

Company No:
500396-A

MOBIF BERHAD
(Incorporated in Malaysia)

FINANCIAL STATEMENTS FOR THE PERIOD
1ST JANUARY 2004 TO 30TH SEPTEMBER 2004
(In Ringgit Malaysia)

TAN CHIN HUAT & CO
Chartered Accountants (M)

Company No:
500396-A

MOBIF BERHAD
(Incorporated in Malaysia)

Registered Office

Unit 1-3-3
1 Jalan P. Ramlee
10460 Penang

Principal Place of Business

53-2, 55-2, 57-2 Persiaran Bayan Indah
Bayan Bay
Sungai Nibong
11900 Penang

FINANCIAL STATEMENTS

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TAN CHIN HUAT & CO.

AF 1395
Chartered Accountants (M)

332 2nd Floor Block A Damansara Intan
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Tel: 03-77268992
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The Board of Directors
MOBIF BERHAD
53-2, 55-2, 57-2 Persiaran Bayan Indah
Bayan Bay
Sungai Nibong
11900 Penang

Dear Sirs,

MOBIF BERHAD
AUDIT FOR THE PERIOD 1ST JANUARY 2004 TO 30TH SEPTEMBER 2004

We have audited the accompanying balance sheets as of 30th September 2004 and the related statements of income, cash flows and changes in equity, together with the notes thereto, for the period 1st January 2004 to 30th September 2004. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the abovementioned financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of:
 - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements and consolidated financial statements; and
 - (ii) the state of affairs of the Group and of the Company as of 30th September 2004 and of the results of their operations and of the cash flows of the Group and of the Company for the financial period 1st January 2004 to 30th September 2004; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and by the subsidiary company have been properly kept in accordance with the provisions of the said Act.

We are satisfied that the financial statements of the subsidiary that have been consolidated with the Company's financial statements are in form and content appropriate for the purpose of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for these purposes.

Company No:
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Our auditors' report on the financial statements of the subsidiary was not subject to any qualification and did not include any comment made under Subsection (3) of Section 174 of the Act.

This report has been prepared solely for the information of management and as such, should not be used in whole or in part for any other purpose without our prior written consent.

Yours very truly,

TAN CHIN HUAT & CO.
Firm No. AF 1395
Chartered Accountants (M)

TAN CHIN HUAT
Approval No: 2037/06/06(J)
Proprietor

Petaling Jaya
Date:

MOBIF BERHAD
(Incorporated in Malaysia)

BALANCE SHEETS AS OF 30TH SEPTEMBER 2004

[with comparative figures as of 31st December 2003]

		GROUP 30th September 2004 RM	COMPANY 30th September 2004 RM	31st December 2003 RM
ASSETS				
Property, plant and equipment	5	1,399,882	1,399,882	685,256
Development costs	6	3,755,205	3,755,205	1,648,114
Investment in subsidiary company	7	-	2	-
CURRENT ASSETS				
Inventories	8	924,253	924,253	466,485
Trade receivables	9	6,427,144	6,427,144	2,101,911
Other receivables and prepaid expenses	9	273,236	273,236	434,394
Amount owing by subsidiary company	7	-	2,800	-
Fixed deposits with licensed banks		6,037,464	6,037,464	-
Cash and bank balances		1,019,819	1,019,817	251,477
		14,681,916	14,684,714	3,254,267
Less:				
CURRENT LIABILITIES				
Trade payables	10	382,826	382,826	52,106
Other payables and accrued expenses	10	171,550	171,250	74,260
Amount owing to a director	11	-	-	385,200
Hire purchase creditors - current portion	12	36,534	36,534	4,242
Tax liabilities		13,600	13,600	-
		604,510	604,210	515,808
NET CURRENT ASSETS		14,077,406	14,080,504	2,738,459
		19,232,493	19,235,593	5,071,829
Financed by:				
Issued capital	13	6,629,755	6,629,755	1,000,000
Reserves	14	12,451,997	12,455,097	4,047,145
SHAREHOLDERS' EQUITY		19,081,752	19,084,852	5,047,145
LONG-TERM LIABILITIES				
Hire purchase creditors	12	150,741	150,741	24,684
		19,232,493	19,235,593	5,071,829

The above balance sheets are to be read in conjunction with the accompanying notes to the financial statements.

