

Notes on the Quarterly Report – 30 September 2008

A. EXPLANATORY NOTES AS PER FINANCIAL REPORTING STANDARD (“FRS”) NO. 134

A1. Basic of Preparation

The interim financial report has been prepared in compliance with FRS No. 134, Interim Financial Reporting and Rule 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2007.

The accounting policies and methods of computation adopted by the Group for this interim financial report are consistent with those adopted in the financial statements for the year ended 31 December 2007, except for the adoption of the following revised FRSs and new interpretations effective for financial periods beginning 1 January 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 129, Financial Reporting in Hyperinflationary Economies
FRS 134, Interim Financial Reporting
FRS 137, Provisions, Contingent Liabilities and Contingent Assets
FRS 139, Financial Instruments: Recognition and Measurement
Amendment to FRS 121, The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
IC Interpretation 1, Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2, Member's Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5, Rights to interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6, Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
IC Interpretation 7, Applying the Restatement Approach under FRS 129, Financial Reporting in Hyperinflationary Economies
IC Interpretation 8, Scope of FRS 2

FRS 111, FRS 120, FRS 129 and the interpretations listed above are not applicable to the Group. FRS 139 with respect to Financial Instruments: Recognition and Measurement has been deferred and has not been adopted by the Group.

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

A2. Changes in Accounting Policies

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

A3. Audit Report

The audit report on the Group's preceding annual financial statements was not subject to any audit qualification.

A4. Seasonality or Cyclicity of Interim Operations

There were no seasonal or cyclical factors affecting the results of the Group for the current financial quarter under review.

A5. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

During the current financial 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 materials changes in estimates of amounts reported in prior interim periods of the current financial year or in prior financial years that have a material effect on the current financial quarter under review.

A7. Debt and Equity Securities

There were no issuance and repayment of debt and equity securities, share buy-backs, share cancellation, shares held as treasury shares and resale of treasury shares for the current financial quarter under review.

A8. Dividend Paid

No dividend was declared or paid during the current financial quarter under review. On 25 November 2008, the Board of Directors (“Board”) had declared a second interim tax exempt dividend of 10% equivalent to 1.0 sen per ordinary share for the financial year ending 31 December 2008.

Notes on the Quarterly Report – 30 September 2008

A9. Segmental Reporting

Primary reporting - Business segments

i) Individual Quarter

	For the individual financial quarter ended						Total	
	Application Solutions*		Application Services Providers^		Maintenance Services		30.09.08 RM'000	30.09.07 RM'000
	30.09.08 RM'000	30.09.07 RM'000	30.09.08 RM'000	30.09.07 RM'000	30.09.08 RM'000	30.09.07 RM'000		
REVENUE								
External sales	836	484	1,585	2,153	223	217	2,644	2,854
RESULT								
Segment profit	261	256	630	1,163	118	126	1,009	1,545
Gain on disposal of property, plant and equipment							-	30
Gain on foreign exchange							4	-
Interest income							77	50
Profit before taxation							1,090	1,625
Taxation							(45)	(21)
Net profit for the financial period							1,045	1,604
Net profit for the financial period attributable to:								
Equity holders of parent							1,047	1,604
Minority interest							(2)	-
							1,045	1,604

ii) Cumulative Quarter

	For the cumulative financial quarter ended						Total	
	Application Solutions*		Application Services Providers^		Maintenance Services		30.09.08 RM'000	30.09.07 RM'000
	30.09.08 RM'000	30.09.07 RM'000	30.09.08 RM'000	30.09.07 RM'000	30.09.08 RM'000	30.09.07 RM'000		
REVENUE								
External sales	3,107	1,213	5,546	6,043	667	528	9,320	7,784
RESULT								
Segment profit	1,554	288	2,648	3,143	397	319	4,599	3,750
Gain on disposal of property, plant and equipment							-	76
Gain on foreign exchange							4	3
Interest income							223	146
Profit before taxation							4,826	3,975
Taxation							(178)	(38)
Net profit for the financial period							4,648	3,937
Net profit for the financial period attributable to:								
Equity holders of parent							4,650	3,937
Minority interest							(2)	-
							4,648	3,937

Notes:

* Application Solutions ("AS") are sales of software applications and product on an outright purchase basis.

^ Application Services Providers ("ASP") income is outsourcing service charge which is volume and transaction based.

Notes on the Quarterly Report – 30 September 2008

A10. Valuation of Property, Plant and Equipment

The Group did not revalue any of its property, plant and equipment during the current financial quarter under review. Therefore, the valuation of property, plant and equipment has been brought forward without amendment from the previous annual financial statements.

