

THE MEDIA SHOPPE BERHAD

Year 2013

3rd Quarter Announcement

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

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	2013 CURRENT YEAR QUARTER 30/9/2013 (Unaudited) RM'000	2012 PRECEDING YEAR CORRESPONDING QUARTER 30/9/2012 (Unaudited) RM'000	2013 CURRENT YEAR-TO-DATE 30/9/2013 (Unaudited) RM'000	2012 PRECEDING YEAR CORRESPONDING PERIOD 30/9/2012 (Unaudited) RM'000
Revenue	57,718	10,418	166,760	41,003
Direct costs	(52,884)	(10,474)	(153,036)	(39,725)
Gross profit	<u>4,834</u>	<u>(56)</u>	<u>13,724</u>	<u>1,278</u>
Other income	440	92	1,293	274
	<u>5,274</u>	<u>36</u>	<u>15,017</u>	<u>1,552</u>
Operating expenses	(5,177)	(1,551)	(18,180)	(4,826)
Finance costs	(10)	(22)	(55)	(70)
Profit/(Loss) before taxation	<u>87</u>	<u>(1,537)</u>	<u>(3,218)</u>	<u>(3,344)</u>
Income tax expense	(155)	(12)	(795)	(21)
Loss after taxation	<u>(68)</u>	<u>(1,549)</u>	<u>(4,013)</u>	<u>(3,365)</u>
Other comprehensive income/(expenses), net of tax	-	-	(1)	(2,890)
Total comprehensive expenses	<u>(68)</u>	<u>(1,549)</u>	<u>(4,014)</u>	<u>(6,255)</u>
Loss after taxation attributable to:-				
Owners of the Company	(123)	(1,549)	(3,875)	(3,365)
Non-controlling interest	55	-	(138)	-
	<u>(68)</u>	<u>(1,549)</u>	<u>(4,013)</u>	<u>(3,365)</u>
Total comprehensive expenses attributable to:-				
Owners of the Company	(123)	(1,549)	(3,875)	(6,255)
Non-controlling interest	55	-	(139)	-
	<u>(68)</u>	<u>(1,549)</u>	<u>(4,014)</u>	<u>(6,255)</u>
Loss per share (in sen)				
Basic LPS	(0.02)	(0.31)	(0.50)	(0.70)
Diluted LPS	N/A	N/A	N/A	N/A

Note:-

* - Amount less than RM1,000

(The Condensed Consolidated Statement of Profit and Loss and Other 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 September 2013

	(UNAUDITED)	(AUDITED)
	As at	As at
	30 September 2013	31 December 2012
	RM'000	RM'000
ASSETS:		
Non-Current Assets:		
Property and equipment	8,625	3,288
Other investments	250	250
Software development costs	269	328
Goodwill on consolidation	7,184	-
	<u>16,328</u>	<u>3,866</u>
Current Assets:		
Inventories	14,453	-
Trade and other receivables	23,947	25,654
Tax refundable	43	29
Cash and cash equivalents	37,059	28,336
	<u>75,502</u>	<u>54,019</u>
TOTAL ASSETS	<u>91,830</u>	<u>57,885</u>
EQUITY AND LIABILITIES:		
Equity attributable to owners of the Parent:		
Share capital	87,018	50,628
Reserves	(12,466)	(10,904)
	<u>74,552</u>	<u>39,724</u>
Non-controlling interest	128	-
TOTAL EQUITY	<u>74,680</u>	<u>39,724</u>
Non-Current Liabilities:		
Hire purchase payables	176	210
Term loan	-	911
Deferred tax liabilities	57	-
	<u>233</u>	<u>1,121</u>
Current Liabilities:		
Trade and other payables	16,584	16,912
Hire purchase payables	79	44
Term loan	-	57
Bank overdraft	-	16
Provision for taxation	254	11
	<u>16,917</u>	<u>17,040</u>
TOTAL LIABILITIES	<u>17,150</u>	<u>18,161</u>
TOTAL EQUITY AND LIABILITIES	<u>91,830</u>	<u>57,885</u>
Net assets per share (sen)	8.57	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 nine (9) months ended 30 September 2013