MOBIF BERHAD
(Incorporated in Malaysia)

INCOME STATEMENTS FOR THE PERIOD 1ST JANUARY 2004 TO 30TH SEPTEMBER 2004
[with comparative figures for the year ended 31st December 2003]

	Note	GROUP 2004 (9 Months) RM	COMPANY 2004 (9 Months) RM	2003 (12 Months) RM
Revenue		13,734,935	13,734,935	9,631,010
Other operating income		104,330	104,330	1,019
Changes in inventories of trading merchandise		457,768	457,768	466,485
Purchases and direct costs		(7,459,257)	(7,459,257)	(6,294,826)
Staff costs		(608,705)	(608,705)	(248,259)
Depreciation of property, plant and equipment		(165,720)	(165,720)	(80,800)
Directors' remuneration	15	(389,427)	(389,427)	(196,683)
Amortisation of development costs		(892,213)	(892,213)	(589,756)
Other operating expenses		(1,200,395)	(1,197,295)	(394,325)
Profit from operations		3,581,316	3,584,416	2,293,865
Profit from operations is stated after charging:-				
Amortisation of development cost		892,213	892,213	589,756
Auditors' remuneration				
-Statutory		-	-	4,500
-Special		6,300	6,000	4,200
Depreciation of property, plant and equipment		165,720	165,720	80,800
Directors' remuneration				
-Salary and bonus		308,333	308,333	175,000
-Other emoluments		38,094	38,094	21,683
-Fee		43,000	43,000	-
Loss on disposal of property, plant and equipment		232	232	-
Loss on foreign exchange		-	-	623
Property, plant and equipment written off		4,384	4,384	36,951
Preliminary expenses written off		2,800	-	-
Rental of premises		139,551	139,551	46,453
Rental of machinery		1,855	1,855	1,235
And crediting:-				
Interest on fixed deposits		92,609	92,609	-
Gain on foreign exchange		11,721	11,721	-
Finance costs - Interest on hire purchase		(7,973)	(7,973)	(2,324)
Profit before taxation		3,573,343	3,576,443	2,291,541
Income tax expense	16	(13,600)	(13,600)	-
Net profit for the financial period/year		3,559,743	3,562,843	2,291,541
Earnings per ordinary share				
Basic (Sen)	17	<u>6.55</u>		

The above income statements are to be read in conjunction with the accompanying notes to the financial statements.

MOBIF BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD
1ST JANUARY 2004 TO 30TH SEPTEMBER 2004
[with comparative figures for the year ended 31st December 2003]

GROUP	Issued capital RM	Non Distributable reserve- Share premium RM	Distributable reserve- Unappropriated profit RM	Total RM
Balance as of 1st January 2004	1,000,000	-	4,047,145	5,047,145
Net profit for the financial period	-	-	3,559,743	3,559,743
Issuance of shares during the financial period				
-Bonus issue	2,849,755	-	(2,849,755)	-
-Rights issue	1,500,000	-	-	1,500,000
-New issue	1,280,000	8,960,000	-	10,240,000
Listing expenses	-	(1,265,136)	-	(1,265,136)
Balance as of 30th September 2004	<u>6,629,755</u>	<u>7,694,864</u>	<u>4,757,133</u>	<u>19,081,752</u>
COMPANY				
Balance as of 1st January 2003	1,000,000	-	1,755,604	2,755,604
Net profit for the financial year	-	-	2,291,541	2,291,541
Balance as of 31st December 2003	<u>1,000,000</u>	<u>-</u>	<u>4,047,145</u>	<u>5,047,145</u>
Net profit for the financial period	-	-	3,562,843	3,562,843
Issuance of shares during the financial period				
-Bonus issue	2,849,755	-	(2,849,755)	-
-Rights issue	1,500,000	-	-	1,500,000
-New issue	1,280,000	8,960,000	-	10,240,000
Listing expenses	-	(1,265,136)	-	(1,265,136)
Balance as of 30th September 2004	<u>6,629,755</u>	<u>7,694,864</u>	<u>4,760,233</u>	<u>19,084,852</u>

The above statements of changes in equity are to be read in conjunction with the accompanying notes to the financial statements.

