaches that may materially affect the operation and hence performance of the Group.

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5.1 Proforma Historical Financial Record

The table below sets out a summary of the audited proforma consolidated results of the Group for the past five (5) financial years ended 31 December and on the assumption that the Group had been in existence since 1 January 1998:-

	<------	------FYE 31 December ^	------	------	------>
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000
Turnover	3,356	2,956	3,863	4,408	5,142
Profit before interest, depreciation, taxation and amortisation	176	429	553	434	1,337
Interest expense	(37)	(16)	(34)	(63)	(43)
Depreciation	(141)	(120)	(156)	(124)	(40)
Amortisation of development cost	-	-	-	-	(19)
Profit/(loss) before tax	(2)	293	363	247	1,235
Taxation	8	-	-	(12)	(3)
Profit after tax	6	293	363	235	1,232
Exceptional items	-	-	-	-	-
Profit after tax and exceptional items	6	293	363	235	1,232
No. of Shares (based on enlarged share capital before Public Issue) ('000)	45,000	45,000	45,000	45,000	45,000
Net EPS (sen) #	0.01	0.65	0.81	0.52	2.74

Notes:-

\# *The net EPS has been calculated based on the profit after tax and exceptional items and the number of Shares in the enlarged share capital of the Company before the Public Issue.*

^ *The financial year ends for all the companies within the Group is 31 December, with the exception of IAIPL, whose year end is 31 March. For the purposes of the above proforma financial figures, IAIPL's results have been time-apportioned to ensure that it is co-terminous with that of the other companies within the Group.*

There were no exceptional or extraordinary items in the relevant financial periods under review. There were no items relating to the share of profits and losses of associated corporations and joint ventures and minority interest in the relevant financial periods under review. There were no audit qualifications for the financial years under review.

Kindly refer to **Section 5.8** for analysis and commentary on the material items in the table above.

5.2 Profit Forecast and Projections

The market for the Group's products and services is characterised by rapid technological advancements, changes in customer requirements, frequent new product launches and the continued development of software and hardware enhancements. In addition, the Group is also devoting substantial management and financial resources to launch its products and grow its operations in new markets in particular China. The Group is also subjected to many risk factors, some of which are highlighted in **Section 4 - Risk Factors** of this Prospectus. The Group's revenue and operating results are therefore difficult to forecast. As such, the Group's profit forecast and projections are not disclosed in this Prospectus.

5.3 Proforma Consolidated Balance Sheets

The proforma consolidated balance sheets set out below are provided for illustrative purposes only to show the effects on the consolidated balance sheets of IAB as at 31 December 2002 on the assumption that the Public Issue was effected on that date. The detailed Proforma Consolidated Balance Sheets of IAB as at 31 December 2002, together with the bases and assumptions, as well as the auditors' letter thereon, is contained in **Section 12** of this Prospectus.

5. FINANCIAL INFORMATION

Proforma Consolidated Balance Sheets

	IAB Group As At 31 December 2002 RM '000	IAB Group (Before Public Issue) RM '000	IAB Group (After Public Issue) RM '000
Plant and equipment	742	742	742
Other investments	51	51	51
Development costs	2,140	2,140	2,140
	2,933	2,933	2,933
Current assets:-			
Inventories for resale	17	17	17
Trade receivables	1,414	1,414	1,414
Other receivables	472	472	472
Amount owing by related parties	556	556	556
Tax refundable	5	5	5
Fixed deposits with licensed banks	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 related parties	6	6	6
Amount owing to directors	97	97	97
Lease and hire purchase payables	116	116	116
Bank overdrafts	7	7	7
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	2,383	4,500	6,000
Share premium	959	-	2,850
Foreign exchange reserve	1	1	1
Negative goodwill	568	568	568
Retained profits	1,235	77	77
Shareholders' equity	5,146	5,146	9,496
Hire purchase payables	1	1	1
Deferred taxation	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

