9.0 NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES (CONTD.)

A. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(ii) Foreign entities

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

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

(l) Impairment of Assets

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

An impairment loss is charged to the income statement immediately. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

(m) Employee Benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plan

Contributions to the defined contribution plans are recognised as an expense in the income statement as incurred.

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9.0 NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES (CONTD.)

A. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(n) Financial Instruments

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

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

(i) Other Non-Current Investments

Non-current investments other than investments in subsidiary companies are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 9.0 A.(l).

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

(ii) Receivables

Receivables are carried at anticipated realisable values. An estimate is made for doubtful debts based on a review of all outstanding amounts at the financial year end. Bad debts are written off during the year in which they are identified.

(iii) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(iv) Interest-Bearing Borrowings

Interest-bearing loans are recorded at the amount of proceeds received. All other borrowing costs are recognised as an expenses in the income statement in the period in which they are incurred.

9.0 NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES (CONTD.)

A. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(n) Financial Instruments (Contd.)

(v) Equity Instruments

Ordinary shares are classified as equity instruments. Preference share capital is classified as an equity instrument if it is non-redeemable and dividends are discretionary at the option of the issuer.

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

Dividends on equity instruments are recognised in equity in the period in which they are declared.

(vi) Preference Shares

Preference shares which provide for mandatory redemption for a fixed or determinable amount at a fixed or determinable future date or gives the holder, the right to require the issuer to redeem the shares at or after a particular date for a fixed or determinable amount, the instruments meet the definition of financial liability and is classified as such. The corresponding dividends on those shares are charged as interest expense in the income statement.

9.0 NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES (CONTD.)

B. PLANT AND EQUIPMENT

	Computer equipment RM	Office equipment RM	Furniture and fittings RM	Renovation RM	Total RM
Group					
COST					
At 1 January 2003	1,189,524	32,244	6,842	82,877	1,311,487
Additions	842,985	2,765	-	2,610	848,360
Reclassification	(27,253)	27,253	-	-	-
Disposals	(1,600)	-	-	-	(1,600)
Write offs	(667,868)	-	-	-	(667,868)
At 31 December 2003	1,335,788	62,262	6,842	85,487	1,490,379
ACCUMULATED DEPRECIATION					
At 1 January 2003	757,602	26,181	4,164	26,214	814,161
Charge for the year	273,084	12,193	1,368	16,923	303,568
Reclassification	(3,715)	3,715	-	-	-
Disposals	(1,022)	-	-	-	(1,022)
Write offs	(667,846)	-	-	-	(667,846)
At 31 December 2003	358,103	42,089	5,532	43,137	448,861
NET BOOK VALUE					
At 31 December 2003	977,685	20,173	1,310	42,350	1,041,518
Pro forma adjustment					
Acquisition pursuant to utilisation of proceeds from Public Issue	403,000	-	-	-	403,000
Balance as per Pro forma (II)	1,380,685	20,173	1,310	42,350	1,444,518
At 31 December 2002	431,922	6,063	2,678	56,663	497,326
Depreciation charge for 2002	300,459	21,867	1,404	13,275	337,005

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9.0 NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES (CONTD.)

C. INVESTMENT

	Group As at 31.12.03 RM
At cost:	
Unquoted shares	190,000
Provision for diminution in value	(190,000)
	-

The investment pertains to 15% equity interest in Myvkey Incorporated, a company incorporated in the United States of America. The Company was dormant as at 31 December 2003.

D. DEFERRED DEVELOPMENT COSTS

	Group As at 31.12.03 RM
Software Development Expenditure:	
At 1 January	5,065,715
Additions for the year	235,912
At 31 December	5,301,627
Pro forma adjustment	
Addition pursuant to utilisation of proceeds from Public Issue	762,575
Balance as per Pro forma (II)	6,064,202

Additions for the year include the following:

Directors' remuneration	13,508
Depreciation of plant and equipment	88,127
Office rental	19,823
Staff costs	85,635

The software development expenditure was incurred in developing an open platform that enables the Company's products to take full advantage of the incipient of the Third Generation (Wireless) ("3G") technology. The Company projects to roll out the product range in 2006.

9.0 NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES (CONTD.)

D. DEFERRED DEVELOPMENT COSTS (CONTD.)

The Directors expect the Company to fully recover all development costs incurred when the products are rolled out. However, factors could cause future results to differ from expectations. These factors include changes in economic conditions, competitive factors (such as the introduction or enhancement of competitive products and pricing factors), reduction in product demand, changes in customers requirement, delay in introduction of 3G technology and etc. Should such factors results in material changes in future economic benefits of these products, this may result in a immediate mark down of the deferred development costs.