A11. Subsequent Material Event

There was no material event subsequent to the current financial quarter ended 30 September 2008 up to the date of the announcement of this report which is likely to substantially affect the results of the operations of the Group for the quarter under review.

A12. Changes in the Composition of the Group

There were no changes in the composition of the Group during the current financial quarter under review.

A13. Changes in Contingent Liabilities or Contingent Assets

There were no material contingent liabilities or contingent assets for the current financial quarter under review.

A14. Recurrent Related Party Transactions ("RRPT")

There were no RRPT in the Group during the current financial quarter under review.

B. EXPLANATORY NOTES AS PER MESDAQ LISTING REQUIREMENT (APPENDIX 9B)

B1. Review of Performance for the Current Financial Quarter and the Cumulative Financial Quarter

For the current financial quarter ended 30 September 2008, the Group achieved a total revenue of RM2.64 million (30.09.07: RM2.85 million) and profit before taxation ("PBT") of RM1.09 million (30.09.07: RM1.63 million) respectively. The current financial quarter under review recorded a decrease of 7% and 33% in revenue and PBT respectively as compared to the corresponding quarter in the preceding year as a result of lower sales generated from the ASP business segment due mainly to the overall slow down in the domestic and regional equity markets.

For the nine (9) months financial period ended 30 September 2008, the Group achieved a total revenue of RM9.32 million (30.09.07: RM7.78 million) and PBT of RM4.83 million (30.09.07: RM3.98 million) respectively. The cumulative financial quarter ended 30 September 2008 showed a 20% and 21% increase in revenue and PBT respectively as compared to the corresponding cumulative quarter in the preceding year due mainly to higher sales of AS and ASP resulting from new customers secured under its AS and ASP business segments which are volume and transaction related for the past two (2) quarters.

B2. Comparison with Previous Financial Quarter's PBT

PBT of RM1.09 million for the current financial quarter under review was lower than the PBT of RM1.67 million recorded in the previous quarter. The decrease was due mainly to lower sales and transactions recorded for the ASP business segment which was in line with the overall slow down in the domestic and regional equity markets.

B3. Prospects for 2008

Barring any unforeseen circumstances, the Board is optimistic that the Group shall be able to achieve a satisfactory performance for the financial year ending 31 December 2008.

B4. Variance of Profit Forecast and Shortfall in Profit Guarantee

The Group has not issued any profit forecast nor profit guarantee for the current financial quarter under review and the financial period to-date.

B5. Taxation

The taxation charge for the individual financial quarter and the cumulative financial quarter are as follows:

	Individual Financial Quarter Ended		Cumulative Financial Quarter Ended	
	30.09.08 RM'000	30.09.07 RM'000	30.09.08 RM'000	30.09.07 RM'000
Taxation	45	21	178	38

The Group has been granted Pioneer Tax Status under the Promotion of Investments (Amendment) Act, 1997. Accordingly, the Group is exempted from tax on business income. The reported tax expense is attributed to interest income on term deposits and withholding tax arising from foreign sales proceeds.

Notes on the Quarterly Report – 30 September 2008

B6. Sale of Unquoted Investments and/or Properties

There were no disposal of unquoted investments and/or properties by the Group during the current financial quarter and the cumulative financial quarter under review.

B7. Quoted and Marketable Securities

Save as disclosed below, there was no purchase or disposal of quoted securities for the current quarter under review and financial year to date.

	30.09.08	30.09.07
	RM'000	RM'000
Shares quoted in Malaysia – cost of purchase	<u>2,500</u>	<u>-</u>
Market value of shares quoted in Malaysia	<u>2,505</u>	<u>-</u>

B8. Status of Corporate Proposals

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

B9. Borrowings and Debt Securities

The Company does not have any borrowings and debt securities as at 30 September 2008. However, on 8 January 2007, the Company acquired four (4) units of new office block located at Jaya 1, Section 13, Petaling Jaya, Selangor Darul Ehsan ("Properties") for a total purchase consideration of RM 2.15 million ("Acquisition"). The Acquisition is financed by secured bank borrowings (approximately 80%) and internally generated funds (approximately 20%). This term loan is for a period of ten (10) years and it has a feature of Savelink Term Loan where interest shall only be calculated at the prescribed rate on the daily outstanding amount.

B10. Off Balance Sheet Financial Instruments

The Company does not have any off balance sheet financial instruments as at the date of this report.

