

THE MEDIA SHOPPE BERHAD

Year 2013

2nd Quarter Announcement

The Media Shoppe Berhad
(Incorporated in Malaysia - Company No. 383028-D)
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the quarter ended 30 June 2013

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	2013 CURRENT YEAR QUARTER 30/6/2013 (Unaudited) RM'000	2012 PRECEDING YEAR CORRESPONDING QUARTER 30/6/2012 (Unaudited) RM'000	2013 CURRENT YEAR-TO-DATE 30/6/2013 (Unaudited) RM'000	2012 PRECEDING YEAR CORRESPONDING PERIOD 30/6/2012 (Unaudited) RM'000
Revenue	58,562	18,713	109,042	30,585
Direct costs	(54,419)	(18,453)	(100,152)	(29,251)
Gross profit	<u>4,143</u>	<u>260</u>	<u>8,890</u>	<u>1,334</u>
Other income	321	108	853	182
	<u>4,464</u>	<u>368</u>	<u>9,743</u>	<u>1,516</u>
Operating expenses	(5,413)	(1,843)	(13,003)	(3,275)
Finance costs	(22)	(24)	(45)	(48)
Loss before taxation	<u>(971)</u>	<u>(1,499)</u>	<u>(3,305)</u>	<u>(1,807)</u>
Income tax expense	(314)	(9)	(640)	(9)
Loss after taxation	<u>(1,285)</u>	<u>(1,508)</u>	<u>(3,945)</u>	<u>(1,816)</u>
Other comprehensive expenses, net of tax	(1)	-	(1)	(2,890)
Total comprehensive expenses	<u>(1,286)</u>	<u>(1,508)</u>	<u>(3,946)</u>	<u>(4,706)</u>
Loss after taxation attributable to:-				
Owners of the Company	(1,185)	(1,508)	(3,752)	(1,816)
Non-controlling interest	(100)	-	(193)	-
	<u>(1,285)</u>	<u>(1,508)</u>	<u>(3,945)</u>	<u>(1,816)</u>
Total comprehensive expenses attributable to:-				
Owners of the Company	(1,185)	(1,508)	(3,752)	(4,706)
Non-controlling interest	(101)	-	(194)	-
	<u>(1,286)</u>	<u>(1,508)</u>	<u>(3,946)</u>	<u>(4,706)</u>
Loss per share (in sen)				
Basic LPS	(0.15)	(0.30)	(0.53)	(0.39)
Diluted LPS	N/A	N/A	N/A	N/A

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.)

The Media Shoppe Berhad (383028-D)
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2013

	(UNAUDITED)	(AUDITED)
	As at	As at
	30 June 2013	31 December 2012
	RM'000	RM'000
ASSETS:		
Non-Current Assets:		
Property and equipment	8,694	3,288
Other investments	250	250
Software development costs	289	328
Goodwill on consolidation	7,184	-
	16,417	3,866
Current Assets:		
Inventories	15,387	-
Trade and other receivables	21,804	25,654
Tax refundable	65	29
Cash and cash equivalents	33,705	28,336
	70,961	54,019
TOTAL ASSETS	87,378	57,885
EQUITY AND LIABILITIES:		
Equity attributable to owners of the Parent:		
Share capital	79,108	50,628
Reserves	(12,261)	(10,904)
	66,847	39,724
Non-controlling interest	73	-
TOTAL EQUITY	66,920	39,724
Non-Current Liabilities:		
Hire purchase payables	193	210
Term loan	881	911
Deferred tax liabilities	56	-
	1,130	1,121
Current Liabilities:		
Trade and other payables	18,702	16,912
Hire purchase payables	81	44
Term loan	59	57
Bank overdraft	-	16
Provision for taxation	486	11
	19,328	17,040
TOTAL LIABILITIES	20,458	18,161
TOTAL EQUITY AND LIABILITIES	87,378	57,885
Net assets per share (sen)	8.45	7.85

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.)

