



VIZTEL SOLUTIONS BERHAD (489232-W)

QUARTERLY REPORT

On consolidated results for the third quarter ended 30 September 2008.
The figures have not been audited.

Unaudited Condensed Consolidated Income Statement for the third quarter ended 30 September 2008

	Note	Individual Quarter ended		Cumulative Quarter ended	
		30 Sept 2008 RM'000	30 Sept 2007 RM'000	30 Sept 2008 RM'000	30 Sept 2007 RM'000
Revenue	A9	590	609	674	1,099
Cost of Sales		(589)	(246)	(597)	(337)
Gross Profit		<u>1</u>	<u>363</u>	<u>77</u>	<u>762</u>
Other income		359	6	517	112
Administrative expenses		(798)	(647)	(1,692)	(1,224)
Marketing and distribution expenses		-	-	-	-
Other operating expenses		-	-	-	-
Finance costs		-	-	-	-
Profit/(Loss) before taxation	A9	<u>(438)</u>	<u>(278)</u>	<u>(1,098)</u>	<u>(350)</u>
Taxation	B5	-	-	-	-
Profit/(Loss) after taxation		<u>(438)</u>	<u>(278)</u>	<u>(1,098)</u>	<u>(350)</u>
Minority interests		-	-	-	-
		<u>(438)</u>	<u>(278)</u>	<u>(1,098)</u>	<u>(350)</u>
Earnings/(Loss) per share (sen)	B13				
(a) Basic		<u>(0.7)</u>	<u>(0.5)</u>	<u>(1.8)</u>	<u>(0.6)</u>

Notes:

1 The unaudited Condensed Consolidated Income Statement should be read in conjunction with the annual audited financial statements for the financial year ended 31 December 2007 and the accompanying explanatory notes attached to the financial statements hereto.



VIZTEL SOLUTIONS BERHAD (489232-W)

Unaudited Condensed Consolidated Balance Sheet

	Note	Unaudited As at end of current quarter ended 30 Sept 2008 RM'000	Audited As at preceding financial year ended 31 Dec 2007 RM'000
Plant and equipment	A10	421	840
Deferred development costs		1,689	1,573
Intangible asset		1,200	1,200
Current assets			
Trade receivables		690	1,368
Other receivables		615	775
Amount owing by an associate		794	655
Fixed deposits with licensed banks		147	147
Cash and cash equivalents		46	91
		<u>2,291</u>	<u>3,037</u>
Current liabilities			
Trade payables		401	176
Other payables		707	962
Amount due to Directors		646	619
Deferred Income		1,122	1,122
Tax payable		31	37
Borrowings	B9	-	-
		<u>2,907</u>	<u>2,916</u>
Net current assets		(616)	121
		<u>2,695</u>	<u>3,735</u>
Financed by:			
Share Capital and Reserves			
Share capital		6,050	6,050
Reserves		(3,355)	(2,315)
		<u>2,695</u>	<u>3,735</u>
Minority interests		-	-
		<u>2,695</u>	<u>3,735</u>
Non-current Liabilities			
Long term borrowings	B9	-	-
Deferred taxation		0	0
		<u>2,695</u>	<u>3,735</u>
		RM	RM
Net assets per share		<u>0.04</u>	<u>0.06</u>

Note :

1 The unaudited Condensed Consolidated Balance Sheet should be read in conjunction with the annual audited financial statements for the financial year ended 31 December 2007 and the accompanying explanatory notes attached to the financial statements hereto.



VIZTEL SOLUTIONS BERHAD (489232-W)

Unaudited Condensed Consolidated Statement of Changes in Equity for the second quarter ended 30 September 2008

Group	Note	Share Capital RM'000	Non Distributable Share premium RM'000	Foreign exchange translation reserve RM'000	Distributable Retained profits / (Accumulated losses) RM'000	Total RM'000
(Audited)						
At 1 January 2007		6,050	9,031	(81)	(10,737)	4,263
Foreign exchange translation difference		-	-	(84)	-	(84)
Negative goodwill derecognised - effects on adoption of FRS 3						-
Net loss for the period		-	-	-	(444)	(444)
At 31 December 2007		6,050	9,031	(165)	(11,181)	3,735
(Unaudited)						
At 1 January 2008		6,050	9,031	(165)	(11,181)	3,735
Foreign exchange translation difference		-	-	58	-	58
Net loss for the period		-	-	-	(1,098)	(1,098)
At 30 Sept 2008		6,050	9,031	(107)	(12,279)	2,695

Note :

1 The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the annual audited financial statements for the financial year ended 31 December 2007 and the accompanying explanatory notes attached to the statements hereto.