5.4 Consolidated Cash Flow Statement

The table below sets out the consolidated cash flow statement of the Group for the year ended 31 December 2002 and is prepared based on the audited accounts of the Group:-

	RM'000
Cash Flow From Operating Activities	
Profit for the financial year	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 expenses	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 For 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	
Proceeds from issuance of shares	1,810
Dividend paid	(580)
Repayment to hire purchase obligations	(111)
Government grant received	1,153
Repayment to directors	(540)
Net Cash From Financing Activities	**1,732**
Net Increase In Cash And Cash Equivalents	**626**
Effect of foreign currency translation	1
	627
Cash And Cash Equivalents At Beginning Of The Financial Year	**219**
Cash And Cash Equivalents At End Of The Financial Year	**846**

5.5 Key Financial/Operating Ratios

The table below sets out key financial ratios which are provided for illustrative purposes based on the audited accounts of the Group and on the assumption that the Group had been in existence throughout the period under review:-

Year	1998	1999	2000	2001	2002
Pre-tax profit margin (%)	-	9.9	9.4	5.6	24.0
Effective tax rate (%)	n/a	-	-	5.0	0.2
Total bank borrowings (RM)	199,851	40,997	881,361	750,560	124,475
Interest expense (RM)	36,792	15,657	34,532	62,873	43,083
Interest cover (times)	n/a	19.72	11.52	4.92	29.72

5.6 Segmental Analysis of the Group's Turnover

The following table shows the breakdown of the Group's contribution by its products and services:

	1998 RM'000	%	1999 RM'000	%	2000 RM'000	%	2001 RM'000	%	2002 RM'000	%
Turnover										
Software customization	1,892	56.4	1,072	36.3	1,117	28.9	999	22.7	1,950	37.9
Sale of software, hardware and accessories	1,117	33.3	1,010	34.2	1,988	51.5	2,519	57.1	1,989	38.7
Software maintenance and training	347	10.3	494	16.7	649	16.8	813	18.4	1,197	23.3
Others	-	-	380	12.8	109	2.8	77	1.8	6	0.1
TOTAL	**3,356**	**100.0**	**2,956**	**100.0**	**3,863**	**100.0**	**4,408**	**100.0**	**5,142**	**100.0**

The following table shows the breakdown of the Group's contribution by geographical area:

	1998 RM'000	%	1999 RM'000	%	2000 RM'000	%	2001 RM'000	%	2002 RM'000	%
Turnover										
Local	1,877	56.0	2,134	72.3	2,747	71.1	3,233	73.3	4,094	79.6
Overseas:										
Japan	1,427	42.5	675	22.8	745	19.3	565	12.8	750	14.6
Singapore	11	0.3	87	2.9	361	9.3	540	12.3	263	5.1
Indonesia	-	-	1	-*	-	-	30	0.7	-	-
Philippines	41	1.2	20	0.7	10	0.3	40	0.9	35	0.7
Hong Kong	-	-	39	1.3	-	-	-	-	-	-
TOTAL	**3,356**	**100.0**	**2,956**	**100.0**	**3,863**	**100.0**	**4,408**	**100.0**	**5,142**	**100.0**

* *Negligible*

The following table shows the breakdown of the Group's contribution by companies within the Group:

	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000
Turnover					
IAB	1,231	737	1,301	1,143	2,000
ISSB	3,186	2,340	2,395	2,255	1,923
IASB	243	183	344	1,089	1,559
IAIPL	-	177	209	183	200
Consolidation adjustments	(1,304)	(481)	(386)	(262)	(540)
TOTAL	**3,356**	**2,956**	**3,863**	**4,408**	**5,142**

5.7 Working Capital, Borrowings and Contingent Liabilities

The directors of the Company are of the opinion that after taking into consideration the cashflow forecast including the proceeds of the Public Issue and banking facilities available, the Group will have adequate working capital to meet its present and foreseeable future requirements.

