

11. FINANCIAL INFORMATION

11.1 PROFORMA CONSOLIDATED INCOME STATEMENTS

The following is a summary of the proforma consolidated income statements of ISS for the past three (3) FYE 31 December 2003 to 2005 prepared based on the assumption that the Group has been in existence throughout the financial years under review. The proforma consolidated income statements are prepared for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions as set out in the Reporting Accountants' Letter on Proforma Financial Information set out in Section 11.14 of this Prospectus.

	<-----Proforma Group----->		
	<-----FYE 31 December----->		
	2003	2004	2005
	RM'000	RM'000	RM'000
Revenue	12,821	14,871	18,388
Gross profit ("GP")	7,346	8,809	11,436
EBIDTA	2,069	3,809	6,101
Interest expense	(40)	(34)	(25)
Depreciation	(533)	(526)	(440)
Amortisation of development costs	-	(529)	(723)
Interest income	2	-	-
PBT	1,498	2,720	4,913
Taxation	56	201	(199)
PAT	1,554	2,921	4,714
GP margin (%)	57.30	59.24	62.19
PAT margin (%)	12.12	19.64	25.64
No. of ordinary shares of RM0.10 assumed to be in issue ⁽ⁱ⁾ ('000)	177,213	177,213	177,213
Gross EPS ⁽ⁱⁱ⁾ (sen)	0.85	1.53	2.77
Net EPS ⁽ⁱⁱ⁾ (sen)	0.88	1.65	2.66

Notes:

(i) Based on the number of ISS Shares in issue after the Acquisitions but before the Public Issue.

(ii) The gross and net EPS are calculated based on the number of ISS Shares in issue after the Acquisitions but before the Public Issue.

There were no extraordinary items or exceptional items during the financial years under review. The audited financial statements of ISS and its subsidiary companies for the financial years under review have not been subjected to any audit qualification.

11. FINANCIAL INFORMATION (Cont'd)

Basis of Preparation:

- (i) The proforma consolidated audited results have been prepared on the assumption that the current Group structure had been in existence throughout the FYE 31 December 2003 to 2005.
- (ii) The proforma consolidated income statements of ISS for the FYE December 2003 to 2005 are based on the audited financial statements of the ISS and its subsidiary companies which have been prepared in accordance with applicable approved accounting standards in Malaysia as follows:

Company	Financial Periods
ISS	Financial period from 15 December 2004 (date of incorporation) to 31 December 2005
ISS Malaysia	FYE 31 December 2003 to 2005
ISS Singapore	FYE 31 December 2003 to 2005
ISS Thailand	FYE 31 December 2003 to 2005
ISS Indonesia	FYE 31 December 2003 to 2005

- (iii) All significant intra-group transactions are eliminated on consolidation and only external transactions are reflected.

11.2 SEGMENTAL ANALYSIS

11.2.1 Analysis of Revenue by Company:

	<-----Proforma Group----->		
	<-----FYE 31 December----->		
	2003	2004	2005
	RM'000	RM'000	RM'000
Revenue			
ISS	-	-	-
ISS Malaysia	8,419	5,195	8,972
ISS Singapore	1,686	3,990	5,962
ISS Thailand	1,571	3,183	1,693
ISS Indonesia	4,316	2,503	2,047
	<u>15,992</u>	<u>14,871</u>	<u>18,674</u>
Consolidation adjustments	(3,171)	-	(286)
Proforma consolidated revenue	<u>12,821</u>	<u>14,871</u>	<u>18,388</u>

11. FINANCIAL INFORMATION (Cont'd)

11.2.2 Analysis of PBT by Company:

	<-----Proforma Group----->		
	<-----FYE 31 December----->		
	2003	2004	2005
	RM'000	RM'000	RM'000
PBT			
ISS	-	-	(14)
ISS Malaysia	3,911	382	4,119
ISS Singapore	(22)	1,260	940
ISS Thailand	(287)	1,009	90
ISS Indonesia	(2,104)	69	(160)
	1,498	2,720	4,975
Consolidation adjustments	-	-	(62)
Proforma consolidated PBT	1,498	2,720	4,913

11.2.3 Analysis of Revenue by Products and Services:

	<-----Proforma Group----->		
	<-----FYE 31 December----->		
	2003	2004	2005
	RM'000	RM'000	RM'000
Revenue			
Products	821	2,355	6,647
Consulting	1,417	641	2,205
Customisation	33	72	-
Implementation	8,745	9,980	8,744
Training	285	358	253
Disbursements	298	259	327
Hardware and software	661	160	-
Maintenance income	116	174	262
Upgrading fee	28	779	-
Outsourcing fee	417	93	145
Others	-	-	91
Intra-group sales	3,171	-	-
	15,992	14,871	18,674
Consolidation adjustments	(3,171)	-	(286)
Proforma consolidated revenue	12,821	14,871	18,388

11. FINANCIAL INFORMATION (Cont'd)

11.2.4 Analysis of Revenue by Countries

	<-----Proforma Group----->		
	<-----FYE 31 December----->		
	2003	2004	2005
	RM'000	RM'000	RM'000
Revenue			
Malaysia	7,611	3,982	6,280
Singapore	1,716	3,990	7,975
Indonesia	4,316	2,348	2,047
Thailand	1,491	3,183	1,693
Vietnam	-	1,213	148
Germany	-	155	-
Taiwan	393	-	-
China	356	-	531
Korea	50	-	-
Japan	30	-	-
Hong Kong	29	-	-
	15,992	14,871	18,674
Consolidation adjustments	(3,171)	-	(286)
Proforma consolidated revenue	12,821	14,871	18,388

11.3 COMMENTARY ON THE PROFORMA CONSOLIDATED INCOME STATEMENTS

FYE 31 December 2003

The Group's revenue decreased by approximately 14% to RM12.8 million due to further decrease in revenue from ISS Singapore as DaimlerChrysler project was completed in 2003 and no new major projects were secured in 2003. The Group recorded a PBT of approximately RM1.5 million for the financial year mainly attributable to higher PBT from ISS Malaysia. The increase in PBT in ISS Malaysia was mainly due to the increase in gross profit margin as a result of lower number of employees and decrease in operating expenses.

FYE 31 December 2004

The Group's revenue of approximately RM14.9 million represented an increase of approximately 16% as compared to FYE 2003. The increase was mainly due to increase in revenue from ISS Singapore from two new contacts secured with MI Holdings Pte Ltd and Trelleborg Hercules Pte Ltd with a total value of approximately RM2.1 million and increase in implementation and maintenance income from an existing customer, Tyco Flow Control Pte Ltd of approximately RM0.8 million. New contracts secured by ISS Thailand included Patra Ceramics Co. Ltd/Patra Porcelain Co. Ltd and King Power International Co. Ltd with a total value of approximately RM1.3 million and the continuation of implementation at Mitsubishi Motors (Thailand) Co. Ltd of approximately RM0.8 million. PBT of the Group increased to approximately RM2.7 million or an 80% increase which was mainly attributable to higher PBT from ISS Singapore and ISS Thailand. The increase in PBT for ISS Singapore and ISS Thailand was mainly due to better gross profit margins and the operating overheads were mostly fixed in nature.

11. FINANCIAL INFORMATION (*Cont'd*)

FYE 31 December 2005

The Group's revenue of approximately RM18.4 million represented an increase of approximately 23% as compared to FYE 2004. The increase was mainly due to increase in revenue from ISS Malaysia with three new major contracts secured with Johnson Matthey Sdn Bhd, CNI Enterprise (M) Sdn Bhd and Apex Pharmacy Sdn Bhd with a total value of approximately RM2.4 million and extension of existing contract with Novartis Corporation (Singapore) Pte Ltd of approximately RM2.0 million; increase in revenue from ISS Singapore with new contracts secured with Hewlett-Packard Singapore (Sales) Pte Ltd and Rockwood Specialties (Singapore) Pte Ltd with a total value of approximately RM4.1 million in addition to extensions of existing contracts with its customers. PBT of the Group increased to approximately RM4.9 million or an 81% increase which was mainly attributable to improved gross profit margin by approximately 3% from FYE 2004 attributed to better utilisation of employees and fixed operating overheads.

