

13. ACCOUNTANTS' REPORT

Deloitte.

ACCOUNTANTS' REPORT

(Prepared for inclusion in the Prospectus)

21 February, 2005

The Board of Directors
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Dear Sirs,

1. INTRODUCTION

This Report has been prepared by Deloitte & Touche, an approved company auditor, for inclusion in the Prospectus of Online One Corporation Berhad ("Online One") dated 25 February, 2005 in connection with the following:

- (i) public issue of 28,250,000 new ordinary shares of RM0.10 each in Online One at an issue price of RM0.40 per share ("New Issue"); and
- (ii) listing of and quotation for the entire enlarged issued and paid-up share capital of Online One comprising 113,000,000 ordinary shares of RM0.10 each on the MESDAQ Market of the Bursa Malaysia Securities Berhad ("Bursa Securities") ("formerly known as Malaysia Securities Exchange Berhad").

2. GENERAL INFORMATION

2.1 Online One

Online One was incorporated as a private limited company under the name Online One Corporation Sdn. Bhd., in Malaysia under the Companies Act, 1965 on 23 October, 2003 with an authorised share capital of RM500,000, consisting of 500,000 ordinary shares of RM1.00 each, and issued and fully paid-up share capital of RM2, consisting of 2 ordinary shares of RM1.00. On 9 March, 2004, the Company was subsequently converted into a public limited company. Subsequently, the Company's authorised share capital was increased from RM500,000 to RM20,000,000 and the par value of its ordinary share was sub-divided from RM1.00 each to RM0.10 each.

The principal activity of Online One is an investment holding company.

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2.2 Listing Exercise

In conjunction with, and as an integral part of the listing of and quotation for the entire enlarged issued and paid-up share of Online One on the Bursa Securities, Online One's Listing Exercise which was approved by the relevant authorities involves the following inter-conditional transactions:

i. Share Split

Share split of the par value of ordinary shares in Online One from RM1.00 each to RM0.10 each ("Share Split").

ii. Acquisitions

- a. Online One acquired the entire issued and paid-up share capital of Online One Software (MSC) Sdn. Bhd. ("OSMSC"), comprising 100,000 ordinary shares of RM1.00 each, for a total consideration of RM950,029 satisfied in full by the issuance of 9,500,290 new ordinary shares of RM0.10 each in Online One at par;
- b. Online One acquired the entire issued and paid-up share capital of EMCD Technology Sdn. Bhd. ("EMCD"), comprising 250,000 ordinary shares of RM1.00 each, for a total consideration of RM411,612 satisfied in full by the issuance of 4,116,120 new ordinary shares of RM0.10 each in Online One at par; and
- c. Online One acquired the entire issued and paid-up share capital of Online DM Sdn. Bhd. ("ODM"), comprising 100,000 ordinary shares of RM1.00 each, for a total consideration of RM104,443 satisfied in full by the issuance of 1,044,430 new ordinary shares of RM0.10 each in Online One at par;

The acquisition of OSMSC, EMCD and ODM are collectively referred to as the "Acquisitions". The said Acquisitions were completed on 7 January, 2005.

iii. Rights Issue

After the Share Split and Acquisition, rights issue of 70,089,140 new ordinary shares of RM0.10 each in Online One at par on the basis of approximately 4.78 new ordinary shares for every one (1) ordinary share held after the Acquisitions ("Rights Issue").

iv. New Issue

After the Share Split, Acquisitions and Rights Issue, Online One proposes a public issue of 28,250,000 new ordinary shares of RM0.10 each in Online One at an issue price of RM0.40 per share.

v. Listing

In conjunction with the New Issue, Online One seeks the admission and the listing of and quotation for its entire enlarged issued and paid-up share capital comprising 113,000,000 ordinary shares of RM0.10 each on the Bursa Securities.

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2.3 Share Capital

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

Description	No. of shares	Par value (RM)	Cumulative no. of shares	Cumulative issued and paid-up share capital (RM)
Subscribers' shares	2	1.00	2	2
Sub-division of par value	20	0.10	20	2
Acquisition of OSMSC	9,500,290	0.10	9,500,310	950,031
Acquisition of EMCD	4,116,120	0.10	13,616,430	1,361,643
Acquisition of ODM	1,044,430	0.10	14,660,860	1,466,086
Rights Issue	70,089,140	0.10	84,750,000	8,475,000

Upon the completion of the New Issue, the issued and paid-up share capital of Online One would be increased by 28,250,000 new ordinary shares of RM0.10 each in Online One to 113,000,000 ordinary shares of RM0.10 each in Online One credited as fully paid-up. The new ordinary shares issued shall rank pari passu in all respects with the existing ordinary shares in Online One .