VIZTEL SOLUTIONS BERHAD (489232-W)

Unaudited Condensed Consolidated Cash Flow Statement for the second quarter ended 30 September 2008

	Unaudited 9 months ended 30 Sept 2008 RM'000	Unaudited 9 months ended 30 Sept 2007 RM'000
Net cash generated from/(used in) operating activities	80	3
Net cash used in investing activities	(116)	(486)
Net cash generated from financing activities	-	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(37)</u>	<u>(483)</u>
Effects of exchange rates changes	(7)	(38)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	238	726
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>195</u></u>	<u><u>205</u></u>
Represented by:		
Cash and bank balances	46	62
Deposits pledged for bank guarantees	<u>147</u>	<u>143</u>
	<u><u>193</u></u>	<u><u>205</u></u>

Note :

- 1 The unaudited Condensed Consolidated Cash Flow Statement should be read in conjunction with the annual audited financial statements for the financial year ended 31 December 2007 accompanying explanatory notes attached to the financial statements hereto and the



VIZTEL SOLUTIONS BERHAD (489232-W)
Notes on the quarterly report - 30 September 2008

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

A1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the Financial Reporting Standard ("FRS") 134 - Interim Financial Reporting and Chapter 9, Part K Rule 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Securities Exchange") for the MESDAQ Market, and should be read in conjunction with the Group's annual audited financial statements for the financial year ended 31 December 2007. The accounting policies and methods of computation adopted by the Group in the interim unaudited financial statements are consistent with those adopted for the financial year ended 31 December 2007.

A2. Changes in Accounting Policies

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the financial statements for the financial year ended 31 December 2007 except for the following Financial Reporting Standard ("FRS") which have been issued and are effective for financial periods beginning on or after 1 July 2007 and will be effective for the Group's financial statements for the financial year ending 31 December 2008:-

FRS 107 - Cash Flow Statements
FRS 111 - Construction Contracts
FRS 112 - Income Taxes
FRS 118 - Revenue
FRS 120 - Accounting for Government Grants and Disclosure of Government Assistance
FRS 134 - Interim Financial Reporting
FRS 137 - Provisions, Contingent Liabilities and Contingent Assets

The Group has not adopted FRS 139 - Financial Instruments: Recognition and Measurement as the effective date has been deferred to 1 January 2010.

The adoption of the abovementioned FRSs does not result in significant changes in accounting policies of the Group.

A3. Auditors' report

The auditor's report on the financial statements for the financial year ended 31 December 2007 was not subject to any qualification.

A4. Seasonality or cyclical nature of interim operations

The Group's interim operations were not affected by seasonal or cyclical factors.

A5. Unusual items

During the quarter under review, there were no items or events that arose, which affected assets, liabilities, equity, net income or cash flows, that are unusual by reason of their nature, size or incidence.

A6. Changes in estimates

There were no changes in the estimates of amounts reported in prior interim periods of the current financial year or in prior financial years that have had a material effect on the results in the quarter under review.



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A7. Issuance, cancellations, repurchases, resale and repayments of debt and equity securities

There were no issuance, cancellations, repurchases, resale and repayments of debt and equity securities for the quarter under review.

A8. Dividends

No dividend has been declared or paid during the period under review.

A9. Segmental reporting

	Individual quarter ended 30 Sept 2008		Cumulative quarter ended 30 Sept 2008	
	<u>Revenue</u>	<u>Profit / (Loss) before taxation</u>	<u>Revenue</u>	<u>Profit / (Loss) before taxation</u>
	RM'000	RM'000	RM'000	RM'000
Speech & Telephony Solutions Division	590	(797)	674	(1,615)
	<u>590</u>	<u>(797)</u>	<u>674</u>	<u>(1,615)</u>
Other income		359		517
	<u>590</u>	<u>(438)</u>	<u>674</u>	<u>(1,098)</u>

A10. Valuation of plant and equipment

There has been no revaluation of plant and equipment during the current quarter under review.

A11. Subsequent material events

There were no other material events subsequent to the end of the quarter under review which is likely to substantially affect the results of the operations of the Company for the quarter under review.

A12. Changes in the composition of the Group

There were no changes in the composition of the Group since the last quarter.

A13. Changes in contingent liabilities or contingent assets

There were no changes in contingent liabilities or contingent assets since the last quarter.

A14. Capital Commitment

The Group does not have any capital commitment as at 31 September 2008.

A15. Significant Related Party Transactions

There were no significant related party transactions during the quarter under review.



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B. ADDITIONAL INFORMATION REQUIRED BY THE MESDAQ MARKET LISTING REQUIREMENTS (APPENDIX 9B)

B1. Review of group results for the quarter ended 30 September 2008

For the third quarter and nine (9) months in financial period ended 30 September 2008, the Group recorded revenue of RM590,000 and RM674,000 respectively. Lower margin from current projects coupled with higher operational costs resulted in the Group recording a loss before tax of RM438,000 for the current quarter.

B2. Variation of results against the preceding quarter

	Current quarter	Preceding quarter
	RM'000	RM'000
Revenue	590	29
Profit/(Loss) before tax	(438)	(254)

The Group recorded revenue of RM 590,000 and loss before tax of RM 438,000 for the current quarter compared to the revenue of RM 29,000 and loss before tax of RM 254,000 recorded in the preceding quarter. Lower margin from current projects coupled with higher operational costs resulted in the Group recording losses for both quarters under review.

B3. Prospects for current financial year

Communications Software Solutions is expected to continue providing sustainable revenue to the Company. Viztel's latest product, Voice Suite Application (VSA) is now at final stage of completion and will be made available to the market, targeting mainly SME's and corporate sectors. VSA provides automated mass calls notifications services with interactive capabilities for callers and recipients.

Viztel will continue to participate in the Government and GLC tenders in relation to the System Integrations projects. The uncertainties surrounding global financial market that has resulted in the weakening of US and EU economies has indirectly contributed to the slow domestic market and directly affects the ICT industry. Most of the tenders have been put on hold until further notification. Barring any unforeseen circumstances, the Directors remain cautiously optimistic that the performance of the Group will be satisfactory in the current financial year.

B4. Profit forecast or profit guarantee

Not applicable as the Group has not previously provided a profit forecast in a public document or a profit guarantee.

B5. Taxation

No taxation was provided in the accounts as the Company incurred a loss during the quarter under review. The Company was also accorded Multimedia Super Corridor (MSC) status whereby income derived from its operating activities is exempted from taxation. The MSC status expired on 22 August 2005 but was subsequently renewed for another period of five (5) years expiring 22 August 2010.

B6. Sale of unquoted investments and/or properties

There were no disposal of unquoted investments or properties during the period under review.

B7. Quoted and marketable securities

The Company/Group does not hold any quoted or marketable securities as at 30 September 2008. There were no purchases or disposals of quoted securities for the current quarter.



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B8. Status of corporate proposals

(a) Corporate Proposals

There were no corporate proposals announced.

(b) Status of utilisation of listing proceeds

The listing proceeds have been fully utilised as at 30 June 2006.

B9. Group borrowings and debt securities

The Group has no borrowings as at 30 September 2008.

B10. Off balance sheet financial instruments

There were no off balance sheet financial instruments as at the date of this report.

B11. Material litigation

Save for the following, the Directors are not aware of any other proceeding, pending or threatened litigation or any fact likely to give rise to any proceedings which might materially and adversely affect the position or business of the Group as at 30 September 2008.

Viztel Solutions Berhad ("VSB") versus Allied Interactive Sdn Bhd ("Allied Interactive")

Nature : Recovery of debts of RM200,000 for services rendered.

The Company has filed an application under Order 26A Rules of the Subordinate Court 1980 for summary judgement and the court has ruled in favour of VSB after the hearing session held on 25 October 2004 for the recovery of the whole portion of the debt with interest accruing and cost of litigation.

For the hearing on 18 July 2006, the High Court has dismissed Allied Interactive's Notice of Appeal and the defendant is required to settle the debts immediately to the Company.

TT dotCom Sdn Bhd ("TTDC") versus VSB

Nature : Writ of Summons on dispute services provided under the Strategic Alliance Agreement (Global IP)

The Company had on 4 April 2006 been served a writ of summons (Suit No. S622-212) ("Writ of Summons") by TTDC claiming a sum of RM1,405,693.10 plus interest at the rate of 8% per annum from 14 October 2005 to final settlement for services allegedly provided by them pursuant to a Strategic Alliance Agreement (Global IP) which was entered into between SmartDial International Sdn Bhd ("Smartdial"), a former subsidiary of VSB, with TTDC. The Writ of Summons was filed at the Kuala Lumpur High Court of Malaysia, naming VSB as the first defendant; Smartdial as the second defendant; and three (3) VSB officers (former directors of Smartdial prior to the disposal of the latter) as the third, fourth and fifth defendants.

The Statement of Defence was filed on 3 May 2007 and the case is fixed for a Pre-trial Case Management on 22 May 2008 before the Judge. The next case management will be on 12 Feb 2009.

The Directors refute the claims and have appointed a legal counsel to vigorously defend the Company's interest. A defence has been filed for the above claims together with an application to strike out the claims against the Directors.

Discussion has been made on the summons between TTDC and VSB.



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B12. Dividends

The Directors do not recommend the payment of a dividend in respect of the current financial year.

B13. Earnings/(Loss) per share ("EPS/LPS")

	Individual quarter ended 30 Sept 2008	Individual quarter ended 30 Sept 2007	Cumulative quarter ended 30 Sept 2008	Cumulative quarter ended 30 Sept 2007
Basic EPL/(LPS)				
Net profit/(loss) for the period (RM'000)	(438)	(278)	(1,098)	(350)
Weighted average number of ordinary shares in issue ('000)	60,500	60,500	60,500	60,500
Basic EPS/(LPS) (sen)	<u>(0.7)</u>	<u>(0.5)</u>	<u>(1.8)</u>	<u>(0.6)</u>

Basic EPS/(LPS) is calculated by dividing the net profit or loss for the period in review by the weighted average number of ordinary shares in issue during the period.

There were no potential dilutive components in the shareholdings of the Company as at 30 September 2007 and 30 September 2008.