MOBIF BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENTS FOR THE PERIOD 1ST JANUARY 2004 TO 30TH SEPTEMBER 2004
[with comparative figures for the year ended 31st December 2003]

	GROUP	COMPANY	
	2004 (9 Months) RM	2004 (9 Months) RM	2003 (12 Months) RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation	3,573,343	3,576,443	2,291,541
Adjustments for:			
Amortisation of development costs	892,213	892,213	589,756
Depreciation of property, plant and equipment	165,720	165,720	80,800
Interest on fixed deposits	(92,609)	(92,609)	-
Finance costs	7,973	7,973	2,324
Loss on disposal of property, plant and equipment	232	232	-
Property, plant and equipment written off	4,384	4,384	36,951
Operating profit before working capital changes	<u>4,551,256</u>	<u>4,554,356</u>	<u>3,001,372</u>
Changes in working capital:			
Increase in inventories	(457,768)	(457,768)	(466,485)
Increase in trade receivables	(4,325,233)	(4,325,233)	(1,070,286)
(Increase)/Decrease in other receivables and prepaid expenses	161,158	161,158	(410,037)
Increase in amount owing by subsidiary company	-	(2,800)	-
Increase in trade payables	330,720	330,720	52,106
Increase/(Decrease) in other payables and accrued expenses	97,290	96,990	48,555
Decrease in amount owing to a director	(385,200)	(385,200)	(79,809)
Cash Generated From/(Absorbed By) Operations	<u>(27,777)</u>	<u>(27,777)</u>	<u>1,075,416</u>
Interest received	92,609	92,609	-
Interest paid	(7,973)	(7,973)	(2,324)
Net Cash From Operating Activities	<u>56,859</u>	<u>56,859</u>	<u>1,073,092</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(966,490)	(966,490)	(206,855)
Proceeds from disposal of property, plant and equipment	1,000	1,000	-
Development costs incurred	(2,738,776)	(2,738,776)	(637,174)
Acquisition of shares in subsidiary company (Note 7)	-	(2)	-
Net Cash Used In Investing Activities	<u>(3,704,266)</u>	<u>(3,704,268)</u>	<u>(844,029)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares	11,740,000	11,740,000	-
Payment of listing expenses	(1,265,136)	(1,265,136)	-
Repayment of hire purchase obligations	(21,651)	(21,651)	(3,868)
Net Cash From/(Used In) Financing Activities	<u>10,453,213</u>	<u>10,453,213</u>	<u>(3,868)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,805,806	6,805,804	225,195
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	251,477	251,477	26,282
CASH AND CASH EQUIVALENTS CARRIED FORWARD	<u>7,057,283</u>	<u>7,057,281</u>	<u>251,477</u>
Cash and cash equivalents carried forward consist of:			
Cash and bank balances	1,019,819	1,019,817	251,477
Fixed deposits with licensed banks	6,037,464	6,037,464	-
	<u>7,057,283</u>	<u>7,057,281</u>	<u>251,477</u>

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Note:

The Group and the Company acquired property, plant and equipment with an aggregate cost of RM1,146,490 (2003: RM206,855) of which RM180,000 (2003: Nil) was acquired under hire purchase arrangements. Cash payment for the acquisition of property, plant and equipment amounted to RM966,490 (2003: RM206,855).

The Company's bonus issue of 28,497,550 new ordinary shares of RM0.10 each credited as fully paid-up in the Company to the shareholders of the Company on the basis of approximately 2.8498 new shares for every one (1) share held was made through capitalisation of RM2,849,755 from the audited unappropriated profit of the Company.

The above cash flow statements are to be read in conjunction with the accompanying notes to the financial statements.

MOBIF BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

1) PRINCIPAL ACTIVITIES

The principal activities of the Company are the provision of internet-based surveillance systems, machine control with visual inspection software and other information technology services such as systems integration, support services and training. During the financial period, the Company acquired a wholly-owned subsidiary company, Mobif Global Sdn. Bhd., a company incorporated in Malaysia, which has yet to commenced business operations as of 30th September 2004. The intended principal activities of the subsidiary company are that of investment holding and general trading.

Other than as stated, there have been no significant changes in the nature of the principal activities of the Company and of its subsidiary company during the financial period.

2) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards of the Malaysian Accounting Standards Board.

3) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The operations of the Group are subject to a variety of financial risks, including market, currency and interest rate risk, along with credit, liquidity and cash flow risk. The Group's overall financial risk management objectives are to ensure that there is sufficient level of liquidity and its ability to finance the Group's operations, with a view to minimize potential adverse effects on the financial performance of the Group and to create value for its shareholders. Financial risk management is carried out through risk reviews, internal control systems, insurance programme and adherence to the Group's financial risks management policies.

Market risk

The Group has in place policies to manage its competitive risks from its competitors in providing better alternatives in terms of better services. The Group regularly takes part in various research to develop better alternatives or attractive packages.

Foreign currency risk

The Group has neither material assets nor liabilities that are denominated in foreign currencies as of 30th September 2004. As such, the Group's direct exposure to foreign currency risk is minimal.

Interest rate risk

The Group practices prudent interest rate management for the purpose of reducing net interest costs and to achieve interest rates within predictable, desired ranges.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an on going basis. Credit evaluated are performed on all credit applications and investments before a decision is made.

Liquidity risk

The Group practices prudent liquidity risk management to minimize the mismatch of financial assets and liabilities and to maintain sufficient level of cash and cash equivalents to meet its working capital requirements.

Cash flow risk

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

Fair values

The fair values of the financial assets and financial liabilities reported in the balance sheets as of 30th September 2004 approximate the carrying amounts of these assets and liabilities because of the immediate or short-term maturity of these financial instruments except for the following:-

	Carrying Amount RM	Fair Value RM
Financial liabilities		
Hire purchase obligations (Note 12)	-	175,967

4) SIGNIFICANT ACCOUNTING POLICIES

a) Accounting Convention

The financial statements of the Group and of the Company have been prepared under the historical cost convention.

b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary company made up to the end of the financial period. Subsidiary company is a company in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Subsidiary is consolidated using the acquisition method of accounting. Under the acquisition method of accounting, subsidiary is consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The cost of acquisition is the amount of cash paid and the fair value at the date of acquisition of other purchase consideration given by the acquirer, together with directly attributable expenses of acquisition. At the date of acquisition, the fair values of the subsidiary's net assets are determined and these values are reflected in the consolidated financial statements. The difference between the cost of acquisition over the Group's share of the fair value of the identifiable net assets of the subsidiary acquired at the date of acquisition is reflected as goodwill or reserve on consolidation.

All significant intercompany balances and transactions have been eliminated on consolidation.

c) Property, Plant and Equipment

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

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

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

Depreciation is calculated to write off the cost of the property, plant and equipment on a straight-line basis over the expected useful lives of the property, plant and equipment concerned. The annual rates used are as follows:-

	%
Furniture and fittings	10
Office equipment	20
Computer	20
Renovation	20
Motor vehicles	20
Plant and machinery	20

d) Investments

Investments in subsidiary company, which are eliminated on consolidation, are stated in the Company's financial statements at cost. Where there is an indication of impairment in the value of the assets, the carrying amount is assessed and written down immediately to its recoverable amount.

e) Research and Development Costs

Research costs are recognised as an expense in the year in which they are incurred.

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

f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs.

g) Receivables

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

h) Hire Purchase Arrangements

Assets held under hire purchase are treated as if they had been purchased at cost at the commencement of the hire purchase agreements. These costs are included under property, plant and equipment and depreciation is provided accordingly. The corresponding obligations under hire purchase are included under liabilities. The finance charges of instalments payable are charged to the income statement over the period of the hire purchase agreement.

i) Provisions

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

j) Transaction in Foreign Currencies

Transaction in foreign currencies are recorded in Ringgit Malaysia at the rates of exchange which approximate rates ruling at the dates of the transactions. Assets and liabilities in foreign currencies at the balance sheet date are reported in Ringgit Malaysia at rates ruling at that date. Exchange differences are dealt with through the income statement.

The principal closing rates used in the translation of foreign currency amounts are as follows:-

Currency	2004 RM	2003 RM
1 US Dollar	3.80	3.80
1 Singapore Dollar	2.35	N/A
1 Thai Bath	0.10	N/A
1 Australian Dollar	2.80	N/A

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 goods sold and services are recognised when the goods are delivered and services are rendered. Revenue represents the invoiced value of goods sold and services rendered net of discounts and returns during the financial period.

l) Deferred Taxation

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between 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 only to the extent that is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

m) Cash Flow Statement

The Group and the Company adopt the indirect method in the preparation of the cash flow statements.