As at 31 May 2003, the Group's total bank borrowings amounted to approximately RM283,000 comprising mainly bank overdraft and hire purchase facilities. Overdraft facilities and hire purchase payables, amounting to RM111,000 and RM94,000 constitute the short term facilities of the Group whilst the balance of RM78,000 represents long term hire purchase facilities.

Save as disclosed above, the Group does not have any other loan capital outstanding or created but unissued, mortgages or charges outstanding on that date.

As at 16 June 2003 (being the last practicable date prior to the printing of this Prospectus), the Group does not have any material capital commitments or contingent liabilities.

As at 16 June 2003 (being the last practicable date prior to the printing of this Prospectus), the Group is not aware of:

(i) any known trends, demands, commitments, events or uncertainties that have had or that the corporation reasonably expects to have, a material favorable or unfavorable impact on financial performance, position and operations of the corporation/ group;

(ii) any material capital expenditure commitments, the purpose of such commitments and the anticipated source of funds;

(iii) any unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of the corporation/ group; and the extent to which the financial performance and position and operations of the corporation/ group was so affected;

(iv) any substantial increase in revenue; and

(v) any known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical financial statements not indicative of future financial performance and position, save as disclosed in **Section 4.20** and **4.21** of this Prospectus.

5.8 Analysis and Commentary on the Profit Record

Turnover and Profitability

Turnover for the financial year ended 31 December 1998 decreased by 9% to RM3.36 million 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. This led to a slight loss before taxation of RM1,000 for the financial year ended 31 December 1998.

Turnover continued to decrease to RM2.96 million for the financial year ended 31 December 1999. This was mainly due to the result of the Asian financial crisis and lower amount of customization orders from the Japanese clients, who had tightened their IT spending in view of the slowdown in Japanese economy. Despite the decrease in the turnover, the Group managed to record a profit before taxation of RM293,000 for the financial year ended 31 December 1999. This was mainly attributable to the higher margin earned from some of its software products and royalty income received by ISSB. The significantly improved results were also contributed by the lower operating expenses incurred in 1999, as a result of the cost cutting measures implemented by the management and lower bad debts written off.

Turnover for the financial year ended 31 December 2000 increased substantially by 31% to RM3.86 million, mainly due to the increase in the overseas turnover as a result of the establishment of a business relationship with FAPL and increased business with Cell-Infortech. Despite the significant increase in turnover, the profit before taxation only increased by 24% to RM363,000 mainly due to a lower margin earned from the sales of software and hardware and higher operating costs incurred.

Turnover for the financial year ended 31 December 2001 increased by 14% to RM4.41 million largely due to the substantial increase in turnover from IASB. In 2001, IASB set up its own marketing team to broaden its customer base, primarily in the small and medium sized industries. Despite the increase in turnover, the profit before taxation for the financial year ended 31 December 2001 dropped to RM246,000 mainly due to increase in marketing staff costs and higher operating expenses.

Turnover for the financial year ended 31 December 2002 increased by 17% to RM5.1 million mainly due to more customization projects secured during the year from the Japanese market. The significant increase in profit before taxation to RM1.24 million for 2002 was mainly attributable to more customization projects that have contributed to higher margins than the sale of hardware, software and accessories.

Taxation

No provision for tax was made for the profit for the financial year ended 31 December 1999 as the amount of tax payable was waived, in accordance with the provisions of the Income Tax (Amendment) Act, 1999. There was no provision for taxation for financial year ended 2000 due to the availability of unabsorbed tax losses and capital allowances claimed by IASB and the pioneer status incentive enjoyed by IAB. The proforma effective tax rate of the Group for the financial year ended 31 December 2001 and 31 December 2002 was lower due to the pioneer status incentive enjoyed by IAB.

Others

There was no exceptional or extraordinary item in the relevant financial periods under review.

The impact of foreign exchange on the Company's operating profits over the past five (5) years has been minimal as the RM peg to USD has been in place for the last five years.

The impact of fluctuating interest rates on the Company's operating profits over the past five (5) years is reflected by the interest expense in the table in **Section 5.1.**