



**PANPAGES BERHAD (537337M)**  
(Incorporated in Malaysia)  
**QUARTERLY REPORT ON CONSOLIDATED RESULTS**  
Quarterly Report For The 2<sup>nd</sup> Quarter Ended 30 June 2015

**NOTES**

**A EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD ("MFRS") 134, INTERIM FINANCIAL REPORTING**

**A1. Basis of Preparation**

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standard ("MFRS") 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The interim financial statements should be read in conjunction with the audited financial statements of PanPages Berhad ("PanPages" or the "Company") and its subsidiary companies ("Group") for the financial year ended 31 December 2014.

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 2014 except for the adoption of the new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2015.

**A2. Qualification of Financial Statements**

The auditor's report of the preceding financial statements for the financial year ended 31 December 2014 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.



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**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.

**A7. Dividends Paid**

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

**A8. Non- Current Assets Held For Sale**

This refer to the Company's wholly owned subsidiary, Cyber Business Solutions Sdn Bhd to dispose a three storey industrial cum office building for a cash consideration of RM20,800,000 subject to terms of the signed Sales and Purchase Agreement dated 22 December 2014 .

In the Extraordinary General Meeting (EGM) on 25 March 2015, the shareholders voted to approve the disposal.

**A9. Segmental Information**

The Group's segment report is presented based on its operating segments as follows:

Segment revenue	Individual Period		Cumulative	
	Quarter ended 30.6.2015 RM'000	Quarter ended 30.6.2014 RM'000	Year to date 30.6.2015 RM'000	Year to date 30.6.2014 RM'000
IT	570	434	1,478	991
Search & Advertising	8,926	8,305	13,748	12,111
Investment holding & others	288	300	588	600
Less: Inter-segment revenue	(288)	(300)	(588)	(600)
Consolidated revenue	9,496	8,739	15,226	13,102



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Segment results	Individual Period		Cumulative	
	Quarter ended	Quarter ended	Year to date	Year to date
	30.6.2015	30.6.2014	30.6.2015	30.6.2014
	RM'000	RM'000	RM'000	RM'000
IT	(32)	(1,031)	(531)	(1,940)
Search & Advertising	1,091	1,890	1,742	(732)
Investment holding & Others	(242)	(129)	(333)	(193)
Consolidated profit/ (loss) before tax	817	730	878	(2,865)

**A10. Valuation of Property, Plant and Equipment**

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

**A11. Significant and Subsequent Events**

There were no material events subsequent to the end of the current quarter.

**A12. Changes in Composition of the Group**

PanPages Cambodia Ltd. ("PCL"), a wholly owned subsidiary of the Company had on 15 June 2015, entered into a conditional Share Purchase Agreement ("SPA") with Mr. Kim Gjemmestad ("Seller") to acquire the remaining 490 shares of 4,400,000 riels (approximately USD1,100) each ("Sale Shares") representing 49% of the equity interest in CAM YP Co. Ltd. ("CAM YP") from the Seller for a total cash consideration of USD2,059,964.29 ("Acquisition") satisfied by 4 tranches of payment with interest of 8% per annum imposed on the 3 tranches of payment commenced from 15 September 2015.

Date	Payment of Purchase Price (USD)
On completion	700,000.00
15 September 2015	500,000.00
15 November 2015	500,000.00
15 December 2015	359,964.29

Upon completion, CAM YP is now wholly-owned by PCL.



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**A13. Capital Commitments**

There were no material capital commitments not provided for in the interim financial statement as at 30 June 2015.

**A14. Contingent Liabilities**

There were no changes in contingent liabilities or contingent assets since the last annual balance sheet as at 31 December 2014.



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**B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES**

**B1. Review of Performance**

Current Quarter vs. Preceding Quarter

Group revenue for the current quarter registered at RM9.5 million which was 9% higher compared to the preceding corresponding quarter of RM8.7 million. Profit before tax increased from RM0.73 million of preceding year quarter ended 30 June 2014 (“2Q 2014”) to current year quarter ended 30 June 2015 (“2Q 2015”) of RM0.82 million.

The increased of revenue is mainly from the increased of sales in Search & Advertising division. Profit before tax is higher by 12% which due to the lower of expenses.

Current Year To Date vs. Previous Year To Date

The Group recorded a revenue of RM15.2 million, an increase of 16% compared to previous year to date of RM13.1 million. The Group reported a profit before tax of RM0.88 million for the current year to date compared to a loss of RM2.86 million for the preceding year to date.

Revenue increased mainly due to increase in content licensing.

**Analysis of the performance of business segments:**

Search and Advertising (“S&A”) business segment

	<b>2Q2015</b>	<b>2Q2014</b>	<b>Year to date</b>	<b>Year to date</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>30.6.2015</b>	<b>30.6.2014</b>
			<b>RM'000</b>	<b>RM'000</b>
Revenue	8,926	8,305	13,747	12,111
Cost of sales	(5,062)	(3,750)	(7,796)	(6,271)
Gross profit	3,864	4,555	5,951	5,840
Other income	102	223	1,432	409
Operating expenses	(2,820)	(2,884)	(5,548)	(6,969)
Finance costs	(55)	(4)	(93)	(12)
Profit/ (Loss) before taxation	1,091	1,890	1,742	(732)



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S&A division has concluded an increase of revenue from RM8.31 million of 2Q 2014 to RM8.93 million of 2Q 2015, which is 7.4% growth. The increment is mainly contributed by the content licensing.