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

5) PROPERTY, PLANT AND EQUIPMENT

GROUP AND COMPANY	<u>Furniture and fittings</u> RM	<u>Office equipment</u> RM	<u>Computer</u> RM	<u>Renovation</u> RM	<u>Motor vehicles under hire- purchase</u> RM	<u>Plant and machinery</u> RM	<u>Total</u> RM
Cost							
At beginning of financial period	91,819	54,144	1,315,057	143,469	40,475	120,000	1,764,964
Additions	28,805	28,575	421,800	166,810	225,000	275,500	1,146,490
Disposals	-	(3,080)	-	-	-	-	(3,080)
Written off	-	(880)	-	(7,117)	-	-	(7,997)
At end of financial period	<u>120,624</u>	<u>78,759</u>	<u>1,736,857</u>	<u>303,162</u>	<u>265,475</u>	<u>395,500</u>	<u>2,900,377</u>
Accumulated depreciation							
At beginning of financial period	27,041	32,520	895,299	84,658	16,190	24,000	1,079,708
Charge for the financial period	9,047	11,814	260,528	45,713	39,821	59,325	426,248
Disposals	-	(1,848)	-	-	-	-	(1,848)
Written off	-	(528)	-	(3,085)	-	-	(3,613)
At end of financial period	<u>36,088</u>	<u>41,958</u>	<u>1,155,827</u>	<u>127,286</u>	<u>56,011</u>	<u>83,325</u>	<u>1,500,495</u>
Net book value as of 30.09.2004	<u>84,536</u>	<u>36,801</u>	<u>581,030</u>	<u>175,876</u>	<u>209,464</u>	<u>312,175</u>	<u>1,399,882</u>
Net book value as of 31.12.2003	<u>64,778</u>	<u>21,624</u>	<u>419,758</u>	<u>58,811</u>	<u>24,285</u>	<u>96,000</u>	<u>685,256</u>
Depreciation for 2003	<u>9,182</u>	<u>10,829</u>	<u>263,011</u>	<u>28,694</u>	<u>8,095</u>	<u>24,000</u>	<u>343,811</u>

6) DEVELOPMENT COSTS

	GROUP	COMPANY	
	30th September 2004 RM	30th September 2004 RM	31st December 2003 RM
Cost			
As of beginning of financial period/year	2,948,780	2,948,780	2,048,595
Additions during the financial period/year	<u>2,999,304</u>	<u>2,999,304</u>	<u>900,185</u>
	5,948,084	5,948,084	2,948,780
Less:			
Cumulative amortisation:-			
-As of beginning of financial period/year	(1,300,666)	(1,300,666)	(710,910)
-Charge for the financial period/year	<u>(892,213)</u>	<u>(892,213)</u>	<u>(589,756)</u>
	<u>(2,192,879)</u>	<u>(2,192,879)</u>	<u>(1,300,666)</u>
As of end of financial period/year	<u>3,755,205</u>	<u>3,755,205</u>	<u>1,648,114</u>

Included in development cost during the financial period is depreciation of property, plant and equipment amounting to RM260,528 (2003: RM263,011).

7) INVESTMENT IN SUBSIDIARY COMPANY

	COMPANY	
	30th September 2004 RM	31st December 2003 RM
Unquoted shares- At cost	<u>2</u>	<u>-</u>

The subsidiary company is:

<u>Name of company</u>	<u>Place of incorporation</u>	<u>Direct equity interest</u>		<u>Principal activity</u>
		30th September 2004 %	31st December 2003 %	
Mobif Global Sdn. Bhd.	Malaysia	<u>2</u>	<u>-</u>	Dormant, the intended principal activities are that of investment holding and general trading

During the financial period, the Company acquired 100% equity interest in Mobif Global Sdn. Bhd., a company incorporated in Malaysia.

The effect of this acquisition on the financial results of the Group for the financial period is as follows:

Post-acquisition results of the subsidiary company acquired:

	2004 RM
Revenue	-
Other operating expenses	<u>(3,100)</u>
Decrease in Group's profit attributable to shareholders	<u>(3,100)</u>

The effect of this acquisition on the financial position of the Group as of period end is as follows:

	Unaudited Date of Incorporation RM
Net assets acquired as of the date of acquisition:	
Cash on hand	<u>2</u>
Net assets acquired	<u>2</u>
Goodwill	<u>-</u>
Cost of acquisition	<u><u>2</u></u>

The amount owing by subsidiary company in 2004 arose mainly from expenses paid on behalf and interest-free advances given with no fixed terms of repayment.