2.4 Subsidiary Companies

The subsidiary companies of Online One as of the date of this Report and their principal activities are as follows:

Name of Company	Date of Incorporation	Issued and Paid-up Share Capital RM	Effective Equity Interest (%)	Principal Activities
OSMSC	4.10.2002	100,000	100	Development of software
EMCD	31.05.2003	250,000	100	Marketing and distribution of total storage solutions
ODM	25.06.2003	100,000	100	Provision of information management solutions, consisting of business continuity solutions and business intelligence solutions

The subsidiary companies were incorporated in Malaysia as private limited companies under the Companies Act, 1965.

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3. BASIS OF ACCOUNTING AND ACCOUNTING POLICIES

This Report is prepared based on the audited financial statements which have been prepared in accordance with the applicable approved accounting standards issued by the Malaysian Accounting Standards Board and presented on a basis consistent with the accounting policies normally adopted by Online One and its subsidiary companies (collectively referred to as "Online One Group" or the "Group").

There has been no change in accounting policies of the Group for all the financial periods relevant to this Report.

4. FINANCIAL STATEMENTS AND AUDITORS

Online One has prepared its first set of audited financial statements covering the period 23 October, 2004 (date of incorporation) to 31 March, 2004.

The financial statements of:

- OSMSC for the period 4 October, 2002 (date of incorporation) to 31 March, 2004;
- EMCD for the period 31 May, 2003 (date of incorporation) to 31 March, 2004; and
- ODM for the period 25 June, 2003 (date of incorporation) to 31 March, 2004

were audited by another firm of auditors. A special audit for the period 1 April, 2004 to 30 September, 2004 had been performed by Deloitte & Touche for the abovementioned companies in connection with Listing Exercise.

There is no reservation or qualification in the auditors' report in the financial statements covered in this Report.

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5. SUMMARISED INCOME STATEMENTS**5.1 Proforma Consolidated Income Statements – Online One Group**

The summarised proforma consolidated income statements of the Online One Group, based on the audited financial statements of Online One and its subsidiary companies and on the assumption that Online One Group had been in existence throughout the financial periods under review are set out below.

	Financial period ended 31 March 2004	Financial period ended 30 September 2004
<i>(RM'000 unless otherwise stated)</i>		
Revenue	10,341	11,421
Profit before research and development expenditure, depreciation, amortisation, interest and tax	1,763	1,733
Research and development expenditure	(389)	-
Profit before depreciation, amortisation, interest and tax	1,374	1,733
Depreciation and amortisation	(44)	(38)
Interest expense	(7)	(1)
Profit before tax	1,323	1,694
Income tax expense	(77)	(102)
Net profit for the period	1,246	1,592
No. of ordinary shares assumed in issue (‘000)	14,661	14,661
Earnings per share (sen)	8.50	10.86
Effective tax rate (%)	5.82	6.02

Notes:

- (1) For the purpose of illustration, the proforma results of the Online One Group have been arrived at based on the following:
- (a) Audited financial statements of:
- Online One for the period 23 October, 2003 (date of incorporation) to 31 March, 2004 and for the period 1 April, 2004 to 30 September, 2004:

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- OSMSC for the period 4 October, 2002 (date of incorporation) to 31 March, 2004 and for the period 1 April, 2004 to 30 September, 2004;
 - EMCD for the period 31 May, 2003 (date of incorporation) to 31 March, 2004 and for the period 1 April, 2004 to 30 September, 2004; and
 - ODM for the period 25 June, 2003 (date of incorporation) to 31 March, 2004 and for the period 1 April, 2004 to 30 September, 2004.
- (b) The results of the Online One Group for the financial period ended 31 March, 2004 which were arrived at by incorporating the results of OSMSC, EMCD and ODM since the dates of their respective incorporation.
- (2) Revenue of the Group was mainly generated from sales of storage systems and provision of Extended Enterprise Solutions ("EES") for the period ended 31 March, 2004 while sales generated for the period ended 30 September, 2004 were mainly from EES services.
- (3) Profit before research and development expenditure, depreciation, amortisation, interest and tax of the Group for the period ended 31 March, 2004 was mainly contributed by OSMSC arising from provision of EES which earned higher profit margin. Revenue for the period ended 30 September, 2004 was mainly contributed by EES services.
- (4) Earnings per share of the Group is calculated by dividing the net profit for the period over the number of ordinary shares in issue during the financial period, after the Share Split and Acquisitions but before the Rights Issue and New Issue.
- (5) Effective tax rate is calculated based on income tax expense to profit before tax. The Group's effective tax rate is lower than the statutory tax rate of 28% mainly due to OSMSC was accorded Multimedia Super Corridor status and granted pioneer status effective from 15 October, 2002, which exempts 100% of the statutory business income from taxation for a period of up to five (5) years.
- (6) There were no extraordinary or exceptional items during the financial periods under review.