The cost of sales had increased by 35% from 2Q 2014 to 2Q 2015 mainly due to increase of content development expenditure.

With the lower gross profit, the profit before tax reduced by 42% from RM1.89 million of 2Q 2014 to RM1.09 million of 2Q 2015.

Under the current financial period ended 30 June 2015, S&A division recorded revenue of RM13.7 million, representing an increase of 14% compared to RM12.11 million for the corresponding period ended 30 June 2014. However, the gross profit margin has reduced in current period ended 30 June 2015 at 43% compared to corresponding period ended 30 June 2014 of 48%.

The cost of sales increased by 24% from RM6.27 million for preceding period ended 30 June 2014 to RM7.80 million for current financial period under review mainly due to increase of content development expenditure.

The operating expense of current financial period under review is 19% lower than corresponding period ended 30 June 2014 mainly due to the trimming of operating overhead. This resulted to S&A reported a profit before tax of RM1.74 million compared to the preceding period ended 30 June 2014 of loss of RM0.73 million.

Information Technology (“IT”) business segment

	<b>2Q2015</b>	<b>2Q2014</b>	<b>Year to date</b>	<b>Year to date</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>30.6.2015</b>	<b>30.6.2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	569	434	1,478	991
Cost of sales	(111)	(292)	(307)	(562)
Gross profit	458	142	1,171	429
Other income	81	-	79	5
Operating expenses	(430)	(1,172)	(1,499)	(2,372)
Finance costs	(141)	(1)	(282)	(2)
Loss before taxation	(32)	(1,031)	(531)	(1,940)



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2Q 2015 recorded an improved financial result compared to the 2Q 2014 which the loss before taxation of RM32,000 and RM1.0 million respectively. The gross profit increased which contributed by the increased of sales in programming services and maintenance and the decreased of the cost in software and software maintenance. The operating expenses reduced by 63% mainly due to streamlining the operation of this division.

Current year to date ended 30 June 2015, it reflected a lower loss compared to preceding year to date ended 30 June 2014 which amounting to loss of RM0.53 million and loss of RM1.94 million respectively. It reported a higher gross profit margin, ie. 79% of current year to date and 43% of preceding year to date, while the revenue increased at the product mixed which consists of higher margin of in-house products.

Overall operating expenses reduced by 37% in current year to date under review comparing to the preceding year to date ended 30 June 2014 mainly due to streamlining the operation of this division.

**B2. Material Changes in the Quarterly Results**

	<b>Quarter ended 30.6.2015 RM'000</b>	<b>Quarter ended 31.03.2015 RM'000</b>
Revenue	9,496	5,731
Profit Before Tax	817	61

The Group's revenue for the current quarter under review increased by 66% compared to the immediate preceding quarter mainly due to the increase of revenue derived from content licensing. The overall expenses declined from the immediate preceding quarter by 9%. In line with the increase in revenue, the Group recorded profit before tax of RM0.82 million in current financial quarter compared to RM60,736 of immediate preceding quarter.

**B3. Prospects**

The Board anticipates the outlook of regional economy will remain weak by the extended effect of GST in Malaysia, the significant weakening of currencies and overall macro conditions.

The Group will continue to undertake various cautious measures to streamline the operations and stay defensive and prudence in business strategies.

Under the current circumstances, the Board of Directors of PanPages will be cautious on our business performance.



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**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, and projection in any public documents.

**B5. Variance on Profit Forecast**

The Group has not issued any profit forecast in a public document.

**B6. Taxation**

	Individual Period		Cumulative	
	Quarter ended 30.6.2015 RM'000	Quarter ended 30.6.2014 RM'000	Year to date 30.6.2015 RM'000	Year to date 30.6.2014 RM'000
Current year	-	-	-	-
Under/(over) provision in prior years	-	1	-	-
	-	1	-	-
Deferred taxation	-	-	-	-
	-	1	-	-

The Group's effective tax rate is lower than the statutory tax rate due to no taxation charge on the business income derived from its wholly-owned subsidiaries, PanPages Online Sdn Bhd and PanPages Lab Sdn. Bhd. (formerly known as CBSA Inotrac Sdn Bhd.). PanPages Online Sdn Bhd was granted pioneer status on 18 January 2006 and the tax exemption period has been extended to 17 January 2016. PanPages Lab Sdn Bhd was granted MSC Status on 4 April 2014.

**B7. (a) Status of Corporate Proposal**

There were no corporate proposals announced but not completed as at the date of this report.

**(b) Status of utilisation of proceeds**

There were no unutilized proceeds raised from any corporate proposals.