	(UNAUDITED) CURRENT YEAR-TO-DATE 30 September 2013 RM'000	(UNAUDITED) PRECEDING YEAR CORRESPONDING PERIOD 30 September 2012 RM'000
CASH FLOW FOR OPERATING ACTIVITIES		
Loss before taxation	(3,218)	(3,344)
Adjustments for non-cash items:		
Amortisation of software development costs	59	202
Bad debts written off	40	-
Depreciation of property and equipment	1,100	297
Interest expense	55	70
Impairment losses on trade receivables	779	985
Provision for sales commission	-	86
Equipment written-off	- *	- *
Unrealised loss on foreign exchange	- *	-
Interest income	(312)	(204)
Reversal of impairment losses on trade receivables	(980)	(70)
Share-based payment arising from ESOS	2,800	-
Operating loss before changes in working capital	323	(1,978)
Net change in inventories	447	-
Net change in trade & other receivables	5,004	(5,892)
Net change in trade & other payables	(17,244)	678
Cash flow for operations	(11,470)	(7,192)
Income tax paid	(1,159)	(43)
Interest paid	(55)	(70)
Net cash for operating activities	(12,684)	(7,305)
CASH FLOWS FROM/(FOR) INVESTING ACTIVITIES		
Interest received	312	204
Software development costs paid	-	(60)
Purchase of equipment	(3,792)	(590)
Net cash inflow on acquisition of subsidiaries	4,508	-
Net cash from/(for) investing activities	1,028	(446)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of hire purchase payables	(59)	(31)
Repayment of term loan	(968)	(40)
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)	-
Proceeds from issuance of shares pursuant to Private Placement, net of expenses	7,828	-
Net cash from financing activities	20,396	34,151
NET CHANGE IN CASH AND CASH EQUIVALENTS	8,740	26,400
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	37,059	27,899

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:

	30/9/2013	30/9/2012
Short-term investments	13,215	2,037
Deposits with licensed bank	447	13,444
Cash and bank balances	23,397	12,418
	37,059	27,899

The Media Shoppe Berhad (383028-D)
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the nine (9) months ended 30 September 2013

	Share Capital RM'000	Share Premium RM'000	Warrant Reserve RM'000	Foreign Exchange Translation Reserve	Employee Share Option Reserve	Accumulated Losses	Attributable To Owners of the Company	Non- Controlling Interest ("NCI")	Total RM'000
9 months ended 30 September 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 9 months ended 30 September 2012	-	-	-	-	-	(3,365)	(3,365)	-	(3,365)
Balance as at 30 September 2012	50,628	1,742	10,146	-	-	(21,909)	40,607	-	40,607

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 SEPTEMBER 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

During the current quarter, the Company increased its issued and paid up ordinary share capital of RM0.10 each by way of issuance of 79,107,000 new ordinary shares of RM0.10 each pursuant to a Private Placement. The Private Placement was completed on 29 August 2013.

Save for the above, 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 September 2013			
Revenue			
External revenue	1,889	55,829	57,718
Results			
Segment results	(525)	963	438
Interest income	101	5	106
Reversal of impairment losses on trade receivables	333	-	333
Amortisation of software development costs	(20)	-	(20)
Bad debts written off	-	-	-
Depreciation of property and equipment	(110)	(286)	(396)
Impairment losses on trade receivables	(364)	-	(364)
Interest expense	(9)	(1)	(10)
	(594)	681	87
Income tax expense	53	(208)	(155)
Consolidated (loss)/profit after taxation	(541)	473	(68)
Assets			
Segment assets/Consolidated total assets	35,781	56,049	91,830
Liabilities			
Segment liabilities/Consolidated total liabilities	2,244	14,906	17,150