8) INVENTORIES

	GROUP 30th September 2004 RM	COMPANY 30th September 2004 RM	31st December 2003 RM
Trading merchandise	<u>924,253</u>	<u>924,253</u>	<u>466,485</u>

9) TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAID EXPENSES

Trade receivables comprise amounts receivable for the sale of goods and services rendered. The credit period granted on sale of goods and services rendered ranges from 60 to 90 days (2003: 60 to 90 days).

Other receivables and prepaid expenses consist of :-

	GROUP 30th September 2004 RM	COMPANY 30th September 2004 RM	31st December 2003 RM
Advance payment	141,785	141,785	104,122
Refundable deposits	106,940	106,940	36,117
Other receivables	24,511	24,511	900
Deferred expenses	-	-	293,255
	<u><u>273,236</u></u>	<u><u>273,236</u></u>	<u><u>434,394</u></u>

10) TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

Trade and other payables comprise amounts outstanding for trade and ongoing costs. The average credit period granted to the Company for trade purchases is 60 days (2003: 60 days).

Other payables and accrued expenses consist of :-

	GROUP	COMPANY	
	30th September 2004 RM	30th September 2004 RM	31st December 2003 RM
Other payables	160,662	160,662	46,620
Accrued expenses	6,688	6,388	17,536
Refundable deposits and prepaid rental received	4,200	4,200	10,104
	<u>171,550</u>	<u>171,250</u>	<u>74,260</u>

11) AMOUNT OWING TO A DIRECTOR

The amount owing to a director in 2003 is unsecured, interest-free and has no fixed terms of repayment.

12) HIRE PURCHASE CREDITORS

	GROUP	COMPANY	
	30th September 2004 RM	30th September 2004 RM	31st December 2003 RM
Total hire purchase instalments outstanding	215,101	215,101	35,026
Less :			
Hire purchase interest in suspense	<u>(27,826)</u>	<u>(27,826)</u>	<u>(6,100)</u>
Net balance payable	<u>187,275</u>	<u>187,275</u>	<u>28,926</u>
Repayable as follows :			
Portion payable within the next 12 months (included in current liabilities)	36,534	36,534	4,242
Portion payable after the next 12 months:-			
Payable between 1 and 2 years	39,534	39,534	4,616
Payable between 2 and 5 years	111,207	111,207	20,068
	<u>150,741</u>	<u>150,741</u>	<u>24,684</u>
	<u>187,275</u>	<u>187,275</u>	<u>28,926</u>

The interest rates on hire purchase range from 3.30% to 3.90% (2003: 3.90%) per annum.

13) SHARE CAPITAL

	GROUP		COMPANY	
	30th September 2004 RM	30th September 2004 RM	31st December 2003 RM	
a) Authorised:				
Ordinary shares of RM0.10 each:				
As of beginning of financial period/year	5,000,000	5,000,000	5,000,000	
Created during the financial period	20,000,000	20,000,000	-	
As of end of financial period/year	<u>25,000,000</u>	<u>25,000,000</u>	<u>5,000,000</u>	
b) Issued and fully paid:				
Ordinary shares of RM0.10 each:				
As of beginning of financial period/year	1,000,000	1,000,000	1,000,000	
Issued during the financial period	5,629,755	5,629,755	-	
As of end of financial period/year	<u>6,629,755</u>	<u>6,629,755</u>	<u>1,000,000</u>	

As approved by the shareholders vide Members' Circular Resolution dated 16th April 2004, the issued and paid up share capital of the Company during the financial period was increased from RM1,000,000 to RM3,849,755 by way of bonus issue of 28,497,550 new ordinary shares of RM0.10 per share through capitalisation of RM2,849,755 from the unappropriated profit of the Company.

Also, as approved by the shareholders vide the same resolution, the issued and paid up share capital of the Company was further increased from RM3,849,755 to RM5,349,755 by a rights issue of 15,000,000 new ordinary shares of RM0.10 per share at an issue price of RM0.10 per share on the basis of 1.5 new shares for every existing share held before the bonus issue.

