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ACCOUNTANTS' REPORT
(Prepared for inclusion in this Prospectus)

22 July 2005

The Board of Directors
Key West Global Telecommunications Berhad
Level 7, Menara Milenium,
Jalan Damanlela,
Pusat Bandar Damansara,
50490 Kuala Lumpur

Dear Sirs,

1.0 INTRODUCTION

This report has been prepared by Ernst & Young, an approved company auditor, for inclusion in the Prospectus of Key West Global Telecommunications Berhad ("KeyWest" or "the Company") to be dated 29 July 2005 in connection with the listing of and quotation for the entire issued and paid-up share capital of KeyWest on the Malaysian Exchange of Securities Dealing & Automated Quotation Bhd ("MESDAQ") Market of the Bursa Malaysia Securities Berhad ("Bursa Securities") ("the Listing").

2.0 LISTING SCHEME

In conjunction with, and as an integral part of the Listing, the Company implemented a corporate exercise which involved the following transactions:

2.1 Subdivision of Shares

On 21 February 2005, KeyWest subdivided the existing ordinary shares of RM1.00 each into ordinary shares of RM0.10 each.

Upon completion of the Subdivision of Shares, the issued and paid-up share capital of KeyWest changed from RM2 comprising 2 ordinary shares of RM1.00 each to RM2 comprising 20 shares of RM0.10 each.

2.2 Acquisitions

(i) Acquisition of Keywest Communications Inc. ("KCI")

On 28 July 2004 and 26 February 2005, KeyWest entered into two (2) conditional Share Sale Agreements and a Supplemental Agreement respectively to acquire the entire issued and paid-up share capital of KCI, comprising 10,000 common shares of USD1.00 each and a shareholder's advance from its existing shareholders for a purchase consideration of RM5,603,509.60. The purchase consideration of the shares and shareholder's advance was satisfied by the issuance of 56,035,096 new ordinary shares of RM0.10 each in KeyWest.

The vendors' shareholdings in KeyWest after the acquisition of KCI are as follows:-

Shareholders	No. of common shares held in KCI	Percentage interest in KCI %	Purchase consideration RM	No. of KeyWest shares issued
B-Network Co. Ltd.	9,750	97.5	*5,584,615.30	55,846,153
Alexander Wong Shoon Choy	250	2.5	18,894.30	188,943
Total	**10,000**	**100.0**	**5,603,509.60**	**56,035,096**

* *Including a shareholder's advance of RM4,823,800*

The acquisition of KCI was completed on 28 February 2005.

(ii) **Acquisition of KeyWest Networks (Canada) Inc. ("KNI")**

On 28 July 2004, KeyWest entered into a conditional Share Sale Agreement to acquire the entire issued and paid-up share capital of KNI comprising 100 common shares without par value from its existing shareholders for a purchase consideration of RM2.00. The purchase consideration was satisfied by way of cash payment.

The acquisition of KNI was completed on 28 February 2005.

(iii) **Acquisition of Times Telecom Inc. ("TTI")**

On 28 July, 2004, KeyWest entered into a conditional Share Sale Agreement to acquire the entire issued and paid-up share capital of TTI comprising 100,000 common shares without par value from its existing shareholders for a purchase consideration of RM2.00. The purchase consideration was satisfied by way of cash payment.

The acquisition of TTI was completed on 28 February 2005.

(iv) **Acquisition of Keywest Communications Sdn Bhd ("KCB")**

On 28 July 2004, KeyWest entered into a conditional Share Sale Agreement to acquire 99% of the issued and paid-up share capital of KCB, comprising 99 ordinary share of BND1.00 each from its existing shareholders for a purchase consideration of RM2.00. The purchase consideration was satisfied by way of cash payment.

The acquisition of KCB was completed on 28 February 2005.

(v) **Acquisition of Key West Communications Sdn Bhd ("KCSB")**

On 28 July 2004, KeyWest entered into a conditional Share Sale Agreement to acquire the entire issued and paid-up share capital of KCSB comprising 2 ordinary shares of RM1.00 each from its existing shareholders for a purchase consideration of RM2.00. The purchase consideration was satisfied by way of cash payment.

The acquisition of KCSB was completed on 28 February 2005.

(vi) Acquisition of Voicestar Communications Sdn Bhd ("VCSB")

On 28 July 2004, KeyWest entered into a conditional Share Sale Agreement to acquire the entire issued and paid-up share capital of VCSB comprising 2 ordinary shares of RM1.00 each from its existing shareholders for a purchase consideration of RM4,783. The purchase consideration was satisfied by way of cash payment.

The acquisition of VCSB was completed on 28 February 2005.

KeyWest and its subsidiary companies namely, KCI, KNI, TTI, KCB, KCSB and VCSB shall hereinafter be collectively referred to as "KeyWest Group" or "the Group".

2.3 Transfer of Subscriber Shares

On 8 April 2005, Tan Ai Ning and Raja Fateha binti Raja Azhar have transferred the 20 subscriber Shares to Alfred Yong Kah Soon.

2.4 Rights Issue

On 22 July 2005, KeyWest implemented a Rights Issue of 53,964,884 new ordinary shares in KeyWest at an issue price of RM0.10 per share on a pro-rata basis to its shareholders after the Acquisitions.

Upon completion of the Rights Issue, the issued and paid-up share capital of the Company will increase from RM5,603,511.60 comprising 56,035,116 ordinary shares of RM0.10 each in KeyWest to RM11,000,000 comprising 110,000,000 ordinary shares of RM0.10 each in KeyWest.

2.5 Public Issue

In conjunction with the Listing, KeyWest will undertake a Public Issue of 40,000,000 new ordinary shares of RM0.10 each in KeyWest at an issue price of RM0.37 per new ordinary share.

Upon completion of the Public Issue, the issued and paid-up share capital of the Company will increase from RM11,000,000 comprising 110,000,000 ordinary shares of RM0.10 each in KeyWest to RM15,000,000 comprising 150,000,000 ordinary shares of RM0.10 each in KeyWest.

2.6 Bonus Issue

Subsequent to the Public Issue, KeyWest will implement a Bonus Issue of 75,000,000 new ordinary shares of RM0.10 each to be issued to all shareholders of KeyWest after the Public Issue on the basis of one (1) new ordinary share of RM0.10 each for every two (2) ordinary shares of RM0.10 each held in KeyWest. The Bonus Issue will be capitalised from the share premium arising from the Public Issue and completed prior to the listing of KeyWest on the MESDAQ Market.

Upon completion of the Bonus Issue, the issued and paid-up share capital of the Company will increase from RM15,000,000 comprising 150,000,000 ordinary shares of RM0.10 each in KeyWest to RM22,500,000 comprising 225,000,000 ordinary shares of RM0.10 each in KeyWest.

2.7 Listing

Following the completion of the Public Issue and Bonus Issue, KeyWest is to be admitted to the official list of the Bursa Securities and the entire issued and paid-up share capital of KeyWest is to be listed and quoted on the MESDAQ Market of Bursa Securities.

2.8 Employee Share Option Scheme ("ESOS")

In conjunction with the Listing, KeyWest will implement an ESOS involving up to 10% of the issued and paid-up share capital of KeyWest at any time during the existence of the ESOS, to the directors and eligible employees of the Group.

3.0 GENERAL INFORMATION

3.1 Background

KeyWest was incorporated in Malaysia under the Companies Act, 1965 on 20 February 2004 as a private limited company under the name of Key West Global Telecommunications Sdn Bhd. Subsequently, on 26 July 2004, KeyWest was converted to a public limited company and has since assumed its present name. KeyWest is principally an investment holding company. Its active subsidiaries are principally involved in the provision of network products and services to telecommunication companies (Telcos) as well as corporate and individual subscribers.

3.2 Share Capital

As at the date of incorporation, the authorised and issued and paid-up share capital was RM100,000 and RM2, comprising 100,000 and 2 ordinary shares of RM1.00 each respectively. The present authorised and issued and paid-up share capital is RM50,000,000 and RM11,000,000, comprising 500,000,000 ordinary shares of RM0.10 each and 110,000,000 ordinary shares of RM0.10 each respectively. The movement in KeyWest's ordinary issued and paid-up share capital since the date of incorporation is as follows:-

Date of allotment	No. of ordinary shares alloted	Par value (RM)	Consideration	Total issued and paid-up share capital (RM)
20.02.2004	2	1.00	Subscribers' shares	2.00
21.02.2005	20	0.10	Subdivision of shares	2.00
28.02.2005	56,035,096	0.10	Issued pursuant to the Acquisitions	5,603,511.60
22.07.2005	53,964,884	0.10	Issued pursuant to the Rights Issue	11,000,000.00

3.3 Subsidiary Companies

The details of the subsidiary companies of KeyWest are as follows:

Corporation	Date/Place of Incorporation	Issued and Paid-up Share Capital	Effective Equity Interest (%)	Principal Activities
Subsidiaries of KeyWest				
KCI	20 February 2001/ British Virgin Islands	USD10,000.00	100%	The provisioning and wholesaling of telecommunication services
KNI	7 March 2001/ Canada	CAD100.00	100%	The wholesale of long distance services to Telcos
KCSB	30 August 2001/ Malaysia	RM2.00	100%	Inactive