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 September 2012			
Revenue			
External revenue	702	9,716	10,418
Results			
Segment results	(1,160)	(27)	(1,187)
Interest income	93	-	93
Amortisation of software development costs	(67)	-	(67)
Depreciation of property and equipment	(106)	-	(106)
Impairment losses on trade receivables	(247)	-	(247)
Interest expense	(23)	-	(23)
	<u>(1,510)</u>	<u>(27)</u>	<u>(1,537)</u>
Income tax expense	-	(12)	(12)
Consolidated loss after taxation	<u>(1,510)</u>	<u>(39)</u>	<u>(1,549)</u>
Assets			
Segment assets/Consolidated total assets	23,841	20,210	<u>44,051</u>
Liabilities			
Segment liabilities/Consolidated total liabilities	3,433	11	<u>3,444</u>

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 21 November 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) Agreement for Appointment

On 3 October 2013, the Board of Directors of TMS announced that the Company has entered into an Agreement for Appointment (“the Agreement”) with ZTE Supply Chain Co., Ltd., collectively be referred as the “Parties”.

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

(a) Agreement for Appointment (Cont'd)

The scope of the Agreement is as follows:-

1. TMS is appointed as ZTESC's strategic partner to assist in exploring opportunities, wherein ZTESC is able to assist, participate and contribute to the growth of the Intelligent Supply Chain Services in Malaysia.
2. TMS will also assist in sourcing for companies who have been granted any project/concession who are seeking for financial assistance whereby ZTESC will be able to assist. It is agreed that the Parties shall explore such opportunities in good faith to ensure a win-win structure where both Parties stand to profit and it is further agreed that ZTESC shall work exclusively with TMS relating to companies/ projects/ concessions introduced by TMS whether directly or indirectly including without limitation those belonging to TMS' partners.
3. TMS shall liaise with the Malaysian governments and local project owners for the purpose of Intelligent Supply Chain Services. ZTESC shall utilise its technical and finance advantage to assist and support if necessary.
4. TMS shall have the responsibility of negotiating with the local project owners for the mode of investment. In the event all parties involved can agree on responsibilities and profit sharing, all such parties involved shall execute further documentation for such project/concession.
5. For any project/concession relating to Intelligent Supply Chain services, ZTESC shall source and supply the relevant products for TMS which can then be onward supplied to the local project owners in Malaysia. ZTESC shall leverage on its purchasing and financial advantages in assisting TMS's development agreed by both Parties.
6. TMS shall also appoint ZTESC as the strategic partner for the purpose of purchasing of IT products (including but not limited to PC, Mobile phone and Tablet) globally in which ZTESC shall meet the target by fully using its finance advantage and high level supply chain services.
7. For the IT products supply chain service scope as stated in 6 above, both parties shall mutually agree on the scope before execution of each purchase order.

(b) Teaming Agreement

On 14 October 2013, the Board of Directors of TMS announced that the Company's wholly-owned subsidiary, NuOne Sdn. Bhd. ("NuOne") has on 14 October 2013 entered into a Teaming Agreement ("the Agreement") with ShenZhen ZNV Technology Co Ltd ("ZNV").

NuOne and ZNV, collectively be referred as the "Parties".

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

(b) Teaming Agreement (Cont'd)

The scope of the Agreement is as follows:-

1. The Parties wish to team up to introduce the concept of global surveillance in Malaysia. The Parties agree that one of the projects would be to introduce such global surveillance in the Iskandar Development Region.
2. NuOne shall have the responsibility to source projects on global surveillance and ZNV shall provide its expertise and experience in such area for the purpose of these projects/concessions.
3. ZNV shall work exclusively with NuOne in relation to companies/ projects/ concessions introduced by NuOne and/or TMS whether directly or indirectly without limitation to those belonging to NuOne and/or TMS' partners. ZNV shall work solely with NuOne and/or TMS for the period of one (1) year from the date of this Agreement for any project of the Government of Malaysia.

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

Save for the following, since the last annual balance sheet date, there were no material changes in contingent liabilities and contingent assets for the Group as at 21 November 2013 (the latest practicable date not earlier than seven (7) days from the date of issue of this report).

The changes in contingent liabilities of the Company are as follows:-

	The Company	
	As at 30/9/2013 RM'000	As at 31/12/2012 RM'000
Corporate guarantees extended:		
- to a supplier for purchases made by a subsidiary	186	-

A13. Capital Commitments

	RM'000
Approved and Contracted for:-	
OpenAd ERP Modules with E-Commerce Capabilities Built-In	6,069
Office premise	1,250
	<hr/>
	7,319

Save for the above, there were no capital commitments as at 21 November 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 30.9.2013 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	75
Key management personnel-		
- salaries and allowances	112	394
- defined contribution plans	14	50
- others	- *	1
- fee	36	108

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 September 2013.

Part B**Explanatory Notes Pursuant To Paragraph 9.22 of the Listing Requirements****B1. Detailed Analysis of Overall Performance**

	Individual Quarter		Cumulative Period	
	30.9.2013 RM'000	30.9.2012 RM'000	30.9.2013 RM'000	30.9.2012 RM'000
Revenue	57,718	10,418	166,760	41,003
Profit/(loss) before taxation	87	(1,537)	(3,218)	(3,344)

For the current quarter under review, the Group generated revenue of RM57.7 million for the quarter ended 30 September 2013, representing an increase of 454% as compared to RM10.4 million reported in the quarter ended 30 September 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 RM1.6 million mainly due to profits derived from IT and ICT division, increase in revenue from application software development and ERP set up and reversal 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 RM166.8 million for the quarter ended 30 September 2013, representing an increase of 307% as compared to RM41.0 million reported in the quarter ended 30 September 2012. The increase in revenue is mainly derived from the division of trading of IT and ICT products. Loss before taxation has reduced by RM0.1 million as compared with the corresponding quarter ended 30 September 2012. The Group's loss before taxation has reduced by RM2.9 million by excluding 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 as a result of profit derived from the IT and ICT division.

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

	Current quarter ended 30.9.2013 RM'000	Previous quarter ended 30.6.2013 RM'000
Revenue	57,718	58,562
Profit/(Loss) before taxation	87	(971)

The decrease in revenue in the current quarter by RM0.8 million, representing a decrease of 1.4% as compared to the previous quarter is due to lower revenue contribution from IT and ICT division.

The Group recorded a profit before taxation of approximately RM0.1 million, an improvement of RM1.1 million, as compared to the previous quarter. This is mainly attributable to the increase in revenue from the provision of integrated web-based and workflow system by approximately RM0.6 million and decrease in operating costs from IT and ICT division of approximately RM0.3 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 increased in the current quarter as compared to the previous quarter and the corresponding quarter ended 30 September 2012, respectively. This is mainly due to higher revenue contribution from application software development and ERP setup.

Loss before taxation has reduced by RM0.8 million and RM0.9 million as compared with previous quarter and corresponding quarter, respectively mainly due to increase in revenue as mentioned above.

(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 RM0.2 million and RM0.7 million in the current quarter as compared with the previous quarter ended 30 June 2013 and corresponding quarter ended 30 September 2012 respectively, mainly due to contribution from Viewnet Computer System Sdn Bhd ("Viewnet").

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 in 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	(250)	(818)
- Underprovision in the previous financial period	96	26
	<u>(154)</u>	<u>(792)</u>
Deferred tax expense:		
- Current deferred tax	(1)	(1)
- Change in tax rate	-	(2)
	<u>(1)</u>	<u>(3)</u>
	<u>(155)</u>	<u>(795)</u>

B7. Status of Corporate Proposals

There was no corporate proposal as at 21 November 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 30.9.2013	Intended Timeframe for Utilisation	Deviation		Explanation
	RM'000	RM'000		RM'000	%	
Working capital requirements	8,786	1,632	Within 24 months	7,154	81.4	N1
Expansion of existing business	10,000	9,482	Within 24 months	518	5.2	N1
Overseas expansion	12,000	-	Within 36 months	12,000	100.0	N1
Estimated expenses in relation to the Rights Issue with Warrants	477	477	Within 1 month	-	-	N2
Total	31,263	11,591				

B8. Utilisation Of Proceeds (Cont'd)

Rights Issue with Warrants (Cont'd)

- N1 Pending utilisation.
- N2 The over-estimation of expenses in relation to the Rights Issue with Warrants of RM23,000 or 4.6% which include fees payable to relevant authorities, advisers, reporting accountants, solicitors and other related expenses has been reclassified to working capital requirements.

B9. Details of Group Borrowings and Debt Securities

The Group's interest-bearing borrowings as at 30 September 2013 are in respect of hire purchase of motor vehicles as follows:

	As at 30.9.2013 RM'000
Current - secured	
Hire purchase payables - payable within 12 months	79
Non-current - secured	
Hire purchase payables - payable after 12 months	176
	<hr/> <hr/> 255 <hr/> <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 12 August 2013, a letter of demand has been issued to Heitech Padu Berhad (“HTP”) for a sum of RM517,700 due and owing by HTP to a subsidiary of the Company pursuant to Subcontract Agreement For The Government of Malaysia dated 26 September 2012 between HTP and the said subsidiary for “Projek Pembangunan Semula Sistem Pengkomputeran Jabatan - The Supply, Analysis, Design, Development, Installation and Configuration, Testing, Training, Commissioning, Deployment, Maintenance and Support within Warranty Period of an Integrated Solution for Road Transport Department of Malaysia” (“the Agreement”).

Pertaining to the same Agreement, on 4 September 2013, HTP has issued a letter of demand to the subsidiary, demanding for a sum of RM700,000, due to the subsidiary’s failure to deliver as per the terms of the Agreement. At the same time, HTP proposed a meeting to discuss and explore amicable solution without the necessity of going to court. It was during this time HTP proposed that an earlier sum of RM210,000 paid to the subsidiary be deemed as full and final settlement. The subsidiary did not choose to accept such an amount as full and final settlement at that point in time.

On 12 November 2013, HTP issued another letter of demand to the subsidiary, for an aggregate sum of RM931,500, alleging the subsidiary had breached the terms of the Agreement when it failed to supply and deliver the deliverables and complete the project. Based on the legal advise, HTP has weak or no case on this latest demand.

Having discuss internally, the Board wishes to conclude this matter as soon as possible and has authorised management to revisit the earlier proposed settlement of RM210,000 as full and final settlement as stated above. On 25 November 2013, the said subsidiary proposed the same to HTP and is currently awaiting a reply from HTP.

- (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 30.9.2013	Preceding Year Corresponding Quarter Ended 30.9.2012	Current Year-to-date Ended 30.9.2013	Preceding Year Corresponding Period Ended 30.9.2012
Basic loss per share				
Loss for the period (RM'000)	(123)	(1,549)	(3,875)	(3,365)
Weighted average number of ordinary shares	819,451,227	506,275,890	770,386,993	478,622,537
Basic loss per share (sen)	(0.02)	(0.31)	(0.50)	(0.70)
Diluted earnings per share	N/A	N/A	N/A	N/A

B14. Notes to the Statement of Profit and Loss and Other Comprehensive Income

	Current quarter 30/9/2013 RM'000	Current year-to-date 30/9/2013 RM'000
Interest income	106	312
Other income	N/A	N/A
Interest expense	10	55
Depreciation of property and equipment	396	1,100
Amortisation of software development costs	20	59
Impairment losses on trade receivables	364	779
Reversal of impairment losses on trade receivables	333	980
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 (gain)/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 30.9.2013 RM'000	As at 31.12.2012 RM'000
Total accumulated losses of the Group:		
- realised	(24,218)	(27,045)
- unrealised	-	-
	(24,218)	(27,045)
Less: Consolidation Adjustments	(2,449)	4,253
	(26,667)	(22,792)

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 28 November 2013.