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**B8. Borrowings and Debts Securities**

The details of the Group's borrowings and debts securities outstanding as at 30 June 2015 are as follows:

	<b>Current RM'000</b>	<b>Non-current RM'000</b>
<b>Secured</b>		
Term Loan	831	11,240
Finance lease liabilities	334	586
	<u>1,165</u>	<u>11,826</u>
<b>Unsecured</b>		
Revolving credit	<u>2,500</u>	<u>-</u>
<b>Total Borrowings</b>	<u>3,665</u>	<u>11,826</u>

All borrowings are denominated in Ringgit Malaysia.

**B9. Changes in Material Litigation**

Except as disclosed below, The Group is not engaged in any material litigation either, as plaintiff or defendant, and the Directors do not have any knowledge of any proceedings pending or threatened against the Group as at the date of this report.

On 24 June 2014, PanPages Berhad (formerly known as CBSA Berhad) and its subsidiary, Cyber Business Solutions Sdn. Bhd. (collectively known as the "Plaintiffs") had filed a suit against Sun Chee Kong, Tan Chong Chew @ Tan Ying Ying, Kelvin Teoh Chin Erh, Gan Lay Koon, Lo Wing Lam, Lai Soon Onn, Phan Yoong Choo, Ahmad Saufi Bin Azis, Hew Yoon Onn, XMEG Technologies Sdn Bhd, Algo Solutions Sdn Bhd (formerly known as UURG MSC Sdn. Bhd.), Nigel Pope and ASG Software Solutions Inc (collectively known as the "Defendants") at the High Court of Malaya at Shah Alam to seek, among others, damages from the Defendants for misrepresentation; breach of fiduciary duties and fidelity; breach of confidence; and/or interference and conspiracy to injure.

As the result of the termination of the ASG Distribution Agreement by ASG Software Solutions Inc. on 28 May 2012, Cyber Business Solutions Sdn. Bhd. had suffered damages and losses which in turn adversely affected PanPages Berhad's revenues and profits.

Inter alia, the Plaintiffs contend that the termination of the ASG Software Agreement and Cyber Business Solutions Sdn. Bhd.'s venture into a new business venture of selling biometric devices and purchasing a huge inventory of biometric devices had caused damages to Cyber Business Solutions Sdn. Bhd.



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The Plaintiffs are claiming for damages for loss of profits to be assessed in respect of the termination of the ASG Distribution Agreement against all the Defendants and an aggregate sum of RM7,216,791 in respect of the venture of selling biometric devices against Sun Chee Kong and Tan Chong Chew @ Tan Ying Ying.

The next trial is fixed on 8<sup>th</sup>, 9<sup>th</sup> and 10<sup>th</sup> of December 2015.

**B10. Dividend**

No interim dividend has been declared during the quarter under review.

**B11. Earnings/ (Loss) Per Share**

The basic earnings/ (loss) 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

		Individual Period		Cumulative	
		Quarter ended 30.6.15	Quarter ended 30.6.14	Year to date 30.6.15	Year to date 30.6.14
Profit/ (Loss) attributable to owners of the Company	(RM'000)	965	790	1,008	(2,724)
Weighted average number of ordinary shares in issue and issuable	(Unit'000)	241,351	241,351	241,351	241,351
Basic earnings/ (loss) per share	(sen)	0.40	0.33	0.42	*



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Diluted

		Individual Period		Cumulative	
		Quarter ended 30.6.15	Quarter ended 30.6.14	Year to date 30.6.15	Year to date 30.6.14
Adjusted profit/ (loss) attributable to owners of the Company	(RM'000)	965	790	1,008	(2,724)
Adjusted weighted average number of ordinary shares in issue and issuable	(Unit'000)	243,654	241,372	243,654	241,372
Diluted earnings/(loss) per share	(sen)	0.40	0.33	0.41	*

\* Anti-dilutive in nature

**B12. Disclosure of Realised and Unrealised Profits**

The breakdown of realised and unrealised profits as at 30 June 2015 and 30 June 2014 is as follows:

Total unappropriated profits:-

	As at 30.6.2015 RM'000	As at 30.6.2014 RM'000
- Realised	48,591	48,889
- Unrealised	1,188	12
	49,779	48,901
Consolidated adjustments	(8,719)	(2,930)
	41,060	45,971



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**B13. Profit/ (Loss) before taxation**

Profit/ (Loss) before taxation is arrived after charging/(crediting) amongst other items the following:

	Individual Period		Cumulative	
	Quarter ended 30.6.2015 RM'000	Quarter ended 30.6.2014 RM'000	Year to date 30.6.2015 RM'000	Year to date 30.6.2014 RM'000
Interest income	(2)	(27)	(14)	(40)
Other Investment Income	-	2	-	(2)
Interest expense	43	12	224	23
Depreciation and amortization	1,929	830	2,303	1,579
Loss on disposal of quoted or unquoted investments or properties	-	3	-	-
Loss/ (Gain) on foreign exchange	39	(3)	(1,020)	74

**B14. Qualification of Financial Statements**

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