As approved by the shareholders vide Members' Circular Resolution dated 11th May 2004, the issued and paid up share capital of the Company during the financial period was further increased from RM5,349,755 to RM6,629,755 by the allotment of 12,800,000 new ordinary shares of RM0.10 each at an issue price of RM0.80.

All the new shares rank pari passu with the then existing ordinary shares.

14) RESERVES

	GROUP		COMPANY	
	30th September 2004 RM	30th September 2004 RM	31st December 2003 RM	
Non Distributable Reserve:				
Share premium	7,694,864	7,694,864	-	
Distributable Reserve:				
Unappropriated profit	4,757,133	4,760,233	4,047,145	
	<u>12,451,997</u>	<u>12,455,097</u>	<u>4,047,145</u>	

Share premium

The share premium account arose mainly from issuance of 12,800,000 ordinary shares of RM0.10 each at a premium of RM0.70 per share during the financial period, net of listing expenses of RM1,265,136.

Unappropriated profit

Based on the prevailing tax rate applicable to dividends and the estimated tax exempt income and the tax credits available, the Company has sufficient tax exempt income to frank the tax exempt dividends out of all its unappropriated profit as of 30th September 2004 without additional tax liability being incurred.

15) DIRECTORS' REMUNERATION

	GROUP 2004 (9 Months) RM	COMPANY 2004 (9 Months) RM	2003 (12 Months) RM
Executive directors:			
Other emoluments	346,427	346,427	196,683
Non-executive director:			
Fees	<u>43,000</u>	<u>43,000</u>	-
	<u><u>389,427</u></u>	<u><u>389,427</u></u>	<u><u>196,683</u></u>

16) INCOME TAX EXPENSE

	GROUP 2004 (9 Months) RM	COMPANY 2004 (9 Months) RM	2003 (12 Months) RM
Estimated income tax payable:			
Taxation based on fixed deposit interest received	<u>13,600</u>	<u>13,600</u>	-

The Company has been awarded Multimedia Super Corridor status by the Government of Malaysia. Accordingly, there is no tax charge for business income for the period under review as the Company has been granted pioneer status under the Promotion of Investments (Amendment) Act, 1997.

As of 30th September 2004, the Company has pre-pioneer unutilised business losses and unabsorbed capital allowances totalling about RM868,500 (2003: RM868,500), which subject to agreement by the tax authorities, are available for offset against future taxable income.

17) EARNINGS PER ORDINARY SHARE

The basic earnings per ordinary share for the Group in 2004 has been calculated based on the Group's profit after taxation of RM3,559,743 and on the weighted average number of ordinary shares of RM0.10 each in issue during the financial period of 54,374,922.

18) SEGMENTAL INFORMATION

Information on the Group's operations by segment is not provided as only a single activity being engaged by the Group and the Group operates predominantly in Malaysia.

19) SIGNIFICANT EVENT

Initial public offering

The Company was listed on MESDAQ Market of Bursa Malaysia Securities Berhad on 19th May 2004.

Pursuant to the listing and quotation for the entire issued and paid-up capital of the Company on the MESDAQ Market of Bursa Malaysia Securities Berhad, the Company had made a public issue of 12,800,000 new ordinary shares of RM0.10 each at an issue price of RM0.80 per ordinary share.

20) SUBSEQUENT EVENT

Subsequent to year end, the Company entered into a memorandum of agreement with Smart Digital Communications Berhad in respect of a proposed collaboration for the provision of SMART broadband services and voice over broadband services in Malaysia.

21) GENERAL INFORMATION

The financial statements of the Group and of the Company have been authorised by the Board of Directors for issuance on 8th November 2004.

The total number of employees (excluding directors of the Company) of the Group and of the Company at year end were 26 (2003: Not Applicable) and 26 (2003:17) respectively.

22) COMPARATIVE FIGURES

The comparative figures as shown in the financial statements are for the year ended 31st December 2003.

MOBIF BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

We, Leong Kong Hoy and Lee Khiam Jin, being two of the directors of MOBIF BERHAD, do hereby state on behalf of the directors that in our opinion, the accompanying balance sheets and statements of income, cash flows and changes in equity, are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as of 30th September 2004 and of the results of its operations and of the cash flows of the Group and of the Company for the period 1st January 2004 to 30th September 2004.

Signed in accordance with a
resolution of the Directors,

LEONG KONG HOY

LEE KHIAM JIN

Penang
Date: