

# **THE MEDIA SHOPPE BERHAD**

(Company No. 383028-D)

(Incorporated in Malaysia)

## **Part A – Explanatory Notes Pursuant to FRS 134**

### **1. Basis of Preparation.**

The interim financial report is unaudited and is prepared in accordance with FRS 134 “Interim Financial Reporting” and Appendix 7A of the Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) for the MESDAQ Market and should be read in conjunction with the audited consolidated financial statements of The Media Shoppe Berhad and its subsidiary (“**the Group**”) for the year ended 31 December 2005.

The accounting policies and presentation adopted for this interim financial report are consistent with those adopted for the annual financial statements for the year ended 31 December 2005 except for the adoption of the following new Financial Reporting Standards (“FRS”) effective for the financial period beginning 1 January 2006 which do not have any significant financial impact on the Group:

|         |   |
|---------|---|
| FRS 2   | Share-based Payment   |
| FRS 3   | Business Combinations   |
| FRS 101 | Presentation of Financial Statements                            |
| FRS 108 | Accounting Policies, Changes in Accounting Estimates and Errors |
| FRS 110 | Events after the Balance Sheet Date                             |
| FRS 116 | Property, Plant and Equipment                                   |
| FRS 121 | The Effects of Changes in Foreign Exchange Rates                |
| FRS 127 | Consolidated and Separate Financial Statements                  |
| FRS 133 | Earnings Per Share  |
| FRS 136 | Impairment of Assets  |
| FRS 138 | Intangible Assets   |

### **2. Auditors’ Report on Preceding Annual Financial Statements**

The audit report of the preceding annual financial statements was not subject to any qualification.

### **3. Comments About Seasonal or Cyclical Factors**

The Group’s interim operations are not materially affected by any seasonal or cyclical factors.

### **4. Unusual Items Due to Their Nature, Size or Incidence**

There were no unusual items during the quarter under review.

### **5. Changes in Estimates**

There were no changes in estimates during the quarter under review.

## **6. Debt and Equity Securities**

There were no issuance and repayment of debt and equity securities, share buy-back, share cancellations, shares held as treasury shares and resale of treasury shares during the quarter under review.

## **7. Dividends Paid**

There were no dividends paid during the quarter under review.

## **8. Segmental Information**

No segmental information is provided as the Group's revenue and profit after taxation is principally contributed from the provision of integrated web-based and mobile applications and solutions and the Group operates principally in Malaysia.

## **9. Carrying Amount of Revalued Assets**

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

## **10. Subsequent Events**

There were no material events between 1 April 2006 and 19 May 2006 (the latest practicable date not earlier than seven (7) days from the date of issue of this report) that have not been reflected in the interim financial statements.

## **11. Changes in the Composition of the Group**

There were no changes in the composition of the Group during the period under review.

## **12. Contingent Liabilities**

There were no contingent liabilities as at 19 May 2006 (the latest practicable date not earlier than seven (7) days from the date of issue of this report).

## Part B – Explanatory Notes Pursuant to Appendix 7A of the Listing Requirements of Bursa Malaysia for the MESDAQ Market

### 13. Performance review

The Group generated revenue of RM1.6 million and a loss before taxation of RM134,364 for the quarter ended 31 March 2006.

### 14. Comment on Material changes in Profit/(Loss) before Taxation

|                      | Quarter ended<br>31/3/06<br>Unaudited<br>RM'000 | Quarter ended<br>31/12/05<br>Audited<br>RM'000 | Change<br>(%) |
|----------------------|---|--|---------------|
| Revenue              | 1,620   | 1,330  | 22%           |
| Loss before taxation | (134)   | (900)  | 85%           |
|                      |   |  |               |

The Group recorded revenue of RM1.6 million for the quarter under review. The revenue is mainly derived from the sales of in-house developed solution, namely tmsEKP, with software application development and the mobile solutions. The increase in revenue as compared to the previous quarter is mainly due to the increase in the sales of tmsEKP and tmsSEED. As a result of the higher revenue, the Group registered a lower loss before taxation of RM134,364 as compared to a loss before taxation of RM0.9 million in the quarter ended 31 December 2005.

### 15. Commentary on Prospects

The Group has won projects in Brunei, Thailand and Hong Kong. These projects are expected to contribute to the revenue commencing in the second quarter of the year. Accordingly, barring any unforeseen circumstances, the Group anticipates the financial performance for the coming quarter to improve.

### 16. Profit Forecast and Profit Guarantee

The Company did not issue any profit forecast or profit guarantee in any public document during the quarter under review.

### 17. Taxation

The effective tax rate of the Group is lower than the statutory tax rate of 28% as no provision for taxation is made for the Company and a subsidiary as both companies were granted Multimedia Super Corridor (“MSC”) status and enjoyed the tax exemption during the quarter under review. The current tax charge is in respect of interest income derived from the placement of deposits with financial institutions.

## 18. Sale of Unquoted Investments and Properties

There were no sale of unquoted investments and properties during the quarter under review.

## 19. Quoted Securities

The Group did not have any investment in quoted securities as at the date of this report.

## 20. Status of Corporate Proposals

There were no corporate proposals as at 19 May 2006 (the latest practicable date not earlier than seven (7) days from the date of issue of this report).

## 21. Status of Utilisation of Listing Proceeds

The Company raised RM8.638 million during its Initial Public Offering exercise on 8<sup>th</sup> December 2004 and the details of the utilisation of proceeds up to 31 March 2006 are as follows:

| Description           | Proposed<br>Utilisation<br>RM'000 | Actual<br>Utilisation<br>RM'000 | Balance<br>RM'000 |
|-----------------------|-----------------------------------|---------------------------------|-------------------|
| (i) Acquisition       | 140                               | 140                             | -                 |
| (ii) Working Capital  | 3,998                             | 4,082                           | (84)*             |
| (iii) R&D expenses    | 3,000                             | 1,546                           | 1,454             |
| (iv) Listing expenses | 1,500                             | 1,385                           | 115*              |
| Total                 | <u>8,638</u>                      | <u>7,153</u>                    | <u>1,485</u>      |

### Notes:

\* As stated in TMS's prospectus dated 19<sup>th</sup> November 2004, the unutilized listing expenses will be used for working capital purposes.

## 22. Group Borrowings and Debt Securities

The Group's interest-bearing borrowings as at 31<sup>st</sup> December 2005 are in respect of hire purchase of a motor vehicle and leasing of computer equipment as follows:

|   | RM 000    |
|---|-----------|
| <b>Current</b>  |           |
| Hire purchase and lease creditor – payable within 12 months | 69        |
| <b>Non-Current</b>  |           |
| Hire purchase and lease creditor – payable after 12 months  | <u>54</u> |

### **23. Off Balance Sheet Financial Instruments**

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

### **24. Changes in Material Litigation**

Neither the Company nor its subsidiaries are 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 which might materially and adversely affect the financial position or business of the Group.

### **25. Dividend Payable**

No interim dividend has been declared or paid.

### **26. Earnings per Share**

The earnings per share were calculated by dividing the Company's loss after taxation and minority interest by the weighted average number of ordinary shares in the respective period as follows:

|  | <b>Current Year Quarter</b> | <b>Current Year To Date</b> |
|--|-----------------------------|-----------------------------|
| Loss after tax (RM'000)                    | (139)                       | (139)                       |
| Weighted average number of ordinary shares | 131,643,600                 | 131,643,600                 |
| Basic loss per share (Sen)                 | <u>(0.11)</u>               | <u>(0.11)</u>               |
| Diluted earnings/(loss) per share (Sen)    | <u>N/A</u>                  | <u>N/A</u>                  |