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5.2 ONLINE ONE

The summarised results of Online One, based on the audited financial statements for the period 23 October, 2003 (date of incorporation) to 31 March, 2004 and for the period 1 April, 2004 to 30 September, 2004 are set out below.

	Financial period ended 31 March, 2004 (5 months)	Financial period ended 30 September, 2004 (6 months)
Revenue	-	-
Profit before interest, depreciation, amortisation and tax	-	-
Depreciation and amortisation	-	-
Profit before tax	-	-
Income tax expense	-	-
Net profit for the period	-	-
Effective tax rates (%)	-	-
No. of ordinary shares in issue	2	2
Earnings per share (RM)	-	-

Notes:

- (1) Online One was incorporated as a private limited company on 23 October, 2003. On 9 March, 2004, the Company converted its status into a public company. Online One has prepared its first set of audited financial statements covering the period 23 October, 2003 to 31 March, 2004.
- (2) Earnings per share is calculated by dividing net profit for the period over the number of ordinary shares in issue during the financial period.
- (3) No provision for income tax expense has been made in the financial periods under review as the Company incurred operating loss.
- (4) There were no extraordinary or exceptional items during the financial periods under review.

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5.3 OSMSC

The summarised results of OSMSC, based on the audited financial statements for the period 4 October, 2002 (date of incorporation) to 31 March, 2004 and for the period 1 April, 2004 to 30 September, 2004 are set out below.

	Financial period ended 31 March, 2004 (18 months)	Financial period ended 30 September, 2004 (6 months)
<i>(RM'000 unless otherwise stated)</i>		
Revenue	2,596	2,309
Profit before research and development expenditure, depreciation, amortisation and tax	1,418	1,227
Research and development expenditure	(389)	-
Depreciation and amortisation	(32)	(30)
Profit before tax	997	1,197
Income tax expense	-	-
Net profit for the period	997	1,197
Effective tax rate (%)	-	-
No. of ordinary shares in issue ('000)	100	100
Earnings per share (RM)	9.97	11.97

Notes:

- (1) Revenue represents the provision of services of EES to its major customer.
- (2) Higher profit before research and development expenditure, depreciation, amortisation and tax is mainly derived from higher profit margin earned from the provision of EES services.
- (3) Earnings per share is calculated by dividing net profit for the period over the number of ordinary shares in issue during the financial period.
- (4) No provision for income tax expense has been made in the financial period under review as OSMSC was accorded Multimedia Super Corridor status and granted pioneer status effective from 15 October, 2002, which exempts 100% of the statutory business income from taxation for a period of up to five (5) years.
- (5) There were no extraordinary or exceptional items during the financial periods under review.

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5.4 EMCD

The summarised results of EMCD, based on the audited financial statements for the period 31 May, 2003 (date of incorporation) to 31 March, 2004 and for the period 1 April, 2004 to 30 September, 2004 are set out below.

	Financial period ended 31 March, 2004 (10 months)	Financial period ended 30 September, 2004 (6 months)
<i>(RM'000 unless otherwise stated)</i>		
Revenue	7,359	6,548
Profit before depreciation, amortisation, interest and tax	332	365
Depreciation and amortisation	(11)	(8)
Interest expense	(7)	(11)
Profit before tax	314	346
Income tax expense	(75)	(72)
Net profit for the period	239	274
Effective tax rate (%)	23.88	20.81
No. of ordinary shares in issue ('000)	250	250
Earnings per share (RM)	0.96	1.10

Note:

- (1) Revenue for the period ended 31 March, 2004 was mainly contributed by the sale of storage solutions products, which collectively contributed approximately 72% of EMCD's revenue.

For the six (6)-month period ended 30 September, 2004, approximately 72% of EMCD's's revenue was contributed by the sale of storage solutions products.

- (2) Earnings per share is calculated by dividing net profit for the period over the number of ordinary shares in issue during the financial period.
- (3) The effective tax rate falls within the statutory tax rate range granted to small and medium-sized companies with the first RM500,000 chargeable income taxable at the rate of 20% and subsequent chargeable income at 28%.
- (4) There were no extraordinary or exceptional items during the financial periods under review.

