

CBS TECHNOLOGY BERHAD (537337M)
(Incorporated in Malaysia)
QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE SECOND QUARTER ENDED 30 JUNE 2010
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	INDIVIDUAL PERIOD		CUMULATIVE	
	Quarter ended 30.06.2010 RM	Quarter ended 30.06.2009 RM	Year to date 30.06.2010 RM	Year to date 30.06.2009 RM
Revenue	8,086,820	7,006,093	19,760,767	15,885,016
Operating expenses	(7,301,476)	(4,808,462)	(17,234,287)	(12,390,427)
Other income	251,362	84,249	2,249,932	136,124
Profit from Operations	1,036,706	2,281,880	4,776,412	3,630,713
Finance Cost	(67,763)	-	(80,408)	-
Profit before taxation	968,943	2,281,880	4,696,004	3,630,713
Taxation	48,907	(139,000)	(170,440)	(13,000)
Profit for the period	1,017,850	2,142,880	4,525,564	3,617,713
Other comprehensive income	-	-	-	-
Total comprehensive income	1,017,850	2,142,880	4,525,564	3,617,713
Attributable to:-				
Equity holders of the parent	1,187,574	2,068,394	4,409,015	3,394,439
Minority Interest	(169,724)	74,486	116,549	223,274
	1,017,850	2,142,880	4,525,564	3,617,713
Weighted average number of shares	235,948,195	230,632,158	236,878,996	230,549,878
Earnings per share (sen)				
-Basic	0.50	0.90	1.86	1.47
-Diluted	0.50	0.88	1.86	1.45

Note :

The calculations of the basic and diluted earnings per share are shown in Note B14.

(The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Company's audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements)

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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited as at 30.06.2010	Audited as at 31.12.2009
	RM	RM
SHARE CAPITAL	23,898,109	15,665,539
SHARE PREMIUM	316,407	2,061,909
SHARE OPTION RESERVE	-	131,214
UNAPPROPRIATED PROFIT	24,117,198	25,399,984
	<u>48,331,714</u>	<u>43,258,646</u>
MINORITY INTEREST	332,828	216,279
Total Equity	<u>48,664,542</u>	<u>43,474,925</u>
NON-CURRENT LIABILITIES		
Finance lease liabilities	284,640	43,982
Deferred taxation	52,000	52,000
	<u>49,001,182</u>	<u>43,570,907</u>
REPRESENTED BY :		
NON-CURRENT ASSETS		
Property, plant and equipment	2,680,546	2,481,308
Prepaid land lease payment	-	7,049,182
Intangible assets	20,862,160	20,862,160
Development cost	776,747	857,711
Goodwill on consolidation	8,344,079	8,344,078
Other investment	55,000	55,000
CURRENT ASSETS		
Inventories	749,944	151,899
Trade receivables	9,716,285	13,416,019
Other receivables	3,832,441	4,248,161
Investments	7,291,563	159
Tax recoverable	-	141,467
Directories in progress	3,761,907	2,614,981
Fixed deposits with licensed banks	4,664,330	2,244,345
Cash and bank balances	6,353,092	3,199,957
	<u>36,369,562</u>	<u>26,016,988</u>
CURRENT LIABILITIES		
Trade payables	3,451,938	3,034,888
Other payables	16,472,108	16,988,015
Borrowings	110,516	1,463,785
Tax payable	52,350	608,832
	<u>20,086,912</u>	<u>22,095,520</u>
NET CURRENT ASSETS	16,282,650	3,921,468
	<u>49,001,182</u>	<u>43,570,907</u>
Net asset per share attributable to ordinary equity holders of the parent (sen)	20.36	27.75

(The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Company's audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements)

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable To Equity Holders Of The Parent				Total RM	Minority Interest RM	Total Equity RM
	Non-Distributable		Distributable				
	Share capital RM	Share premium RM	Share option reserve RM	Unappropriated profit RM			
As at 1 January 2010	15,665,539	2,061,909	131,214	25,399,984	43,258,646	216,279	43,474,925
Issuance of share capital	367,800	344,440	-	-	712,240	-	712,240
Bonus issue	7,864,770	(2,172,969)	-	(5,691,801)	-	-	-
Bonus issue expenses	-	(35,000)	-	-	(35,000)	-	(35,000)
Exercise of share options	-	118,027	(131,214)	-	(13,187)	-	(13,187)
Total comprehensive income for the period	-	-	-	4,409,015	4,409,015	116,549	4,525,564
As at 30 June 2010	<u>23,898,109</u>	<u>316,407</u>	<u>-</u>	<u>24,117,198</u>	<u>48,331,714</u>	<u>332,828</u>	<u>48,664,542</u>

