

13. ACCOUNTANTS' REPORT (Prepared for inclusion in this Prospectus)



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**MTOUCHE TECHNOLOGY BERHAD
ACCOUNTANTS' REPORT**

(Prepared for inclusion in the Prospectus to be dated 30 June 2005)

17 June 2005

The Board of Directors
mTouche Technology Berhad
312 3rd Floor
Block C Kelana Square
17 Jalan SS7/26
47301 Petaling Jaya
Selangor

Dear Sirs

1.0 INTRODUCTION

This Report has been prepared by Ernst & Young, an approved company auditor for the purpose of inclusion in the Prospectus to be dated 30 June 2005 in connection with a Public Issue of 15,000,000 new ordinary shares of RM0.10 each in mTouche Technology Berhad ("MTB" or the "Company") at an offer price of RM0.60 per ordinary share and the listing and quotation of the entire issued and paid-up share capital of MTB on the MESDAQ Market of Bursa Malaysia Securities Berhad ("Listing").

2.0 GENERAL INFORMATION

2.1 The Company

The Company was incorporated in Malaysia on 17 June 2004 as a private limited company under the name of mTouche Technology Sdn Bhd. On 7 July 2004, the Company was converted into a public company and assumed the name of mTouche Technology Berhad.

The authorised and issued and paid-up share capital of the Company as at 31 December 2004 are RM10,000,000 comprising 10,000,000 ordinary shares of RM1 each and RM3,733,000 comprising 3,733,000 ordinary shares of RM1 each respectively. The authorised and issued and paid-up share capital of the Company as at the date of this Report are RM10,000,000 comprising 100,000,000 ordinary shares of RM0.10 each and RM6,000,000 comprising 60,000,000 ordinary shares of RM0.10 each respectively.

The Company commenced operations on 29 June 2004 and was granted a Multimedia Super Corridor ("MSC") status by Multimedia Development Corporation Sdn Bhd on 1 July 2004.

13. ACCOUNTANTS' REPORT (Cont'd) (Prepared for inclusion in this Prospectus)**2.2 Flotation Scheme****(a) Bonus Issue**

Bonus issue of 2,267,000 new ordinary shares of RM1 each to existing shareholders of MTB on the basis of one (1) new ordinary share of RM1 each for every 1.65 existing ordinary shares held in the Company by way of capitalisation of RM2,267,000 out of the retained profits of the Company ("Bonus Issue").

The Bonus issue was completed in May 2005.

(b) Share Split

Share split of every one (1) ordinary share of RM1 each after the Bonus Issue into ten (10) new ordinary shares of RM0.10 each ("Share Split"). The issued and paid-up share capital of the Company after the Share Split total to RM6,000,000 comprising 60,000,000 ordinary shares of RM0.10 each.

The Share Split was completed by May 2005.

(c) Public Issue

Public issue for cash of 15,000,000 new ordinary shares of RM0.10 each in the Company at an issue price of RM0.60 per share for total cash proceeds of RM9,000,000.

The Bonus Issue, Share Split and Public Issue are collectively referred to as the "Flotation Scheme".

On completion of the Flotation Scheme, the issued and paid-up share capital of the Company will be as follows:

	Issued and paid-up share capital RM	Number of ordinary shares	Par value RM
As at 31.12.2004	3,733,000	3,733,000	1.00
Bonus Issue	2,267,000	2,267,000	1.00
	<u>6,000,000</u>	<u>6,000,000</u>	
Share Split	6,000,000	60,000,000	0.10
Public Issue	1,500,000	15,000,000	0.10
Enlarged issued and paid-up share capital	<u>7,500,000</u>	<u>75,000,000</u>	

13. ACCOUNTANTS' REPORT (Cont'd) (Prepared for inclusion in this Prospectus)**2.3 Subsidiaries of MTB**

Information on the subsidiaries of MTB is as follows:

2.3.1 mTouche Pte Ltd ("MPL")

MPL was incorporated in Singapore on 19 July 2002 as a private limited company under the name of mTouche Pte Ltd.

The authorised and issued and paid-up share capital of MPL as at 31 December 2004 (based on the exchange rate prevailing at that date of SGD1 to RM2.3258) and as at the date of this Report are as follows:

	SGD	RM
Authorised:		
100,000 ordinary shares of SGD1 each	100,000	232,580
Issued and paid-up:		
100,000 ordinary shares of SGD1 each	100,000	232,580

The principal activity of MPL is provision of mobile messaging technologies.

MPL was acquired by MTB in June 2004 and is a wholly-owned subsidiary of MTB.

2.3.2 Mobile ToucheTek Sdn Bhd ("MTSB")

MTSB was incorporated in Malaysia on 27 May 2003 as a private limited company under the name of Mobile ToucheTek Sdn Bhd.

The authorised and issued and paid-up share capital of MTSB as at 31 December 2004 and as at the date of this Report are as follows:

	RM
Authorised:	
500,000 ordinary shares of RM1 each	500,000
Issued and paid-up:	
500,000 ordinary shares of RM1 each	500,000

The principal activity of MTSB is provision of mobile messaging technologies.

MTSB was acquired by MTB in June 2004 and is a wholly-owned subsidiary of MTB.

13. ACCOUNTANTS' REPORT (Cont'd) (Prepared for inclusion in this Prospectus)**2.3.3 PT mTouche ("PTMT")**

PTMT was incorporated in the Republic of Indonesia on 19 November 2003 as a limited liability company under the name of PT mTouche.

The authorised and issued and paid-up share capital of PTMT as at 31 December 2004 (based on the exchange rate prevailing at that date of USD1 to RM3.80) and as at the date of this Report are as follows:

	USD	RM
Authorised:		
12,000 ordinary shares of USD10 each	120,000	456,000
Issued and paid-up:		
3,000 ordinary shares of USD10 each	30,000	114,000

The principal activity of PTMT is provision of mobile messaging technologies.

The business license of PTMT is valid until 6 April 2009.

PTMT was acquired by MTB in June 2004 and is a 99% owned subsidiary of MTB.

2.3.4 mTouche (Thailand) Co., Ltd ("MCL")

MCL was incorporated in Thailand on 16 February 2004 as a private limited company under the name of mTouche (Thailand) Co., Ltd.

The authorised and issued and paid-up share capital of MCL at the date of incorporation (based on the exchange rate prevailing at that date of THB100 to RM9.7636) and as at the date of this Report are as follows:

	THB	RM
Authorised:		
10,000 ordinary shares of THB100 each	1,000,000	97,636
Issued and paid-up:		
10,000 ordinary shares of THB100 each	1,000,000	97,636

The principal activity of MCL is provision of mobile messaging technologies.

MCL was acquired by MTB in June 2004 and is a 99.94% owned subsidiary of MTB.

13. ACCOUNTANTS' REPORT (Cont'd) (Prepared for inclusion in this Prospectus)



3.0 BASIS OF ACCOUNTING AND ACCOUNTING POLICIES

This Report is based on the audited consolidated financial statements of the Company and the audited financial statements of the subsidiaries and is presented on a basis consistent with the accounting policies normally adopted by MTB and its subsidiaries (“the Group”).

The audited financial statements of MPL are expressed in Singapore Dollars (“SGD”). The audited financial statements of MTSB are expressed in Ringgit Malaysia (“RM”). The audited financial statements of PTMT are expressed in Indonesian Rupiah (“IDR”) and the audited financial statements of MCL are expressed in Thai Baht (“THB”).

These audited financial statements have been converted to SGD and RM for inclusion in the audited consolidated financial statements of MPL for the period ended 31 December 2003 and audited consolidated financial statements of the Company for the period ended 31 December 2004 respectively.

For the purpose of presentation in this Report, SGD amounts included in the audited consolidated financial statements of MPL for the period ended 31 December 2003 have been converted to RM at the exchange rate prevailing as at 31 December 2004 of SGD1 to RM2.3258.

4.0 AUDITORS

We have been appointed as first auditor of the Company with effect from the period ended 31 December 2004 and have reported on the financial statements without qualification. Our Auditors’ Report did not include any emphasis of matter.

The financial statements of MPL, MTSB, PTMT and MCL for the relevant periods under review were audited by other firms of auditors who have reported on the financial statements without qualification nor did the auditors’ reports include any emphasis of matter, except for the disclosure in the auditors’ report for the period ended 31 December 2004 of MCL, of which the financial statements have been prepared as a going concern on the assumption of continued financial support from the Company.

13. ACCOUNTANTS' REPORT (Cont'd) (Prepared for inclusion in this Prospectus)**5.0 EVENT SUBSEQUENT TO THE LAST AUDITED FINANCIAL STATEMENTS**

Save as disclosed in Sections 2.2 of this Report, no significant event has arisen subsequent to the last audited financial statements as at 31 December 2004.

6.0 SUMMARISED INCOME STATEMENTS**6.1 Pro Forma Group**

The summarised income statements of the Pro Forma Group set out below have been presented on the basis that MPL, MTSB, PTMT and MCL were held by MTB throughout the relevant periods under review and are based on the audited financial statements of MPL for the period ended 30 June 2003, the audited consolidated financial statements of MPL for the period ended 31 December 2003 and the audited consolidated financial statements of MTB for the period ended 31 December 2004.

	Period from 19.7.2002 to 30.6.2003 RM	Period from 1.7.2003 to 31.12.2003 RM	Year ended 31.12.2004 RM
Revenue	3,548,985	3,851,655	15,978,748
Profit before depreciation and interest expense	298,545	1,260,733	3,833,974
Depreciation	(14,590)	(23,628)	(101,644)
Interest expense	-	-	-
Profit before taxation	283,955	1,237,105	3,732,330
Taxation	(40,153)	(318,849)	94,725
Profit after taxation	243,802	918,256	3,827,055
Minority interests	-	-	932
Profit after taxation and minority interests	243,802	918,256	3,827,987
No. of ordinary shares of RM1 each in issue**	3,733,000	3,733,000	3,733,000
Gross earnings per ordinary share of RM1 each in issue**	0.08*	0.66*	1.00
Net earnings per ordinary share of RM1 each in issue**	0.07*	0.49*	1.03

* Annualised to achieve a fairer comparison for illustration purpose only

** Issued and paid-up share capital of MTB as at 31 December 2004



6.1 Pro Forma Group (Cont'd.)

Notes:

- (1) The financial results of MTB are included in the above income statements only in respect of period ended 31 December 2004 as the Company was incorporated on 17 June 2004.
- (2) The audited (consolidated) financial statements of MPL for the periods ended 30 June 2003 and 31 December 2003 are expressed in SGD and have been converted to RM at the exchange rate prevailing as at 31 December 2004 of SGD1 to RM2.3258 for the purpose of presentation in this Report.
- (3) The low effective tax charge for the period ended 30 June 2003 is principally attributed to the effect of partial tax exemption of chargeable income under the corporate tax regime in Singapore.

The low effective tax charge for the period ended 31 December 2003 is principally attributed to the eligibility of certain expenses for tax deduction.

MTB was granted the status of a MSC company on 1 July 2004. No provision for taxation has been made for the period ended 31 December 2004 as there was no income tax liability imposed on the approved qualifying activities of MTB based on the Pioneer Status incentive awarded to MTB as a MSC-status company under Section 4A of the Promotion and Investments Act, 1986.

The tax credit for the year ended 31 December 2004 is attributable to recognition of deferred tax assets in the income statements of PTMT.

- (4) There were no extraordinary items in the relevant periods under review.
- (5) The gross earnings per ordinary share is calculated based on the profit before taxation and on the number of ordinary shares of RM1 each in issue as at 31 December 2004.
- (6) The net earnings per ordinary share is calculated based on the profit after taxation and minority interests and on the number of ordinary shares of RM1 each in issue as at 31 December 2004.

13. ACCOUNTANTS' REPORT (Cont'd) (Prepared for inclusion in this Prospectus)**6.2 MTB (Group Level)**

The summarised income statement of MTB (group level) set out below is based on the consolidated audited financial statements of MTB for the relevant period under review.

	Period from 17.6.2004 to 31.12.2004 RM
Revenue	8,351,293
Profit before depreciation and interest expense	908,857
Depreciation	(58,252)
Interest expense	-
Profit before taxation	850,605
Taxation	728,450
Profit after taxation	1,579,055
Minority interests	932
Profit after taxation and minority interests	1,579,987
No. of ordinary shares of RM1 each in issue	3,733,000
Gross earnings per ordinary share of RM1 each in issue (sen)	42*
Net earnings per ordinary share of RM1 each in issue (sen)	78*

* Annualised for illustration purpose only

Notes:

- (1) MTB was incorporated on 17 June 2004. Accordingly, the first audited financial statements cover the period from 17 June 2004 to 31 December 2004.
- (2) MTB was granted the status of a MSC company on 1 July 2004. No provision for taxation has been made for the period ended 31 December 2004 as there was no income tax liability imposed on the approved qualifying activities of MTB based on the Pioneer Status incentive awarded to MTB as a MSC-status company under Section 4A of the Promotion and Investments Act, 1986.

The tax credit for the year ended 31 December 2004 is attributable to overprovision and recognition of deferred tax assets by the subsidiaries.

- (3) There were no extraordinary items in the relevant periods under review.

13. ACCOUNTANTS' REPORT (Cont'd) (Prepared for inclusion in this Prospectus)



6.2 MTB (Group Level) (Cont'd.)

- (4) The gross earnings per ordinary share is calculated based on the profit before taxation and on the number of ordinary shares of RM1 each in issue in the relevant period under review.

- (5) The net earnings per ordinary share is calculated based on the profit after taxation and on the number of ordinary shares of RM1 each in issue in the relevant period under review.

13. ACCOUNTANTS' REPORT (Cont'd) (Prepared for inclusion in this Prospectus)**6.3 MTB (Company Level)**

The summarised income statement of MTB (company level) set out below is based on the audited financial statements of MTB for the relevant period under review.

	Period from 17.6.2004 to <u>31.12.2004</u> RM
Revenue	<u>6,980,000</u>
Profit before depreciation and interest expense	5,532,973
Depreciation	-
Interest expense	<u>-</u>
Profit before taxation	5,532,973
Taxation	<u>-</u>
Profit after taxation	<u>5,532,973</u>
No. of ordinary shares of RM1 each in issue	<u>3,733,000</u>
Gross earnings per ordinary share of RM1 each	<u>2.74*</u>
Net earnings per ordinary share of RM1 each	<u>2.74*</u>

* Annualised for illustration purpose only

Notes:

- (1) MTB was incorporated on 17 June 2004. Accordingly, the first audited financial statements cover the period from 17 June 2004 to 31 December 2004.
- (2) MTB was granted the status of a MSC company on 1 July 2004. No provision for taxation has been made for the period ended 31 December 2004 as there was no income tax liability imposed on the approved qualifying activities of MTB based on the Pioneer Status incentive awarded to MTB as a MSC-status company under Section 4A of the Promotion and Investments Act, 1986.
- (3) The revenue and profit before depreciation and interest expense of the Company is primarily arising from intragroup billings from MTB to its subsidiaries.
- (4) There were no extraordinary items in the relevant periods under review.
- (5) The gross earnings per ordinary share is calculated based on the profit before taxation and on the number of ordinary shares of RM1 each in issue in the relevant period under review.
- (6) The net earnings per ordinary share is calculated based on the profit after taxation and on the number of ordinary shares of RM1 each in issue in the relevant period under review.

13. ACCOUNTANTS' REPORT (Cont'd) (Prepared for inclusion in this Prospectus)**6.4 MPL (Group Level)**

The summarised income statement of MPL (group level) set out below is based on the audited consolidated financial statements of MPL for the relevant period under review.

	Period from 1.7.2003 to <u>31.12.2003</u> RM
Revenue	<u>3,851,655</u>
Profit before depreciation and interest expense	1,260,733
Depreciation	(23,628)
Interest expense	<u>-</u>
Profit before taxation	1,237,105
Taxation	<u>(318,849)</u>
Profit after taxation	<u>918,256</u>
No. of ordinary shares of SGD1 each in issue	<u>100</u>
Gross earnings per ordinary share of SGD1 each	<u>24.742*</u>
Net earnings per ordinary share of SGD1 each	<u>18.365*</u>

* Annualised for illustration purpose only

Notes:

- (1) Following the disposal of MTSB, PTMT and MCL to MTB in June 2004, MPL has ceased to become a group.
- (2) The audited consolidated financial statements of MPL are expressed in SGD and have been converted to RM at the exchange rate prevailing as at 31 December 2004 of SGD1 to RM2.3258 for the purpose of presentation in this Report.
- (3) The low effective tax charge for the period ended 31 December 2003 is principally attributed to the eligibility of certain expenses for tax deduction.
- (4) There were no extraordinary items in the relevant period under review.
- (5) The gross earnings per ordinary share is calculated based on the profit before taxation and on the number of ordinary shares of SGD1 each in issue in the relevant period under review.
- (6) The net earnings per ordinary share is calculated based on the profit after taxation and on the number of ordinary shares of SGD1 each in issue in the relevant period under review.

13. ACCOUNTANTS' REPORT (Cont'd) (Prepared for inclusion in this Prospectus)**6.5 MPL (Company Level)**

The summarised income statements of MPL set out below are based on the audited financial statements of MPL for the relevant periods under review.

	Period from 19.7.2002 to 30.6.2003 RM	Period from 1.7.2003 to 31.12.2003 RM	Year ended 31.12.2004 RM
Revenue	3,548,985	3,325,540	5,868,086
Profit before depreciation and interest expense	298,545	1,004,267	1,418,298
Depreciation	(14,590)	(19,360)	(59,101)
Interest expense	-	-	-
Profit before taxation	283,955	984,907	1,359,197
Taxation	(40,153)	(213,062)	2,617
Profit after taxation	243,802	771,845	1,361,814
No. of ordinary shares of SGD1 each in issue	100	100	100,000
Gross earnings per ordinary share of SGD1 each	2,987*	19,698*	14
Net earnings per ordinary share of SGD1 each	2,564*	15,437*	14

* Annualised to achieve a fairer comparison for illustration purpose only

Notes:

(1) MPL was incorporated on 19 July 2002. Accordingly, the first audited financial statements cover the period from 19 July 2002 to 30 June 2003.

(2) The audited financial statements of MPL are expressed in SGD.

For the purpose of presentation in this Report, the SGD amounts expressed in the audited financial statements for the periods ended 30 June 2003 and 31 December 2003, have been converted to RM at the exchange rate prevailing as at 31 December 2004 of SGD1 to RM2.3258.

(3) The low effective tax charge for the period ended 30 June 2003 is principally attributed to the effect of partial tax exemption of chargeable income under the corporate tax regime in Singapore.

There is no provision for income tax for the period ended 31 December 2004 as there is no chargeable income.



6.5 MPL (Company Level)(Cont'd.)

- (4) There were no extraordinary items in the relevant periods under review except for the period ended 31 December 2004. The extraordinary items in 2004 amounting to RM3,278 million relate to intragroup gains arising from disposals of subsidiaries and intellectual property to MTB during the period and for consistency of presentation in this Report, have been included in profit before depreciation and interest expense.
- (5) The gross earnings per ordinary share is calculated based on the profit before taxation and on the number of ordinary shares of SGD1 each in issue in the relevant periods under review.
- (6) The net earnings per ordinary share is calculated based on the profit after taxation and on the number of ordinary shares of SGD1 each in issue in the relevant periods under review.

13. ACCOUNTANTS' REPORT (Cont'd) (Prepared for inclusion in this Prospectus)**6.6 MTSB (Company Level)**

The summarised income statements of MTSB set out below are based on the audited financial statements of MTSB for the relevant periods under review.

	Period from 27.5.2003 to 31.12.2003 RM	Year ended 31.12.2004 RM
Revenue	838,276	9,913,674
Profit before depreciation and interest expense	404,171	237,364
Depreciation	(1,077)	(25,582)
Interest expense	-	-
Profit before taxation	403,094	211,782
Taxation	(105,787)	(54,298)
Profit after taxation	297,307	157,484
No. of ordinary shares of RMI each in issue	2	500,000
Gross profit per ordinary share of RMI each	403,094*	0.42
Net profit per ordinary share of RMI each	297,307*	0.31

* Annualised to achieve a fairer comparison for illustration purpose only

Notes:

- (1) MTSB was incorporated on 27 May 2003. Accordingly, the first audited financial statements cover the period from 27 May 2003 to 31 December 2003.
- (2) The audited financial statements of MTSB for the period ended 31 December 2003 are expressed in RM and have been converted to SGD for inclusion in the audited consolidated financial statements of MPL. For the purpose of presentation in this Report, SGD amounts have been converted to RM at the exchange rate prevailing as at 31 December 2004 of SGD1 to RM2.3258.
- (3) The low effective tax charge for the period ended 31 December 2003 and for the year ended 31 December 2004 is principally attributed to the eligibility of certain expenses for tax deduction.
- (4) There were no extraordinary items in the relevant periods under review.
- (5) The gross profit per ordinary share is calculated based on the profit before taxation and on the number of ordinary shares of RMI each in issue in the relevant periods under review.

13. ACCOUNTANTS' REPORT (Cont'd) (Prepared for inclusion in this Prospectus)



6.6 MTSB (Company Level) (Cont'd.)

- (6) The net profit per ordinary share is calculated based on the profit after taxation and on the number of ordinary shares of RM1 each in issue in the relevant periods under review.

13. ACCOUNTANTS' REPORT (Cont'd) (Prepared for inclusion in this Prospectus)**6.7 PTMT (Company Level)**

The summarised income statements of PTMT set out below are based on the unaudited/audited financial statements of PTMT for the relevant periods under review.

	Period from 19.11.2003 to 31.12.2003 (Unaudited) RM	Year ended 31.12.2004 (Audited) RM
Revenue	-	1,529,022
Loss before depreciation and interest expense	(127,521)	(594,553)
Depreciation	(3,193)	(15,032)
Interest expense	-	-
Loss before taxation	(130,714)	(609,585)
Taxation	-	146,407
Loss after taxation	(130,714)	(463,178)
No. of shares of USD10 each in issue	3,000	3,000
Gross loss per ordinary share of USD10 each	(370)*	(203)
Net loss per ordinary share of USD10 each	(370)*	(154)

* Annualised to achieve a fairer comparison for illustration purpose only

Notes:

- (1) PTMT was incorporated on 19 November 2003. The first audited financial statements cover the period from 1 January 2004 to 31 December 2004.
- (2) The financial statements of PTMT are expressed in IDR.

The financial results for the period ended 31 December 2003 are based on unaudited financial statements of PTMT and have been converted to SGD for inclusion in the audited consolidated financial statements of MPL for the period ended 31 December 2003. For the purpose of presentation in this Report, SGD amounts have been converted to RM at the exchange rate prevailing at 31 December 2004 of SGD1 to RM2.3258.

- (3) The low effective tax charge for the period ended 31 December 2003 and for the year ended 31 December 2004 is principally attributable to recognition of deferred tax assets.
- (4) There were no extraordinary items in the relevant periods under review.

13. ACCOUNTANTS' REPORT (Cont'd) (Prepared for inclusion in this Prospectus)



6.7 PTMT (Company Level) (Cont'd.)

- (5) The gross loss per ordinary share is calculated based on the loss before taxation and on the number of ordinary shares of USD10 each in issue in the relevant periods under review.

- (6) The net loss per ordinary share is calculated based on the loss after taxation and on the number of ordinary shares of USD10 each in issue in the relevant periods under review.

13. ACCOUNTANTS' REPORT (Cont'd) (Prepared for inclusion in this Prospectus)**6.8 MCL (Company Level)**

The summarised income statement of MCL set out below is based on the audited financial statements of MCL for the relevant period under review.

	Period from 16.2.2004 to <u>31.12.2004</u> RM
Revenue	<u>513,700</u>
Loss before depreciation and interest expense	(595,957)
Depreciation	(1,929)
Interest expense	<u>-</u>
Loss before taxation	(597,886)
Taxation	<u>-</u>
Loss after taxation	<u>(597,886)</u>
No. of ordinary shares of THB100 each in issue	<u>10,000</u>
Gross loss per ordinary share of THB100 each	<u>(68)*</u>
Net loss per ordinary share of THB100 each	<u>(68)*</u>

* Annualised for illustration purpose only

Notes:

- (1) MCL was incorporated on 16 February 2004. Accordingly, the first audited financial statements cover the period from 16 February 2004 to 31 December 2004.
- (2) There were no extraordinary items in the relevant period under review.
- (3) The gross loss per ordinary share is calculated based on the loss before taxation and on the number of ordinary shares of THB100 each in issue in the relevant periods under review.
- (4) The net loss per ordinary share is calculated based on the loss after taxation and on the number of ordinary shares of THB100 each in issue in the relevant periods under review.

13. ACCOUNTANTS' REPORT (Cont'd) (Prepared for inclusion in this Prospectus)**7.0 DIVIDENDS**

No dividend has been paid or declared by MTB, MPL, MTSB, PTMT or MCL during the relevant periods under review.

8.0 SUMMARISED BALANCE SHEETS**8.1 Pro Forma Group**

The summarised balance sheets of the Pro Forma Group set out below have been presented on the basis that MPL, MTSB, PTMT and MCL were held by MTB throughout the relevant periods under review and are based on the audited financial statements of MPL for the period ended 30 June 2003, the audited consolidated financial statements of MPL for the period ended 31 December 2003 and the audited consolidated financial statements of MTB for the period ended 31 December 2004.

	As at <u>30.6.2003</u> RM	As at <u>31.12.2003</u> RM	As at <u>31.12.2004</u> RM
Property, plant and equipment	93,316	142,909	294,377
Deferred taxation	-	-	143,731
Current assets	389,895	1,963,538	7,671,048
Current liabilities	219,244	924,280	2,011,945
Net current assets	170,651	1,039,258	5,659,103
	<u>263,967</u>	<u>1,182,167</u>	<u>6,097,211</u>
Share capital	3,733,000	3,733,000	3,733,000
Reserves	(3,488,965)	(2,572,035)	2,364,211
	244,035	1,160,965	6,097,211
Deferred taxation	19,932	21,202	-
	<u>263,967</u>	<u>1,182,167</u>	<u>6,097,211</u>
No. of ordinary shares of RM1 each in issue*	<u>3,733,000</u>	<u>3,733,000</u>	<u>3,733,000</u>
Net tangible assets per ordinary share of RM1 each*	<u>0.07</u>	<u>0.31</u>	<u>1.63</u>

* Issued and paid-up share capital of MTB as at 31 December 2004

Notes:

- (1) The audited (consolidated) financial statements of MPL for the periods ended 30 June 2003 and 31 December 2003 are expressed in SGD and have been converted to RM at the exchange rate prevailing as at 31 December 2004 of SGD1 to RM2.3258 for the purpose of presentation in this Report.

13. ACCOUNTANTS' REPORT (Cont'd) (Prepared for inclusion in this Prospectus)**8.2 MTB (Group Level)**

The summarised balance sheet of MTB (group level) set out below is based on the audited consolidated financial statements of MTB for the relevant period under review.

	As at <u>31.12.2004</u> RM
Property, plant and equipment	294,377
Deferred taxation	143,731
Current assets	<u>7,671,048</u>
Current liabilities	<u>2,011,945</u>
Net current assets	<u>5,659,103</u>
	<u>6,097,211</u>
Share capital	3,733,000
Reserves	<u>2,364,211</u>
	<u>6,097,211</u>
No. of ordinary shares of RM1 each in issue	<u>3,733,000</u>
Net tangible assets per ordinary share of RM1 each	<u>1.63</u>

Notes:

- (1) MTB was incorporated on 17 June 2004. Accordingly, the first audited financial statements cover the period from 17 June 2004 to 31 December 2004.

13. ACCOUNTANTS' REPORT (Cont'd) (Prepared for inclusion in this Prospectus)**8.3 MTB (Company Level)**

The summarised balance sheet of MTB (company level) set out below is based on the audited financial statements of MTB for the relevant period under review.

	As at <u>31.12.2004</u> RM
Subsidiaries	6,441,843
Current assets	<u>7,088,347</u>
Current liabilities	<u>4,264,159</u>
Net current assets	<u>2,824,188</u>
	<u>9,266,031</u>
Share capital	3,733,000
Reserves	<u>5,533,031</u>
	<u>9,266,031</u>
No. of ordinary shares of RM1 each in issue	<u>3,733,000</u>
Net tangible assets per ordinary share of RM1 each	<u>2.48</u>

Notes:

- (1) MTB was incorporated on 17 June 2004. Accordingly, the first audited financial statements cover the period from 17 June 2004 to 31 December 2004.

13. ACCOUNTANTS' REPORT (Cont'd) (Prepared for inclusion in this Prospectus)



8.4 MPL (Group Level)

The summarised balance sheet of MPL (group level) set out below is based on the audited financial statements of MPL for the relevant period under review.

	As at <u>31.12.2003</u> RM
Property, plant and equipment	142,909
Current assets	<u>1,963,538</u>
Current liabilities	<u>924,280</u>
Net current assets	<u>1,039,258</u>
	<u>1,182,167</u>
Share capital	233
Reserves	<u>1,160,732</u>
	1,160,965
Deferred taxation	<u>21,202</u>
	<u>1,182,167</u>
No. of ordinary shares of SGD1 each in issue	<u>100</u>
Net tangible assets per ordinary share of SGD1 each	<u>11,610</u>

Notes:

- (1) Following the disposal of MTSB, PTMT and MCL to MTB in June 2004, MPL has ceased to become a group.
- (2) The audited consolidated financial statements of MPL are expressed in SGD and have been converted to RM at the exchange rate prevailing as at 31 December 2004 of SGD1 to RM2.3258 for the purpose of presentation in this Report.

13. ACCOUNTANTS' REPORT (Cont'd) (Prepared for inclusion in this Prospectus)**8.5 MPL (Company Level)**

The summarised balance sheets of MPL set out below are based on the audited financial statements of MPL for the relevant periods under review.

	As at <u>30.6.2003</u> RM	As at <u>31.12.2003</u> RM	As at <u>31.12.2004</u> RM
Property, plant and equipment	93,316	92,413	139,718
Subsidiaries	-	119,707	-
Current assets	<u>389,895</u>	<u>1,572,713</u>	<u>6,491,102</u>
Current liabilities	<u>219,244</u>	<u>749,568</u>	<u>3,140,449</u>
Net current assets	<u>170,651</u>	<u>823,145</u>	<u>3,350,653</u>
	<u>263,967</u>	<u>1,035,265</u>	<u>3,490,371</u>
Share capital	233	233	221,390
Reserves	<u>243,802</u>	<u>1,015,647</u>	<u>3,252,467</u>
	<u>244,035</u>	<u>1,015,880</u>	<u>3,473,857</u>
Deferred taxation	<u>19,932</u>	<u>19,385</u>	<u>16,514</u>
	<u>263,967</u>	<u>1,035,265</u>	<u>3,490,371</u>
No. of ordinary shares of SGD1 each in issue	<u>100</u>	<u>100</u>	<u>100,000</u>
Net tangible assets per ordinary share of SGD1 each	<u>2,440</u>	<u>10,159</u>	<u>35</u>

Notes:

- (1) MPL was incorporated on 19 July 2002. Accordingly, the first audited financial statements cover the period from 19 July 2002 to 30 June 2003.
- (2) The audited financial statements of MPL are expressed in SGD.

For the purpose of presentation in this Report, the SGD amounts expressed in the audited financial statements for the periods ended 30 June 2003 and 31 December 2003, have been converted to RM at the exchange rate prevailing as at 31 December 2004 of SGD1 to RM2.3258.

13. ACCOUNTANTS' REPORT (Cont'd) (Prepared for inclusion in this Prospectus)**8.6 MTSB (Company Level)**

The summarised balance sheets of MTSB set out below are based on the audited financial statements of MTSB for the relevant periods under review.

	As at <u>31.12.2003</u> RM	As at <u>31.12.2004</u> RM
Property, plant and equipment	15,374	103,701
Current assets	778,814	5,702,575
Current liabilities	495,063	4,854,087
Net current assets	<u>283,751</u>	<u>848,488</u>
	<u>299,125</u>	<u>952,189</u>
Share capital	2	500,000
Reserves	<u>297,307</u>	<u>442,818</u>
	297,309	942,818
Deferred taxation	<u>1,816</u>	<u>9,371</u>
	<u>299,125</u>	<u>952,189</u>
No. of ordinary shares of RM1 each in issue	<u>2</u>	<u>500,000</u>
Net tangible assets per ordinary share of RM1 each	<u>148,655</u>	<u>2</u>

Notes:

- (1) MTSB was incorporated on 27 May 2003. Accordingly, the first audited financial statements cover the period from 27 May 2003 to 31 December 2003.
- (2) The audited financial statements of MTSB for the period ended 31 December 2003 are expressed in RM and have been converted to SGD for inclusion in the audited consolidated financial statements of MPL. For the purpose of presentation in this Report, SGD amounts have been converted to RM at the exchange rate prevailing as at 31 December 2004 of SGD1 to RM2.3258.

13. ACCOUNTANTS' REPORT (Cont'd) (Prepared for inclusion in this Prospectus)**8.7 PTMT (Company Level)**

The summarised balance sheets of PTMT set out below are based on the unaudited/audited financial statements of PTMT for the relevant periods under review.

	As at <u>31.12.2003</u> (Unaudited) RM	As at <u>31.12.2004</u> (Audited) RM
Property, plant and equipment	35,122	34,863
Deferred taxation	-	169,616
Current assets	17,818	998,838
Current liabilities	65,276	1,640,643
Net current liabilities	<u>(47,458)</u>	<u>(641,805)</u>
	<u>(12,336)</u>	<u>(437,326)</u>
Share capital	119,704	102,814
Reserves	<u>(132,040)</u>	<u>(540,140)</u>
	<u>(12,336)</u>	<u>(437,326)</u>
No. of shares of USD10 each in issue	<u>3,000</u>	<u>3,000</u>
Net tangible liabilities per share of USD10 each	<u>(4)</u>	<u>(146)</u>

Notes:

- (1) PTMT was incorporated on 19 November 2003. The first audited financial statements cover the period from 1 January 2004 to 31 December 2004.
- (2) The financial statements of PTMT are expressed in IDR.

The financial results for the period ended 31 December 2003 is based on unaudited financial statements of PTMT and has been converted to SGD for inclusion in the audited consolidated financial statements of MPL for the period ended 31 December 2003. For the purpose of presentation in this Report, SGD amounts have been converted to RM at the exchange rate prevailing at 31 December 2004 of SGD1 to RM2.3258.

13. ACCOUNTANTS' REPORT (Cont'd) (Prepared for inclusion in this Prospectus)**8.8 MCL (Company Level)**

The summarised balance sheet of MCL set out below is based on the audited financial statements of MCL for the relevant period under review.

	As at <u>31.12.2004</u> RM
Property, plant and equipment	16,095
Current assets	<u>675,427</u>
Current liabilities	<u>1,220,163</u>
Net current liabilities	<u>(544,736)</u>
	<u>(528,641)</u>
Share capital	92,841
Reserves	<u>(621,482)</u>
	<u>(528,641)</u>
No. of shares of THB100 each in issue	<u>10,000</u>
Net tangible liabilities per share of THB100 each	<u>(53)</u>

Notes:

- (1) MCL was incorporated on 16 February 2004. Accordingly, the first audited financial statements cover the period from 16 February 2004 to 31 December 2004.

13. ACCOUNTANTS' REPORT (Cont'd) (Prepared for inclusion in this Prospectus)**9.0 PRO FORMA STATEMENT OF ASSETS AND LIABILITIES**

The Pro Forma Statement of Assets and Liabilities set out below are provided for illustrative purposes only and have been prepared based on the audited consolidated balance sheet of MTB as at 31 December 2004 to show the effects of the Bonus Issue, Share Split and Public Issue, had the Flotation Scheme been effected on 31 December 2004.

	Note	Audited As at <u>31.12.2004</u> RM	After Bonus Issue RM	After Share Split RM	After Public Issue RM
PROPERTY, PLANT AND EQUIPMENT	B	294,377	294,377	294,377	294,377
DEFERRED TAX ASSETS	C	143,731	143,731	143,731	143,731
CURRENT ASSETS					
Trade receivables		6,226,851	6,226,851	6,226,851	6,226,851
Other receivables	D	981,957	981,957	981,957	981,957
Cash in hand and at banks		462,240	462,240	462,240	2,712,240
		<u>7,671,048</u>	<u>7,671,048</u>	<u>7,671,048</u>	<u>9,921,048</u>
CURRENT LIABILITIES					
Trade payables		1,482,358	1,482,358	1,482,358	1,482,358
Other payables	E	490,942	490,942	490,942	490,942
Taxation		38,645	38,645	38,645	38,645
		<u>2,011,945</u>	<u>2,011,945</u>	<u>2,011,945</u>	<u>2,011,945</u>
NET CURRENT ASSETS		<u>5,659,103</u>	<u>5,659,103</u>	<u>5,659,103</u>	<u>7,909,103</u>
		<u>6,097,211</u>	<u>6,097,211</u>	<u>6,097,211</u>	<u>8,347,211</u>
SHARE CAPITAL	F	3,733,000	6,000,000	6,000,000	7,500,000
RESERVES	G	2,364,211	97,211	97,211	847,211
		<u>6,097,211</u>	<u>6,097,211</u>	<u>6,097,211</u>	<u>8,347,211</u>
No. of ordinary shares of RM1.00 each in issue		<u>3,733,000</u>	<u>6,000,000</u>	-	-
No. of ordinary shares of RM0.10 each in issue		-	-	<u>60,000,000</u>	<u>75,000,000</u>
Net Tangible Assets per ordinary share (sen)		<u>163</u>	<u>102</u>	<u>10</u>	<u>11</u>



10.0 NOTES TO THE PRO FORMA STATEMENT OF ASSETS AND LIABILITIES

A. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention, and comply with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia.

(b) Basis of Consolidation-Subsidiaries

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those entities in which the Group has power to exercise control over the financial and operation policies so as to obtain benefits from their activities.

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

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

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences.

Minority interests in the consolidated balance sheet consist of the minorities' share of the fair value of the identifiable assets and liabilities of the acquiree as at acquisition date and the minorities' share of movements in the acquiree's equity since then.



A. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(c) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note (f).

Depreciation of property, plant and equipment is provided for on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Furniture and fittings	10% - 33.3%
Office equipment	20% - 33.3%
Renovation	20%
Computers	33.3%

Upon the disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement.

(d) Deferred Taxation

Deferred taxation is calculated under the liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for accounting purposes. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

(e) Foreign Currencies

(i) Foreign currency transactions

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

All exchange rate differences are taken to the income statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These exchange differences are taken directly to equity until the disposal of the net investment, at which time they are recognised in the income statement.

13. ACCOUNTANTS' REPORT (Cont'd) (Prepared for inclusion in this Prospectus)**A. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****(e) Foreign Currencies (Cont'd.)****(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 average exchange rates with respect to the income statement. All resulting translation differences are recognised in 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 transaction.

The principal exchange rates used for each respective unit of foreign currency ruling at balance sheet are as follows:

	2004 RM
Thai Baht (unit of 100)	9.7636
Indonesian Rupiah (unit of 100)	0.0408
Singapore Dollars	2.3258

(f) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication of impairment. 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.

An impairment loss is recognised as an expense in the income statement immediately, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset.

(g) 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 agreement. 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 recognised directly in 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.

13. ACCOUNTANTS' REPORT (Cont'd) (Prepared for inclusion in this Prospectus)**A. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****(g) Financial Instruments (Cont'd.)****(i) Trade receivables**

Trade receivables are carried at anticipated realisable values. Bad debts are written off when identified.

(ii) Trade payables

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

(iii) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared and approved by shareholders.

B. PROPERTY, PLANT AND EQUIPMENT**GROUP – After the Flotation Scheme**

	<u>Cost</u> RM	<u>Accumulated Depreciation</u> RM	<u>Net Book Value</u> RM
Furniture & fittings	65,976	8,837	57,139
Office equipment	55,652	8,843	46,809
Renovation	60,488	4,807	55,681
Computer	171,521	36,773	134,748
	<u>353,637</u>	<u>59,260</u>	<u>294,377</u>

C. DEFERRED TAX ASSETS

	<u>Audited As at 31.12.2004</u> RM	<u>After Bonus Issue</u> RM	<u>After Share Split</u> RM	<u>After Public Issue</u> RM
Acquisition of subsidiaries	21,130	21,130	21,130	21,130
Recognised in income statement	(167,266)	(167,266)	(167,266)	(167,266)
Exchange differences	2,405	2,405	2,405	2,405
	<u>(143,731)</u>	<u>(143,731)</u>	<u>(143,731)</u>	<u>(143,731)</u>

13. ACCOUNTANTS' REPORT (Cont'd) (Prepared for inclusion in this Prospectus)**D. OTHER RECEIVABLES**

Included in other receivables of the Group is an amount of RM564,569 representing prepayment of listing expenses which will be set off against share premium arising from the Public Issue upon completion of the Public Issue.

E. OTHER PAYABLES

	Audited As at 31.12.2004 RM	After Bonus Issue RM	After Share Split RM	After Public Issue RM
Accruals	271,968	271,968	271,968	271,968
Payables	214,941	214,941	214,941	214,941
Amount due to director	4,033	4,033	4,033	4,033
	490,942	490,942	490,942	490,942

F. SHARE CAPITAL

Authorised:

Ordinary shares of RM1 each	10,000,000	10,000,000	-	-
Ordinary shares of RM0.10 each	-	-	10,000,000	10,000,000
Issued and fully paid-up:				
Ordinary shares of RM1 each	3,733,000	6,000,000	-	-
Ordinary shares of RM0.10 each	-	-	6,000,000	7,500,000

13. ACCOUNTANTS' REPORT (Cont'd) (Prepared for inclusion in this Prospectus)**G. RESERVES**

Analysis of movements in reserves is as follows:-

	<u>Share Premium Reserve</u> RM	<u>Foreign Exchange Reserve</u> RM	<u>Reserve on Consolidation</u> RM	<u>Retained Profit/ (Accumulated Loss)</u> RM	<u>Total</u> RM
Consolidated audited balance sheet as at 31.12.2004	58	62,608	721,558	1,579,987	2,364,211
Bonus Issue	-	-	-	(2,267,000)	(2,267,000)
After Bonus Issue and Share Split	58	62,608	721,558	(687,013)	97,211
Arising on Public Issue	7,500,000	-	-	-	7,500,000
Estimated expenses relating to the Flotation Scheme	(1,750,000)	-	-	-	(1,750,000)
Utilisation of proceeds from Public Issue charged to the income statement in respect of:					
- Overseas expansion	-	-	-	(3,500,000)	(3,500,000)
- Research and development expenditure	-	-	-	(1,500,000)	(1,500,000)
After Public Issue	5,750,058	62,608	721,558	(5,687,013)	847,211

H. LEASE COMMITMENTS

The commitment in respect of operating lease of the Group is as follows:

	<u>Audited As at 31.12.2004</u> RM	<u>After Bonus Issue</u> RM	<u>After Share Split</u> RM	<u>After Public Issue</u> RM
Within one year	188,390	188,390	188,390	188,390
Within two to five years	13,955	13,955	13,955	13,955
	202,345	202,345	202,345	202,345



I. FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES

(a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure adequate financial resources are available for the development of the Group's business 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 policy is not to engage in speculative transactions.

(b) Interest Rate Risk

The Group had no long term interest-bearing assets or interest-bearing debts. The investments in financial assets are mainly short term in nature and they are not held for speculative purposes.

(c) Foreign Exchange Risk

The Group is exposed to various currencies, mainly Singapore Dollars, Thai Baht, and Indonesian Rupiah. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

The Group manages all its foreign assets and liabilities using the best available foreign currency exchange rates. Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

(d) Liquidity Risk

The Group actively manages its operating cash flows and the availability of funding so as to ensure all funding needs and working capital requirements are met.

(e) Credit Risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risk are minimised and monitored by strictly limited the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

(f) Fair Value

The carrying amounts of the financial assets and financial liabilities of the Group and of the Company at the balance sheet date approximately their respective net fair values.

13. ACCOUNTANTS' REPORT (Cont'd) (Prepared for inclusion in this Prospectus)**11.0 ESTIMATED EXPENSES RELATING TO THE FLOTATION SCHEME**

Estimated expenses relating to the Flotation Scheme of RM1.75 million is debited against Share Premium in the Pro Forma Statement of Assets and Liabilities as at 31 December 2004 as shown in Note 10.0 (G) of this Report.

12.0 CONSOLIDATED CASH FLOW STATEMENT

The consolidated cash flow statement of MTB sets out below is based on the audited consolidated financial statements of MTB for the period ended 31 December 2004.

	Period from 17.06.2004 to 31.12.2004 RM
Cash Flows From Operating Activities	
Profit before taxation	850,605
Adjustment for:	
Depreciation	58,252
Effect of currency translation	55,382
Operating profit before working capital changes	<u>964,239</u>
Receivables	5,489,239
Payables	<u>(5,836,535)</u>
Cash generated from operations	616,943
Tax paid	<u>(111,473)</u>
Net cash generated from operating activities	<u>505,470</u>
Cash Flows From Investing Activities	
Acquisition of subsidiaries	21,262
Purchase of property, plant and equipment	<u>(64,492)</u>
Net cash used in investing activities	<u>(43,230)</u>
Net increase in cash and cash equivalents	462,240
Cash and cash equivalents at beginning of period	-
Cash and cash equivalents at end of period	<u>462,240</u>

Notes:

Cash and cash equivalents comprises cash in hand and at banks

13. ACCOUNTANTS' REPORT (Cont'd) (Prepared for inclusion in this Prospectus)



13.0 PRO FORMA NET TANGIBLE ASSETS COVER

As illustrated in the Pro Forma Statement of Assets and Liabilities in Section 9.0 of this Report, the net tangible assets per share of the Group assuming that the Flotation Scheme was completed as at 31 December 2004 is 11 sen.

14.0 AUDITED FINANCIAL STATEMENTS

No audited financial statements have been prepared in respect of any period subsequent to 31 December 2004.

Yours faithfully

A handwritten signature in black ink, appearing to be 'EY', written over a horizontal line.

ERNST & YOUNG
AF:0039
Chartered Accountants

A handwritten signature in black ink, appearing to be 'YEO ENG SENG', written over a horizontal line.

YEO ENG SENG
1212/12/06(J)
Partner

Kuala Lumpur, Malaysia

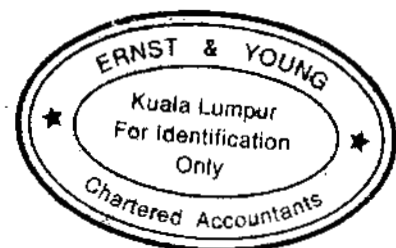
14. PROFORMA CONSOLIDATED BALANCE SHEETS AND REPORTING ACCOUNTANTS' LETTER THEREON (Prepared for inclusion in this Prospectus)

MTOUCHE TECHNOLOGY BERHAD

PRO FORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2004

The pro forma consolidated balance sheets set out below are presented for illustrative purposes only and are based on the consolidated audited balance sheet of mTouche Technology Berhad as at 31 December 2004 to show the effects of the Bonus Issue, Share Split and Public Issue (collectively known as "Flotation Scheme") had the Flotation Scheme been effected on 31 December 2004.

	Audited	Pro forma I	Pro forma II	Pro forma III
	As at <u>31.12.2004</u> RM	<u>Bonus Issue</u> RM	After Pro forma I and <u>Share Split</u> RM	After Pro forma II and <u>Public Issue</u> RM
PROPERTY, PLANT AND EQUIPMENT	294,377	294,377	294,377	294,377
DEFERRED TAX ASSETS	143,731	143,731	143,731	143,731
CURRENT ASSETS (Note 6(a))	7,671,048	7,671,048	7,671,048	9,921,048
CURRENT LIABILITIES (Note 6(b))	2,011,945	2,011,945	2,011,945	2,011,945
NET CURRENT ASSETS	5,659,103	5,659,103	5,659,103	7,909,103
	6,097,211	6,097,211	6,097,211	8,347,211
SHARE CAPITAL	3,733,000	6,000,000	6,000,000	7,500,000
RESERVES (Note 7)	2,364,211	97,211	97,211	847,211
	6,097,211	6,097,211	6,097,211	8,347,211
NO. OF ORDINARY SHARES OF RM1.00 EACH IN ISSUE ('000)	3,733	6,000	-	-
NO. OF ORDINARY SHARES OF RM0.10 EACH IN ISSUE ('000)	-	-	60,000	75,000
NET TANGIBLE ASSETS PER ORDINARY SHARE (SEN)	163	102	10	11



**14. PROFORMA CONSOLIDATED BALANCE SHEETS AND REPORTING
ACCOUNTANTS' LETTER THEREON (Cont'd) (Prepared for inclusion in this Prospectus)**

MTOUCHE TECHNOLOGY BERHAD

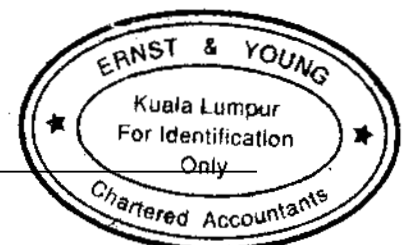
**NOTES TO THE PRO FORMA CONSOLIDATED BALANCE SHEETS AS AT
31 DECEMBER 2004**

1. The pro forma consolidated balance sheets have been prepared on accounting principles and bases consistent with those previously adopted in the preparation of audited financial statements.
2. Upon the completion of the Flotation Scheme, the issued and paid-up share capital of the Company will amount to RM7,500,000 comprising 75,000,000 ordinary shares of RM0.10 each.
3. The premium of RM7,500,000 arising from the Public Issue is credited to share premium account.
4. Estimated expenses relating to the Flotation Scheme of RM1.75 million have been debited against share premium account.
5. It is assumed that the net cash proceeds of RM7.25 million (after deducting estimated expenses relating to the Flotation Scheme of RM1.75 million) to be received from the Flotation Scheme will be utilised as follows:

	RM million
Overseas expansion	3.50
Research and development expenditure	1.50
Working capital	2.25
	<hr/>
	7.25
	<hr/>

6. Analyses of Current Assets and Current Liabilities are as follows:

	Audited	Pro forma I	Pro forma II	Pro forma III
	As at		After	After
	31.12.2004	Bonus Issue	Pro forma I	Pro forma II
	RM	RM	and	and
			Share Split	Public Issue
			RM	RM
(a) CURRENT ASSETS				
Trade receivables	6,226,851	6,226,851	6,226,851	6,226,851
Other receivables	981,957	981,957	981,957	981,957
Cash and bank balances	462,240	462,240	462,240	2,712,240
	<hr/>	<hr/>	<hr/>	<hr/>
	7,671,048	7,671,048	7,671,048	9,921,048
	<hr/>	<hr/>	<hr/>	<hr/>
(b) CURRENT LIABILITIES				
Trade payables	1,482,358	1,482,358	1,482,358	1,482,358
Other payables	490,942	490,942	490,942	490,942
Tax payable	38,645	38,645	38,645	38,645
	<hr/>	<hr/>	<hr/>	<hr/>
	2,011,945	2,011,945	2,011,945	2,011,945
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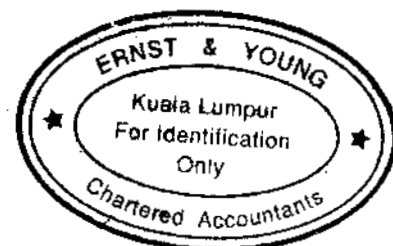
14. PROFORMA CONSOLIDATED BALANCE SHEETS AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd) (Prepared for inclusion in this Prospectus)

MTOUCHE TECHNOLOGY BERHAD

NOTES TO THE PRO FORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2004 (CONT'D.)

7. Analysis of Reserves is as follows:

	<u>Share Premium Reserve</u> RM	<u>Foreign Exchange Reserve</u> RM	<u>Reserve on Consolidation</u> RM	<u>Retained Profit/ (Accumulated Loss)</u> RM	<u>Total</u> RM
Consolidated audited balance sheet as at 31.12.2004	58	62,608	721,558	1,579,987	2,364,211
Bonus Issue	-	-	-	(2,267,000)	(2,267,000)
After Bonus Issue and Share Split	58	62,608	721,558	(687,013)	97,213
Arising on Public Issue	7,500,000	-	-	-	7,500,000
Estimated expenses relating to the Flotation Scheme	(1,750,000)	-	-	-	(1,750,000)
Utilisation of proceeds from Public Issue charged to the income statement in respect of:					
- Overseas expansion	-	-	-	(3,500,000)	(3,500,000)
- Research and development expenditure	-	-	-	(1,500,000)	(1,500,000)
After Public Issue	5,750,058	62,608	721,558	(5,687,013)	847,211



14. PROFORMA CONSOLIDATED BALANCE SHEETS AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd) (Prepared for inclusion in this Prospectus)



■ **Chartered Accountants**

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Jalan Sultan Ismail
50250 Kuala Lumpur, Malaysia

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(03) 2144-5619

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Mail Address:

P.O. Box 10068

50704 Kuala Lumpur, Malaysia

REPORTING ACCOUNTANTS' LETTER ON PRO FORMA CONSOLIDATED BALANCE SHEETS

(Prepared for inclusion in the Prospectus to be dated 30 June 2005)

17 June 2005

The Board of Directors
mTouche Technology Berhad
312 3rd Floor
Block C Kelana Square
17 Jalan SS7/26
47301 Petaling Jaya
Selangor

Dear Sirs

MTOUCHE TECHNOLOGY BERHAD – PRO FORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2004

We report on the pro forma consolidated balance sheets set out in section 14 of the Prospectus to be dated 30 June 2005, which has been prepared for illustrative purposes only, to provide information about how the consolidated balance sheets of mTouche Technology Berhad (“MTB” or the “Company”) and its subsidiaries as at 31 December 2004 that have been presented might have been affected had the Bonus Issue, Share Split and Public Issue been completed on that date:

(a) **Bonus Issue**

Bonus issue of 2,267,000 new ordinary shares of RM1 each to existing shareholders of MTB on the basis of one (1) new ordinary share of RM1 each for approximately every 1.65 existing ordinary shares held in the Company by way of capitalisation of RM2,267,000 out of the retained profits of the Company (“Bonus Issue”).

The Bonus Issue was completed in May 2005.

(b) **Share Split**

Share split of every one (1) ordinary share of RM1 each after the Bonus Issue into ten (10) new ordinary shares of RM0.10 each (“Share Split”). The issued and paid-up share capital of the Company after the Share Split total to RM6,000,000 comprising 60,000,000 ordinary shares of RM0.10 each.

The Share Split was completed in May 2005.

**14. PROFORMA CONSOLIDATED BALANCE SHEETS AND REPORTING
ACCOUNTANTS' LETTER THEREON (Cont'd) (Prepared for inclusion in this Prospectus)**



(c) Public Issue

Public issue for cash of 15,000,000 new ordinary shares of RM0.10 each in the Company at an issue price of RM0.60 per share for total cash proceeds of RM9,000,000.

It is the responsibility solely of the directors of MTB to prepare the pro forma consolidated balance sheets in accordance with the requirements of the Securities Commission Prospectus Guidelines in respect of Public Offerings ("the Guidelines").

It is our responsibility to form an opinion, as required by the Guidelines, and to report our opinion to you. Our work consisted primarily of comparing the unadjusted financial information presented with their original form, considering the adjustments and discussing the pro forma consolidated balance sheets with responsible officers of MTB. Our work involved no independent examination of any of the underlying financial information other than our audit of the consolidated financial statements that included the audited consolidated balance sheet as at 31 December 2004, on which we reported to the members of the company as of the date of our report.

In our opinion:

- (a) the pro forma consolidated balance sheets have been properly compiled on the bases stated; and
- (b) within the context of the completion dates of the Bonus Issue and the Share Split, and assumed date of the Public Issue:
 - (i) such bases are consistent with the accounting policies of MTB; and
 - (ii) the adjustments set out are appropriate for the purposes of the pro forma consolidated balance sheets pursuant to the Guidelines.

The accompanying pro forma balance sheets and this letter have been prepared solely for the purposes stated above, in connection with the aforementioned Bonus Issue, Share Split and Public Issue. This letter is not to be reproduced, referred to in any other document, or used for any other purpose without our prior written consent.

Yours faithfully



ERNST & YOUNG
AF:0039
Chartered Accountants
Kuala Lumpur, Malaysia



Yeo Eng Seng
1212/12/06(J)
Partner

15. DIRECTORS' REPORT (Prepared for inclusion in this Prospectus)

mToucheTM

(656395X)

17 June 2005

Registered Office:

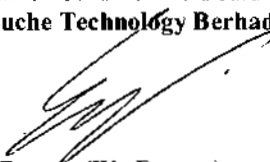
312, 3rd Floor Block C
Kelana Square
17 Jalan SS /26
47301 Petaling Jaya

To : The Shareholders of mTouche Technology Berhad

On behalf of the Board of Directors of MTB ("Directors"), I report after due enquiry, that during the period from 31 December 2004 (being the date to which the last audited accounts of MTB and its subsidiaries ("Group") have been made up) to 17 June 2005 (being the date not earlier than fourteen days before the issue of this Prospectus) that:

- (a) the business of the Group has, in the opinion of the Directors, been satisfactorily maintained;
- (b) in the opinion of the Directors, no circumstances have arisen subsequent to the last audited accounts of the Group which have adversely affected the trading 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 contingent liabilities that have arisen by reason of any guarantees or indemnities given by the Group;
- (e) since the last audited accounts of the Group, there has 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 the Directors are aware of; or
- (f) since the last audited accounts of the Group, save as disclosed in the Accountants' Report and the Proforma Consolidated Balance Sheets as set out in Sections 13 and 14 respectively, of this Prospectus, there has been no material changes in the published reserves or any unusual factors affecting the profits of the Group.

Yours faithfully
for and on behalf of the Board of Directors of
mTouche Technology Berhad


Goh Eugene (Wu Eugene)
Chief Executive Officer