B11. Material Litigation

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

Kuala Lumpur High Court Originating Summons No. No. D7-24-118-2007
Automatic Identification Technology Sdn Bhd v Excel Force MSC Bhd

On 30 March 2007, Excel Force MSC Bhd ("EFMB") served a statutory notice under Section 218 of the Act to Automatic Identification Technology ("AIT") ("Statutory Notice") for a long outstanding amount of RM150,000, being the cost of application, software with installation and configuration of a system at an end client.

On 9 April 2007, AIT through its legal counsel, served EFMB with an express notice not to file any winding up petition and requested EFMB to withdraw the said Statutory Notice immediately and to provide an undertaking within forty-eight (48) hours not to proceed further with the said Statutory Notice as well as an undertaking not to file any winding up petition based on the Statutory Notice. EFMB did not withdraw the said Statutory Notice.

AIT then proceeded to file an application for injunction to stop EFMB from proceeding with the winding-up petition against AIT on the ground *inter-alia* AIT has a claim of RM557,160 against EFMB.

At the hearing on 16 May 2007, the Court has directed both parties to file written submissions and had fixed 17 October 2007 to hear the oral submission. EFMB has filed a further affidavit on 27 July 2007 informing the Court of the fact that AIT's claim of RM557,160 vide the statutory notice under Kuala Lumpur High Court No. D8-24-131-2007 has been withdrawn.

At the hearing on 29 February 2008, the High Court had dismissed AIT's originating Summons and Summons in Chamber with cost for an injunction to restrain the Company from filing the winding-up petition pursuant to the Statutory Notice dated 30 March 2007 issued by the Company against AIT for failing to settle the long outstanding amount of RM150,000 claimed by the Company.

AIT had on the 17 March 2008 filed an appeal to the Court of Appeal against the High Court's decision and thereafter filed a Summon In Chamber in the High Court on 28 March 2008 for an Erinford Injunction to stop EFMB from proceeding with the winding-up petition against AIT pending the disposed of the appeal in the Court of Appeal. The Court had initially fixed 18 April 2008 for hearing of AIT's application for Erinford Injunction but the Court had adjourned hearing to 11 June 2008 to allow both parties to discuss the possibility of settlement.

Notes on the Quarterly Report – 30 September 2008

The Court had again adjourned the hearing of the Erinford Injunction which was fixed on 11 June 2008 to 4 August 2008. On 4 August 2008, the Court had directed both parties to file the outline submission and had fixed 4 December 2008 for hearing as the issue on the payment for the cost of injunction is not resolved.

B12. Dividend

No dividend was declared or paid during the current financial quarter under review. On 25 November 2008, the Board had declared a second interim tax exempt dividend of 10% equivalent to 1.0 sen per ordinary share for the financial year ending 31 December 2008.

B13. Earnings Per Share ("EPS")

i) Basic EPS

	Individual Financial Quarter Ended		Cumulative Financial Quarter Ended	
	30.09.08	30.09.07	30.09.08	30.09.07
Basic EPS*				
Net profit for the period (RM'000)	1,047	1,604	4,650	3,937
Weighted average number of ordinary shares in issue ('000)	121,119	120,000	121,082	120,000
Basic EPS (sen)	<u>0.86</u>	<u>1.34</u>	<u>3.84</u>	<u>3.28</u>

Note:

* *The calculation of the basic EPS is based on the net profit for the current financial quarter under review and the cumulative financial quarter ended 30 September 2008 divided by the adjusted weighted average number of ordinary shares of RM0.10 each in issue during the current financial quarter and the said cumulative financial quarter.*

ii) Diluted EPS

	Individual Financial Quarter Ended		Cumulative Financial Quarter Ended	
	30.09.08	30.09.07	30.09.08	30.09.07
Diluted EPS**				
Net profit for the period (RM'000)	1,047	1,604	4,650	3,937
Weighted average number of ordinary shares in issue ('000)	121,119	120,000	121,082	120,000
Add: Dilutive potential of ESOS options	<u>49</u>	<u>7,902</u>	<u>2,386</u>	<u>7,133</u>
	<u>121,168</u>	<u>127,902</u>	<u>123,468</u>	<u>127,133</u>
Diluted EPS (sen)	<u>0.86</u>	<u>1.25</u>	<u>3.77</u>	<u>3.10</u>

Note:

** *The calculation of the diluted EPS is based on the net profit for the current financial quarter under review and the cumulative financial quarter ended 30 September 2008, divided by the adjusted weighted average number of ordinary shares of RM0.10 each in issue and issuable under the exercise of share options granted under the ESOS.*