Corporation	Date/Place of Incorporation	Issued and Paid-up Share Capital	Effective Equity Interest (%)	Principal Activities
TTI	25 June 2002/ British Columbia, Canada	CAD50,001.00	100%	The retail of long distance services in Canada
VCSB	3 November 2003/ Malaysia	RM2.00	100%	The provisioning of support services for telecommunication companies
KCB	1 March 2004/ Brunei	BND100.00	99%*	Inactive
Subsidiaries of KCI				
Keywest Communications (USA) Inc. ("KCUSA")	15 March 2001/ Nevada, USA	USD100.00	100%	The wholesale of long distance services to Telcos
Keywest Communications (HK) Limited ("KCHK")	28 March 2001/ Hong Kong	HKD100.00	99%**	The wholesale of long distance services to Telcos
Keywest Communications (Pty) Limited ("KCPL")	30 April 2003/ Australia	AUD2.00	100%	Inactive

(KCI and its subsidiaries collectively referred to as "KCI Group")

Corporation	Date/Place of Incorporation	Issued and Paid-up Share Capital	Effective Equity Interest (%)	Principal Activities
Subsidiary of KNI				
KeyWest Communications (Canada) Inc. (KCC)	7 March 2001/ Canada	CAD1.00	100%	Inactive

(KNI and its subsidiary collectively referred to as "KNI Group")

Corporation	Date/Place of Incorporation	Issued and Paid-up Share Capital	Effective Equity Interest (%)	Principal Activities
Subsidiaries of TTI				
Times Telecom (USA) Inc. (TTUSA)	12 May 2003/ California, USA	USD100.00	100%	Inactive
Times Telecom (Australia) (Pty) Limited (TTA)	13 August 2003/ Australia	AUD1.00	100%	The retail of long distance services in Australia
Clear Channel Communication Corp. (CCCC)	5 November 1998/ British Columbia, Canada	CAD1.00	100%	Inactive
(TTI and its subsidiaries collectively referred to as "TTI Group")				

* *The remaining 1%, representing one (1) ordinary share of BND1.00 in KCB, is held by Alfred Yong Kah Soon (Promoter, Substantial Shareholder and Managing Director of KeyWest) on trust for KeyWest. The effective ownership of KeyWest in KCB is 100%.*

** *The remaining 1%, representing one (1) ordinary share of HKD1.00 in KCHK is held by Alfred Yong Kah Soon (Promoter, Substantial Shareholder and Managing Director of KeyWest) on trust for KCI. The effective ownership of KeyWest in KCHK is 100%, as KCI is wholly owned subsidiary of KeyWest.*

4.0 AUDITORS AND BASIS OF PREPARATION

The financial statements of the companies under the Group are audited by the following auditors as set out below, who have reported on the financial statements for the relevant financial period without qualification:

Company	Financial Accounting Date	Period covered under the financial statements	Auditors	Reporting Currency	Approved accounting standards adopted for the financial statements
KeyWest	31 January	20.2.2004 – 31.1.2005	Ernst & Young, Kuala Lumpur, Malaysia	RM	MASB Standards
KCI	31 January	20.2.2001 – 31.1.2005	Ernst & Young, Vancouver, Canada	USD	US GAAP
KCUSA	31 January	15.3.2001 – 31.1.2005	Ernst & Young, Vancouver, Canada	USD	US GAAP
KCHK	31 January	28.3.2001 – 31.1.2005	Ernst & Young, Vancouver, Canada	HKD	US GAAP

Company	Financial Accounting Date	Period covered under the financial statements	Auditors	Reporting Currency	Approved accounting standards adopted for the financial statements
KCPL	31 January	30.4.2003 – 31.1.2005	Ernst & Young, Vancouver, Canada	AUD	CICA Standards and Canadian GAAP
KNI	31 January	7.3.2001 – 31.1.2005	Ernst & Young, Vancouver, Canada	CAD	CICA Standards and Canadian GAAP
KCC	31 January	7.3.2001 – 31.1.2005	Ernst & Young, Vancouver, Canada	CAD	CICA Standards and Canadian GAAP
KCSB	28 February	30.8.2001 – 28.2.2003	Chong & Co.	RM	MASB Standards
	31 January	1.3.2003 – 31.1.2005	Ernst & Young, Kuala Lumpur, Malaysia	RM	MASB Standards
TTI [1]	31 October	25.6.2002 – 31.1.2005	Ernst & Young, Vancouver, Canada	CAD	CICA Standards and Canadian GAAP
TTUSA [1]	31 October	12.5.2003 – 31.1.2005	Ernst & Young, Vancouver, Canada	USD	US GAAP
TTA [1]	31 October	13.8.2003 – 31.1.2005	Ernst & Young, Vancouver, Canada	AUD	CICA Standards and Canadian GAAP
CCCC [2]	31 December	1.9.2002 – 31.1.2005	Ernst & Young, Vancouver, Canada	CAD	CICA Standards and Canadian GAAP
VCSB	31 January	3.11.2003 – 31.1.2005	Ernst & Young, Kuala Lumpur, Malaysia	RM	MASB Standards
KCB	31 January	1.3.2004 – 31.1.2005	Ernst & Young, Brunei	BND	Applicable Accounting Standards

1 *An audit was carried out for an additional 3-month period ended 31 January 2004.*

2 *CCCC was incorporated on 5 November 1998. However, the financial statement of CCCC was only prepared for the period beginning from the date CCCC became a subsidiary of TTI (i.e. 1 September 2002).*
An audit was carried out for an additional 1-month period ended 31 January 2004.

Note: *CICA* - *The Canadian Institute of Chartered Accountants*
GAAP - *Generally Accepted Accounting Principles*
MASB - *Malaysian Accounting Standard Board*

This report is prepared based on the following:

- the individual audited financial statements of the companies under KCI Group and KNI Group for the relevant financial period/ years ended 31 January 2002, 31 January 2003, 31 January 2004 and 31 January 2005;
- the individual audited financial statements of the companies under TTI Group (excluding CCCC) for the relevant financial period/ years ended 31 October 2002, 31 October 2003, 3 months period ended 31 January 2004 and year ended 31 January 2005;
- the audited financial statements of CCCC for the financial period/ year ended 31 December 2002, 31 December 2003 and the 1-month period ended 31 January 2004 and year ended 31 January 2005;
- the audited financial statements of KeyWest and KCB for the financial period ended 31 January 2005;
- the audited financial statements of KCSB for the financial periods ended 28 February 2003 and 31 January 2004 and the financial year ended 31 January 2005;
- the audited financial statements of VCSB for the financial period ended 31 January 2004 and financial year ended 31 January 2005;
- the unaudited consolidated financial statements of KCI, KNI and TTI for the financial period/ years ended 31 January 2002, 31 January 2003 and 31 January 2004; and
- the audited consolidated financial statements of KCI, KNI and TTI for the financial period/ year ended 31 January 2005.

The consolidated financial statements of KCI, KNI and TTI for the financial periods/ years ended 31 January 2002, 31 January 2003 and 31 January 2004 were not audited as the respective holding companies (namely KCI, KNI and TTI) with the unanimous consent of its shareholders, have elected not to consolidate the financial statements of the subsidiaries with that of the holding companies in accordance with the differential reporting options available to non-publicly accountable enterprises under CICA Standards and Canadian GAAP.

The unaudited consolidated financial statements of KCI, KNI and TTI are the responsibility of the management of the Group and have been prepared in accordance with the applicable accounting standards of the parent of each group.

For the purpose of this report, the financial statements of KeyWest and its subsidiary companies, where relevant, have been adjusted to comply with the Approved Accounting Standards and Generally Accepted Accounting Practice in Malaysia.

Exchange rates used for the translation of assets and liabilities are as at the relevant year end whilst for income statements, the monthly average rates of the relevant year are used.

5.0 DIVIDENDS

No dividend has been declared by KeyWest and its subsidiary companies in respect of the financial period/ years under review.

6.0 SUMMARISED INCOME STATEMENTS

6.1 Proforma Consolidated Income Statements

The proforma consolidated income statements of KeyWest as set out below are prepared based on the audited financial statements of the relevant companies stated in Section 4 above and on a time apportioned basis based on the management accounts of the companies within the TTI Group where the audited financial years are non-coterminous with 31 January. The proforma consolidated income statements are provided for illustrative purposes only, based on the assumption that the KeyWest Group had been in existence throughout the financial period/years under review ("Proforma Group").

	<------------ Proforma			------------>
	Period ended 31 January	< --- Period/ Years ended 31 January --- >		
	2002	2003	2004	2005
	RM'000	RM'000	RM'000	RM'000
Revenue	25,070	103,655	108,067	115,174
Cost of sales	(23,695)	(98,274)	(94,523)	(100,476)
Gross profit	1,375	5,381	13,544	14,698
Foreign exchange gain	81	46	24	116
Other income	-	-	-	34
R&D expenses	-	(182)	(492)	(544)
Other operating expenses	(1,255)	(3,963)	(10,545)	(10,459)
Profit before depreciation, amortisation, interest and taxation	201	1,282	2,531	3,845
Depreciation	(484)	(1,077)	(1,166)	(1,152)
Amortisation	-	(26)	(71)	(75)
Finance income	1	14	115	104
Finance expenses	-	#	-	(7)
(Loss)/profit before taxation and before exceptional item	(282)	193	1,409	2,715
Exceptional item	-	-	-	(190)
(Loss)/profit before taxation and after exceptional item	(282)	193	1,409	2,525
Taxation	-	(179)	(417)	(915)
(Loss)/profit after taxation	(282)	14	992	1,610
Number of ordinary shares of RM0.10 assumed in issue throughout the period ('000)^	110,000	110,000	110,000	110,000
Gross (loss)/earnings per share (sen) [x]	(0.26)	0.18	1.28	2.30
Net (loss)/earnings per share (sen) [xi]	(0.26)	0.01	0.90	1.46

RM per USD1.00	3.8000	3.8000	3.8000	3.8000
RM per CAD1.00	2.4384	2.4269/ 2.4408*	2.7578	2.9376
RM per BND1.00	-	-	-	2.2718

\# *Less than RM1000 (Actual amount=RM339)*
^ *Based on the issued and paid-up share capital of KeyWest after the Acquisitions and Rights Issue but before Public Issue*
* *Two (2) different exchange rates are used due to different periods under review*

Notes:

(i) The proforma financial results of the respective companies of the Proforma Group cover the following period:

	<---------------- Period ended 31 January ---------------->			
Company/ Group	**2002**	**2003**	**2004**	**2005**
KeyWest	N/A	N/A	N/A	11 months
KCI Group	11 months *	12 months	12 months	12 months
KNI Group	11 months *	12 months	12 months	12 months
KCSB	5 months^	12 months^	12 months^	12 months
TTI Group	N/A	7 months #	12 months	12 months
VCSB	N/A	N/A	3 months	12 months
KCB	N/A	N/A	N/A	11 months

* *Although the financial statements for the period ended 31 January 2002 covered a 11 month period, the relevant companies, KCI only commenced commercial operations on March 2001 (only 10 months of operations) whilst KCUSA, KCHK and KNI only commenced commercial operations on April 2001 (only 9 months of operations).*

Although the financial statements for the period ended 31 January 2003 covered a 7 month period, the relevant company, TTI only commenced commercial operations on July 2002 (only 6 months of operations).

^ *Although the audited financial statements for the period ended 28 February 2003 covered an 18 month period, the results during this period which consist of only a loss of RM3,340 have not been segregated and are reflected in the proforma consolidated results for the financial year ended 31 January 2003. Similarly, the audited results for the period ended 31 January 2004 comprising loss of RM1,000 has been reflected in the proforma consolidated results for the financial year ended 31 January 2004.*

(ii) Revenue of the Group is mainly derived from the wholesale and retail sales of telecommunications services. The wholesale segment essentially involves the supply of telecommunications traffic minutes and other value-added services to telecommunications carriers, providers and resellers for resale to their own subscriber base. The wholesale segment covers the KCI Group, KNI Group, KCB and KCSB. Whereas, the retail business segment involves the provision of domestic and international telecommunication and internet services, targets both corporate and individual/ residential end-users. The companies under the retail segment are TTI Group and VCSB. VCSB has no retail sales and only provides support services for telecommunication companies in the retail sector.

(iii) The wholesale segment represents the main revenue generator for the Group whereby it accounts for 100%, 96%, 85% and 85% of the total revenue for the financial period/ years ended 31 January 2002, 2003, 2004 and 2005 respectively. The retail segment only commenced operations in July 2002.

(iv) The cost of sales for the Group comprise of two (2) main items:

- **Traffic minutes cost** – actual minutes purchased from the vendors/ suppliers for resale through the wholesale and retail segments; a variable cost which is closely correlated to revenue (based on the rate charged by the vendors/ suppliers).
- **Network/ Facilities cost** – network facilities and services directly related to sales such as space rental for housing telecommunication equipment, circuit lease, internet bandwidth and etc; a step-variable cost that will remained constant over range of sales.

(v) The foreign exchange gains are from exchange differences arising from:

- foreign currencies transactions; and
- translation of financial statements of foreign operations in KCI Group and TTI Group using the temporal method (whereby the foreign operations are regarded as integral to the operations of the reporting enterprise) in accordance with MASB 6 – The Effects of Changes in Foreign Exchange Rates.

(vi) The Group's taxation comprise the consolidation of the taxation provided at the individual groups and companies level which encompassed various tax treatments and jurisdictions due to the different countries of operation. As such, it will be more appropriate to discuss about taxation at the respective individual groups and companies level as contained in the relevant sections hereinafter.

(vii) The exceptional item relates to the write down of the carrying value of investment in Vietnam Telecom Investments Limited ("VTIL") amounting to HKD390,000 (approximately RM190,000) by KCHK in 2005 as the operations of VTIL no longer exists and the company has been struck off the registry in the British Virgin Islands ("BVI").

(viii) There were no extraordinary items in the relevant periods/ years under review.

(ix) The research and development expenses are provided by management and comprise staff costs, rent, equipment lease and other expenses incurred in relation to research and development activities. The increase in the research and development expenses is attributable to more research and development activities undertaken over the years under review.

(x) The gross (loss)/earnings per share of the Group are calculated based on the (loss)/profit before taxation and after exceptional item over the 110,000,000 ordinary shares of RM0.10 each in KeyWest assumed in issue after the Acquisitions and Rights Issue but before the Public Issue throughout the relevant periods/ years under review.

(xi) The net (loss)/earnings per share of the Group are calculated based on the (loss)/profit after taxation over the 110,000,000 ordinary shares of RM0.10 each in KeyWest assumed in issue after the Acquisitions and Rights Issue but before the Public Issue throughout the relevant periods/ years under review.

6.2 KeyWest

The income statement set out below is based on the audited financial statement for the period ended 31 January 2005.

	< --- Audited --- > Period from 20 February 2004 to 31 January 2005 RM'000
Other operating expenses	(3)
Loss before taxation	(3)
Taxation	-
Loss after taxation	(3)
Net loss attributable to shareholders	(3)
Number of ordinary shares of RM1.00 each assumed in issue before Subdivision of Shares and Acquisitions	2
Gross loss per share (RM)	(1,500)
Net loss per share (RM)	(1,500)

Notes:

(i) The Company's first set of audited financial statement since the date of incorporation is from 20 February 2004 to 31 January 2005.

(ii) There were no extraordinary/exceptional items in the relevant period under review.

(iii) The Company commenced its operation as a holding company of the Group.

(iv) The gross loss per share is calculated based on the loss before taxation over the number of ordinary shares of RM1.00 each in issue during the financial period.

(v) The net loss per share is calculated based on the loss after taxation over the number of ordinary shares of RM1.00 each in issue during the financial period.

6.3 KCI Group

The summarised consolidated income statements of KCI as set out below are based on the unaudited income statements of the KCI Group for the financial period/ years ended 31 January 2002 to 2004, which is prepared based on the individual audited financial statements of KCI, KCUSA, KCHK and KCPL for the relevant period/ years under review and audited income statement of the KCI Group for the financial year ended 31 January 2005.

	< Unaudited		>	< Audited >
	Period ended 31 January 2002 RM'000	< Year ended 31 January 2003 RM'000	> 2004 RM'000	Year ended 31 January 2005 RM'000
Revenue	24,999	101,483	98,793	106,018
Cost of sales	(23,681)	(97,731)	(91,703)	(98,508)
Gross profit	1,318	3,752	7,090	7,510
Foreign exchange loss	-	(8)	(20)	(2)
Other operating expenses	(903)	(2,728)	(4,755)	(4,857)
Profit before depreciation, amortisation, interest and taxation	415	1,016	2,315	2,651
Depreciation	(464)	(1,016)	(1,014)	(934)
Amortisation	-	-	-	-
Finance income	1	#	#	-
Finance expenses	-	-	-	-
(Loss)/profit before taxation	(48)	#	1,301	1,717
Exceptional item	-	-	-	(190)
(Loss)/profit before taxation and after exceptional item	(48)	#	1,301	1,527
Taxation	-	(133)	(379)	(469)
(Loss)/profit after taxation	(48)	(133)	922	1,058
Weighted average number of shares of common stock of USD1.00 each in issue	1,531	10,000	10,000	10,000
Gross (loss)/earnings per share (RM) [viii]	(31.08)	(0.05)	130.09	152.66
Net (loss)/earnings per share (RM) [ix]	(31.08)	(13.33)	92.20	105.80
USD per HKD1.00	0.1282	0.1282	0.1285	0.1284
USD per AUD1.00	n/a	n/a	0.6783	0.7353
RM per USD1.00	3.8000	3.8000	3.8000	3.8000

\# *Less than RM 1000*

Notes:

(i) All the companies within the KCI Group are involved in the wholesale segment of the business.

(ii) For the financial period/ years under review, approximately 6% to 10% of the yearly revenue relates to sales to KNI, a related company within the Group.

(iii) KCI is incorporated and domiciled in the BVI. As KCI is considered an international business company, it is therefore statutory exempt from taxes in the BVI. However, in 2003 and 2004, as KCI was engaged in business in the USA which were generating income deemed taxable in the USA, KCI was therefore subject to USA taxes. In 2005, KCI transferred all its fixed assets to KCUSA at the beginning of the year and did not engage any business in the USA. Therefore, KCI was not subject to USA taxes in 2005.

(iv) Although KCUSA made profit in 2002 and 2004, there was no taxable income after adjusting the accounting income for tax differences in accordance with the tax jurisdiction in the United States of America. In 2005, KCUSA has tax expense as the company had taxable income after adjusting the accounting income for tax differences. The effective tax rate of 34.89% for 2005 is lower due mainly to the change in valuation allowance and release of valuation allowance on contributed assets.

(v) Under the tax jurisdiction of Hong Kong, the small profit recorded by KCHK in 2003 was offset by the loss carried forward from 2002. Hence, provision for taxation was only made for 2004 only. However, no tax provision was made in 2005 as the company recorded a loss during the year.

(vi) KCPL which was only incorporated in April 2003 is still in its start-up stages with losses incurred. As such, no taxation is provided for in accordance with the tax jurisdiction of Australia as the company continued to record losses for the relevant financial period/ years under review.

(vii) The exceptional item relates to the write down of the carrying value of investment in Vietnam Telecom Investments Limited ("VTIL") amounting to HKD390,000 (approximately RM190,000) by KCHK in 2005 as the operations of VTIL no longer exists and the company has been struck off the registry in the BVI.

(viii) The gross (loss)/earnings per share are calculated based on the (loss)/profit before taxation and after exceptional item over the weighted average number of shares of common stock of USD1.00 each in KCI at the end of the relevant periods/ years under review.

(ix) The net (loss)/earnings per share are calculated based on the (loss)/profit after taxation over the weighted average number of shares of common stock of USD1.00 each in KCI at the end of the relevant periods/ years under review.

6.4 KNI Group

The summarised consolidated income statements of KNI as set out below are based on the unaudited consolidated income statements of the KNI Group for the financial period/ years ended 31 January 2002 to 2004, which is prepared based on the individual audited financial statements of KNI and KCC for the relevant period/ years under review and audited income statement of the KNI Group for the financial year ended 31 January 2005.

	Unaudited			Audited
	Period ended 31 January 2002 RM'000	Year ended 31 January 2003 RM'000	Year ended 31 January 2004 RM'000	Year ended 31 January 2005 RM'000
Revenue	2,707	8,180	12,167	13,575
Cost of sales	(2,441)	(6,883)	(9,663)	(9,689)
Gross profit	266	1,297	2,504	3,886
Foreign exchange gain/(loss)	81	54	(160)	(10)
R&D expenses	-	(182)	(492)	(544)
Other operating expenses	(562)	(1,217)	(1,397)	(2,770)
(Loss)/profit before depreciation, amortisation, interest and taxation	(215)	(48)	455	562
Depreciation	(20)	(51)	(85)	(109)
Amortisation	-	-	-	-
Finance income	1	1	14	1
Finance expenses	-	-	-	(2)
(Loss)/profit before taxation	(234)	(98)	384	452
Taxation	-	-	(41)	(186)
(Loss)/profit after taxation	(234)	(98)	343	266
Number of shares of common stock at no par value in issue	100	100	100	100
Gross (loss)/earnings per share (RM) [v]	(2,342.08)	(981.15)	3,842.63	4,518.21
Net (loss)/earnings per share (RM) [vi]	(2,342.08)	(981.15)	3,428.96	2,655.30
RM per CAD1.00	2.4384	2.4269	2.7578	2.9376

Notes:

(i) The entire revenue of KNI Group is derived from KNI with the majority of the revenue generated through the wholesale of telecommunications traffic minutes and management fee charged to other related companies within the Group in relation to services provided for management of network services. KCC is inactive and only hold cash and term deposits on behalf of KNI..

(ii) Majority of the sales are to TTI, a related company within the Group. For the financial year ended 31 January 2005, approximately 65.86% of its revenue is from sales to TTI and approximately 3.75% is from sales to KCUSA, another related company within the Group.

(iii) Taxation was provided for KNI in 2004 based on a low tax rate of 17.62% available to Canadian Controlled Private Corporations (CCPC) after adjusting for permanent and temporary tax differences. However in 2005, upon its shareholder entering into a conditional share sale agreement with KGTB on 28 July 2004, KNI lost its CCPC status and thus triggered a higher tax rate of 35.62% for 2005. The effective tax rate of 40.68% is higher due to certain non-deductible expenses.

(iv) There were no extraordinary or exceptional items in the relevant periods/ years under review.

(v) The gross (loss)/earnings per share are calculated based on the (loss)/profit before taxation over the number of shares of common stock in KNI at the end of the relevant periods/ years under review.

(vi) The net (loss)/earnings per share are calculated based on the (loss)/profit after taxation over the number of shares of common stock in KNI at the end of the relevant periods/ years under review.

6.5 KCSB

The income statement set out below is based on the audited financial statement for the periods ended 28 February 2003 and 31 January 2004 and for the financial year ended 31 January 2005.

	< Audited		>
	Period from 30 August 2001 to 28 February 2003 RM'000	**Period from 1 March 2003 to 31 January 2004 RM'000**	**Year ended 31 January 2005 RM'000**
Other operating expenses	(3)	(1)	(3)
Loss before taxation	(3)	(1)	(3)
Taxation	-	-	-
Loss after taxation	(3)	(1)	(3)
Number of ordinary shares of RM1.00 each in issue	2	2	2
Loss per share (RM)	(1,670)	(500)	(1,725)

Notes:

(i) During the financial period ended 31 January 2004, KCSB changed its financial year end from 28 February to 31 January to be coterminous with the Group's financial accounting date.

(ii) KCSB is currently inactive. The operating expenses were mainly due to incorporation costs, rental expenses and other statutory expenses such as secretarial and audit fees.

(iii) There were no extraordinary or exceptional items in the relevant periods/ years under review.

(iv) The loss per share is calculated based on the loss after taxation over the number of ordinary shares of RM1.00 each in issue at the end of the relevant periods/ years under review.

6.6 TTI Group

The summarised consolidated income statements of TTI as set out below are based on the unaudited income statements of the TTI Group for the period/ years ended 31 October 2002, 31 October 2003 and 31 January 2004, which is prepared based on the individual audited financial statements of TTI, TTUSA, TTA and CCCC for the relevant period/ years under review and audited income statement of the TTI Group for the year ended 31 January 2005, after making such adjustment as necessary to conform with the Applicable Accounting Standards and Generally Accepted Accounting Practices in Malaysia:

	<-----Unaudited	-----	----->	<Audited>
	Period from 25 June 2002 – 31 October 2002 RM'000	**Year ended 31 October 2003 RM'000**	**Period from 1 November 2003 – 31 January 2004 RM'000**	**Year ended 31 January 2005 RM'000**
Revenue	1,546	14,188	4,426	17,649
Cost of sales	(974)	(8,180)	(2,729)	(10,887)
Gross profit	572	6,008	1,697	6,762
Foreign exchange gain/(loss)	-	198	(4)	133
Other income	-	-	-	34
Other operating expenses	(588)	(5,979)	(1,768)	(6,291)
(Loss)/profit before depreciation, amortisation, interest and taxation	(16)	227	(75)	638
Depreciation	(4)	(54)	(21)	(104)
Amortisation	(10)	(67)	(18)	(74)
Finance income	2	55	27	103
Finance expenses	-	^	-	(5)
(Loss)/profit before taxation	(28)	161	(87)	558
Taxation	-	(50)	3	(260)
(Loss)/profit after taxation	(28)	111	(84)	298
Number of Class A common shares at no par value in issue	100	100,000*	100,000	100,000
Gross (loss)/earnings per share (RM) [vi]	(276.15)	1.61	(0.87)	5.57
Net (loss)/earnings per share (RM) [vi]	(276.15)	1.11	(0.84)	2.98
CAD per USD1.00	-	1.3654	1.3085	1.2954
CAD per AUD1.00	-	0.9104	0.9662	0.9530
RM per CAD1.00	2.4435	2.6408	2.9041	2.9376

^ *Less than RM1,000 (actual amount=RM367)*

* *The common shares arising from the convertible promissory note which are issuable on maturity date as at 31 October 2003 are included in the computation of earnings per share (EPS) in accordance to MASB 13 – Earnings Per Share*

Notes:

(i) CCCC, a company within the TTI Group, has financial accounting date of 31 December. In view that CCCC is inactive apart from receiving payments on behalf of TTI, the audited financial statements of CCCC for the financial period/ years ended 31 December 2002 to 31 January 2004 were consolidated with the rest of the TTI Group without any adjustments.

(ii) The audited financial statements of TTI Group for the relevant periods/ years under review were adjusted to comply with the applicable Accounting Standards and Generally Accepted Accounting Practice in Malaysia, as described below:

(a) Incorporation Cost

CCCC had capitalised its incorporation costs amounting to CAD800 (RM1,955) and carried it at cost with no amortisation. Further to discussion with the management on the nature of the incorporation costs, adjustments were made to expense off the said incorporation costs in the financial year 2002 in accordance with Interpretation Bulletin IB 1 – Preliminary and Pre-Operating Expenditure issued by Malaysian Accounting Standards Board with reference to MASB 1 – Presentation of Financial Statements. Based on the audited accounts of CCCC for the year ended 31 January 2005, the incorporation cost of CAD800 (RM2,350) had been written off. Accordingly, an adjustment has been made to reverse this expense in 2005 as adjustments had already been made in 2002 to expense off this amount.

(b) Goodwill

In accordance with the Canadian Institute of Chartered Accountants ("CICA") Section 3840, transactions between related parties not in the normal course of business should be measured at carrying value and the difference to the consideration paid should be recognised as a contributed surplus or deficit under shareholders' equity.

In September 2002, TTI purchased the assets and liabilities of Crystal Hill Technologies Inc. from Crystal Hill Management Inc., a related party under common control. As the consideration paid was in excess of the carrying value of the assets and liabilities purchased, a contributed deficit of CAD382,621 (approximately RM927,000) was recognised in TTI's financial statement under shareholders' equity.

To comply with the Generally Accepted Accounting Practice in Malaysia and after discussion with the management of TTI, adjustments were made to the above whereby the excess consideration of CAD382.621 (approximately RM927,000) was recognised as goodwill in the form of customer lists acquired.

Consistent with the treatment of the above, the excess paid over the net asset value of CAD2,031 (approximately RM5,868) which was for customer lists acquired from International Calling Services in December 2002 has been recognized as goodwill.

The above said goodwill is amortised on a straight line basis over the expected useful life of 15 years. The carrying value will however be evaluated yearly for impairment, if any.

(iii) All companies within the TTI Group are under the retail segment of the business where it involves the provision of domestic and international telecommunication and internet services to both corporate and individual/residential end users.

(iv) As TTI had incurred losses for period ended 31 January 2004, the management had provided for a tax recovery amounting to approximately RM3,500.00. This treatment is in line with Canadian tax jurisdiction where non-capital losses can be carried back three years and carried forward seven years.

However, in 2005, TTI had a taxable income which resulted in a tax provision of CAD88,388 (approximately RM259,649). TTI also lost its Canadian Controlled Private Corporations (CCPC) status in 2005 upon its shareholders entering into a conditional share sale agreement with KGTB on 28 July 2004, which triggered the higher tax rate of 35.85% for 2005. The effective tax rate of 34.68% in 2005 is lower due to certain non-deductible expenses.

(v) There were no extraordinary or exceptional items in the relevant periods/ years under review.

(vi) The gross (loss)/earnings per share and net (loss)/earnings per share are calculated based on the (loss)/profit before taxation and (loss)/profit after taxation respectively over the number of Class A common shares of TTI in issue in the relevant financial periods/ years under review.

On 9 August 2002, TTI issued a convertible promissory note for an amount of CAD50,000 with maturity on 31 October 2003. The said note may be repaid at any time prior to maturity at an interest rate of 28% per annum, failing which, the amount owing under the said note will be automatically converted into 99,900 Class A common shares of TTI and any interest accrued will be forgiven. The 99,900 Class A common shares were subsequently issued on 28 February 2004.

The common shares arising from the convertible promissory note which are issuable on maturity date as at 31 October 2003 are included in the computation of earnings per share (EPS) in accordance to MASB 13 – Earnings Per Share.

6.7 VCSB

The income statement set out below is based on the audited financial statement for the period/ year ended 31 January 2004 to 2005.

	<------Audited------>	
	Period from 3 November 2003 to 31 January 2004 RM'000	**Year ended 31 January 2005 RM'000**
Revenue	-	174
Other operating income	30	-
Foreign exchange loss	-	(5)
Other operating expenses	(25)	(156)
Profit before depreciation, amortisation, interest and taxation	5	13
Depreciation	-	(5)
Amortisation	-	-
Profit before taxation	5	8
Taxation	-	-
Profit after taxation	5	8
Number of ordinary shares of RM1.00 each in issue	2	2
Earnings per share (RM)	2,390.50	3,952.50

Notes:

(i) VCSB is principally involved in the provisioning of support services for telecommunication companies. The company commenced activities during the financial year ended 31 January 2005. The revenue for the financial year ended 31 January 2005 relates to the management fee from TTI.

(ii) The other operating income for the period ended 31 January 2004 was in relation to write-off of advances from KNI, a related company within the Group. The said advances were mainly for incorporation and other statutory costs.

(iii) There were no extraordinary or exceptional items in the relevant financial periods/ years under review.

(iv) The earnings per share are calculated based on the profit after taxation over the number of ordinary shares of RM1.00 each in issue in the relevant periods/ years under review.

6.8 KCB

The income statement set out below is based on the audited financial statement for the period ended 31 January 2005.

	< --------- Audited ---------- > Period from 1 March 2004 - 31 January 2005 RM'000
Other operating expenses	(12)
Loss before taxation	(12)
Taxation	-
Loss after taxation	(12)
Number of ordinary shares of BND1.00 each in issue	100
Loss per share (RM)	(120)
RM per BND1.00	2.2718

Notes:

(i) The company's first set of audited financial statement since the date of incorporation is from 1 March 2004 to 31 January 2005.

(ii) There were no extraordinary or exceptional items in the relevant period under review.

(iii) The loss per share is calculated based on the loss after taxation over the number of ordinary shares of BND1.00 each in issue during the financial period.

7.0 SUMMARISED BALANCE SHEETS

As different financial year ends were previously adopted by the companies in the KeyWest Group, it is not practical to prepare the proforma consolidated balance sheets of the Group for the relevant period/ years under review.

The summarised balance sheets of KeyWest and its subsidiaries are therefore dealt with individually as follows:-

7.1 KeyWest

The balance sheet of KeyWest as set out below is based on the audited financial statement for the period ended 31 January 2005.

	< ------ Audited ------- > As at 31 January 2005 RM'000
NON CURRENT ASSETS	-
CURRENT ASSETS	956
CURRENT LIABILITIES	959
NET CURRENT LIABILITIES	(3)
	(3)
FINANCED BY:-	
Share capital	*
Accumulated loss	(3)
Shareholders' equity	(3)
Number of ordinary shares of RM1.00 each assumed in issue before Subdivision of Shares and Acquisitions	2
Net tangible liabilities per share (RM)	(1,500)

* *RM2*

Notes:

(i) KeyWest was incorporated on 20 February 2004 with an issued and paid-up share capital of RM2.00 comprising 2 ordinary shares of RM1.00 each.

On 21 February 2005, KeyWest subdivided the existing 2 ordinary shares of RM1.00 each into 20 ordinary shares of RM0.10 each.

(ii) Included in current liabilities is amount due to related companies (within the Proforma Group) of KeyWest amounting to RM955,776 mainly in respect of payments made on behalf of KeyWest for the legal and professional fees incurred in connection with the Company's proposed public offering of shares on the MESDAQ Market of the Bursa Securities.

7.2 KCI Group

The summarised consolidated balance sheets of KCI as set out below are based on the unaudited consolidated balance sheet of KCI which have been prepared based on the individual audited financial statements of KCI, KCUSA, KCHK and KCPL for the relevant financial periods/ years under review and the audited consolidated balance sheet of KCI for the financial year ended 31 January 2005.

	< Unaudited >			< -Audited- >
	< As at 31 January >			As at 31 January
	2002	**2003**	**2004**	**2005**
	RM'000	**RM'000**	**RM'000**	**RM'000**
NON CURRENT ASSETS				
Property, plant and equipment	4,466	4,668	4,435	3,948
Investment in Vietnam Telecom Investments Limited ("VTIL")	-	190	190	-
CURRENT ASSETS	4,245	9,746	10,533	12,562
CURRENT LIABILITIES	3,309	9,904	9,555	9,849
NET CURRENT ASSETS/ (LIABILITIES)	936	(158)	978	2,713
	5,402	4,700	5,603	6,661
FINANCED BY:-				
Share capital	38	38	38	38
Accumulated (losses)/retained profit	(48)	(181)	741	1,799
Shareholders' equity	(10)	(143)	779	1,837
LONG TERM LIABILITIES				
Shareholders' loan	5,412	4,843	4,824	4,824
	5,402	4,700	5,603	6,661
Number of shares of common stock of USD1.00 in issue	10,000	10,000	10,000	10,000
Net tangible assets/(liabilities) per share (RM)	(0.96)	(14.29)	77.91	183.71
USD per HKD1.00	0.1282	0.1282	0.1286	0.1279
USD per AUD1.00	-	-	0.7638	0.7740
RM per USD1.00	3.8000	3.8000	3.8000	3.8000

Notes:

(i) The investment in Vietnam Telecom Investments Limited ("VTIL') represents a 39% equity interest which was acquired by KCHK, a company within KCI Group, in August 2002 for a cash consideration of HKD390,000 (approximately RM190,000). The shareholding in VTIL is recorded as an investment in the financial statements of KCHK. The investment in VTIL has been written off in the financial statements of KCHK for the year ended 31 January 2005 as the operations of VTIL no longer exists and the company has been struck off the registry in the BVI.

(ii) Included in current assets and current liabilities are the following amounts due from/(to) related companies (within the Proforma Group) and parties of the KCI Group:

	<---Unaudited--->			<-Audited->
	<---As at 31 January--->			As at 31 January
	2002	**2003**	**2004**	**2005**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current Assets				
Amounts due from related companies	1,890	3,049	4,109	3,612
Amounts due from related parties	54	65	100	266
Current Liabilities				
Amounts due to related companies	(369)	-	(42)	(156)
Amounts due to related parties	(380)	(5,371)	(4,461)	(1,417)

(iii) On 21 January 2005, KCUSA borrowed USD130,000 (RM494,000) from one of its customers. Management informed that the loan is repayable in full on 15 April 2005 and bears interest at 6% per annum. According to the management, the customer has agreed to repayment of the loan by way of offsetting receivables amounting to USD10,000 (RM38,000) a week, commencing 15 April 2005, payable weekly for 13 weeks until the loan is fully repaid. As at 8 July 2005, the loan has been fully repaid.

7.3 KNI Group

The summarised consolidated balance sheets of KNI as set out below are based on the unaudited consolidated balance sheet of KNI which have been prepared based on the individual audited financial statements of KNI and KCC for the relevant financial periods/ years under review and audited consolidated balance sheet of KNI for the financial year ended 31 January 2005.

	<------Unaudited------>			<-Audited->
	<------As at 31 January------>			As at 31 January
	2002 RM'000	2003 RM'000	2004 RM'000	2005 RM'000
NON CURRENT ASSETS				
Property, plant and equipment	192	263	398	426
CURRENT ASSETS	1,545	2,733	4,198	3,420
CURRENT LIABILITIES	1,967	3,335	4,630	3,606
NET CURRENT LIABILITIES	(422)	(602)	(432)	(186)
	(230)	(339)	(34)	240
FINANCED BY:-				
Share capital	^	^	^	^
Foreign exchange reserve	4	(7)	(45)	(36)
Accumulated (losses)/retained profit	(234)	(332)	11	276
Shareholders' equity	(230)	(339)	(34)	240
Number of shares of common stock at no par value in issue	100	100	100	100
Net tangible (liabilities)/ assets per share (RM)	(2,296.66)	(3,392.68)	(343.73)	2,397.79
RM per CAD1.00	2.3936	2.4877	2.8547	3.0604

^ *Less than RM1,000 (actual amount = RM247)*

Notes:

(i) Included in current assets and current liabilities are the following amounts due from/(to) related companies (within the Proforma Group) and parties of the KNI Group:

	<---Unaudited--->			<-Audited->
	<---As at 31 January--->			As at 31 January
	2002	2003	2004	2005
	RM'000	RM'000	RM'000	RM'000
Current Assets				
Amounts due from related companies	348	702	2,300	2,739
Amounts due from related parties	196	-	168	100
Current Liabilities				
Amounts due to related companies	(1,787)	(2,994)	(4,080)	(2,769)
Amounts due to related parties	-	(117)	-	-

7.4 KCSB

The summarised balance sheets of KCSB as set out below, are based on the audited financial statements for the financial periods ended 28 February 2003 and 31 January 2004 and for the financial year ended 31 January 2005:

	< ---- Audited	----	---- >
	As at 28 February 2003 RM'000	As at 31 January 2004 RM'000	As at 31 January 2005 RM'000
CURRENT ASSETS	*	*	*
CURRENT LIABILITIES	3	4	8
NET CURRENT LIABILITIES	(3)	(4)	(8)
	(3)	(4)	(8)
FINANCED BY:-			
Share capital	*	*	*
Accumulated losses	(3)	(4)	(8)
Shareholders' equity	(3)	(4)	(8)
Number of ordinary shares of RM1.00 each in issue	2	2	2
Net tangible liabilities per share (RM)	(1,669)	(2,169)	(3,894)

* *Amount of RM2*

Notes:

(i) KCSB was incorporated on 30 August 2001 with an issued and paid-up share capital of RM2.00 comprising 2 ordinary shares of RM1.00 each.

(ii) Included in current liabilities are amount due to KCI and VCSB, both related companies (within the Proforma Group) of KCSB amounting to RM2,840 and RM3,150 respectively.

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7.5 TTI Group

The summarised consolidated balance sheets of TTI as set out below have been prepared based on the unaudited consolidated balance sheet of TTI which have been prepared based on the individual audited financial statements of TTI, TTUSA, TTA and CCCC for the relevant financial periods/ years under review and audited consolidated balance sheet of TTI for the year ended 31 January 2005, after making such adjustments as necessary to conform with the Applicable Accounting Standards and Generally Accepted Accounting Practices in Malaysia:

	Unaudited			Audited
	As at 31 October		As at 31 January	
	2002	2003	2004	2005
	RM'000	RM'000	RM'000	RM'000
NON CURRENT ASSETS				
Property, plant and equipment	84	342	330	685
Goodwill	917	1,025	994	988
CURRENT ASSETS	992	2,024	1,951	2,342
CURRENT LIABILITIES	1,899	3,158	3,127	3,546
NET CURRENT LIABILITIES	(907)	(1,134)	(1,176)	(1,204)
	94	233	148	469
FINANCED BY:-				
Share capital	#	#	#	141
Foreign exchange reserve	^	5	32	57
Accumulated (losses)/retained profit	(27)	84	(27)	271
Obligation to issue shares	121	144	143	-
Shareholders' equity	94	233	148	469
Number of Class A common shares at no par value in issue	100	100,000*	100,000	100,000
Net tangible liabilities per share (RM)	(8,228.22)	(7.92)	(8.46)	(5.19)
CAD per USD1.00	-	1.3152	1.3311	1.2412
CAD per AUD1.00	-	0.9269	1.0168	0.9607
RM per CAD1.00	2.4224	2.8892	2.8547	3.0604

Less than RM1,000 (actual amount = RM2.50)
^ *Less than RM1,000 (actual amount = RM234)*
* *The common shares arising from the convertible promissory note which are issuable on maturity date as at 31 October 2003 are included in the computation of earnings per share (EPS) in accordance to MASB 13 – Earnings Per Share*

Notes:

(i) The audited financial statements of TTI Group for the relevant periods under review were adjusted to comply with the applicable Accounting Standards and Generally Accepted Accounting Practice in Malaysia, as described below:

(a) Incorporation Cost

CCCC, a company within the TTI Group, had capitalised its incorporation costs amounting to CAD800 (RM1,955) and carried it at cost with no amortisation.

Further to discussion with the management on the nature of the incorporation costs, adjustments were made to expense off the said incorporation costs in the financial year 2002 in accordance with Interpretation Bulletin IB 1 – Preliminary and Pre-Operating Expenditure issued by Malaysian Accounting Standards Board with reference to MASB 1 – Presentation of Financial Statements.

(b) Goodwill

In accordance with the Canadian Institute of Chartered Accountants ("CICA") Section 3840, transactions between related parties not in the normal course of business should be measure at carrying value and the difference to the consideration paid should be recognised as a contributed surplus or deficit under shareholders' equity.

In September 2002, TTI purchased the assets and liabilities of Crystal Hill Technologies Inc. from Crystal Hill Management Inc., a related party under common control. As the consideration paid was in excess of the carrying value of the assets and liabilities purchased, a contributed deficit of CAD382,621 (approximately RM927,000) was recognised in TTI's financial statement under shareholders' equity.

To comply with the Generally Accepted Accounting Practice in Malaysia and after discussion with the management of TTI, adjustments were made to the above whereby the excess consideration of CAD382,621 (approximately RM927,000) was recognised as goodwill in the form of customer lists acquired.

Consistent with the treatment of the above, the excess paid over the net asset value of CAD2,031 (approximately RM5,868) which was for customer lists acquired from International Calling Services in December 2002 has been recognized as goodwill.

The above said goodwill is amortised on a straight line basis over the expected useful life of 15 years. The carrying value will however be evaluated yearly for impairment, if any.

(c) Convertible Debenture

As at 31 October 2002, convertible debenture which relates to a convertible promissory note issued by TTI for net cash proceeds of CAD50,000 (approximately RM121,200) with maturity on 31 October 2003 is classified as equity under MASB 24 – Financial Instruments and accordingly are reclassified to "Obligation to Issue Shares".

(ii) Included in current assets and current liabilities are the following amounts due from/(to) related companies (within the Proforma Group) and parties of the TTI Group:

	Unaudited			Audited
	As at 31 October		As at 31 January	
	2002	2003	2004	2005
	RM'000	RM'000	RM'000	RM'000
Current Assets				
Amounts due from related companies	-	-	-	59
Amounts due from related parties	-	-	-	-
Current Liabilities				
Amounts due to related companies	(656)	(2,098)	(2,230)	(2,473)
Amounts due to related parties	-	-	-	-

7.6 VCSB

The summarised balance sheet of VCSB set out below, is based on the audited financial statements for the financial period ended 31 January 2004 and the financial year ended 31 January 2005.

	< ---------- Audited ---------- >	
	As at 31 January 2004 RM'000	**As at 31 January 2005 RM'000**
NON CURRENT ASSETS		
Property, plant and equipment	-	33
CURRENT ASSETS	11	108
CURRENT LIABILITIES	6	128
NET CURRENT ASSETS/ (LIABILITIES)	5	(20)
	5	13
FINANCED BY:-		
Share capital	*	*
Retained profit	5	13
Shareholders' equity	5	13
Number of ordinary shares of RM1.00 each in issue	2	2
Net tangible asset per share (RM)	2,391.50	6,344.00

* *Amount of RM2*

Notes:

(i) VCSB was incorporated on 3 November 2003 with an issued and paid-up share capital of RM2.00 comprising 2 ordinary shares of RM1.00 each.

(ii) Included in current assets and current liabilities are the following amounts due from/(to) related companies (within the Proforma Group) of VCSB:

	< --------Audited------- > As at 31 January	
	2004 RM'000	**2005 RM'000**
Current Assets		
Amounts due from related companies	-	64
Current Liabilities		
Amounts due to related companies	-	(106)

7.7 KCB

The summarised balance sheet of KCB as set out below, is based on the audited financial statement for the period ended 31 January 2005:

	<------ Audited ------> As at 31 January 2005 RM'000
CURRENT ASSETS	*
CURRENT LIABILITIES	13
NET CURRENT LIABILITIES	(12)
	(12)
FINANCED BY:-	
Share capital	^
Foreign exchange reserve	#
Accumulated losses	(12)
Shareholders' equity	(12)
Number of ordinary shares of BND1.00 each in issue	100
Net tangible liabilities per share (RM)	(120)
RM per BND1.00 *	2.3527

* *Less than RM1,000 (Actual amount = RM534)*
^ *Less than RM1,000 (Actual amount = RM226)*
\# *Less than RM1,000 [Actual amount = RM(426)]*

Notes:

(i) KCB was incorporated on 1 March 2004 with an issued and paid-up share capital of BND100.00 comprising 100 ordinary shares of BND1.00 each.

(ii) Included in current liabilities is an amount of RM6,823 due to KCHK, a related company (within the Proforma Group) of KCB.