11.4 IMPACT OF FOREIGN CURRENCY EXCHANGE/INTEREST RATES ON PBT AND FINANCIAL INSTRUMENTS

The financial results of the Group were not materially affected by the movements in foreign currency fluctuations.

The financial results of the Group were not materially affected by interest rates as its borrowings comprise fixed interest rates from hire purchase and lease agreements.

As at the Latest Practicable Date, the Group does not have any financial instruments for hedging purposes.

11.5 TAXATION

ISS Malaysia is a MSC status company and it has been granted pioneer status for the period from 19 August 1998 to 31 July 2008 whereby its pioneer business income will be exempted from income tax for the period concerned. Sufficient tax provision has been made by the subsidiary companies for all relevant years under review.

11.6 TREND INFORMATION

11.6.1 Business and Financial Prospects

In addition to the demand and supply conditions set out in Sections 6.4 and 6.8 of this Prospectus, the Board believes that the demand for the Group's solutions and services is promising with the increasing awareness of the Group's products as well as the anticipation of increase in ICT investments. As mentioned in Section 6.4 of this Prospectus, the global, Asia-Pacific and Malaysian ERP market is expected to grow at a CAGR of 8.4%, 17.5% and 6.5%, respectively. The Group's future plans, strategies and prospects are outlined in Section 7 of this Prospectus. Based on the financial forecast for the FYE 31 December 2006 as set out in Section 11.15 of this Prospectus, the Group is expecting an improvement in the Group's PAT of approximately 26.7% as compared to the PAT for the FYE 31 December 2005.

11.6.2 Revenue

The revenue of the Group for the FYE 31 December 2003 to 2005 increased exponentially mainly due to increased demand for the Group's products and consulting services. Based on the financial forecast for the FYE 31 December 2006 as set out in Section 11.15 of this Prospectus, the Group is expecting an improvement in its revenue of approximately 11.8% as compared to the revenue for the FYE 31 December 2005.

11. FINANCIAL INFORMATION *(Cont'd)*

11.6.3 Cost and Selling Prices

The cost of sales of the Group mainly comprise labour costs of its technical staff, which are relatively stable throughout the FYE 31 December 2005 up to the Latest Practicable Date. The average consulting service fees and selling prices of the Group's products is relatively stable in the current financial period up to the Latest Practicable Date as compared to the average consulting service fees and selling prices in the FYE 31 December 2005.

11.6.4 State of Order Book

As at the Latest Practicable Date, the Group has secured contracts worth RM12.4 million for the sale and implementation of its proprietary products, provision of consulting services as well as maintenance services.

11.7 FACTORS AFFECTING FINANCIAL PERFORMANCE, POSITION AND OPERATIONS

Save as disclosed in Sections 4 and 11 of this Prospectus, there are no known trends, demands, commitments, events or uncertainties that:

- (i) have had, or that the Group reasonably expects to have, a material favourable or unfavourable impact on the financial performance, position and operations of the ISS Group; and
- (ii) would cause the historical financial statements to be not necessarily indicative of future financial information.

11.8 LIQUIDITY AND CAPITAL RESOURCES

11.8.1 Working Capital

The Group's sources of liquidity are mainly generated through a combination of shareholders' equity, cash flows generated from its daily operations and minimally through banking facilities provided by financial institutions as set out in Section 11.8.3 below. The Group's principal uses of its working capital are to finance day-to-day operations such as payment of staff salaries and other operational expenses such as traveling expenses and rental. The Group typically maintains a positive working capital balance.

The Board is of the opinion that, after taking into consideration the cash flow position of the Group, and the net proceeds to be raised from the Public Issue, the Group will have adequate working capital for its present and foreseeable requirements for a period of twelve (12) months from the date of this Prospectus.

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11. FINANCIAL INFORMATION (Cont'd)

11.8.2 Cash Flow Summary

A summary of the Group's cash flow based on the proforma consolidated cash flow statement for the FYE 31 December 2005 is set out below:

	Proforma Group FYE 31 December 2005 RM'000
Net cash generated from operating activities	3,602
Net cash used in investing activities	(4,489)
Net cash generated from financing activities	623
Net decrease in cash and cash equivalents	(264)
Cash and bank balances brought forward	726
Effects of exchange rate changes	101
Cash and bank balances carried forward	<u>563</u>

Please refer to Section 11.12 of this Prospectus for further details pertaining to the Group's cash flow.

11.8.3 Borrowings

As at the Latest Practicable Date, the total bank borrowings of the Group, all of which are interest-bearing and from financial institutions are as follows:

	Short Term payable within twelve (12) months RM'000	Long Term payable after twelve (12) months RM'000	Total outstanding RM'000
Hire purchase and lease facilities:			
Denominated in RM	165	106	271
Denominated in SGD*	27	21	48
Total	<u>192</u>	<u>127</u>	<u>319</u>
	SGD'000	SGD'000	SGD'000
* Comprise of	<u>12</u>	<u>9</u>	<u>21</u>

There has not been any default by the Group on the payment of interest and/or principal sums in respect of its borrowings throughout the past FYE 31 December 2005 and the subsequent financial period up to the Latest Practicable Date. The proforma gearing ratio, based on the proforma shareholders' equity after the Public Issue as shown in Section 11.11 of RM34.567 million, is 0.009 times.

11. FINANCIAL INFORMATION (Cont'd)

11.9 KEY FINANCIAL RATIOS

11.9.1 Trade Receivables

	<-----Proforma Group----->		
	<-----FYE 31 December----->		
	2003	2004	2005
	RM'000	RM'000	RM'000
Gross trade receivables	3,165	4,142	5,271
Less: Allowance for doubtful debts	(203)	(101)	(165)
Trade receivables	<u>2,962</u>	<u>4,041</u>	<u>5,106</u>
Revenue	<u>12,821</u>	<u>14,871</u>	<u>18,388</u>
Percentage of trade receivables to revenue (%)	23.10	27.17	27.77
Trade receivables turnover period (days)	84	99	101

The normal credit period granted by the Group to its customers ranges between 30 and 121 days. The trade receivables' turnover periods during the financial years under review are within the credit period prescribed by the Group. The increasing trade receivables turnover period was due to higher sales rendered in the last quarter of the FYE 31 December 2004 and 2005 resulting in higher outstanding trade receivables balances. Nevertheless, the Board is confident of the recoverability of these receivables, as evidenced by low records of allowances for doubtful debts in the financial years under review and do not foresee any material adverse impact on the Group's financial position.

11.9.2 Trade Payables

The Group's main supplier is SAP, which supplies licences required to operate the SAP software and SAP related products. Other suppliers provide hardware and software which is procured on a back-to-back basis upon orders from customers. The transactions with other suppliers do not form a material percentage of cost of sales which comprises mainly labor cost. The amounts owing to other suppliers are generally paid on a back-to-back basis.

11.9.3 Inventories

The Group does not hold any inventory as it procures hardware on a back-to-back basis upon orders from customers.

11.10 MATERIAL CAPITAL COMMITMENTS, MATERIAL LITIGATION AND CONTINGENT LIABILITIES

11.10.1 Material Capital Commitments

The Directors of ISS confirm that, as at the Latest Practicable Date, there are no material capital commitments contracted or known to be contracted by the Group which, upon becoming enforceable, may have a material impact on the financial position or performance of the Group.

11. FINANCIAL INFORMATION *(Cont'd)*

11.10.2 Material Litigation

As at the Latest Practicable Date, the Group is not engaged in any material litigation, claims or arbitration either as plaintiff or defendant, which may have a material effect on the Group's financial position upon becoming enforceable, and the Directors do not have any knowledge of any proceedings pending or threatened against the Group or any facts likely to give rise to any proceedings which may materially and adversely affect the Group's financial position or business.

11.10.3 Contingent Liabilities

The Directors of ISS confirm that, as at the Latest Practicable Date, there are no contingent liabilities which, upon becoming enforceable, may have a material impact on the profit or net assets value of the Group.

11.11 PROFORMA CONSOLIDATED BALANCE SHEETS/PROFORMA STATEMENT OF ASSETS AND LIABILITIES

The following proforma consolidated balance sheets/proforma statement of assets and liabilities (as reflected under Proforma II below) of ISS as at 31 December 2005 is for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions as set out in the Reporting Accountants' Letter on Proforma Financial Information set out in Section 11.14 of this Prospectus.

Basis of preparation:

The proforma consolidated balance sheets/proforma statement of assets and liabilities (as reflected under Proforma II) below have been prepared on bases and accounting principles consistent with those adopted in the preparation of the audited financial statements, assuming the following had been affected on that date:

- Proforma I : After completion of the Share Split
 Proforma II : After Proforma I, the Acquisitions and the Waiver of Amount Owing to Directors
 Proforma III : After Proforma II and the Public Issue and utilisation of proceeds

	As at 31 December 2005 RM'000	Proforma I RM'000	Proforma II RM'000	Proforma III RM'000
<u>Non-Current Assets</u>				
Equipment	-	-	524	524
Software development expenditure	-	-	11,418	11,418
Goodwill	-	-	1,308	1,308
Deferred tax assets	-	-	318	318
	-	-	13,568	13,568
<u>Current Assets</u>				
Trade receivables	-	-	5,106	5,106
Other receivables, deposits and prepayments	-	-	3,193	3,194
Cash and bank balances	*	*	563	15,940
	*	*	8,862	24,240

11. FINANCIAL INFORMATION (Cont'd)

	As at 31 December 2005 RM'000	Proforma I RM'000	Proforma II RM'000	Proforma III RM'000
<u>Current Liabilities</u>				
Trade payables	-	-	1,439	1,439
Other payables and accruals	14	14	1,037	1,037
Hire purchase and lease payables	-	-	110	110
Provision for taxation	-	-	381	381
	<u>14</u>	<u>14</u>	<u>2,967</u>	<u>2,967</u>
Net Current (Liabilities)/Assets	(14)	(14)	5,895	21,273
	<u>(14)</u>	<u>(14)</u>	<u>19,463</u>	<u>34,841</u>
<u>Financed by:</u>				
Share capital	*	*	17,721	21,838
Share premium	-	-	-	11,261
Retained profits	(14)	(14)	1,468	1,468
Shareholders' (deficit)/equity	(14)	(14)	19,189	34,567
<u>Non-Current Liabilities</u>				
Provision for employee entitlements	-	-	160	160
Hire purchase and lease payables	-	-	92	92
Deferred taxation	-	-	22	22
	<u>(14)</u>	<u>(14)</u>	<u>19,463</u>	<u>34,841</u>
No. of shares of RM1.00 each	2	-	-	-
No. of shares of RM0.10 each	-	20	177,213,090	218,377,090
NTA/Proforma NTA per ordinary share (RM)	#	#	0.04	0.10

Notes:

* Comprises RM2

More than (RM100)

11. FINANCIAL INFORMATION *(Cont'd)*

11.12 PROFORMA CONSOLIDATED CASH FLOW STATEMENT

The following proforma consolidated cash flow statement of ISS as at 31 December 2005 is for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions as set out in the Reporting Accountants' Letter on Proforma Financial Information as at 31 December 2005 disclosed in Section 11.14 of this Prospectus.

	Proforma Group RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before taxation	4,913
Adjustments for:	
Allowances for doubtful debts	65
Amortisation of development costs	723
Depreciation of equipment	440
Interest expense	25
Unrealised gain on foreign exchange	(355)
Operating profit before working capital changes	<u>5,811</u>
Increase in trade and other receivables	(3,348)
Increase in trade and other payables	<u>1,241</u>
CASH FLOWS FROM OPERATIONS	3,704
Interest paid	(25)
Tax paid	<u>(77)</u>
NET CASH FROM OPERATING ACTIVITIES	3,602
CASH FLOWS FOR INVESTING ACTIVITIES	
Purchase of equipment	(73)
Increase in development costs	<u>(4,416)</u>
NET CASH FOR INVESTING ACTIVITIES	(4,489)
CASH FLOWS FROM FINANCING ACTIVITIES	
Net advances from directors	1,537
Dividend paid	(773)
Repayment of hire purchase creditors	<u>(141)</u>
NET CASH FROM FINANCING ACTIVITIES	623
NET DECREASE IN CASH AND BANK BALANCES	(264)
CASH AND BANK BALANCES AT BEGINNING OF THE FINANCIAL YEAR	726
Effect of exchange rate changes	<u>101</u>
CASH AND BANK BALANCES AT END OF THE FINANCIAL YEAR	563

Basis of Preparation:

- (a) The proforma consolidated cash flow statement is based on the proforma consolidated financial statements of ISS as at 31 December 2005 which have been prepared in accordance with applicable approved accounting standards in Malaysia.
- (b) All significant intra-group transactions are eliminated on consolidation and only external transactions are reflected.

11. FINANCIAL INFORMATION (Cont'd)

11.13 COMMENTARY ON THE PROFORMA CONSOLIDATED CASH FLOW STATEMENT**Net cash generated from operating activities**

Net cash generated from the Group's operating activities for the FYE 31 December 2005 amounted to approximately RM3.6 million which is mainly attributable to a PBT of approximately RM4.9 million, adjusted for the following:

- non-cash items of approximately RM1.2 million arising from depreciation of equipment and amortisation of development costs;
- unrealised gain on foreign exchange of approximately RM0.4 million; and
- working capital cash outflow of approximately RM2.1 million.

Net cash used in investing activities

Net cash used in investing activities for the FYE 31 December 2005 amounted to approximately RM4.5 million mainly due to R&D expenses of approximately RM4.4 million.

Net cash generated from financing activities

Net cash generated from financing activities for the FYE 31 December 2005 amounted to approximately RM0.6 million mainly from net advances by directors.

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11. FINANCIAL INFORMATION (Cont'd)

11.14 REPORTING ACCOUNTANTS' LETTER ON PROFORMA CONSOLIDATED FINANCIAL INFORMATION

(Prepared for inclusion in this Prospectus)

**08 JUN 2006**

The Board of Directors
ISS Consulting Solutions Berhad
Level 61 Tower 2 Petronas Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur

Dear Sirs

Horwath AF No 1018
Kuala Lumpur Office
Chartered Accountants

Level 16 Tower C
Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur

603.2166.0000 Main
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**ISS CONSULTING SOLUTIONS BERHAD ("ISS")
PROFORMA CONSOLIDATED FINANCIAL INFORMATION
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2003 TO 2005**

We have reviewed the proforma consolidated financial information of ISS and its subsidiaries ("ISS Group" or "the Group") for the financial years from 31 December 2003 to 2005, together with the accompanying notes thereto, for which the Directors are solely responsible, as set out in the accompanying statements (initialled by us for the purpose of identification only) prepared for illustrative purposes for inclusion in the Prospectus of ISS to be dated 30 June 2006.

In our opinion,

- (a) the proforma consolidated financial information have been properly prepared on the bases set out in the accompanying notes to the proforma financial information and such bases are consistent with the accounting policies of ISS Group;
- (b) the financial statements used in the preparation of the proforma consolidated financial information were prepared in accordance with applicable accounting standards in Malaysia; and
- (c) each material adjustment made to the information used in the preparation of the proforma consolidated financial information is appropriate for the purposes of preparing such proforma consolidated financial information.

We understand that this letter will be used solely for the purpose stated above, in connection with the aforementioned transactions. As such, this letter should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully

Horwath
Firm No : AF 1018
Chartered Accountants

Onn Kien Hoe
Approval No : 1772/11/06(J/PH)
Partner

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang • Prai

11. FINANCIAL INFORMATION (Cont'd)



ISS CONSULTING SOLUTIONS BERHAD ("ISS") AND ITS SUBSIDIARIES ("ISS GROUP")

PROFORMA CONSOLIDATED FINANCIAL INFORMATION

1. PROFORMA GROUP AND BASIS OF PREPARATION

1.1 Proforma Group

The proforma consolidated financial information of ISS Group, comprising the financial information of ISS, ISS Consulting (Malaysia) Sdn Bhd ("ISS Malaysia"), ISS Consulting (S) Pte Ltd ("ISS Singapore"), ISS Consulting (Thailand) Ltd ("ISS Thailand") and PT ISS Consulting Indonesia ("ISS Indonesia"), are presented for the purpose of illustration only.

The relevant financial period and the auditors for the purpose of this report ("Relevant Financial Period") is as follows:-

Company	Relevant Financial Period	Auditors
ISS	- Financial period from 15 December 2004 (Date of incorporation) to 31 December 2005	Messrs Horwath
ISS Malaysia	- Financial years ended 31 December 2003 to 2005	Messrs Horwath
ISS Singapore	- Financial years ended 31 December 2003 and 2004	Messrs Chio Lim & Associates (Horwath Affiliate)
	- Financial year ended 31 December 2005	Messrs RSM Chio Lim
ISS Thailand	- Financial year ended 31 December 2003 to 2005	Messrs Horwath (Thailand) Ltd
ISS Indonesia	- Financial year ended 31 December 2003 to 2005	Messrs Drs. Lukman Hadianto & Rekan

The proforma consolidated financial information is prepared using the audited financial statements of ISS, ISS Malaysia, ISS Singapore, ISS Thailand and ISS Indonesia for the Relevant Financial Period which were reported upon without any qualification. This proforma consolidated financial information comprises the following:-

- Section 2 - Proforma Consolidated Income Statements for the Relevant Financial Period;
- Section 3 - Proforma Consolidated Balance Sheets as at 31 December 2005;
- Section 4 - Proforma Statement of Assets and Liabilities; and
- Section 5 - Proforma Consolidated Cash Flow Statement for the financial year ended 31 December 2005.

11. FINANCIAL INFORMATION (Cont'd)



ISS CONSULTING SOLUTIONS BERHAD ("ISS") AND ITS SUBSIDIARIES ("ISS GROUP")

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

1. PROFORMA GROUP AND BASIS OF PREPARATION (CONT'D)

1.1 Proforma Group (Cont'd)

The proforma consolidated financial information together with the accompanying notes thereto, was prepared solely for illustrative purposes, to show the effects of the following schemes had the schemes been implemented and completed on that date:-

(a) Sub-division of the par value of the ordinary shares in ISS from RM1.00 per share to RM0.10 per share (the "Share Split"),

(b) Acquisition by ISS of:-

(i) ISS Consulting (S) Pte Ltd ("ISS Singapore")

Acquisition of the entire equity interest in ISS Singapore comprising 50,000 ordinary shares of SGD1.00 each in ISS Singapore for a cash consideration of RM3,814,202. The purchase consideration was arrived at on a "willing buyer-willing seller" basis after taking into consideration the audited net assets of ISS Singapore as at 31 December 2005 of RM3,814,202;

(ii) ISS Consulting (Thailand) Ltd ("ISS Thailand")

Acquisition of 49% equity interest in ISS Thailand comprising 24,500 ordinary shares of THB100 each in ISS Thailand for a cash consideration of RM542,294. The purchase consideration was arrived at on a "willing buyer-willing seller" basis after taking into consideration the audited net assets of ISS Thailand as at 31 December 2005 of RM542,294;

(iii) PT ISS Consulting Indonesia ("ISS Indonesia")

Acquisition of 99.99% equity interest in ISS Indonesia comprising 24,999 ordinary shares of Rp9,000 each in ISS Indonesia for a cash consideration of RM1.00. The purchase consideration was arrived at on a "willing buyer-willing seller" basis after taking into consideration the audited net liabilities of ISS Indonesia as at 31 December 2005 of RM(1,308,358);

11. FINANCIAL INFORMATION (Cont'd)

**ISS CONSULTING SOLUTIONS BERHAD ("ISS") AND ITS SUBSIDIARIES ("ISS GROUP")
PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)****1. PROFORMA GROUP AND BASIS OF PREPARATION (CONT'D)****1.1 Proforma Group (Cont'd)****(iv) ISS Consulting (M) Sdn Bhd ("ISS Malaysia")**

Acquisition of the entire equity interest in ISS Malaysia comprising 106,389 ordinary shares of RM1.00 each in ISS Malaysia for a purchase consideration of RM17,721,307 to be satisfied by the issue of 177,213,070 new ordinary shares of RM0.10 each in ISS. The purchase consideration was arrived at on a "willing buyer-willing seller" basis after taking into consideration the audited net assets of ISS Malaysia as at 31 December 2005 of RM14,020,060 and gain on disposal of ISS Singapore, ISS Thailand and ISS Indonesia of RM3,701,247.

The above acquisitions are collectively referred to as the "Acquisitions" hereinafter. Upon completion of the Acquisitions, ISS, ISS Singapore, ISS Thailand, ISS Indonesia and ISS Malaysia are referred to as "ISS Group".

The Acquisitions were completed on 25 May 2006.

- (c) The public issue of 41,164,000 new ordinary shares of RM0.10 each in ISS at an issue price of RM0.41 per new ordinary share payable in full on application comprising:-
- (i) 10,919,000 new ordinary shares of RM0.10 each reserved for application by the Malaysian public;
 - (ii) 5,162,000 new ordinary shares of RM0.10 each reserved for application by eligible directors and employees of the ISS Group; and
 - (iii) 25,083,000 new ordinary shares of RM0.10 each reserved for placement to identified investors.
- (b) The listing of and quotation for the entire enlarged issued and paid-up share capital of ISS comprising 218,377,090 ordinary shares of RM0.10 each on the MESDAQ Market of Bursa Securities.

11. FINANCIAL INFORMATION (Cont'd)

**ISS CONSULTING SOLUTIONS BERHAD ("ISS") AND ITS SUBSIDIARIES ("ISS GROUP")
PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)****1. PROFORMA GROUP AND BASIS OF PREPARATION (CONT'D)****1.2 Basis of Preparation**

The proforma consolidated financial information is prepared using the audited financial statements of ISS, ISS Malaysia, ISS Singapore, ISS Thailand and ISS Indonesia for the Relevant Financial Period.

The proforma consolidated financial information has been prepared in accordance with approved accounting standards in Malaysia consistent with those adopted in the preparation of the audited financial statements of ISS Group at 31 December 2005, and after incorporating adjustments that are appropriate for the preparation of the proforma consolidated financial information.

11. FINANCIAL INFORMATION (Cont'd)



ISS CONSULTING SOLUTIONS BERHAD ("ISS") AND ITS SUBSIDIARIES ("ISS GROUP") PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

2. PROFORMA CONSOLIDATED INCOME STATEMENTS OF ISS GROUP

	Financial Year Ended 31 December ("FY")		
	2003 RM'000	2004 RM'000	2005 RM'000
Revenue	12,821	14,871	18,388
Cost of sales	(5,475)	(6,062)	(6,952)
Gross profit	7,346	8,809	11,436
Other operating income	251	29	202
Operating overheads	(6,099)	(6,118)	(6,725)
Profit before tax ("LBT")	1,498	2,720	4,913
Amortisation of development cost	-	529	723
Depreciation	533	526	440
Interest expense	40	34	25
Interest income	(2)	-	-
Earnings before interest, depreciation, tax and amortisation ("EBIDTA")	2,069	3,809	6,101
Amortisation of development cost	-	(529)	(723)
Depreciation	(533)	(526)	(440)
Interest expense	(40)	(34)	(25)
Interest income	2	-	-
PBT	1,498	2,720	4,913
Taxation	56	201	(199)
Profit after tax ("PAT")	1,554	2,921	4,714
Gross profit margin (%)	57.30	59.24	62.19
PBT margin (%)	11.68	18.29	26.72
PAT margin (%)	12.12	19.64	25.64
Effective tax rate (%)	(3.74)	(7.39)	4.05
Interest coverage (times)	38.45	81.00	197.52
Trade receivables turnover (days)	84	99	101
Trade payables turnover (days)	133	149	78
Gearing ratio (times)	0.06	0.02	0.01
Number of ordinary shares of RM1.00 each in issue ('000) #	177,213	177,213	177,213
Gross earnings per share ("EPS") (Sen) ^	0.85	1.53	2.77
Net EPS (RM) ^	0.88	1.65	2.66

11. FINANCIAL INFORMATION (Cont'd)

**ISS CONSULTING SOLUTIONS BERHAD ("ISS") AND ITS SUBSIDIARIES ("ISS GROUP")****PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)****2. PROFORMA CONSOLIDATED INCOME STATEMENTS OF ISS GROUP (CONT'D)**

Notes:-

- (i) [#] - Assumed number of ordinary shares after acquisition of the subsidiaries but before the Public Issue.
- (ii) [^] - The Gross EPS and Net EPS were computed by dividing the PBT and PAT respectively by the number of ordinary shares in issue during the period.
- (iii) The profit after tax of RM4.714 million included the loss after tax of approximately RM14,000 for the financial period 15 December 2004 (date of incorporation) to 31 December 2005 of ISS.

11. FINANCIAL INFORMATION (Cont'd)



ISS CONSULTING SOLUTIONS BERHAD ("ISS") AND ITS SUBSIDIARIES ("ISS GROUP")
PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

3. PROFORMA CONSOLIDATED BALANCE SHEETS OF ISS GROUP

	Notes	Audited As At 31.12.2005 RM'000	Proforma I RM'000	Proforma II RM'000	Proforma III RM'000
NON-CURRENT ASSETS					
Equipment	3.4	-	-	524	524
Software development expenditure	3.5	-	-	11,418	11,418
Goodwill		-	-	1,308	1,308
Deferred tax asset	3.6	-	-	318	318
		-	-	13,568	13,568
CURRENT ASSETS					
Trade receivables	3.7	-	-	5,106	5,106
Other receivables, deposits and prepayments	3.8	-	-	3,193	3,194
Cash and bank balances	3.9	*	*	563	15,940
		*	*	8,862	24,240
CURRENT LIABILITIES					
Trade payables	3.10	-	-	1,439	1,439
Other payables and accruals	3.11	14	14	1,037	1,037
Hire purchase and lease payables	3.12	-	-	110	110
Provision for taxation		-	-	381	381
		14	14	2,967	2,967
NET CURRENT (LIABILITIES)/ASSETS					
		(14)	(14)	5,895	21,273
		(14)	(14)	19,463	34,841
FINANCED BY:-					
Share capital	3.13	*	*	17,721	21,838
Share premium	3.14	-	-	-	11,261
Retained profits		(14)	(14)	1,468	1,468
SHAREHOLDERS' (DEFICIT)/EQUITY					
		(14)	(14)	19,189	34,567
NON-CURRENT LIABILITIES					
Provision for employee entitlements	3.15	-	-	160	160
Hire purchase and lease payables	3.12	-	-	92	92
Deferred taxation	3.16	-	-	22	22
		(14)	(14)	19,463	34,841
No of shares of RM1.00 each		2	-	-	-
No. of shares of RM0.10 each ('000)		-	^	177,213	218,377
Net tangible assets		(14)	(14)	6,463	21,841
Net tangible assets per ordinary share (RM)		#	#	0.04	0.10

Notes:-

* - RM2.

- Less than (RM100).

^ - 20

11. FINANCIAL INFORMATION (Cont'd)**ISS CONSULTING SOLUTIONS BERHAD ("ISS") AND ITS SUBSIDIARIES ("ISS GROUP")
PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)****3. PROFORMA CONSOLIDATED BALANCE SHEETS OF ISS GROUP (CONT'D)****3.1 Proforma I**

Proforma I incorporates the effects of the sub-division of the par value of the ordinary shares in ISS from RM1.00 per share to RM0.10 per share.

3.2 Proforma II

Proforma II incorporates the effects of Proforma I and the following:

- (a) the acquisition of the entire issued and fully paid-up share capital of ISS Consulting (S) Pte Ltd ("ISS Singapore") comprising 50,000 ordinary shares of SGD1.00 each for a cash purchase consideration of RM3,814,202;
- (b) the acquisition of 49% of the issued and fully paid-up share capital of ISS Consulting (Thailand) Ltd ("ISS Thailand") comprising 24,500 ordinary shares of THB100 each for a cash purchase consideration of RM542,294;
- (c) the acquisition of 99.99% of the issued and fully paid-up share capital of PT ISS Consulting Indonesia ("ISS Indonesia") comprising 24,999 ordinary shares of Rp9,000 each for a cash purchase consideration of RM1.00;
- (d) the acquisition of the entire issued and paid-up share capital of ISS Consulting (Malaysia) Sdn Bhd ("ISS Malaysia") comprising 106,389 ordinary shares of RM1.00 each for a total purchase consideration of RM17,721,307 satisfied through the issue of 177,213,070 new ordinary shares of RM0.10 each in ISS at par; and
- (e) the waiver of the amount owing to directors of RM1,482,000.

The financial statements of ISS Malaysia, ISS Singapore, ISS Thailand and ISS Indonesia have been consolidated based on audited financial statements as at 31 December 2005. The aforesaid companies are consolidated using the acquisition method of accounting.

The aforesaid acquisitions were completed on 25 May 2006.

11. FINANCIAL INFORMATION (Cont'd)



ISS CONSULTING SOLUTIONS BERHAD ("ISS") AND ITS SUBSIDIARIES ("ISS GROUP")

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

3. PROFORMA CONSOLIDATED BALANCE SHEETS OF ISS GROUP (CONT'D)

3.3 Proforma III

Proforma III incorporates the effects of Proforma II and the public issue of 41,164,000 ordinary shares of RM0.10 each in ISS at an issue price of RM0.41 per new ordinary share payable in full upon application.

The total proceeds from the public issue of RM16,877,240 will be utilised as follows:

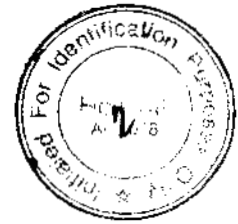
	RM'000
Working capital	10,377
R&D expenditure	5,000
Estimated listing expenses	1,500
	16,877

The estimated listing expenses of RM1.5 million have been debited against the share premium.

3.4 EQUIPMENT

	Cost RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
Computers and printers	1,894	(1,564)	330
Furniture and fittings	207	(186)	21
Motor vehicles	582	(462)	120
Office equipment	381	(339)	42
Renovation	189	(178)	11
	3,253	(2,729)	524

11. FINANCIAL INFORMATION (Cont'd)



ISS CONSULTING SOLUTIONS BERHAD ("ISS") AND ITS SUBSIDIARIES ("ISS GROUP") PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

3. PROFORMA CONSOLIDATED BALANCE SHEETS OF ISS GROUP (CONT'D)

3.5 SOFTWARE DEVELOPMENT EXPENDITURE

	RM'000
Software development costs incurred	
At 1 January 2005	8,363
Additions during the financial year	4,416
Translation difference	(109)
	12,670
Accumulated amortisation	
At 1 January 2005	(529)
Amortisation charge	(723)
	(1,252)
At 31 December 2005	11,418

Software development costs relate to costs incurred for the development of the Xpress software.

The following items have been capitalised under development costs during the financial year:-

	RM'000
Directors' fee	-
Directors' non-fee emoluments	306
Rental of office	110
Staff costs	3,128
	3,544

11. FINANCIAL INFORMATION (Cont'd)



ISS CONSULTING SOLUTIONS BERHAD ("ISS") AND ITS SUBSIDIARIES ("ISS GROUP") PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

3. PROFORMA CONSOLIDATED BALANCE SHEETS OF ISS GROUP (CONT'D)

3.6 DEFERRED TAX ASSET

	RM'000
At 1 January 2005	338
Translation differences	(20)
	318

Deferred tax assets are attributable to the following:-

	RM'000
Provision for employee entitlements	49
Unutilised tax credit	269
	318

3.7 TRADE RECEIVABLES

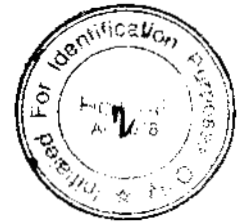
	RM'000
Trade receivables	5,271
Allowance for doubtful debts:-	
At incorporation	-
Acquisition of subsidiaries	(103)
Translation difference	3
Allowance for the financial year	(65)
Writeback of allowance for doubtful debts	-
	(165)
	5,106

The Group's normal trade credit terms range from 30 to 121 days.

The foreign currency exposure profile of trade receivables is as follows:-

	RM'000
United States Dollar	3,523
Singapore Dollar	634
Thai Baht	401
	4,558

11. FINANCIAL INFORMATION (Cont'd)



ISS CONSULTING SOLUTIONS BERHAD ("ISS") AND ITS SUBSIDIARIES ("ISS GROUP") PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

3. PROFORMA CONSOLIDATED BALANCE SHEETS OF ISS GROUP (CONT'D)

3.8 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The foreign currency exposure profile of other receivables, deposits and prepayments is as follows:-

	RM'000
United States Dollar	17
Singapore Dollar	2,174
Thai Baht	111
Indonesian Rupiah	766
	<hr/>

3.9 CASH AND BANK BALANCES

	RM'000
As at 31 December 2005/Proforma I	*
Acquisition of ISS Malaysia, ISS Singapore, ISS Thailand and ISS Indonesia	563
Proforma II	563
Proceeds from public issue	16,877
Listing expenses	(1,500)
	<hr/>
As per Proforma III	15,940
	<hr/>

Note:-

* RM2

The foreign currency exposure profile of cash and bank balances is as follows:-

	RM'000
Euro	88
United States Dollar	14
Singapore Dollar	366
Indonesian Rupiah	4
Thai Baht	15
	<hr/>

11. FINANCIAL INFORMATION (Cont'd)



ISS CONSULTING SOLUTIONS BERHAD ("ISS") AND ITS SUBSIDIARIES ("ISS GROUP") PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

3. PROFORMA CONSOLIDATED BALANCE SHEETS OF ISS GROUP (CONT'D)

3.10 TRADE PAYABLES

The normal credit terms granted to the Group range from 30 to 148 days.

The foreign currency exposure profile of trade payables is as follows:-

	RM'000
Singapore Dollar	999
Thai Baht	42
	<u> </u>

3.11 OTHER PAYABLES AND ACCRUALS

The foreign currency exposure profile of other payables and accruals is as follows:-

	RM'000
Singapore Dollar	-
Thai Baht	185
Indonesian Rupiah	59
	<u> </u>

3.12 HIRE PURCHASE AND LEASE PAYABLES

	RM'000
Minimum hire purchase and lease payments:	
- not later than one year	129
- later than one year and not later than five years	108
	<u> </u>
Future finance charges	237 (35)
	<u> </u>
Present value of hire purchase and lease payables	202
	<u> </u>
Current	110
Non-current	92
	<u> </u>
	<u>202</u>

The hire purchase and lease payables bore effective interest rates at the balance sheet dates which range from 6.18% to 8.99% per annum.

11. FINANCIAL INFORMATION (Cont'd)



ISS CONSULTING SOLUTIONS BERHAD ("ISS") AND ITS SUBSIDIARIES ("ISS GROUP") PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

3. PROFORMA CONSOLIDATED BALANCE SHEETS OF ISS GROUP (CONT'D)

3.13 SHARE CAPITAL

As at the date of this report, the authorised share capital of ISS is RM50,000,000 comprising 500,000,000 ordinary shares of RM0.10 each.

The issued and paid-up share capital of ISS as of the date of this report is RM17,721,309 comprising 177,213,090 ordinary shares of RM0.10 each.

The movements in the issued and paid-up share capital of ISS are as follows:-

	Par Value RM	Number of Ordinary Shares No.	Share Capital RM'000
Issued and paid-up share capital as at incorporation	1.00	2	*
Sub-division of shares/Proforma I	0.10	20	*
Acquisition of ISS Malaysia	0.10	177,213,070	17,721
As per Proforma II	0.10	177,213,090	17,721
Public issue	0.10	41,164,000	4,117
As per Proforma III	0.10	218,377,090	21,838

Note:-

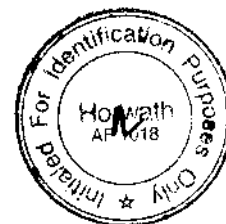
* - represents RM2.00

3.14 SHARE PREMIUM

The estimated listing expenses have been debited against the share premium account. The movements in the share premium account are as follows:-

	RM'000
As at 31 December 2005 and Proforma I and II	-
Premium arising from the proposed public issue	12,761
Estimated listing expenses	(1,500)
As per Proforma III	11,261

11. FINANCIAL INFORMATION (Cont'd)



ISS CONSULTING SOLUTIONS BERHAD ("ISS") AND ITS SUBSIDIARIES ("ISS GROUP") PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

3. PROFORMA CONSOLIDATED BALANCE SHEETS OF ISS GROUP (CONT'D)

3.15 PROVISION FOR EMPLOYEE ENTITLEMENTS

	RM'000
At 1 January 2005	170
Translation difference	(10)
	<hr/>
At 31 December 2005	160
	<hr/>

The foreign currency exposure profile of the provision for employee entitlements is as follows:-

	RM'000
Indonesian Rupiah	160
	<hr/>

The provision for employee entitlements represents a foreign subsidiary's unfunded defined contribution termination plan for its eligible employees and is computed based on a certain percentage of the basic salary and the length of service of all the eligible employees.

3.16 DEFERRED TAXATION

	RM'000
At 1 January 2005	-
Transfer to income statement	-
- underprovision in previous financial year	22
	<hr/>
At 31 December 2005	22
	<hr/>

The deferred taxation is in respect of temporary differences between depreciation and capital allowances on the qualifying cost of equipment.

11. FINANCIAL INFORMATION (Cont'd)

**ISS CONSULTING SOLUTIONS BERHAD ("ISS") AND ITS SUBSIDIARIES ("ISS GROUP")****PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)****4. PROFORMA STATEMENT OF ASSETS AND LIABILITIES**

The proforma statement of assets and liabilities of ISS Group at 31 December 2005 are prepared based on the audited financial statements of ISS, ISS Malaysia, ISS Singapore, ISS Thailand and ISS Indonesia as at 31 December 2005 and has been reflected under Proforma II of the Proforma Consolidated Balance Sheets of ISS Group under Section 3.

The Proforma Group's statement of assets and liabilities should be read in conjunction with the accompanying notes on the Proforma Consolidated Balance Sheets of ISS Group under Section 3.

11. FINANCIAL INFORMATION (Cont'd)

**ISS CONSULTING SOLUTIONS BERHAD ("ISS") AND ITS SUBSIDIARIES ("ISS GROUP")
PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)**
5. PROFORMA CONSOLIDATED CASH FLOW STATEMENT OF ISS GROUP

	At 31 December 2005 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before taxation	4,913
Adjustments for:-	
Allowance for doubtful debts	65
Amortisation of development costs	723
Depreciation of equipment	440
Interest expense	25
Unrealised gain on foreign exchange	(355)
Operating profit before working capital changes	5,811
Increase in trade and other receivables	(3,348)
Increase in trade and other payables	1,241
CASH FLOWS FROM OPERATIONS	3,704
Interest paid	(25)
Income tax paid	(77)
NET CASH FROM OPERATING ACTIVITIES	3,602
CASH FLOWS FOR INVESTING ACTIVITIES	
Purchase of equipment	(73)
Increase in development costs	(4,416)
NET CASH FOR INVESTING ACTIVITIES	(4,489)
CASH FLOWS FROM FINANCING ACTIVITIES	
Net advances from directors	1,537
Dividend paid	(773)
Repayment of hire purchase and lease payables	(141)
NET CASH FROM FINANCING ACTIVITIES	623
NET DECREASE IN CASH AND BANK BALANCES	(264)
CASH AND BANK BALANCES AT BEGINNING OF THE FINANCIAL YEAR	726
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND BANK BALANCES	101
CASH AND BANK BALANCES AT END OF THE FINANCIAL YEAR	563

Note:-

The proforma consolidated cash flow statement of ISS Group has been prepared before taking into account the proceeds from the proposed Public Issue.

11. FINANCIAL INFORMATION *(Cont'd)*

11.15 FUTURE FINANCIAL INFORMATION

The Directors forecast that the consolidated profit of ISS for the FYE 31 December 2006, which have been prepared based on bases and accounting principles consistent with those previously adopted in the preparation of the audited consolidated financial statements of the Company, will be as set out below. The consolidated profit forecast of the Group should be read in conjunction with the accompanying notes and assumptions as set out in the Reporting Accountants' Letter on the Consolidated Profit Forecast set out in Section 11.16 of this Prospectus.

	Forecast FYE 31 December 2006 RM'000
Revenue	20,522
Consolidated PBT	6,300
Less: Taxation	(329)
Consolidated PAT	<u>5,971</u>
Number of ISS Shares in issue after incorporating the Public Issue ⁽ⁱ⁾ ('000)	218,377
Gross EPS ⁽ⁱⁱ⁾ (sen)	2.88
Net EPS ⁽ⁱⁱⁱ⁾ (sen)	2.73
Gross PE multiple ^(iv) based on basic gross EPS (times)	14.24
Net PE multiple ^(iv) based on basic net EPS (times)	15.02

Notes:

- (i) Upon the completion of the Public Issue, there will be 218,377,090 ISS Shares in issue.
- (ii) Calculated based on the forecast consolidated PBT divided by the number of ISS Shares in issue after incorporating the Public Issue.
- (iii) Calculated based on the forecast consolidated PAT divided by the number of ISS Shares in issue after incorporating the Public Issue.
- (iv) Calculated based on the issue price of RM0.41 per share.

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11. FINANCIAL INFORMATION *(Cont'd)*

11.16 REPORTING ACCOUNTANTS' LETTER ON THE CONSOLIDATED PROFIT FORECAST *(Prepared for inclusion in this Prospectus)*



08 JUN 2006

The Board of Directors
ISS Consulting Solutions Berhad
 Level 61 Tower 2 Petronas Twin Towers
 Kuala Lumpur City Centre
 50088 Kuala Lumpur

Horwath AF No 1018
Kuala Lumpur Office
 Chartered Accountants

Level 16 Tower C
 Megan Avenue II
 12 Jalan Yap Kwan Seng
 50450 Kuala Lumpur

603.2166.0000 Main
 603.2166.1000 Fax

www.horwath.com.my
 horwath@po.jaring.my

Dear Sirs/Madam

ISS CONSULTING SOLUTIONS BERHAD ("ISS") CONSOLIDATED PROFIT FORECAST FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2006

We have reviewed the consolidated profit forecast of ISS and its subsidiaries ("ISS Group" or "the Group") for the financial year ending 31 December 2006, as set out in the accompanying statements which we have initialled for the purpose of identification in accordance with the International Standards on Auditing 810 applicable to the review of forecasts. The forecast has been prepared solely for inclusion in the Prospectus of ISS to be dated 30 June 2006, in connection with the listing of and quotation for the entire enlarged issued and paid-up share capital on the MESDAQ Market of Bursa Malaysia Securities Berhad ("Bursa Securities") and should not be relied on for any other purposes.

The listing scheme comprises the following:-

- (a) The public issue of 41,164,000 new ordinary shares of RM0.10 each in ISS at an issue price of RM0.41 per new ordinary share payable in full on application comprising:-
 - (i) 10,919,000 new ordinary shares of RM0.10 each reserved for application by the Malaysian public;
 - (ii) 5,162,000 new ordinary shares of RM0.10 each reserved for application by eligible directors and employees of the ISS Group; and
 - (iii) 25,083,000 new ordinary shares of RM0.10 each reserved for placement to identified investors.
- (b) The listing of and quotation for the entire enlarged issued and paid-up share capital of ISS comprising 218,377,090 ordinary shares of RM0.10 each on the MESDAQ Market of Bursa Securities.

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang • Prai

11. FINANCIAL INFORMATION (Cont'd)

Our review has been undertaken to enable us to form an opinion as to whether the forecast, in material aspects, is properly prepared on the basis of the assumptions made by the Directors and is presented on a basis consistent with the accounting policies adopted and disclosed by ISS in its audited financial statements for the year ended 31 December 2005. The Directors of ISS are solely responsible for the preparation of the forecast and assumptions on which the forecast is based.

Forecast, in this context, means prospective financial information prepared on the basis of assumptions as to future events which the management expects to take place and the actions which the management expects to take as of the date the information is prepared (best-estimate assumptions). While information may be available to support the assumptions on which the forecast is based, such information is generally future oriented and therefore uncertain. Thus, actual results are likely to be different from the forecast since anticipated events frequently do not occur as expected and the variation could be material.

Subject to the matters stated in the preceding paragraphs:

- (i) nothing has come to our attention which causes us to believe that the assumptions made by the Directors, as set out in the accompanying statements, do not provide a reasonable basis for the preparation of the consolidated profit forecast; and
- (ii) in our opinion, the consolidated profit forecast so far as the calculation are concerned, is properly prepared on the basis of the assumptions made by the Directors and is presented on a basis consistent with the accounting policies adopted and disclosed by ISS and its subsidiaries in their audited financial statements for the financial year ended 31 December 2005.

We understand that this letter will be used solely for the inclusion in the Prospectus of ISS. As such, this letter should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully

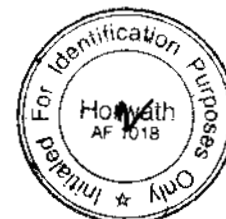
A handwritten signature in black ink, appearing to be "J. K.", written over a horizontal line.

Horwath
Firm No : AF 1018
Chartered Accountants

A handwritten signature in black ink, appearing to be "O. K. H.", written over a horizontal line.

Onn Kien Hoe
Approval No : 1772/11/06(J/PH)
Partner

11. FINANCIAL INFORMATION (Cont'd)



ISS CONSULTING SOLUTIONS BERHAD ("ISS")

A. Consolidated Profit Forecast For The Financial Year Ending 31 December 2006

The Directors of ISS forecast that, barring unforeseen circumstances and on the bases and assumptions set out below, the consolidated profit after taxation of ISS and its subsidiaries ("ISS Group or Group") for the financial year ending 31 December 2006 will be as follows:-

Financial year ending 31 December 2006	RM'000
Revenue	20,552
Consolidated profit before taxation ("PBT")	6,300
Taxation	(329)
Consolidated profit after taxation ("PAT")	5,971
Enlarged number of shares ('000)	218,377
Basic earnings per share ("EPS") (sen)	2.73
Price-earnings multiple ("PE Multiple")	15.02

B. Principal Bases And Assumptions Relating To The Consolidated Profit Forecast

1. The Public Issue as set out in Note 19 below is assumed to be completed by the end of July 2006.
2. There will be no significant changes in the principal activities of the ISS Group.
3. The existing contracts signed between the ISS Group and its suppliers will be renewed upon expiration without any significant variation to the existing terms and conditions of the contracts.
4. Forecast revenue for the ISS Group in 2006 is an extension of 31 December 2005 actual revenue achieved with an average growth rate of approximately 12%.
5. There will be no significant changes in technology which will adversely affect the operations of the ISS Group.

11. FINANCIAL INFORMATION (Cont'd)



ISS CONSULTING SOLUTIONS BERHAD ("ISS")

B. Principal Bases And Assumptions Relating To The Consolidated Profit Forecast (Cont'd)

6. There will be no significant changes in the forecast selling prices or major changes in the expected market demand for the ISS Group's products and services. The Group has forecasted a total revenue of approximately RM20.5 million for the year ending 31 December 2006, out of which RM12.4 million has been secured as follows:-

	RM'000
Forecast revenue	20,552
Contracts secured to-date	<u>12,443</u>
Revenue to be secured	<u>8,109</u>

The balance of approximately RM8.1 million is expected to be derived from the ordinary course of business.

7. There will be no significant changes in the purchase prices of hardware and software, labour and other operating costs other than those as provided. Any significant increase in costs will be compensated through an equivalent increase in selling prices.
8. There will be no significant changes in key management and operating structure of the ISS Group.
9. There will be sufficient manpower and there will be no industrial disputes or disruption or any other abnormal factors which will adversely affect the operations and performance of the ISS Group.
10. Inflation and foreign currency exchange rates will not fluctuate significantly from the present and forecast level.
11. The economies of the respective countries in which the Group is dealing with or operating in, will perform in line with the forecast with minimal unfavourable global economic impact.
12. There will be no significant changes to the prevailing political conditions in the respective countries in which the Group is dealing with or operating in, that may have an adverse effect on the activities and performance of the Group.

11. FINANCIAL INFORMATION (Cont'd)



ISS CONSULTING SOLUTIONS BERHAD ("ISS")

B. Principal Bases And Assumptions Relating To The Consolidated Profit Forecast (Cont'd)

13. There will be no significant changes in the present legislation or government regulations, direct or indirect taxes and duties, which will adversely affect the activities of the Group. The income tax rates in Malaysia, Singapore, Thailand and Indonesia will remain at 28%, 20%, 30% and 30% respectively, with no significant changes in the bases of taxation. In addition, ISS Consulting (M) Sdn Bhd was granted MSC status which qualifies for pioneer status under the Promotion of Investments Act, 1986, whereby 100% of the statutory income from pioneer activities are tax-exempt. The tax incentive is for a period of five years from 19 August 2003 to 31 July 2008.
15. There will be no major proceedings or market conditions against the ISS Group which will adversely affect the activities or performance of the ISS Group or give rise to any contingent liabilities which will materially affect the financial position or the business of the ISS Group.
16. There will be no significant changes in the accounting policies presently adopted by the ISS Group.
17. ISS Consulting (M) Sdn Bhd will be able to maintain its MSC status granted by the Multimedia Development Corporation Sdn. Bhd.
18. The estimated listing expenses of RM1.5 million to be incurred in respect of the Proposals are to be charged against the share premium account for the financial year ending 31 December 2006, which is the year in which the Proposals are expected to be implemented.
19. The details of the Proposals to be undertaken in relation to the proposed listing of ISS on the MESDAQ Market of Bursa Malaysia Securities Berhad ("Bursa Securities") are as follows:-
 - (a) The proposed public issue of 41,164,000 new ordinary shares of RM0.10 each in ISS at an issue price of RM0.41 per new ordinary share payable in full on application comprising:-
 - (i) 10,919,000 new ordinary shares of RM0.10 each reserved for application by the Malaysian public;
 - (ii) 5,162,000 new ordinary shares of RM0.10 each reserved for application by eligible directors and employees of the ISS Group; and
 - (iii) 25,083,000 new ordinary shares of RM0.10 each reserved for placement to identified investors.
 - (b) The proposed listing and quotation of ISS's entire enlarged issued and paid-up share capital of RM21,837,709 comprising 218,377,090 ordinary shares of RM0.10 each on the MESDAQ Market of Bursa Securities.

11. FINANCIAL INFORMATION (Cont'd)


ISS CONSULTING SOLUTIONS BERHAD ("ISS")
B. Principal Bases And Assumptions Relating To The Consolidated Profit Forecast (Cont'd)

20. The gross proceeds to be raised from the Public Issue amounting to RM16,877,240 will be utilised as follows:-

	RM'000
Working capital	10,377
R&D expenditure	5,000
Estimated listing expenses	1,500
	16,877

Note:

The proceeds to be utilised for the working capital will be adjusted accordingly in the event of any variation in the actual listing expenses from the estimated amount.

21. Development expenditure are capitalised in the period they are incurred. The economic benefits of the development activities are expected to accrue over a period of 15 years. Accordingly the capitalised expenses are amortised over a period of 15 years.
22. The Directors have reviewed the reasonableness of the principal bases and assumptions relating to the consolidated profit forecast of ISS Group.

11. FINANCIAL INFORMATION *(Cont'd)*

11.17 DIRECTORS' ANALYSIS OF THE CONSOLIDATED PROFIT FORECAST

The consolidated revenue of ISS for the FYE 31 December 2006 is forecast at RM20.5 million as compared to RM18.4 million in FYE 31 December 2005. The consolidated PAT of ISS for the FYE 31 December 2006 is forecasted to increase to approximately RM6.0 million from RM4.7 million in FYE 31 December 2005. The forecast improvement in results is mainly due to the expected extension/renewals of existing contracts as well as expected new contracts secured/to be secured by the Group. The secured contracts as at the Latest Practicable Date amounted to RM12.4 million or approximately 60% of the forecasted revenue. The remaining 40% is expected to be derived from contracts to be secured by the end of the FYE 31 December 2006. The main factors contributing to the expected increase in contracts secured are as follows:

- (a) the increase in sales of proprietary software solutions particularly ChemXpress as well as sales from expected launch of new Xpress solutions; and
- (b) increase in revenue generated from consulting services which is expected to increase following the Group's plans to increase marketing efforts.

The Directors have reviewed and analysed the consolidated profit forecast of the Group for the FYE 31 December 2006 and the underlying bases and assumptions used herein and are of the opinion that the consolidated profit forecast and the underlying bases and assumptions are reasonable and achievable in the light of the prospects of the industry in which the Group operates, the Group's future plans and strategies to be adopted, the prospects of the Group and the level of gearing, liquidity and working capital requirements of the Group.

Nevertheless, the financial forecast is based on certain assumptions, which includes the current economic environment in Malaysia, Singapore, Thailand and Indonesia, interest rates, exchange rates which may have material impact on the profit forecast. Accordingly, the Group's actual results may differ from the forecast results shown.

11.18 DIVIDEND FORECAST AND POLICY

For the FYE 31 December 2006, the Board does not anticipate any declaration of dividend.

Nevertheless, it is a policy of the Board in recommending dividends to allow shareholders to participate in the profits of ISS whilst retaining adequate reserves for its future growth. The Board will take into consideration the retained profits, cash flow of the Company as well as the funding requirements of the Company before declaring dividends, if any.

Future dividends may be waived in the event of insufficient profits or retained profits to declare as dividends, insufficient tax credits to frank dividends or insufficient cashflow to pay dividends.

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