	Attributable To Equity Holders Of The Parent				Total RM	Minority Interest RM	Total Equity RM
	Non-Distributable		Distributable				
	Share capital RM	Share premium RM	Share option reserve RM	Unappropriated profit RM			
As at 1 January 2009	15,181,899.00	1,156,463	194,260	14,416,604	30,949,226	-	30,949,226
Issuance of share capital	52,700.00	47,360	-	-	100,060	-	100,060
Share based payment under ESOS	-	(2,000)	52,747	-	50,747	-	50,747
Exercise of share options	-	21,050	(21,050)	-	-	-	-
Total comprehensive income for the period	-	-	-	3,394,439	3,394,439	223,274	3,617,713
As at 30 June 2009	<u>15,234,599.00</u>	<u>1,222,873</u>	<u>225,957</u>	<u>17,811,043</u>	<u>34,494,472</u>	<u>223,274</u>	<u>34,717,746</u>

(The Condensed Consolidated Statements of Change in Equity should be read in conjunction with the Company's audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements)

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Cumulative Quarter	
	Current year 30.06.2010 RM	Preceding year 30.06.2009 RM
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	4,696,004	3,630,713
Adjustment for:		
Non-cash items	381,872	333,941
Non-operating items	(1,824,886)	11,392
Operating profit before working capital changes	3,252,990	3,976,046
Net changes in current assets	2,370,483	2,945,798
Net changes in current liabilities	(98,858)	1,168,230
Cash generated from operations	5,524,615	8,090,074
Income tax paid	(585,454)	(255,612)
Net cash flow from operating activities	4,939,161	7,834,462
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	218,000	450
Proceeds from disposal of prepaid land lease payment	8,790,467	-
Proceeds from disposal of investments	-	1,226,900
Acquisition of property, plant and equipment	(643,679)	(53,680)
Payment for development costs	-	(54,000)
Net cash flow from investing activities	8,364,788	1,119,670
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from finance lease	360,000	-
Proceeds from issuance of shares	712,240	150,807
Repayment of finance lease liabilities	(28,888)	-
Bonus issue expenses paid	(35,000)	-
Net cash flow from financing activities	1,008,352	150,807
Net change in cash and cash equivalents	14,312,301	9,104,939
Cash and cash equivalents at beginning of period	3,996,525	15,748,344
Cash and cash equivalents at end of period	18,308,826	24,853,283

Note A

Notes

A. Cash and cash equivalents included in the Statements of Cash Flows comprise the following balance sheets items:

	As at 30.06.2010 RM	As at 30.06.2009 RM
Fixed deposits with licensed banks	4,664,330	649,859
Cash and bank balances	6,353,092	6,861,930
Bank overdraft (included within Borrowings under Current Liabilities)	-	-
Money market funds (included within Investments under Current Assets)	7,291,404	17,341,494
	<u>18,308,826</u>	<u>24,853,283</u>

(The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Company's audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements)

CBS TECHNOLOGY BERHAD (537337-M)
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NOTES

A EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD ("FRS") 134, INTERIM FINANCIAL REPORTING

A1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with Financial Reporting Standard ("FRS") 134, Interim Financial Reporting and Rule 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the ACE Market.

The interim financial statements should be read in conjunction with the audited financial statements of CBS Technology Berhad ("CBS" or the "Company") and its subsidiary companies ("Group") for the financial year ended 31 December 2009.

The accounting policies adopted by the Group in the interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2009 except for the adoption of the new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2010.

A2. Qualification of Financial Statements

The auditor's report of the preceding financial statements for the financial year ended 31 December 2009 was not subject to any audit qualification.

A3. Seasonal or Cyclical Factors

The business of the Group was not materially affected by any significant seasonal or cyclical factors during the current quarter under review.

A4. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flow of the Group during the current quarter under review.

A5. Material Changes in Estimates

There were no changes in the estimates of amounts reported in the prior financial period, which have a material effect in the current quarter under review.

A6. Debts and Equity Securities

During the quarter ended 30 June 2010, the Company issued 2,498,000 new ordinary shares of RM0.10 each pursuant to the exercise of options granted under the Employees' Shares Option Scheme of the Company.

Save as disclosed above, there were no issuance and repayment of debt securities, share buy-back, share cancellation, shares held as treasury shares and resale of treasury shares during the current quarter under review.

A7. Dividends Paid

There was no dividend paid during the current quarter under review.

A8. Segmental Information

The Group's segment report for the 6 months period ended 30 June 2010 is as follows:

	ICT	Media and Content	Total
	RM'000	RM'000	RM'000
Revenue	13,423	6,338	19,761
Profit before tax	4,201*	495	4,696
Taxation			(170)
Profit after tax			4,526

* Included gain from disposal of leasehold land of RM1.74 million.

A9. Valuation of Property, Plant and Equipment

The Group did not revalue any of its property, plant and equipment during the current quarter under review.

A10. Subsequent Events

There were no material events subsequent to the end of the current quarter reported on that have not been reflected in the quarterly financial statements:

A11. Changes in Composition of the Group

There were no major changes in the composition of the Group for the current quarter under review.

A12. Contingent Liabilities

There were no changes in contingent liabilities or contingent assets since the last annual balance sheet as at 31 December 2009.

B. ADDITIONAL INFORMATION REQUIRED BY CHAPTER 9 OF LISTING REQUIREMENTS OF BURSA SECURITIES FOR THE ACE MARKET

B1. Review of Performance

For the current quarter ended 30 June 2010, the Group reported revenue of RM8.09 million as compared to RM7.01 million for the corresponding quarter ended 30 June 2009, representing an increase of approximately 15.4%. The improvement in revenue was mainly contributed from Media and Content segment.

Despite the improvement in the Group's revenue, profit before tax ("PBT") decreased by RM1.31 million or 57.5% from RM2.28 million for the quarter ended 30 June 2009 to RM0.97 million for the current quarter. The decrease was mainly due to the higher operational cost and thinner profit margin registered in the current quarter.

For the six (6) months ended 30 June 2010, the Group reported revenue of RM19.76 million as compared to RM15.89 million for the corresponding period ended 30 June 2009. The increase was due to the contribution from Media and Content segment of RM6.34 million. The PBT increased by 29.3% from RM3.63 million for the period ended 30 June 2009 to RM4.70 million for the current period. The increase in PBT was mainly contributed from gain on disposal of leasehold land amounting to RM1.74 million. However, the increase in PBT was partially offset by the increase in the operating expenses for the period under review.

Corresponding with the increase in PBT, profit after tax for the quarter ended 30 June 2010 increased by 25.1% to RM4.53 million from RM3.62 million in the corresponding period ended 30 June 2009.

B2. Material Changes in the Quarterly Results

	Quarter ended 30.06.2010 RM'000	Quarter ended 31.3.2010 RM'000
Revenue	8,088	11,674
Profit Before Tax	969	3,727

As compared to the preceding quarter ended 31 March 2010, the Group's PBT decreased by 74.0% from RM3.73 million to RM0.97 million in the current quarter mainly due to the lower revenue recorded by both ICT and Media and Content segment.

The decline in revenue for ICT segment was mainly due to lower ICT activities. For Media and Content segment, revenue from the sale of advertising space in the yearly printed directory is recognized upon distribution to users. Typically, the distribution of the business directory is mostly done in the 2nd half of the year after the publication in July. As a result, the revenue and profit contributed from the yearly publication are mostly recognized in the 2nd half of the year. Hence, the contribution of revenue and profit from Media and Content segment for the first and second quarter of year 2010 was lower.

B3. Prospects

Despite the recovery of the domestic economy, the business environment for ICT segment remains challenging in the current financial year ending 31 December 2010 in view of cautious ICT spending. Nevertheless, the Board of Directors is optimistic about the performance of the Group as Media and Content segment is expected to perform better in the next two quarters.

B4. Statement of the Board of Directors' Opinion on Profit Estimate, Forecast, Projection or Internal Targets

The Group has not provided any profit estimate, forecast, projection in any public documents.

B5. Variance on Profit Forecast

Not applicable.

B6. Taxation

	3 months ended		6 months ended	
	30.06.2010	30.06.2009	30.06.2010	30.06.2009
	RM	RM	RM	RM
Current year	10,612	139,000	229,959	363,000
Under/(over) provision in prior years	(59,519)	-	(59,519)	(350,000)
	(48,907)	139,000	170,440	13,000
Deferred taxation	-	-	-	-
	(48,907)	139,000	170,440	13,000

The Group's effective tax rate is lower than the statutory tax rate as there is no taxation charge on the business income derived from its wholly-owned subsidiaries, CBS MSC Sdn Bhd ("CBS MSC") and Infodata Media Sdn Bhd ("IMSB"). CBS MSC was granted pioneer status on 26 September 2003 and the tax exemption period of CBS MSC has been extended for another five (5)-year period to 25 September 2013. IMSB was granted pioneer status on 18 January 2006 with a tax exemption period expiring on 17 January 2011.

In addition, the Group realized the gain on disposal of leasehold land amounting to RM1.74 million during the first quarter ended 31 March 2010 which was not subject to the real property gains tax ("RPGT"). The transaction was entered in 2009 where the gain made from disposal of property is exempted pursuant to Real Property Gains Tax Exemption Order (No.2) 2007.

B7. Profit on Sale of Unquoted Investment and/or Properties

Save as disclose below, there were no sale of unquoted investments and / or properties by the Group during the current quarter and financial year-to-date:

	3 months ended 30.06.2010 RM	6 months ended 30.06.2010 RM
Gain on disposal of leasehold land	-	1,741,285

B8. Quoted Securities

There were no purchases or sales of quoted securities by the Group in the current quarter.

B9. (a) Status of Corporate Proposals

(i) Proposed Special Issue

CBS has proposed to undertake a special issue of up to 67,798,000 new ordinary shares of RM0.10 each in CBS ("Special Issue Shares") to Bumiputera investors to be identified and approved by the Ministry of International Trade and Industry ("MITI") to comply with 30% Bumiputera equity shareholding condition ("Bumiputere Equity Condition") ("Proposed Special Issue"). The Proposed Special Issue and the revision on the maximum number of the Special Issue Shares to be issued were approved by the Securities Commission ("SC") on 1 November 2007 and 5 February 2008, respectively.

On 17 June 2009, CBS announced that the SC (Equity Compliance Unit) had approved CBS' application for an extension of time of up to twelve (12) months from the date of CBS's application to MITI for the purpose of allocating the Special Issue Shares to meet the Bumiputera Equity Condition ("Extension Period"). The SC had also vide its letter dated 24 June 2009 approved CBS' application for the Extension Period, to complete the implementation of the Proposed Special Issue.

CBS had on 30 June 2009 made an application to MITI to seek the assistance of MITI to nominate and/or invite suitable Bumiputera investors to subscribe for the Special Issue Shares.

On 6 July 2010, CBS received notification from MITI that there were no interested investors for the Special Issue Shares. CBS had on 7 July 2010 announced to abort the Proposed Special and the Company deemed to have met the Bumiputera Equity Condition.

(ii) Proposed Transfer of Listing

On 25 March 2010, the Company announced that it had proposed to undertake the transfer of the listing of and quotation for its entire issued and paid-up share capital from the ACE Market to the Main Market of Bursa Malaysia Securities Berhad ("Proposed Transfer"). An application to the SC in respect of the Proposed Transfer was on 28 April 2010.

On 14 July 2010, the Company announced that the SC was unable to process the application for the Proposed Transfer until the litigation case by Bank Simpanan Nasional ("BSN") against Cyber Business Solutions Sdn Bhd, a wholly own subsidiary of CBS has been resolved.

Pursuant to a meeting with the SC on 20 July 2010, the Company had submitted a revised application for the Proposed Transfer to the SC on 18 August 2010.

Save as disclosed above, there are no other corporate proposals announced but not completed as at the date of this report.

(b) Status of utilisation of proceeds

There was no unutilized proceeds raised from any corporate proposal.

B10. Borrowings and Debts Securities

The details of the Group's borrowings and debts securities outstanding as at 30 June 2010 are as follows:

	Current RM'000	Non-current RM'000
Secured		
Hire Purchase	<u>111</u>	<u>285</u>

All borrowings are denominated in Ringgit Malaysia.

B11. Off Balance Sheet Financial Instruments

The Group did not have any off balance sheet financial instruments as at 30 June 2010.

B11. Changes in Material Litigation

Bank Simpanan Nasional ("BSN") filed a legal suit in October 2009 against Cyber Business Solutions Sdn Bhd ("Cyber"), a wholly owned subsidiary of the Company. BSN claimed against Cyber for a sum of RM6.42 million and general damages for alleged breach of contract under which Cyber was to develop, install and integrate a new loan management system for BSN ("the LMS Project"). Cyber defends BSN's claim and have

further counterclaimed against BSN for a sum of RM3.902 million and damages for additional work done by Cyber and not paid for, and RM0.467 million for the refund of the performance bond.

On 4 June 2010, upon Cyber's application under Section 24A of the Courts of Judicature Act 1964, the High Court ordered that the entire cause be tried by an arbitrator. BSN has appealed against this decision, which appeal is presently fixed for hearing on 7 September 2010.

Cyber had also issued Third Party proceeding against Elsag Datamat SPA ("Elsag"), Cyber's subcontractor in the LMS Project, claiming an indemnity from Elsag in the event Cyber is found liable to BSN. On 7 May 2010, upon the application of Elsag, the High Court granted a stay of the Third Party proceeding. Cyber had filed an appeal against the High Court's decision which appeal is presently fixed for hearing on 7 September 2010.

Meanwhile, Elsag had issued a Request for Arbitration to the International Chamber of Commerce International Court of Arbitration ("the ICC") against Cyber ("the ICC Arbitration") claiming for alleged unpaid contract sum of USD761,962 and general damages for alleged breach of the sub-contract of the LMS project..

In June 2010, Cyber filed a suit in the Malayan High Court at Kuala Lumpur ("the Malaysian Civil Suit") seeking a declaration that, inter alia, there is no arbitration agreement between Cyber and Elsag to refer their disputes to the ICC. Cyber has also applied for an interlocutory injunction to restrain Elsag from proceeding with the ICC Arbitration pending the determination and the disposal of the Malaysian Civil Suit. Elsag in turn applied to set-aside /strike-out Cyber's Malaysian Civil Suit. On 29 July 2010, the Judicial Commissioner of the High Court allowed Cyber's application to restrain Elsag from proceeding with the ICC Arbitration and dismissed Elsag's application to set-aside / strike-out Cyber's Suit.

Elsag has appealed against both the said Orders of Judicial of Commissioner of the High Court. Pending the disposal of their appeal, Elsag applied to the Judicial Commissioner of the High Court to have the said Orders stayed, which the application was dismissed. Elsag have subsequently applied to the Court of Appeal for a stay of execution of the said Orders, which application is presently fixed for hearing on 7 September 2010.

B13. Dividend

No interim dividend has been declared during the current quarter.

B14. Earnings Per Share

The basic earnings per share is calculated by dividing the net profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the financial period.

For the purpose of calculating diluted earnings per share, the net profit for the period attributable to equity holders of the parent and weighted average number of ordinary shares in issue during the period have been adjusted for the dilutive effects of all

potential ordinary shares from the share options granted to employees under the Company's Employees' Share Option Scheme.

Basic

		3 months ended		6 months ended	
		30.06.10	30.06.09	30.06.10	30.06.09
Net profit attributable to equity holders of the parent	(RM)	1,187,574	2,068,394	4,409,015	3,394,439
Weighted average number of ordinary shares in issue and issuable	(Unit)	235,948,195	230,632,158	236,878,996	230,549,878
Basic earnings per share	(sen)	0.50	0.90	1.86	1.47

Diluted

		3 months ended		6 months ended	
		30.06.10	30.06.09	30.06.10	30.06.09
Adjusted net profit attributable to equity holders of the parent	(RM)	1,187,574	2,074,115	4,409,015	3,405,818
Adjusted weighted average number of ordinary shares in issue and issuable	(Unit)	235,948,195	234,890,582	236,878,996	234,808,303
Diluted earnings per share	(sen)	0.50	0.88	1.86	1.45

Note:

The calculation of the earnings per share for the preceding year has been restated with the allotment of 78,647,695 new ordinary shares issued on 27 January 2010 pursuant to the bonus issue to conform with the current presentation.

B15. Qualification of Financial Statements

The Company's preceding annual financial statements was not subject to any audit qualification.