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5.5 ODM

The summarised results of ODM, based on the audited financial statements for the period 25 June, 2003 (date of incorporation) to 31 March, 2004 and for the period 1 April, 2004 to 30 September, 2004 are set out below.

	Financial period ended 31 March, 2004 (9 months)	Financial period ended 30 September, 2004 (6 months)
<i>(RM'000 unless otherwise stated)</i>		
Revenue	450	2,864
Profit before interest, tax, depreciation and amortisation	13	151
Depreciation and amortisation	-	-
Profit before tax	13	151
Income tax expense	(3)	(30)
Net profit for the period	10	121
Effective tax rate (%)	23.08	19.86
No. of ordinary shares in issue ('000)	100	100
Earnings per share (RM)	0.10	1.21

Note:

- (1) Revenue recorded an increase from RM450,000 for the period ended 31 March, 2004 to about RM2.9 million for the period ended to 30 September, 2004 as ODM was able to secure additional contracts due to their marketing efforts to promote the products.
- (2) Earnings per share is calculated by dividing net profit for the period over the number of ordinary shares in issue during the financial period.
- (3) The effective tax rate falls within the statutory tax rate range granted to small and medium-size companies with the first RM500,000 chargeable income taxable at the rate of 20% and subsequent chargeable income at 28%.
- (4) There were no extraordinary or exceptional items during the financial periods under review.

6. DIVIDEND

There is no dividend paid or declared by the Online One Group during the financial periods under review.

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7. SUMMARISED BALANCE SHEETS**7.1 Proforma Consolidated Balance Sheet – Online One Group**

	As of 31 March, 2004	As of 30 September, 2004
<i>(RM'000 unless otherwise stated)</i>		
Property, Plant and Equipment	252	225
Development Expenditure	-	273
Current Assets		
Inventories	13	51
Trade receivables	1,716	4,743
Other receivables, deposits and prepayments	587	613
Cash and bank balances	858	1,095
	<u>3,174</u>	<u>6,502</u>
Current Liabilities		
Trade payables	1,586	3,551
Other payables and accrued expenses	82	138
Tax liabilities	60	21
	<u>1,728</u>	<u>3,710</u>
Net Current Assets	1,446	2,792
Deferred Tax Liability	(2)	(4)
Net Assets	<u>1,696</u>	<u>3,286</u>
Represented by:		
Share capital	1,466	1,466
Reserve on consolidation	230	1,820
Shareholders' Equity	<u>1,696</u>	<u>3,286</u>
Net Tangible Assets ("NTA")	1,696	3,013
NTA per ordinary share (sen)	<u>11.57</u>	<u>20.55</u>

Online One was incorporated on 23 October, 2003 with an issued and paid up share capital of 2 ordinary shares of RM1.00 each. The proforma consolidated balance sheet of Online One is prepared based on the audited financial statements of Online One and its subsidiary companies. The proforma consolidated balance sheet has been presented on the basis that the Share Split and Acquisitions had been effected since the incorporation date of Online One.

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7.2 ONLINE ONE

The summarised balance sheets of Online One based on the audited financial statements as of 31 March, 2004 and as of 30 September, 2004, are as follows:

	As of 31 March, 2004	As of 30 September, 2004
<i>(RM'000 unless otherwise stated)</i>		
Current Assets		
Prepayments	-	169
Cash on hand	*	*
Current Liability		
Other payables	-	(169)
Net Current Assets/(Liability)	*	*
Net Asset	*	*
Represented by:		
Share capital	**	**
Accumulated loss	-	-
Shareholders' Equity	*	*
Net Tangible Assets ("NTA")	*	*
NTA per ordinary share (RM)	1.00	1.00

* Represents RM2.00

** Represents 2 ordinary shares of RM1.00 each

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7.3 OSMSC

The summarised balance sheets of OSMSC based on the audited financial statements as of 31 March, 2004 and as of 30 September, 2004, are as follows:

	As of 31 March, 2004	As of 30 September, 2004
<i>(RM'000 unless otherwise stated)</i>		
Property, Plant and Equipment	185	162
Development expenditure	-	273
Current Assets		
Trade receivables	343	1,182
Other receivables, deposits and prepayments	59	82
Amount owing from related companies	-	729
Cash and bank balances	631	388
	<u>1,033</u>	<u>2,381</u>
Current Liabilities		
Trade payables	54	399
Other payables and accrued expenses	67	126
	<u>121</u>	<u>525</u>
Net Current Assets	<u>912</u>	<u>1,856</u>
Net Assets	<u>1,097</u>	<u>2,291</u>
Represented by:		
Share capital	100	100
Unappropriated profit	997	2,191
Shareholders' Equity	<u>1,097</u>	<u>2,291</u>
Net Tangible Assets ("NTA")	1,097	2,018
NTA per ordinary share (RM)	<u>10.97</u>	<u>20.18</u>

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7.4 **EMCD**

The summarised balance sheets of EMCD based on the audited financial statements as of 31 March, 2004 and as of 30 September, 2004 are as follows:

	As of 31 March, 2004	As of 30 September, 2004
<i>(RM'000 unless otherwise stated)</i>		
Property, Plant and Equipment	67	63
Current Assets		
Inventories	13	51
Trade receivables	1,793	2,567
Amount owing by a related party	-	300
Other receivables, deposits and prepayments	45	197
Cash and bank balances	136	672
	<u>1,987</u>	<u>3,787</u>
Current Liabilities		
Trade payables	1,491	2,348
Other payables and accrued expenses	13	735
Taxation	59	-
	<u>1,563</u>	<u>3,083</u>
Net Current Assets	424	704
Deferred Tax Liability	<u>(2)</u>	<u>(4)</u>
Net Assets	<u>489</u>	<u>763</u>
Represented by:		
Share capital	250	250
Unappropriated profit	239	513
Shareholders' Equity	<u>489</u>	<u>763</u>
Net Tangible Assets ("NTA")	489	763
NTA per ordinary share (RM)	<u>1.96</u>	<u>3.05</u>

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7.5 ODM

The summarised balance sheets of ODM based on the audited financial statements as of 31 March, 2004 and as of 30 September, 2004 are as follows:

	As of 31 March, 2004	As of 30 September, 2004
<i>(RM'000 unless otherwise stated)</i>		
Current Assets		
Trade receivables	114	994
Other receivables, deposits and prepayments	12	227
Amount owing from related party	-	100
Cash and bank balances	92	35
	<u>218</u>	<u>1,356</u>
Current Liabilities		
Trade payables	41	804
Other payables and accrued expenses	2	-
Amount due to related party	64	300
Tax liabilities	1	21
	<u>108</u>	<u>1,125</u>
Net Current Assets	<u>110</u>	<u>231</u>
Net Assets	<u>110</u>	<u>231</u>
Represented by:		
Share capital	100	100
Unappropriated profit	10	131
Shareholders' Equity	<u>110</u>	<u>231</u>
Net Tangible Assets ("NTA")	108	231
NTA per ordinary share (RM)	<u>1.08</u>	<u>2.31</u>

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8. PROFORMA STATEMENT OF ASSETS AND LIABILITIES

The proforma statement of assets and liabilities of the Online One Group is prepared for illustrative purposes based on audited financial statements of Online One and its subsidiary companies (acquired by the Company pursuant to the Acquisitions) as of 30 September, 2004. The proforma statement of assets and liabilities has been prepared based on the assumption that the Listing Exercise as mentioned in Note 2.2 had been effected on 30 September, 2004.

The statements should be read in conjunction with the notes set out in Section 9.

	Note	Online One RM'000	Proforma Group RM'000
Property, Plant and Equipment	9.3	-	225
Development expenditure	9.4	-	273
Current Assets			
Inventories	9.5	-	51
Trade receivables	9.6	-	4,743
Other receivables, deposits and prepayments	9.6	169	613
Cash and bank balances	9.7	*	18,004
		<u>169</u>	<u>23,411</u>
Current Liabilities			
Trade payables	9.8	-	3,551
Other payables and accrued expenses	9.8	169	138
Tax liabilities		-	21
		<u>169</u>	<u>3,710</u>
Net Current Assets		-	19,701
Deferred Tax Liability	9.9	-	(4)
Net Assets		**	20,195
Represented by:			
Share capital	9.10	***	11,300
Share premium	9.11	-	7,075
Reserve on consolidation		-	1,820
Shareholders' Equity		**	20,195
Number of shares in issue/assumed in issue ('000)		***	113,000
Net Tangible Assets ("NTA")		**	19,922
NTA per ordinary share (sen)	9.13	100.00	17.63

* Represents RM2.00 cash on hand.

** Represents RM2.00.

*** Represents RM2 comprising 2 ordinary shares of RM1.00 each.

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9. NOTES TO PROFORMA STATEMENT OF ASSETS AND LIABILITIES

9.1 BASIS OF THE PREPARATION OF PROFORMA STATEMENT OF ASSETS AND LIABILITIES

The proforma statement of assets and liabilities of the Group has been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards issued by Malaysian Accounting Standards Board, the same basis used in the preparation of the statutory financial statements of the Group for the year ended 31 March, 2004.

9.2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The proforma statement of assets and liabilities of the Group has been prepared under the historical cost convention.

Basis of Consolidation

The proforma statement of assets and liabilities of the Group incorporates the statement of assets and liabilities of the Company and of the subsidiary companies controlled by the Company made up to 30 September, 2004. Subsidiary companies are those companies in which the Company owns, directly or indirectly, more than 50% of the equity share capital and has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Subsidiary companies are consolidated using the acquisition method of accounting. Under acquisition method of accounting, the results of subsidiary companies acquired during the period are included from the date of acquisition and the assets and liabilities of the subsidiary companies are measured at their fair values at the date of acquisition.

Reserve arising on consolidation represents the excess of fair value attributable to the identifiable net assets of the subsidiary company at the effective date of acquisition over the cost of the purchase consideration.

All significant intercompany transactions and balances and the resulting unrealised profits are eliminated on consolidation.

Income Tax

Deferred tax is accounted for using the "balance sheet liability" method in respect of temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences, carryforward tax losses and unabsorbed capital allowances to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilised.

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Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Gain or loss arising from the disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset, and is recognised in the income statements.

The carrying amounts of property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised whenever the carrying amount of an item of property, plant and equipment exceeds its recoverable amount. Any impairment loss is charged to the income statements.

Property, plant and equipment are depreciated using the straight-line method at rates calculated to write off the cost of the assets over their estimated useful lives. The annual rates used are as follows:

Computer equipment	20%
Furniture and fittings	20%
Office equipment	20%
Renovation	20%
Signboards	20%
Research and development equipment	20% – 30%

Inventories

Inventories are valued at the lower of cost (determined on the first-in first out basis) and net realisable value. The cost of trading merchandise includes the original cost of purchases plus the cost of bringing the inventories to their present location. Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and other related estimated costs to completion.

Receivables

Trade and other receivables are stated at nominal value as reduced by the appropriate allowances for estimated irrecoverable amounts. Allowance for doubtful receivables is made based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

Provisions

Provisions are made when the proforma Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

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Development Expenditure

Expenditure on development is charged to the income statements in the year in which it is incurred except where a clearly defined project is undertaken and it is reasonably anticipated that development costs will be recovered through future commercial activities. Such development costs are recognised as an intangible asset and amortised on a straight line method over the life of the project from the date of commencement of commercial operation, which is on average five years.

Financial Assets

The principal financial assets are cash and bank balances and trade and other receivables.

Financial Liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangement entered into. Significant financial liabilities include trade and other payables and accrued expenses in which they are stated at their nominal values.

Equity instruments are recorded at the proceeds received, net of direct issue costs.

9.3 PROPERTY, PLANT AND EQUIPMENT

Proforma Group	Cost RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
Computer equipment	77	21	56
Furniture and fittings	22	6	16
Office equipment	43	13	30
Renovation	91	25	66
Signboard	1	-	1
Research and development equipment	71	15	56
At end of period	<u>305</u>	<u>80</u>	<u>225</u>

13. ACCOUNTANTS' REPORT (Cont'd)

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9.4 DEVELOPMENT EXPENDITURE

	Proforma Group RM'000
Cost	
At beginning of period	-
Additions	303
	<hr/>
At end of period	303
	<hr/>
Accumulated amortisation	
At beginning of period	-
Current amortisation	30
	<hr/>
At end of year	30
	<hr/>
Net	273
	<hr/>

9.5 INVENTORIES

	Proforma Group RM'000
Trading merchandise – at cost	51
	<hr/>

9.6 TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Proforma Group RM'000
Trade receivables	4,743
Less: Allowance for doubtful receivables	-
	<hr/>
Net	4,743
	<hr/>

The credit period granted ranges from 30 to 60 days.

Other receivables, deposits and prepayments represent:

	Proforma Group RM'000
Prepayments	378
Other receivables	188
Deposits	44
Tax recoverable	3
	<hr/>
	613
	<hr/>

13. ACCOUNTANTS' REPORT (Cont'd)

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9.7 CASH AND BANK BALANCES

Cash and bank balances are as follows:

	Proforma Group RM'000
As of 30 September, 2004	*_-
Share Split	-
After Share Split	*_-
Arising from Acquisitions	1,095
After Acquisitions	1,095
Arising from Rights Issue	**7,009
After Rights Issue	8,104
Arising from New Issue	**11,300
Less: Listing expenses	(1,400)
Balance after Listing Exercise	<u>18,004</u>

* Represents RM2.00 cash on hand

** The proceeds from the Rights Issue and New Issue of RM18,309,000 will be utilised as follows:

Purpose	RM'000
Project financing	7,000
Research and development	5,000
Working capital	3,909
Estimated listing expenses	1,400
Branding and promotion	1,000
	<u>18,309</u>

9.8 TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

The credit period granted for trade purchases ranges from 30 to 60 days.

Other payables and accrued expenses represent:

	Proforma Group RM'000
Other payables	115
Accrued expenses	23
	<u>138</u>

13. ACCOUNTANTS' REPORT (Cont'd)

Deloitte & Touche

9.9 DEFERRED TAX LIABILITY

The deferred tax liability is in respect of the following:

	Proforma Group RM'000
Temporary differences between tax capital allowances over book depreciation of property, plant and equipment	<u>4</u>

9.10 SHARE CAPITAL

The movement of authorised share capital are as follows:

	Proforma Group	
	No. of shares '000	RM'000
Authorised:		
Ordinary shares of RM1.00 each		
At beginning of period	*	*
Share Split from RM1.00 to RM0.10 each	**	**
Increased during the period	<u>500,000</u>	<u>50,000</u>
At end of period	<u>500,000</u>	<u>50,000</u>

The movement of issued and fully-paid share capital are as follows:

	Proforma Group	
	No. of shares '000	RM'000
Issued and fully-paid share capital:		
Ordinary shares:		
At beginning of period	*	*
Share Split from RM1.00 to RM0.10 each	**	**
New shares issued pursuant to the Acquisitions	14,661	1,466
New shares issued pursuant to the Rights Issue	70,089	7,009
New shares issued pursuant to the New Issue	<u>28,250</u>	<u>2,825</u>
At end of period	<u>113,000</u>	<u>11,300</u>

* Represents RM2.00 comprising 2 ordinary shares of RM1.00 each

** Represents RM2.00 comprising 20 ordinary shares of RM0.10 each.

13. ACCOUNTANTS' REPORT (Cont'd)

Deloitte & Touche

9.11 **SHARE PREMIUM**

	Proforma Group RM'000
Arising from new shares issued pursuant to the New Issue	8,475
Less: Listing expenses	<u>(1,400)</u>
	<u>7,075</u>

9.12 **FINANCIAL INSTRUMENTS****Financial Risk Management Objectives and Policies**

The operations of the proforma Group are subject to a variety of financial risks, including foreign currency risk, interest rate risk, credit risk, liquidity risk and cash flow risk. The proforma Group continuously manages its exposure to risks and/or costs associated with the financing, investing and operating activities of the proforma Group on a daily basis.

Foreign currency risk

The proforma Group's exposure to foreign currency risk is minimal as its transactions are mainly denominated in Ringgit Malaysia.

Interest rate risk

The proforma Group's exposure to interest rate risk is minimal as the proforma Group does not have any long-term interest-bearing assets and liabilities at the balance sheet date.

Credit risk

The proforma Group is exposed to credit risk mainly from trade and other receivables. The proforma Group has no concentration of credit risks and manage these risks by monitoring credit ratings to any individual counterparty. The proforma Group extends credit to its customers based upon careful evaluation of the customer's financial condition and credit history.

Liquidity risk

The proforma Group practices prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.

Cash flow risk

The proforma Group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

13. ACCOUNTANTS' REPORT (Cont'd)

Deloitte & Touche

Fair Values

The carrying amounts of the financial assets and liabilities approximate their fair values due to the immediate or short-term maturity of these financial instruments.

9.13 PROFORMA CONSOLIDATED NET TANGIBLE ASSETS ("NTA") PER ORDINARY SHARE

Based on the proforma statement of assets and liabilities of the Online One Group as of 30 September, 2004, the proforma consolidated NTA per ordinary share is calculated as follows:

	Proforma Group
NTA of Online One Group as of 30 September, 2004 (RM'000)	<u>19,922</u>
Number of ordinary shares in issue as of 30 September, 2004 ('000)	*
Share Split from RM1.00 to RM0.10 each	**
Issue of ordinary shares of RM0.10 each pursuant to the Acquisitions ('000)	14,661
Issue of ordinary shares of RM0.10 each pursuant to the Rights Issue ('000)	70,089
Issue of ordinary shares of RM0.10 each pursuant to the New Issue ('000)	<u>28,250</u>
Number of ordinary shares in issue ('000)	<u>113,000</u>
NTA per ordinary share of RM0.10 each of the Proforma Group (sen)	<u>17.63</u>

* Represents RM2.00 comprising 2 ordinary shares of RM1.00 each

** Represents RM2.00 comprising 20 ordinary shares of RM0.10 each.

13. ACCOUNTANTS' REPORT (Cont'd)

Deloitte & Touche

10. PROFORMA CONSOLIDATED CASH FLOW STATEMENT

The proforma consolidated cash flow statement of Online One Group is prepared based on audited financial statements of Online One and its subsidiary companies (pursuant to the Acquisitions) as of 30 September, 2004. The proforma consolidated cash flow statement has been prepared based on the assumption that the Proforma Group had been in existence throughout the period ended 30 September, 2004 as set out below.

	RM'000
Cash Flows From Operating Activities	
Cash receipts from customers	8,866
Cash paid to suppliers and employees	(8,171)
Tax paid	(143)
	<hr/>
Net Cash Generated From Operating Activities	552
	<hr/>
Cash Flows From Investing Activities	
Addition of research and development	(303)
Purchase of property, plant and equipment	(12)
	<hr/>
Net Cash Used In Investing Activities	(315)
	<hr/>
Cash Flows From Financing Activities	
Proceeds from New Issue	11,300
Proceeds from Rights Issue	7,009
Listing expenses paid	(1,400)
	<hr/>
Net Cash From Financing Activities	16,909
	<hr/>
Net Increase In Cash And Cash Equivalents	17,146
	<hr/>
Cash And Cash Equivalents At Beginning Of Period	858
	<hr/>
Cash And Cash Equivalents At End Of Period	<u>18,004</u>

10.1 Cash and cash equivalents at the end of period after the Listing Exercise shown above comprise cash and bank balances.

10.2 The proforma Group adopts the direct method in the preparation of the proforma consolidated cash flow statement.

Cash and cash equivalents are short-term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risks of changes in value.

11. SUBSEQUENT EVENTS

There were no significant subsequent events between the last audited financial statements used in the preparation of this Report and the date of this Report which would require any amount stated to be adjusted nor any further disclosure that is required to be made in this Report.

13. ACCOUNTANTS' REPORT (Cont'd)

Deloitte & Touche

12. AUDITED FINANCIAL STATEMENTS

There have been no audited financial statements prepared in respect of any period subsequent to 30 September, 2004.

Yours faithfully,


DELOITTE & TOUCHE
AF 0834
Chartered Accountants


ROSITA TAN
1874/9/06 (J)
Partner

14. DIRECTORS' REPORT



ONLINE ONE CORPORATION BERHAD (632267-P)

UNIT 1030, 10th Floor, Lobby 6, Block A
Damansara Intan, No 1 Jalan SS20/27
47400 Petaling Jaya, Selangor Darul Ehsan
Tel : 03-7726 7889 Fax : 03-7728 6081

Registered Office

23-1, Jalan Sri Hartamas 7,
Sri Hartamas
50480 Kuala Lumpur

21 February 2005

To : The Shareholders of Online One Corporation Berhad

On behalf of the Board of Directors of Online One Corporation Berhad ("Directors"), I report after due enquiry, that during the period from 30 September 2004 (being the date to which the last audited financial statements of Online One Corporation Berhad and its subsidiaries ("Group") have been made up) to 14 February 2005 (being the date not earlier than fourteen (14) days before the issue of this Prospectus:-

- (a) the business of the Group, in the opinion of the Directors, have been satisfactorily maintained;
- (b) in the opinion of the Directors, no circumstances have arisen subsequent to the last financial statements of the Group which have adversely affected the business, operations or the value of the assets of the Group;
- (c) the current assets of the Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) there are no other contingent liabilities that has arisen by reason of any guarantees or indemnities given by the Group;
- (e) since the last audited financial statements of the Group, there have not been 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; or
- (f) save as disclosed in the Accountants' Report and Proforma Consolidated Balance Sheets as set out in Sections 12.9 and 13 respectively of this Prospectus, since the last audited financial statements of the Group, there has been no changes in published reserves or any unusual factors affecting the profits of the Group.

Yours faithfully
For and on behalf of the Board of Directors
ONLINE ONE CORPORATION BERHAD


Leong Yok Kin
Director