The Media Shoppe Berhad (383028-D)
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
For the six (6) months ended 30 June 2013

	(UNAUDITED) CURRENT YEAR-TO-DATE 30 June 2013 RM'000	(UNAUDITED) PRECEDING YEAR CORRESPONDING PERIOD 30 June 2012 RM'000
CASH FLOW FOR OPERATING ACTIVITIES		
Loss before taxation	(3,305)	(1,807)
Adjustments for non-cash items:		
Amortisation of software development costs	39	135
Bad debts written off	40	-
Depreciation of property and equipment	704	190
Interest expense	45	48
Impairment losses on trade receivables	415	738
Provision for sales commission	-	69
Equipment written-off	-	-
Unrealised loss on foreign exchange	-	-
Interest income	(206)	(112)
Reversal of impairment losses on trade receivables	(647)	(70)
Share-based payment arising from ESOS	2,800	-
Operating loss before changes in working capital	(115)	(809)
Net change in inventories	(487)	-
Net change in trade & other receivables	7,178	(7,439)
Net change in trade & other payables	(15,126)	3,387
Cash flow for operations	(8,550)	(4,861)
Income tax paid	(796)	(9)
Interest paid	(45)	(48)
Net cash for operating activities	(9,391)	(4,918)
CASH FLOWS FROM/(FOR) INVESTING ACTIVITIES		
Interest received	206	112
Software development costs paid	-	(76)
Purchase of equipment	(3,465)	(574)
Net cash inflow on acquisition of subsidiaries	4,508	-
Net cash from/(for) investing activities	1,249	(538)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of hire purchase payables	(39)	(21)
Repayment of term loan	(28)	(26)
Proceeds from issuance of shares pursuant to rights issue with warrants	-	31,263
Proceeds from conversion of warrants	-	3,436
Expenses incurred in relation to rights issue with warrants	-	(477)
Proceeds from exercise of ESOS	14,000	-
Expenses incurred in relation to acquisition of subsidiaries	(405)	-
Net cash from financing activities	13,528	34,175
NET CHANGE IN CASH AND CASH EQUIVALENTS	5,386	28,719
EFFECT OF FOREIGN EXCHANGE TRANSLATION	(1)	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	28,320	1,499
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	33,705	30,218

Note:-

* - Amount less than RM1,000

(The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.)

Note 1

Cash and Cash Equivalents:

	30/6/2013	30/6/2012
Short-term investments	13,655	2,521
Deposits with licensed bank	439	13,382
Cash and bank balances	19,611	14,315
	33,705	30,218

The Media Shoppe Berhad (383028-D)
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six (6) months ended 30 June 2013

	Non-Distributable				Distributable				Total RM'000
	Share Capital RM'000	Share Premium RM'000	Warrant Reserve RM'000	Foreign Exchange Translation Reserve RM'000	Employee Share Option Reserve RM'000	Accumulated Losses RM'000	Attributable To Owners of the Company RM'000	Non- Controlling Interest ("NCI") RM'000	
6 months ended 30 June 2013									
Balance as at 1 January 2013	50,628	1,742	10,146	-	-	(22,792)	39,724	-	39,724
Transactions with owners of the Company:-									
Issuance of shares pursuant to acquisition of subsidiaries	14,480	-	-	-	-	-	14,480	-	14,480
Expenses incurred in relation to acquisition of subsidiaries	-	(405)	-	-	-	-	(405)	-	(405)
NCI share of the acquiree's net identifiable assets	-	-	-	-	-	-	-	267	267
Share option granted under ESOS	-	-	-	-	2,800	-	2,800	-	2,800
Exercise of ESOS	14,000	2,800	-	-	(2,800)	-	14,000	-	14,000
Total transactions with owners	28,480	2,395	-	-	-	-	30,875	267	31,142
Loss after taxation for the 6 months ended 30 June 2013	-	-	-	-	-	(3,752)	(3,752)	(193)	(3,945)
Other comprehensive expenses for the 6 months ended 30 June 2013 - Foreign currency translation	-	-	-	-	*	-	-	(1)	(1)
Total comprehensive expenses for the 6 months ended 30 June 2013	-	-	-	-	-	(3,752)	(3,752)	(194)	(3,946)
Balance as at 30 June 2013	79,108	4,137	10,146	-	-	(26,544)	66,847	73	66,920

	Non-Distributable				Distributable				Total RM'000
	Share Capital RM'000	Share Premium RM'000	Warrant Reserve RM'000	Foreign Exchange Translation Reserve RM'000	Employee Share Option Reserve RM'000	Accumulated Losses RM'000	Attributable To Owners of the Company RM'000	Non- Controlling Interest ("NCI") RM'000	
6 months ended 30 June 2012									
Balance as at 1 January 2012	15,929	9,475	-	-	-	(15,654)	9,750	-	9,750
Transactions with owners of the Company:-									
Issuance of shares pursuant to rights issue with warrants	31,263	-	-	-	-	-	31,263	-	31,263
Expenses incurred in relation to rights issue with warrants	-	(477)	-	-	-	-	(477)	-	(477)
Adjustment for fair value of warrants	-	(8,998)	11,888	-	-	(2,890)	-	-	-
Conversion of warrants	3,436	-	-	-	-	-	3,436	-	3,436
Reclassification of warrant reserve upon conversion of warrants	-	1,742	(1,742)	-	-	-	-	-	-
Total transactions with owners	34,699	(7,733)	10,146	-	-	(2,890)	34,222	-	34,222
Loss after taxation, representing total comprehensive expenses for the 6 months ended 30 June 2012	-	-	-	-	-	(1,816)	(1,816)	-	(1,816)
Balance as at 30 June 2012	50,628	1,742	10,146	-	-	(20,360)	42,156	-	42,156

Note:-

* - Amount less than RM1,000

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.)

THE MEDIA SHOPPE BERHAD (“TMS” or “The Company”)

(Company No. 383028-D)
(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2013

Part A

Explanatory Notes Pursuant To Malaysian Financial Reporting Standards (“MFRS”) 134 Interim Financial Reporting

A1. Basis of Preparation

The condensed consolidated interim financial statements are unaudited and have been prepared in accordance with MFRS 134 *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board (“MASB”), IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board and Paragraph 9.22 of the Ace 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 The Media Shoppe Berhad (“TMS” or “the Company”) and its subsidiaries (“the Group”) for the financial year ended 31 December 2012. The explanatory notes attached to the condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2012.

A2. Changes in Accounting Policies

The significant accounting policies and methods of computation applied in the interim financial statements are consistent with those adopted in the most recent audited financial statements for the financial year ended 31 December 2012 except for the adoption of the following with effect from 1 January 2013:

- MFRS 10 Consolidated Financial Statements
- MFRS 11 Joint Arrangements
- MFRS 12 Disclosure of Interests in Other Entities
- MFRS 13 Fair Value Measurements
- MFRS 119 Employee Benefits
- MFRS 127 Separate Financial Statements
- MFRS 128 Investments in Associates and Joint Ventures
- Amendments to MFRS 1: Government Loans
- Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 10, MFRS 11 and MFRS 12: Transition Guidance
- Amendments to MFRS 101 Presentation of Items of Other Comprehensive Income
- IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine
- Annual Improvements to MFRSs 2009 – 2011 Cycle

A3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the audited financial statements for the financial year ended 31 December 2012 was not qualified.

A4. Seasonality or Cyclicity of Operations

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

A5. Unusual Items

There are no unusual items affecting assets, liabilities, equity, net income or cash flows during the quarter under review.

A6. Material Changes in Estimates

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

A7. Issuances, Repurchases, and Repayments of 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.

A8. Dividends Paid

There were no dividends paid during the quarter under review.

A9. Operating Segment Information

The segment information for the current quarter is as follows:-

	Provision of Integrated Web-Based and Workflow System RM'000	Trading of IT and ICT Products RM'000	The Group RM'000
Current quarter ended 30 June 2013			
Revenue			
External revenue	1,244	57,318	58,562
Results			
Segment results	(1,244)	618	(626)
Interest income	99	5	104
Reversal of impairment losses on trade receivables	216	-	216
Amortisation of software development costs	(20)	-	(20)
Bad debts written off	(40)	-	(40)
Depreciation of property and equipment	(112)	(241)	(353)
Impairment losses on trade receivables	(230)	-	(230)
Interest expense	(21)	(1)	(22)
	(1,352)	381	(971)
Income tax expense	(11)	(303)	(314)
Consolidated (loss)/profit after taxation	(1,363)	78	(1,285)
Assets			
Segment assets/Consolidated total assets	30,010	57,368	87,378
Liabilities			
Segment liabilities/Consolidated total liabilities	3,781	16,677	20,458

A9. Operating Segment Information (Cont'd)

	Provision of Integrated Web-Based and Workflow System RM'000	Trading of IT and ICT Products RM'000	The Group RM'000
Current quarter ended 30 June 2012			
Revenue			
External revenue	1,702	17,011	18,713
Results			
Segment results	(941)	88	(853)
Interest income	104	4	108
Reversal of impairment losses on trade receivables	-	-	-
Amortisation of software development costs	(67)	-	(67)
Depreciation of property and equipment	(105)	-	(105)
Impairment losses on trade receivables	(558)	-	(558)
Interest expense	(24)	-	(24)
	(1,591)	92	(1,499)
Income tax expense	-	(9)	(9)
Consolidated (loss)/profit after taxation	(1,591)	83	(1,508)
Assets			
Segment assets/Consolidated total assets	27,778	20,658	48,436
Liabilities			
Segment liabilities/Consolidated total liabilities	3,950	2,330	6,280

The Group operates principally in Malaysia.

A10. Material Events Subsequent to the End of the Interim Period

Save for the following, there were no material events subsequent to the end of the current quarter up to 19 August 2013, being the last practicable date from the date of the issue of this report that are expected to have an operational or financial impact on the Group:-

(a) Proposed Private Placement

The Company refers to the announcements made on 9 January 2013, 11 January 2013, 25 June 2013 and 28 June 2013 in respect of the Proposed Private Placement ("Announcements"). Unless otherwise defined, the definition set out in the Announcements shall apply herein.

A10. Material Events Subsequent to the End of the Interim Period (Cont'd)

(a) Proposed Private Placement (Cont'd)

On 14 August 2013, TA on behalf of the Board of Directors of TMS announced that the Board has on 14 August 2013 fixed the issue price for the placement of 79,107,000 new TMS Shares to be issued under the Proposed Private Placement ("Placement Shares") at RM0.10 per Placement Share.

The issue price of RM0.10 per Placement Share represents the par value of TMS Shares and at a premium of approximately 22.1% to the five (5)-day volume weighted average market price of the TMS Shares up to and including 13 August 2013 of RM0.0819.

The payment from the placee(s) is expected to be received within five (5) market days from the date of this announcement.

(b) Acquisition of Assets

On 25 July 2013, the Company announced that Viewnet eBusiness Sdn. Bhd. (formerly known as Kinetic Forward Sdn. Bhd.), a wholly-owned subsidiary of the Company has entered into an Implementation and Support Agreement with Open Adventure Sdn. Bhd., a 66% owned subsidiary of TMS to acquire OpenAd Enterprise Resource Planning ("ERP") Modules with E-Commerce Capabilities Built-In for a total cash consideration of RM6,069,120.

A11. Changes in the Composition of the Group

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

A12. Changes in Contingent Liabilities and Contingent Assets since the Last Annual Balance Sheet Date

Since the last annual balance sheet date, there were no material changes in contingent liabilities and contingent assets for the Group as at 19 August 2013 (the latest practicable date not earlier than seven (7) days from the date of issue of this report).

A13. Capital Commitments

	RM'000
Approved and Contracted for:-	
OpenAd ERP Modules with E-Commerce Capabilities Built-In	6,069
	<hr/>

Save for the above, there were no capital commitments as at 19 August 2013 (the latest practicable date not earlier than seven (7) days from the date of issue of this report).

A14. Related Party Transactions

The Group's related party transactions in the current quarter and the cumulative period-to-date ended 30.6.2013 are as follows:

	Current quarter RM'000	Cumulative period-to-date RM'000
Professional services rendered by a company in which a director is a common director and has substantial financial interest	26	49
Key management personnel:-		
- salaries and allowances	113	282
- defined contribution plans	14	36
- others	- *	1
- fee	36	72

Note:-

* - Amount less than RM1,000

A15. Changes in Fair Value of Financial Assets and Financial Liabilities, Transfers and Classifications

There have been no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities in the current quarter ended 30 June 2013.

Part B

Explanatory Notes Pursuant To Paragraph 9.22 of the Listing Requirements

B1. Detailed Analysis of Overall Performance

	Individual Quarter		Cumulative Period	
	30.6.2013 RM'000	30.6.2012 RM'000	30.6.2013 RM'000	30.6.2012 RM'000
Revenue	58,562	18,713	109,042	30,585
Loss before taxation	(971)	(1,499)	(3,305)	(1,807)

For the current quarter under review, the Group generated revenue of RM58.6 million for the quarter ended 30 June 2013, representing an increase of 213% as compared to RM18.7 million reported in the quarter ended 30 June 2012. The increase in revenue is mainly derived from the division of trading of Information Technology (IT) and Information Communication Technology (ICT) products as a result of expansion in this segment through acquisition of subsidiaries which was completed in first quarter of 2013. Loss before taxation has reduced by RM0.5 million mainly due to profits derived from IT and ICT division and reversal coupled with reduction of impairment losses on trade receivables from provision of integrated web-based and workflow system.

For the cumulative period under review, the Group generated revenue of RM109.0 million for the quarter ended 30 June 2013, representing an increase of 257% as compared to RM30.6 million reported in the quarter ended 30 June 2012. The increase in revenue is derived from the division of trading of IT and ICT products. Loss before taxation has increased by RM1.5 million mainly due to the share-based payment arising from the granting of option pursuant to an Employees Share Option Scheme ("ESOS") of the Company which amounted to RM2.8 million. By excluding the foregoing effect, the Group's loss before taxation reduced by RM1.3 million as a result of profit derived from the IT and ICT division.

B2. Comments on Material Changes in the Loss Before Taxation for the Quarter Reported as Compared with the Preceding Quarter

	Current quarter ended 30.6.2013 RM'000	Previous quarter ended 31.3.2013 RM'000
Revenue	58,562	50,480
Loss before taxation	(971)	(2,334)

The increase in revenue in the current quarter by RM8.1 million, representing an increase of 16% as compared to the previous quarter is due the contribution from IT and ICT division.

The Group recorded a loss before taxation of approximately RM1.0 million, an improvement of RM1.4 million, as compared to the previous quarter. However, by excluding the effect of the cost of option under the ESOS in the first quarter, loss before taxation has increased by RM1.4 million as compared to the previous quarter. This is mainly attributable to the decrease in revenue from the provision of integrated web-based and workflow system by RM0.7 million and increase in operating costs from IT and ICT division of approximately RM0.6 million.

B3. Detailed Analysis of the Group's Operating Segments

There are two operating segments for the current quarter which consists of:-

(1) Provision of integrated web-based and workflow system

Revenue from this division has decreased in the current quarter as compared to the previous quarter and the corresponding quarter ended 30 June 2012, respectively. This is mainly due to lower revenue contribution from application software development and third party products and services.

By excluding the effect of the cost of option under the ESOS in the previous quarter, loss before taxation has increased by RM0.8 million as compared with previous quarter mainly due to decrease in revenue as mentioned above.

Loss before taxation for the current quarter has reduced marginally as compared with corresponding quarter ended 30 June 2012 which is mainly attributable to the reversal of impairment losses and decrease in impairment losses on trade receivables.

(2) Trading of IT and ICT products

The expansion of business via acquisition has contributed to the increase in revenue in this division. Profit before taxation from the division has increased by approximately RM0.3 million in the current quarter as compared with the corresponding quarter ended 30 June 2012 due to contribution from Viewnet Computer System Sdn Bhd ("Viewnet"). However, profit before taxation has decreased by approximately RM0.6 million as compared with the previous quarter due to higher operating costs.

B4. Commentary on Prospects

While strengthening our software solutions business, the Group is continue looking at advancement with innovation by sourcing out opportunities and areas of growth in business segments. Barring any unforeseen circumstances, the Group's performance for the current financial year is expected to be better than of the previous financial year.

B5. Variance between Actual Profit and Forecast Profit or Profit Guarantee

The Company has entered into a profit guarantee agreement with the vendors of Open Adventure Sdn Bhd ("OA") and Viewnet, respectively, that the audited profit after tax of OA and Viewnet shall not be less than RM0.6 million and RM2.5 million, respectively, until the financial year ending 31 December 2014.

Proportionately, OA's performance is behind the profit guarantee mainly due to the source of revenue for OA is mostly project-based, of which recognition of revenue is dependent on the stages of work performed and OA has employed additional technical staff in order to cope with potential projects which are expected to be materialised in the second half of 2013 as well as involved in products development for targeted markets. Thus, the management of OA is confident in meeting the profit guarantee.

Viewnet is fairly consistent of meeting the profit guarantee.

B6. Tax Expense

The tax expense is as follows:

	Current Year Quarter RM'000	Current Year-To-Date RM'000
Current tax expense:		
- For the current financial period	(242)	(568)
- Underprovision in the previous financial period	(70)	(70)
	<u>(312)</u>	<u>(638)</u>
Deferred tax expense:		
- Current deferred tax	- *	- *
- Change in tax rate	(2)	(2)
	<u>(2)</u>	<u>(2)</u>
	<u>(314)</u>	<u>(640)</u>

Note:-

* - Amount less than RM1,000

B7. Status of Corporate Proposals

Save for the Proposed Private Placement disclosed in Section A10, there was no other corporate proposal as at 19 August 2013 (the latest practicable date not earlier than seven (7) days from the date of issue of this report) pending for completion.

B8. Utilisation Of Proceeds

Rights Issue with Warrants

On 19 January 2012, HLIB on behalf of TMS announced that the Rights Issue with Warrants has been completed following the listing of and quotation for 312,631,700 Rights Shares together with 234,473,775 Warrants on the ACE Market of Bursa Securities.

Purposes	Proposed Utilisation	Actual Utilisation As At 30.6.2013	Intended Timeframe for Utilisation	Deviation		Explanation
	RM'000	RM'000		RM'000	%	
Working capital requirements	8,763	1,275	Within 24 months	7,488	85.5	N1
Expansion of existing business	10,000	8,882	Within 24 months	1,118	11.2	N1
Overseas expansion	12,000	-	Within 36 months	12,000	100.0	N1
Estimated expenses in relation to the Rights Issue with Warrants	500	477	Within 1 month	23	4.6	N2
Total	31,263	10,634				

B8. Utilisation Of Proceeds (Cont'd)

Rights Issue with Warrants (Cont'd)

- N1 Pending utilisation.
- N2 Being over-estimation of expenses in relation to the Rights Issue with Warrants which include fees payable to relevant authorities, advisers, reporting accountants, solicitors and other related expenses.

B9. Details of Group Borrowings and Debt Securities

The Group's interest-bearing borrowings as at 30 June 2013 are in respect of hire purchase of motor vehicles and a term loan for the office lots as follows:

	As at 30.6.2013 RM'000
Current - secured	
Hire purchase payables - payable within 12 months	81
Term loan - payable within 12 months	59
	<hr/> 140 <hr/>
Non-current - secured	
Hire purchase payables - payable after 12 months	193
Term loan - payable after 12 months	881
	<hr/> 1,074 <hr/>
	<hr/> 1,214 <hr/>

B10. Gains and Losses arising from Fair Value Changes of Financial Liabilities

No gains or losses were recognised for changes in fair values of financial liabilities during the quarter under review.

B11. Changes in Material Litigation

Save for the following, the Group is not engaged in any material litigation, claim or arbitration, either as plaintiff or defendant, and the Directors of TMS do not have any knowledge of proceedings pending or threatened against TMS and/or its subsidiaries, or of any fact likely to give rise to any proceeding, which might materially and adversely affect the financial position or business of the Group:

- (i) On 19 September 2011, a letter of demand has been issued to Rebound Asia (M) Sdn Bhd (“RASB”) for a sum of RM797,530 due and owing by RASB to a subsidiary pursuant to Sub-Contract Agreement dated 11 August 2010 between RASB and the said subsidiary for ‘Tender, Membekal, Membangun, Memasang, Mengkonfigurasi, Mengintegrasikan, Menguji, Mentauliah dan Menyelenggara Perisian Sistem Pengurusan Sekolah (SPS) dan Sistem Pengurusan KPM (SPK), Kementerian Pelajaran Malaysia.

On 14 February 2012, a notice of termination has been issued to RASB to terminate the Sub-Contract Agreement with immediate effect and demand RASB to settle the outstanding sum. A notice of arbitration dated 27 August 2012 has been issued to RASB and, RASB has made an offer to settle the outstanding sum to the said subsidiary vide deferred payments. In October 2012, the said subsidiary has received post dated cheques from RASB to settle portion of the outstanding sum and all of the cheques have been cleared.

On 12 April 2013, another letter of demand has been issued for the balance due and owing by RASB to the subsidiary. On 26 April 2013, RASB has made an offer to settle all outstanding sum to the said subsidiary vide deferred payments. In May 2013, The said subsidiary has received post dated cheques from RASB to settle the outstanding sum and four of the cheques have been cleared as at 19 Aug 2013 (the latest practicable date not earlier than seven (7) days from the date of issue of this report).

The legal action has no financial impact on the said subsidiary as the amount has been fully impaired in the financial statements.

Based on the advice from the TMS Group's legal advisers, at this juncture, the Directors are of the view that the said subsidiary has a good chance of recovering the debts due and owing by RASB.

- (ii) On 22 April 2013, a letter of demand has been issued to Smart Vision Technology Sdn Bhd (“SVT”) for a sum of RM1,637,098 due and owing by SVT to the Company pursuant to Project Agreement between SVT and the Company dated 29 September 2008 (“the Agreement”).

On 2 May 2013, another letter of demand has been issued to SVT to inform that the Company will not hesitate to exercise its rights under the Agreement including but not limited to the termination of the Agreement in the event the outstanding sum due and owing is not settled within a stipulated time.

The legal action has no financial impact on the Company as the amount has been fully impaired in the financial statements.

The Company will continue to pursue for the collection of balance due.

B12. Dividends

No interim dividend has been declared or proposed for the quarter under review.

B13. Loss per Share

The loss per share was calculated by dividing the Company's loss after taxation and non-controlling interest by the weighted average number of ordinary shares in the respective period as follows:

	Individual Quarter		Cumulative Period	
	Current Year Quarter Ended 30.6.2013	Preceding Year Corresponding Quarter Ended 30.6.2012	Current Year-to-date Ended 30.6.2013	Preceding Year Corresponding Period Ended 30.6.2012
Basic loss per share				
Loss for the period (RM'000)	(1,185)	(1,508)	(3,752)	(1,816)
Weighted average number of ordinary shares	791,075,890	506,275,890	711,442,715	464,643,919
Basic loss per share (sen)	(0.15)	(0.30)	(0.53)	(0.39)
Diluted earnings per share	N/A	N/A	N/A	N/A

B14. Notes to the Statement of Comprehensive Income

	Current quarter 30/6/2013 RM'000	Current year-to-date 30/6/2013 RM'000
Interest income	104	206
Other income	N/A	N/A
Interest expense	22	45
Depreciation of property and equipment	353	704
Amortisation of software development costs	20	39
Impairment losses on trade receivables	230	415
Reversal of impairment losses on trade receivables	216	647
Provision for and write off of inventories	N/A	N/A
Gain or loss on disposal of quoted or unquoted investments or properties	N/A	N/A
Impairment of assets	N/A	N/A
Unrealised loss on foreign exchange	- *	- *
Realised loss on foreign exchange	-	- *
Gain or loss on derivatives	N/A	N/A
Exceptional items	N/A	N/A

Note:-

* - Amount less than RM1,000

B15. Disclosure of Realised and Unrealised Profit or Losses

Pursuant to the directive dated 25 March 2010 issued by Bursa Securities, the breakdown of the accumulated losses can be analysed as follows:

	As at 30.6.2013 RM'000	As at 31.12.2012 RM'000
Total accumulated losses of the Group:		
- realised	(24,201)	(27,045)
- unrealised	-	-
	<hr/>	<hr/>
	(24,201)	(27,045)
Less: Consolidation Adjustments	(2,343)	4,253
	<hr/>	<hr/>
	(26,544)	(22,792)
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The determination of realised and unrealised profits is compiled based on Guidance of Special Matter No. 1 "*Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*", issued by the Malaysian Institute of Accountants on 20 December 2010.

B16. Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 26 August 2013.