

CBS TECHNOLOGY BERHAD (537337-M)
(Incorporated in Malaysia)

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

There were no issuance and repayment of debt and equity 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 9 months period ended 30 September 2010 is as follows:

	ICT	Media and Content	Total
	RM'000	RM'000	RM'000
Revenue	17,783	15,695	33,478
Profit before tax	4,783*	3,439	8,222
Taxation			(530)
Profit after tax			7,692

* 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 except for the following:

On 28 October 2010, CBS International Sdn Bhd, a wholly owned subsidiary of CBS, acquired 48% of the equity interest in CBS Pan (International) Co. Ltd. ("CBS Pan"), a company incorporated in Thailand, for a total consideration of THB4,800. CBS Pan is engaged in development and provision of content product and operator of Internet community portals.

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 September 2010, the Group reported revenue of RM13.72 million as compared to RM11.98 million for the corresponding quarter ended 30 September 2009, representing an increase of approximately 14.5%. The improvement in revenue was mainly contributed from Media and Content segment where its revenue from the sale of advertising space was recognized starting from July 2010, i.e. upon publication and distribution of its yearly business directory, "Super Pages 2010/11". However, the increase in the revenue contribution from Media and Content segment was partially offset by lower revenue recorded by ICT segment in the current quarter.

The Group's profit before tax ("PBT") increased marginally by 1.1% from RM3.49 million for the quarter ended 30 September 2009 to RM3.53 million for the quarter ended 30 September 2010. The PBT margin decreased to 26.0% for the current quarter from 29.1% for the quarter ended 30 September 2009 due to higher operational cost incurred.

For the nine (9) months ended 30 September 2010, the Group reported an increase of 20.1% in revenue from RM27.87 million reported in the period ended 30 September 2009 to RM33.48 million mainly due to revenue contribution from Media and Content segment in the current quarter.

Corresponding with the increase in revenue, the Group's PBT and profit after tax ("PAT") increased by 15.5% and 11.9% respectively, to RM8.22 million and RM7.69 million respectively. The increase in PBT and PAT was partly contributed from the gain on disposal of land in the quarter ended 31 March 2010.

B2. Material Changes in the Quarterly Results

	Quarter ended 30.09.2010 RM'000	Quarter ended 30.6.2010 RM'000
Revenue	13,717	8,088
Profit Before Tax	3,526	969

For the current quarter, the Group's revenue increased by approximately 69.6% to RM13.72 million from RM8.09 million for the preceding quarter ended 30 June 2010. The PBT increased by approximately 263.9% to RM3.53 million in the current quarter from RM0.97 million for the preceding quarter.

The significant improvement in both revenue and PBT was contributed from Media and Content segment as mentioned in B1 above.

B3. Prospects

Malaysia's economic growth slowed to 5.3% in the third quarter compared to 8.9% in the second quarter largely due to external factors and lower manufacturing demand. Although Malaysia is likely to achieve a growth of 6% to 7% for the full year, the business environment for ICT segment remains challenging in the next quarter. Nevertheless, barring any unforeseen circumstances, the Board of Directors of CBS expects the Group to achieve a satisfactory performance for the financial year ending 31 December 2010.

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		9 months ended	
	30.09.2010	30.09.2009	30.09.2010	30.09.2009
	RM	RM	RM	RM
Current year	359,635	250,792	589,594	613,792
Under/(over) provision in prior years	-	(20,397)	(59,519)	(370,397)
	359,635	230,395	530,075	243,395
Deferred taxation	-	-	-	-
	359,635	230,395	530,075	243,395

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 30.09.2010 RM	9 months ended 30.09.2010 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 Proposal

(i) Transfer of Listing from the ACE Market to the Main Market

On 25 March 2010, the Company announced its proposal 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 ("Bursa Securities") ("Transfer").

The Company had obtained the approvals from the Securities Commission and Bursa Securities for the Transfer under the "Technology" sector on 20 October 2010 and 2 November 2010 respectively. The Transfer has taken place on 25 November 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 September 2010 are as follows:

	Current RM'000	Non-current RM'000
Secured		
Hire Purchase	207	645

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 September 2010.

B12. 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 Courts of Judicature Act 1964, the High Court ordered that the entire cause be tried by an arbitrator. BSN filed an appeal to the Court of Appeal which was heard on 7 September 2010. The Court of Appeal had allowed BSN's appeal with costs.

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. Upon the application of Elsag, the High Court granted a stay of the Third Party proceeding. Cyber had filed an appeal which appeal was heard on 7 September 2010. The Court of Appeal dismissed Cyber's appeal with cost.

Meanwhile, Elsag had issued an Arbitration Notice to the ICC's International Court of Arbitration against Cyber ("the ICC Arbitration") claiming for an alleged unpaid contract sum of USD761,962 and general damages for alleged breach of the sub-contract of the LMS Project on the part of Cyber.

On 22 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 interim injunction to restrain Elsag from proceeding with the ICC Arbitration pending the determination of the Malaysian Civil Suit. The application for the interim injunction was allowed on 29 July 2010. Elsag's application to the Court of Appeal for a stay of execution of the interim injunction was heard on 7 September 2010.

The Court of Appeal dismissed Elsag's application with costs; Elsag thereafter filed an appeal, and is pending hearing.

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		9 months ended	
		30.09.10	30.09.09	30.09.10	30.09.09
Net profit attributable to equity holders of the parent	(RM)	3,166,122	3,274,902	7,575,137	6,669,341
Weighted average number of ordinary shares in issue and issuable	(Unit)	238,981,185	232,920,652	237,587,388	231,348,819
Basic earnings per share	(sen)	1.32	1.41	3.19	2.88

Diluted

		3 months ended		9 months ended	
		30.09.10	30.09.09	30.09.10	30.09.09
Adjusted net profit attributable to equity holders of the parent	(RM)	3,166,122	3,280,799	7,575,137	6,686,840
Adjusted weighted average number of ordinary shares in issue and issuable	(Unit)	238,981,085	233,963,293	237,587,388	232,391,459
Diluted earnings per share	(sen)	1.32	1.40	3.19	2.88

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.