8.0 PROFORMA STATEMENT OF ASSETS AND LIABILITIES

The proforma statement of assets and liabilities of KeyWest and of the Proforma Group has been prepared based on the audited financial statements of KeyWest and the companies within the Proforma Group as at 31 January 2005. The proforma statement of assets and liabilities of the Proforma Group has been prepared for illustrative purposes only on the basis that the Acquisitions, Rights Issue, Public Issue and Bonus Issue stated in Section 2 of this Accountants' Report have been completed and effected on 31 January 2005. These statements should be read in conjunction with the notes in Section 9 herein:

	Notes	Proforma Group RM'000	Company RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	9.2	15,091	-
Research and development costs		2,700	-
Goodwill	9.3	988	-
		18,779	-
CURRENT ASSETS			
Expenses carried forward	9.4	-	956
Amount due from related parties	9.5	365	-
Other receivables	9.6	732	-
Trade receivables	9.7	9,715	-
Cash and bank balances	9.8	7,366	#
		18,178	956
CURRENT LIABILITIES			
Provision for liabilities	9.9	693	-
Deferred tax liability	9.10	64	-
Amount due to related parties	9.5	1,417	956
Other payables	9.11	1,729	3
Trade payables	9.12	5,629	-
Loan payable	9.13	494	-
Tax payables		1,381	-
		11,407	959
NET CURRENT ASSETS/(LIABILITIES)		6,771	(3)
		25,550	(3)
FINANCED BY:			
Share capital	9.14	22,500	#
Share premium	9.15	1,300	-
Reserve on consolidation	9.16	1,754	-
Accumulated losses		(4)	(3)
		25,550	(3)
		25,550	(3)
Net tangible assets/(liabilities) (RM'000)		24,562	(3)
Net tangible assets/(liabilities) per share (RM)		0.11	(1,500)

\# RM 2

9.0 NOTES TO THE PROFORMA STATEMENTS OF ASSETS AND LIABILITIES

9.1 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Proforma Group and the Company are prepared under the historical cost convention and comply with applicable Approved Accounting Standards issued by the Malaysian Accounting Standards Board.

(b) Basis of consolidation - Subsidiaries

The financial statements of the Proforma Group include the audited consolidated financial statements of KCI, KNI and TTI for the year ended 31 January 2005, the audited financial statements of KCSB, VCSB and KeyWest for the financial year ended 31 January 2005 and audited financial statements of KCB for the financial period from 1 March 2004 to 31 January 2005.

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 period/ year 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, which is assumed to be completed and effected on 31 January 2005. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiaries at the date of acquisition is included in the consolidated balance sheet as goodwill or reserve arising on consolidation.

Intra Group transactions and 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.

(c) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities acquired from companies.

Goodwill is stated at cost less accumulated amortisation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 9.1(e).

Goodwill is amortised on a straight-line basis over its estimated useful life of 15 years.

(d) Property, Plant and Equipment

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 9.1 (e).

Depreciation of property, plant and equipment is provided for on the reducing balance method to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:-

Telecommunications equipment	20%
Furniture, fittings and equipment	20%
Computers hardware and software	30%
Motor vehicle	30%
Tools	100%

In the year of acquisition and disposal, only one-half of the year's depreciation is charged.

(e) Impairment of Assets

At each balance sheet date, the Company 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.

(f) Cash and Cash Equivalents

For the purpose of the cash flow statements, cash and cash equivalents include cash on hand and at bank.

(g) Operating leases

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the relevant lease.

(h) Provisions for Liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of an amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

(i) Income Tax

Income tax on the profit or loss for the period comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred taxation is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(j) Employee Benefits

(i) Short term benefits

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

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiaries make contributions to their respective countries' statutory government pension plan. Such contributions are recognised as an expense in the income statement as incurred.

(k) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Revenue from services rendered are recognised as and when the services are performed.

Revenue from the wholesale of minutes and from the resale of minutes are recognised when all the following criteria are met: persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the seller's price to the buyer is fixed or determinable and collectibility is reasonably assured.

Long distance service revenue is recognised based on minutes of traffic carried or utilised by customers.

Revenue from telecommunications services is recognised as billed to clients.

(l) 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, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. 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.

(ii) Foreign operations

Where the operations of a foreign company are integral to the operations of the Company, the translation principles described above are applied as if the transactions of the foreign operation has been those of the Company.

(iii) Foreign entities

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

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

	As at 31 January 2005 RM
United States Dollars	**3.8000**
Canada Dollars	**3.0604**
Brunei Dollars	**2.3527**
Australia Dollars	**2.9412 / 2.9401**
Hong Kong Dollars	**0.4860**

(m) Financial Instruments

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and 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.

(i) Trade Receivables

Trade receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at balance sheet date.

(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.

The transaction costs of an equity transaction are carried forward and accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

9.2 PROPERTY, PLANT AND EQUIPMENT

The property, plant and equipment of the Proforma Group as at 31 January 2005 is analysed as follows:-

	Telecomm-unications equipment RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Computers RM'000	Tools RM'000	Others RM'000	Total RM'000
Acquisition of subsidiaries	4,588	241	33	228	1	-	5,091
Additions from utilisation of IPO proceeds	6,500	200	-	2,300	-	1,000	10,000
Group NBV as at 31.1.2005	11,088	441	33	2,528	1	1,000	15,091

The major assets of the Group are telecommunications equipment and computers.

9.3 GOODWILL

	Customer list from Crystal Hill Technologies Inc. RM'000	Customer list from International Calling Services RM'000	Total RM'000
Cost as at 1 February 2004	1,172	6	1,178
Less : Accumulated amortisation	189	1	190
NBV as at 31.1.2005	983	5	988

Goodwill mainly consists of the customer lists acquired.

9.4 EXPENSES CARRIED FORWARD

	Proforma Group RM'000	Company RM'000
Expense carried forward	-	956

Expenses carried forward comprises mainly legal and professional fees incurred in connection with the Company's proposed public offering of shares on the MESDAQ Market. The share issuance expenses will be written off against the share premium account upon the floatation of the Company's shares on the MESDAQ Market.

9.5 NET AMOUNT DUE TO RELATED PARTIES

	Proforma Group RM'000	Company RM'000
Net amount due to related parties	1,052	956

The amount due to related parties of the Company is in respect of the payments made on behalf of KeyWest for the legal and professional fees incurred in connection with the Company's proposed public offering of shares on the MESDAQ Market.

9.6 OTHER RECEIVABLES

	Proforma Group RM'000	Company RM'000
Deposits	578	-
Prepayments	154	-
	732	-

Other receivables consist of deposits and prepayments. Deposits comprise mainly deposits for administration, operations and traffic purchases. Prepayments relate to prepayment of operational expenses.

9.7 TRADE RECEIVABLES

	Proforma Group RM'000	Company RM'000
Trade receivables	5,427	-
Unbilled revenue	4,712	-
	10,139	-
Less : Provision for doubtful debts	(424)	-
	9,715	-

A significant portion of Keywest Communications (USA) Inc's sales during the financial year ended 31 January 2005 amounting to 29% are to one third party customer.

Unbilled revenue relates to unbilled traffic used by customers at year end which has not been invoiced.

The normal trade credit terms of the Group ranges from 2 to 90 days.

9.8 CASH AND BANK BALANCES

	Proforma Group RM'000	Company RM'000
Cash and bank balances	7,366	#

\# RM 2

9.9 PROVISION FOR LIABILITIES

	Proforma Group RM'000	Company RM'000
Provision for liabilities	693	-

The provision for liabilities is in respect of vendor disputes over discrepancies in minutes or rates provided. The provision is recognised for expected claims based on past experience.

9.10 DEFERRED TAXATION

	Proforma Group RM'000	Company RM'000
At 1 February 2004	-	-
Recognised in income statement	64	-
At 31 January 2005	64	-
Presented after appropriate offsetting as follows:		
Deferred tax liabilities:		
Subject to income tax	64	-
	64	-

9.11 OTHER PAYABLES

	Proforma Group RM'000	Company RM'000
Other payables	86	3
Accruals	1,643	-
	1,729	3

Other payables consist of customer deposits and prepayments. Accruals comprise mainly of legal and auditing as well as purchase expenses.

9.12 TRADE PAYABLES

	Proforma Group RM'000	Company RM'000
Trade payables	5,629	-

The normal trade credit granted to the Group by suppliers ranges from 7 to 30 days. The amount owing by KCUSA to one of its vendors are secured against certain assets of KCUSA.

9.13 LOAN PAYABLE

	Proforma Group RM'000	Company RM'000
Loan payable	494	-

On 21 January 2005, KCUSA borrowed USD130,000 (RM494,000) from one of its customer. Management informed that the loan is repayable in full on 15 April 2005, and bears interest of 6% per annum. According to the management, the customer agreed to repayment of the loan by way of offsetting against receivables amounting to USD10,000 (RM38,000) a week, commencing 15 April 2005, payable weekly for 13 weeks until the loan is fully repaid. As at 8 July 2005, the loan has been fully repaid.

9.14 SHARE CAPITAL

	Number of Ordinary Shares of RM0.10 Each '000	Share Capital RM'000
Authorised:		
At 31 January 2005	500,000	50,000
Issued and fully-paid:		
At 1 February 2004	#	*
Issued during the year		
Pursuant to the Acquisitions	56,035	5,604
Pursuant to Rights Issue	53,965	5,396
Pursuant to Public Issue	40,000	4,000
Pursuant to Bonus Issue	75,000	7,500
At 31 January 2005	225,000	22,500

\# *20 ordinary shares of RM0.10 each on the assumption that the Subdivision of Shares had been effected*
* *RM2*

9.15 SHARE PREMIUM

	Proforma Group RM'000	Company RM'000
Arising from Public Issue	10,800	-
Bonus Issue	(7,500)	-
Estimated listing expenses	(2,000)	-
	1,300	-

9.16 RESERVE ON CONSOLIDATION

	Proforma Group RM'000	Company RM'000
Reserve on consolidation	1,754	-

9.17 COMMITMENT

Since the date of the last audited financial statements of KeyWest and its subsidiary companies which were dealt with in this report, there has been no material contingent commitment for capital expenditure incurred or known to be incurred by the Group or other commitments, which may have a substantial impact on the financial position of the Group except as follows:-

Non-Cancellable Operating Lease Commitments – Group as Lessee	**Amount RM'000**
Future minimum rentals payable	
Not later than 1 year	3,144
Later than 1 year and not later than 5 years	3,083
Total	6,227

The commitments shown above are in relation to office premises rental and network and facility charges.

10.0 FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

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

(b) Interest Rate Risk

The Group has no interest rate risk as at 31 January 2005. 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 operates internationally and is exposed to various currencies, mainly United States Dollars, Canada Dollars, Brunei Dollars, Australia Dollars and Hong Kong Dollars. 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 maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the property or investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

The net unhedged financial assets and financial liabilities of the Group that are not denominated in their functional currencies provided by management are as follows:

	Net Financial Assets/(Liabilities) Held in Non-Functional Currency			
Functional Currency of Group	**United States Dollars RM'000**	**Canada Dollars RM'000**	**Australia Dollars RM'000**	**Hong Kong Dollars RM'000**
At 31 January 2005:				
Canada Dollars	(365)	-	-	-
Hong Kong Dollars	1,597	-	-	-

(d) Liquidity Risk

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

(e) Credit Risk

The financial instruments that are potentially subject to concentration of credit risk consist principally of cash and accounts receivables. Cash is secured by deposit at major financial institutions. The Group's revenues are dependent on customers in the telecommunication industry. Times Telecom Inc and Times Telecom (Australia) Pty Ltd sales are generally small in dollars and among large number of customers. Credit risk with respect to accounts receivable is limited due to certain credit requirements that customers must meet and the monitoring of their financial condition to ensure collections and to minimize losses.

(f) Fair values

The Group's financial instruments include cash and cash equivalents, accounts receivable, accounts payable, due from/(to) related parties and accrued liabilities. The carrying value of these instruments approximates their fair value due to their immediate or short term to maturity or their ability for liquidation at comparable amounts.

11.0 PROFORMA CONSOLIDATED CASH FLOW STATEMENT

The proforma consolidated cash flow statement of KeyWest is prepared for illustrative purposes based on the audited financial statements of KeyWest and the companies within the Proforma Group for the year ended 31 January 2005 and on the assumption that the Acquisitions, Rights Issue and Public Issue as stated in Section 2 of this Accountants' Report have been completed and effected throughout the year ended 31 January 2005:

	Proforma Group RM'000	Company RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income/(loss) from operation before income taxes	2,525	(3)
Adjustments for: -		
Depreciation and amortization	1,227	-
Write down on investment	190	-
Provision for doubtful debts	371	-
Net foreign exchange gain	(116)	-
Operating profit before working capital changes	4,197	(3)
Changes in current assets and liabilities:		
Increase in expenses carried forward	-	(956)
Increase in trade receivables	(3,138)	-
Decrease in other receivables	86	-
Increase in trade payables	3,135	-
(Decrease)/ increase in other payables and accruals	(991)	3
(Decrease)/ increase in net amount due to related parties	(3,141)	956
Decrease in amount due to directors	(3)	-
Cash used in operations	145	-
Income taxes paid	(81)	-
Net cash used in operating activities	64	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment of listing expenses	(2,000)	-
Payment for research and development	(2,700)	-
Purchase of equipment	(11,080)	-
Net cash used in investing activities	(15,780)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Rights Issue	5,396	-
Proceeds from Public Issue	14,800	-
Issuance of shares	*	#
Loan payable	494	-
Net cash generated from financing activities	20,690	#

	Proforma Group RM'000	Company RM'000
Effects of exchange rate changes	173	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,147	#
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL YEAR	2,219	-
	7,366	#
CASH AND CASH EQUIVALENTS COMPRISE		
Cash and bank balances	7,366	#
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	7,366	#

RM 2
* RM 228

12.0 INITIAL PUBLIC OFFERING PROCEEDS

It is assumed that the proceeds of RM20.196 million to be received from the Acquisitions, Rights Issue and Public Issue will be utilised as follows: -

	RM'000
Capital expenditure	10,000
Research & development expenses	2,700
Working capital	5,496
Estimated listing expenses	2,000
	20,196

The estimated listing expenses of RM2 million will be debited against the share premium reserves account.

13.0 PROFORMA NET TANGIBLE ASSETS COVER

Based on the Statement of Assets and Liabilities of the Proforma Group as at 31 January 2005, the NTA per ordinary share after incorporating the adjustments for Acquisitions, Rights Issue and Public Issue will be as follows:-

		RM'000
NTA of the Proforma Group after Acquisitions as at 31 January 2005		6,366
Proceeds from:		
Rights Issue	5,396	
Public Issue	14,800	
		20,196
Less : Estimated listing expenses		(2,000)
Proforma NTA after Acquisitions, Rights Issue and Public Issue		24,562
Number of ordinary shares of RM0.10 each		**'000**
As at 31 January 2005		#
Add:		
Acquisitions		56,035
Rights Issue		53,965
Public Issue		40,000
Bonus Issue		75,000
Enlarged issued and fully paid-up share capital after Acquisitions, Rights Issue, Public Issue and Bonus Issue		225,000
NTA per ordinary share of RM1.00 each (RM)		0.11

 # 20 ordinary shares of RM0.10 each.

14.0 SUBSEQUENT EVENTS

Since the date of the last audited financial statements of KeyWest and of its subsidiary companies which were dealt with in this report:-

(a) On 21 January 2005, KCUSA borrowed USD130,000 (RM494,000) from one of its customer. Management informed that the loan is repayable in full on 15 April 2005, and bears interest of 6% per annum. According to the management, as of 15 April 2005, the customer agreed to repayment of the loan by way of offsetting against receivables amounting to USD10,000 (RM38,000) a week, commencing 15 April 2005, payable weekly for 13 weeks until the loan is fully repaid. As at 8 July 2005, the loan has been fully repaid.

(b) Share Sale Agreements:-

(i) On 28 July 2004 and 26 February 2005, KeyWest entered into two conditional Share Sale Agreements and a Supplemental Agreement respectively with KCI, B-Network Co. Ltd. and Alexander Wong Shoon Choy for the acquisition of the entire issued and paid-up share capital of KCI, comprising 10,000 ordinary shares of USD1.00 each and a shareholder's advance from its existing shareholders for a purchase consideration of RM5,603,509.60. The purchase consideration of the shares and shareholder's advance were satisfied by the issuance of 56,035,096 new ordinary shares of RM0.10 each in KeyWest.

(ii) On 28 July 2004, KeyWest entered into a conditional Share Sale Agreement with Benjamin Wong for the acquisition of the entire issued and paid-up share capital of KNI, comprising 100 common shares without par value for a purchase consideration of RM2.00. The purchase consideration was satisfied by way of cash payment.

(iii) On 28 July 2004, KeyWest entered into a conditional Share Sale Agreement with Yong Chon Yew and Yueh Hwa Liaw for the acquisition of the entire issued and paid-up share capital of TTI, comprising 100,000 common shares without par value for a purchase consideration of RM2.00. The purchase consideration was satisfied by way of cash payment.

(iv) On 28 July 2004, KeyWest entered into a conditional Share Sale Agreement with Batrisyia Bte Abdullah for the acquisition of 99% of issued and paid-up share capital of KCB, comprising 99 ordinary shares of BND1.00 each for a purchase consideration of RM2.00. The purchase consideration was satisfied by way of cash payment.

(v) On 28 July 2004, KeyWest entered into a conditional Share Sale Agreement with Goh Siong Seng and Alfred Yong Kah Soon for the acquisition of the entire issued and paid-up share capital of KCSB, comprising 2 ordinary shares of RM1.00 each for a purchase consideration of RM2.00. The purchase consideration was satisfied by way of cash payment.

(vi) On 28 July 2004, KeyWest entered into a conditional Share Sale Agreement with Doris Tan Lian Fah and Alfred Yong Kah Soon for the acquisition of the entire issued and paid-up share capital of VCSB, comprising 2 ordinary shares of RM1.00 each for total purchase consideration of RM4,783. The purchase consideration was satisfied by way of cash payment.

The acquisitions of KCI, KNI, TTI, VCSB, KCSB and KCB by KeyWest was completed on 28 February 2005.

(c) On 21 February 2005, KeyWest subdivided the existing ordinary shares of RM1.00 each into ordinary shares of RM0.10 each. Upon completion of the Subdivision of Shares, the issued and paid-up share capital of KeyWest changed from RM2 comprising 2 ordinary shares of RM1.00 each to RM2 comprising 20 shares of RM0.10 each.

(d) On 22 July 2005, KeyWest implemented a Rights Issue of 53,964,884 new ordinary shares in KeyWest at an issue price of RM0.10 per share on a pro-rata basis to its shareholders after the Acquisitions. Upon completion of the Rights Issue, the issued and paid-up share capital of the Company will increase from RM5,603,511.60 comprising 56,035,116 ordinary shares of RM0.10 each in KeyWest to RM11,000,000 comprising 110,000,000 ordinary shares of RM0.10 each in KeyWest.

15.0 AUDITED FINANCIAL STATEMENTS

No audited financial statements have been prepared in respect of any period subsequent to 31 January 2005.

Yours faithfully

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

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