E. NEGATIVE GOODWILL ON CONSOLIDATION

Negative goodwill on consolidation arose from acquisition of subsidiary companies, namely VSSPL and PL in financial year ended 31 December 2001.

F. CURRENT ASSETS

		Group		
	Note	Audited as at 31.12.2003 RM	After issuance, conversion of RCPS (I) RM	After (I) and bonus issue, listing, utilisation of proceeds and full exercise of ESOS (II) RM
Trade receivables	(a)	3,082,690	3,082,690	3,082,690
Other receivables	(b)	370,535	370,535	370,535
Cash and bank balances		715,752	658,750	8,255,675
		4,168,977	4,111,975	11,708,900

(a) Trade receivables

	Group As at 31.12.03 RM
Trade receivables	3,137,788
Less: Provision for doubtful debts	(55,098)
	3,082,690

9.0 NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES (CONTD.)

F. CURRENT ASSETS (CONTD.)

(a) Trade receivables (Contd.)

The Group's normal trade credit term ranges from 30 to 60 days. Other credit terms are assessed and approved on a case-by-case basis.

As at the date of the audited report, long outstanding trade debts amounting to RM291,690 were not provided for.

Subsequent to this date, the Directors, having considered all available information are of the opinion that debts amounting to RM156,340, require further provisioning. This provision will be made in the financial year ending 31 December 2004.

(b) Other receivables

	Group As at 31.12.03 RM
Deposits	69,316
Prepayments	274,236
Sundry receivable	26,983
	370,535

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9.0 NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES (CONTD.)

G. CURRENT LIABILITIES

	Note	Group Audited as at 31.12.2003 RM	After issuance, and conversion of RCPS (I) RM	After (I) and bonus issue, listing, utilisation of proceeds and full exercise of ESOS (II) RM
Trade payables	(a)	311,950	311,950	311,950
Other payables and accruals	(b)	1,547,951	1,268,533	1,268,533
Tax payable		17,750	17,750	17,750
Borrowings	J	4,862,323	-	-
		6,739,974	1,598,233	1,598,233

(a) Trade payables

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

(b) Other payables and accruals

	Group Audited as at 31.12.2003 RM	After issuance, conversion of RCPS (I) RM	After (I) and bonus issue, listing, utilisation of proceeds and full exercise of ESOS (II) RM
Accruals	180,905	180,905	180,905
Sundry payables	1,044,557	765,139	765,139
Amounts due to Directors	322,489	322,489	322,489
	1,547,951	1,268,533	1,268,533

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9.0 NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES (CONTD.)

G. CURRENT LIABILITIES (CONTD.)

(b) Other payables and accruals (Contd.)

Sundry payables include dividend payable on RCPS, 'Series B' which amounted to RM279,418.

The amounts due to Directors are unsecured, interest-free and have no fixed terms of repayment.

H. SHARE CAPITAL

	Group		
	Audited as at 31.12.2003 RM	**After issuance, and conversion of RCPS (I) RM**	**After (I) and bonus issue, listing, utilisation of proceeds and full exercise of ESOS (II) RM**
Authorised:			
Ordinary shares of RM1.00 each	9,000,000	9,000,000	N/A
Ordinary shares of RM0.10 each	N/A	N/A	9,000,000
Issued and fully paid:			
Ordinary shares of RM1.00 each	867,661	1,662,432	N/A
Ordinary shares of RM0.10 each	N/A	N/A	6,875,000

The shareholders of the Company approved the implementation of an option scheme on 11 June 2003 up to a maximum of 87,500 new ordinary shares in the Company at an issue price of RM1.60 per share to be issued to its eligible employees. The new ordinary shares to be issued, shall rank pari passu in all respects with the existing ordinary shares of the Company except they shall not be entitled to any dividend or distribution which may be declared or paid prior to the date of allotment. None of the option granted was exercised during that financial year.

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9.0 NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES (CONTD.)

I. SHARE PREMIUM

	Group		
	Audited as at 31.12.2003 RM	After issuance, and conversion of RCPS (I) RM	After (I) and bonus issue, listing, utilisation of proceeds and full exercise of ESOS (II) RM
Share premium	283,430	6,647,308	10,197,240

The estimated expenses of RM1.3 million relating to the Scheme have been set-off against Share Premium Account.

J. BORROWINGS

		Group		
	Note	Audited as at 31.12.2003 RM	After issuance, and conversion of RCPS (I) RM	After (I) and bonus issue, listing, utilisation of proceeds and full exercise of ESOS (II) RM
Short Term Borrowings				
Secured loan	(i)	1,862,323	-	-
Redeemable Convertible Preference Shares - 'Series A'	(ii)	3,000,000	-	-
		4,862,323	-	-
Long Term Borrowings				
Redeemable Convertible Preference Shares - 'Series B'	(iii)	2,669,461	-	-

9.0 NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES (CONTD.)

J. BORROWINGS (CONTD.)

(i) Secured loan

Secured loan represents an advance from a foreign company in which a shareholder of the Company has interest. The loan bears interest at 1% per month and is repayable in a single payment before 30 June 2004 and is secured by way of floating charge on all the undertakings and all property, assets and rights of the Company; present or wherever situate.

(ii) Redeemable Convertible Preference Shares - Series A ("RCPSA")

The terms of the RCPSA are as follows:

(a) The subscriber of the RCPSA will have the option at any time within the period commencing from the purchase date and ending before the listing of the shares in the Company on any recognised stock exchange or securities market, to convert the RCPSA at the conversion rate into new ordinary shares of RM1.00 each in the Company on the basis of 1 RCPSA for 1 new ordinary share of RM1.00 each in the Company.

(b) The subscriber of the RCPSA will have the sole and absolute discretion to require the Company to redeem the RCPSA at any time on or after the occurrence of certain events as stipulated in the shareholders agreement at a redemption amount which represents the amount invested plus non-cumulative interest at the rate of 6% on the amount invested per year, accruing from the date of issue of the RCPSA to the date of redemption, which shall be inclusive of any dividends declared by the Company.

(c) The new ordinary shares to be allotted and issued upon conversion of the RCPSA will rank pari passu in all respects with the existing ordinary shares of the Company.

(d) The Company shall not declare dividend or pay any dividends or capitalise its retained earnings or reserves and distribute them as fully paid up ordinary shares ('Bonus Shares') without obtaining prior approval from the majority holders of the RCPSA. In the even of such distributions, the RCPSA holders will be entitled to participate in the proportionate share of the dividends or Bonus Shares on the basis that each RCPSA share (for the purpose of dividend or Bonus Shares) will be treated as if it has been converted to an ordinary share.

The RCPSA is due for redemption on 31 December 2003. However, the Company has been granted an extension on the redemption period up to 30 June 2004. The redemption interest payable to the RCPSA holders, should these shares be redeemed, is as disclosed in Note L.

9.0 NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES (CONTD.)

J. BORROWINGS (CONTD.)

(iii) Redeemable Convertible Preference Shares - 'Series B' ("RCPSB")

The terms of the RCPSB are as follows:

(a) The subscriber of the RCPSB will have the option at any time during the period commencing from the purchase date and ending before the listing of the shares of the Company on any recognised stock exchange or securities market by 31 December 2005, to convert the RCPSB at the conversion rate into new ordinary shares of RM1.00 each in the Company on the basis of 1 RCPSB for 1 new ordinary share of RM1.00 each in the Company.

(b) The subscriber of the RCPSB will have the sole and absolute discretion to require the Company to redeem the RCPSB on the last day of the period of 3 years from the date of first issuance of the RCPSB. The Redemption Amount is a sum equivalent to every Ringgit Malaysia paid on the RCPSB plus a premium of 25% compounded per annum.

(c) The subscriber shall be entitled to preferential cumulative dividends at a rate of 9% per annum calculated on the basis of the total amount invested by the subscriber at the relevant period.

(d) The new ordinary shares to be allotted and issued upon conversion of the RCPSB shall rank pari passu in all respects with the existing ordinary shares of the Company.

Summary of RCPSA and RCPSB issued by the Company at 31 December 2003 is as follows:-

	Number of Preference Share of RM1.00 Each	
	Units	**RM**
Authorised	1,000,000	1,000,000

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9.0 NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES (CONTD.)

J. BORROWINGS (CONTD.)

	Issued and fully paid up Preference Shares of RM1 each		
	Series A RM/No.	Series B RM/No.	Total RM/No.
At 1 January 2002	175,000	-	175,000
Issue during the year	-	194,517	194,517
At 31 December 2002	175,000	194,517	369,517
Issue during the year	-	159,054	159,054
At 31 December 2003	175,000	353,571	528,571

	Premium arising on RCPS		
	RM	RM	RM
At 1 January 2002	2,825,000	-	2,825,000
Issue during the year	-	1,274,086	1,274,086
At 31 December 2002	2,825,000	1,274,086	4,099,086
Issue during the year	-	1,041,804	1,041,804
At 31 December 2003	2,825,000	2,315,890	5,140,890
Total liability on RCPSA and RCPSB	3,000,000	2,669,461	5,669,461

(iv) Redeemable Convertible Preference Shares - 'Series C' ("RCPSC")

The shareholders of the Company has given the approval to the Directors of the Company on 3 September 2003 to allot and issue 132,450 RCPSC of RM1.00 each upon terms and conditions as the Directors deem fit, provided always that the aggregate number of shares to be issued, does not exceed ten per centum of the issued share capital of the Company.

9.0 NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES (CONTD.)

J. BORROWINGS (CONTD.)

(iv) Redeemable Convertible Preference Shares - 'Series C' ("RCPSC") (Contd.)

The terms of the RCPSC are as follows:

(a) The subscriber of the RCPSC will have the option at any time during the period commencing from the purchase date and ending before the listing of the shares of the Company on any recognised stock exchange or securities market by 31 December 2005, to convert the RCPSC at the conversion rate into new ordinary shares of RM1.00 each in the Company on the basis of 1 RCPSC for 1 new ordinary share of RM1.00 each in the Company.

(b) The subscriber of the RCPSC will have the sole and absolute discretion to require the Company to redeem the RCPSC on the last day of the period of 3 years from the date of first issuance of the RCPSC. The Redemption Amount is a sum equivalent to every Ringgit Malaysia paid on the RCPSC plus a premium of 25% compounded per annum.

(c) The subscriber shall be entitled to preferential cumulative dividends at a rate of 9% per annum calculated on the basis of the total amount invested by the subscriber at the relevant period.

(d) The new ordinary shares to be allotted and issued upon conversion of the RCPSC shall rank pari passu in all respects with the existing ordinary shares of the Company.

As at the balance sheet date, no RCPSC has been issued.

K. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

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

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9.0 NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES (CONTD.)

K. FINANCIAL INSTRUMENTS (CONTD.)

(b) Interest rate risk

The Group's primary interest rate risk relates to interest-bearing secured loan and the RCPSB as at the balance sheet date. The maturities of these financial liabilities are analysed as follows:

	Group As at 31.12.03 RM
Financial Liabilities	
Secured Loan	
Repayable:	
Within 1 year	1,862,323
RCPSB:	
More than 1 year and less than 5 years	2,669,461

The Company does not have investment in any interest bearing financial assets.

(c) Foreign currency risk

The Group has no material exposure to foreign exchange risk as majority of the Group's transactions are denominated in Ringgit Malaysia. The Company's foreign subsidiaries, Viztel Solutions (HK) Ltd, Picktips.com Limited, Moliba Technology Hong Kong Limited and Viztel Solutions (S) Pte Ltd, are relatively dormant during the financial year and do not pose a material foreign exchange risk as at balance sheet date. However, the Group will continue to monitor the risk arising from foreign exchange from time to time and will formulate appropriate strategies should the risk become material.

(d) Liquidity risk

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

9.0 NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES (CONTD.)

K. FINANCIAL INSTRUMENTS (CONTD.)

(e) Credit risk

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

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

(f) Fair value

The Group does not anticipate the carrying amounts recorded at the balance sheet date of its financial assets and liabilities to be significantly different from the values that would eventually be received or settled.

It is not practical to estimate the fair value of the secured loan borrowing due principally to a lack of fixed repayment term entered by the parties involved.

It is also not practical to estimate the fair value of the contingent liabilities as disclose in Note L reliably due to the uncertainties of timing, costs and eventual outcome.

L. CONTINGENT LIABILITIES

(a) As stated in Note J, the subscriber of the RCPSA will have the sole and absolute discretion to require the Company to redeem the RCPSA at any time or after the occurrence of certain events as stipulated in the shareholders agreement at a redemption amount which represents the amount invested plus non-cumulative interest at the rate of 6% on the amount invested per year, accruing from the date of issue of the RCPSA ('Redemption Interest') to the date of redemption, which shall be inclusive of any dividends declared by the Company. At 31 December 2003, the accumulated Redemption Interest, which has not been accrued in the financial statements amounted to RM630,000.

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9.0 NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES (CONTD.)

L. CONTINGENT LIABILITIES (CONTD.)

(b) As stated in Note J of the financial statements, the subscriber of the RCPSB will have the sole and absolute discretion to require the Company to redeem the RCPSB on the last day of the period of 3 years from the date of first issuance of the RCPSB. The Redemption Amount is a sum equivalent to every Ringgit Malaysia paid on the RCPSB plus a premium of 25% compounded per annum ('Redemption Premium'). At 31 December 2003, the accumulated Redemption Premium, which has not been accrued in the financial statements amounted to RM820,000.

(c) Secured banker's guarantee as at 31 December is as follows:

	Group Audited as at 31.12.2003 RM
Banker's guarantee given to bank for credit facilities granted to third party	50,000

The secured banker's guarantee is secured against earmarked current account.

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10.0 CONSOLIDATED CASH FLOW STATEMENT

The consolidated cash flow statement of VSB Group set out below is based on the audited financial statements of VSB Group for the financial year ended 31 December 2003.

	Group **As at 31.12.03** **RM**
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before taxation	1,183,206
Adjustments for:	
Depreciation of plant and equipment	215,441
Plant and equipment written off	22
Interest expense	178,448
Dividend on preference shares	216,607
Loss on disposal of plant and equipment	128
Provision for doubtful debts for trade receivables	55,098
Operating profit before working capital changes carried forward	1,848,950
Changes in working capital:	
Receivables	(1,738,164)
Payables	38,561
Inventories	111,088
	(1,588,515)
Net cash flow generated from operating activities	260,435
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of plant and equipment	(848,360)
Proceeds from disposal of plant and equipment	450
Development costs	(182,904)
Net cash flow used in investing activities	(1,030,814)

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10.0 CONSOLIDATED CASH FLOW STATEMENT (CONTD.)

	Group As at 31.12.03 RM
CASH FLOWS FROM FINANCING ACTIVITIES	
Repayment of term loan	(38,250)
Proceeds from issuance of ordinary shares	322,091
Proceeds from issuance of preference shares	647,918
Net cash generated from financing activities	931,759
NET INCREASE IN CASH AND CASH EQUIVALENTS	161,380
EFFECTS OF EXCHANGE RATE CHANGES	4,435
CASH AND CASH EQUIVALENTS AT 1 JANUARY 2003	549,937
CASH AND CASH EQUIVALENTS AT 31 DECEMBER 2003	715,752

11.0 PROCEEDS FROM PUBLIC ISSUE

The cash proceeds of RM5,250,000 from the public issue will be utilised in the following manner:-

	RM
Proposed overseas investment *	540,190
Research and development expenditure	762,575
Working capital	2,244,235
Investment in telecommunication equipments	403,000
Estimated listing expenses	1,300,000
	5,250,000

* The funds will be used for staff costs, operational overheads and marketing expenses in VSB's operations in China.

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12.0 PRO FORMA NET TANGIBLE ASSETS COVER

Based on the financial position of the Group as at 31 December 2003, the net tangible assets and enlarged paid-up capital are set out below:-

(i) Net Tangible Assets

	Group As at 31.12.03 RM
Net Tangible Liabilities of the Group	(4,234,638)
Add: Issuance, Conversion of RCPS	7,754,200
Add: Proceeds from Public Issue	5,250,000
Add: Issue of shares under the Employee Share Option Scheme	4,812,500
	13,582,062
Less: Estimated listing expenditure	(1,300,000)
	12,282,062

The net tangible liabilities is arrived at as follows:

Shareholders' funds as at 31 December 2003	977,562
Less: Deferred development costs	(5,301,627)
Add: Negative goodwill	89,427
	(4,234,638)

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12.0 PRO FORMA NET TANGIBLE ASSETS COVER (CONTD.)

(ii) Share Capital

	No. of shares
At 31 December 2003	867,661
Add: Conversion of RCPS into ordinary shares	661,021
Add: Issue of shares under Employee Share Option Scheme prior to listing	87,500
Add: Conversion of preferential dividend into ordinary shares	46,250
Add: Bonus Issue	2,337,568
Add: Increase in number of shares arising from share split and Public Issue	51,000,000
Add: Proposed issue of shares under the Employee Share Option Scheme	13,750,000
	68,750,000

Based on the net tangible assets of RM12.3 million and enlarged number of paid up share capital of 68.75 million shares, the net tangible assets per share is RM0.17 per share.

13.0 AUDITED FINANCIAL STATEMENTS

No audited financial statements have been prepared in respect of any period subsequent to 31 December 2003.

Yours faithfully

Ernst & Young
AF: 0039
Chartered Accountants

Kua Choo Kai
No. 2030/03/06(J)
Partner

Kuala Lumpur, Malaysia
Date:18 June 2004