

ADVANCE INFORMATION MARKETING BERHAD
(Company No. 644769-D)

EXPLANATORY NOTES

1. Accounting policies and methods of computation

The interim financial statements are unaudited and have been prepared in compliance with Financial Reporting Standard ("FRS") FRS 134, Interim Financial Reporting and Appendix 9B of Listing Requirement of Bursa Malaysia Securities Berhad ("Bursa Malaysia") for the Mesdaq Market.

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended ("FYE") 31 December 2006. The explanatory notes attached to the 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 FYE 31 December 2006.

The accounting policies and methods of computation adopted in these interim financial statements of the Company and its subsidiaries ("The Group") are consistent with those adopted for the annual financial statements for the FYE 31 December 2006 except for the adoption of the following new and revised FRS issued by MASB that are effective for the Group's annual reporting date, 31 December 2007:

- FRS 117 Lease
- FRS 124 Related Party Disclosures

The adoption of FRS mentioned above does not have significant impact on the Group.

2. Auditors' Report on preceding annual financial statements

The auditors' reports on the financial statements of the Company and its subsidiaries for the FYE 31 December 2006 were not subjected to any qualification.

3. Seasonality or cyclicality

The Group's operations have not been affected materially by any seasonal/cyclical factors.

4. Nature and amount of unusual items affecting assets, liabilities, equity, net income or cash flows

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.

5. Changes in Estimates

There were no material changes in the estimates used for the preparation of this interim financial statements.

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

There were no issuance, cancellations, repurchases, resale and repayment of debt and equity securities during the current quarter under review.

7. Valuation of property, plant and equipment

There were no changes in the valuation of the property, plant and equipment reported in the previous audited financial statements that will effect in the current financial quarter under review.

8. Material events subsequent to the end of the interim period

There were no material events subsequent to the current financial quarter ended 30 June 2007 up to the date of this report which, is likely to substantially affect the results of the operations of the Company.

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9. Change in the composition of the group

On 27 April 2007, the Company announced the incorporation of a subsidiary, PT. CLS System which was incorporated in Indonesia.

10. Contingent liabilities and contingent assets

As at 30 June 2007, there were no contingent liabilities and assets.

11. Segmental information

The revenue and profit/(loss) before taxation of the Group for the second quarter ended 30 June 2007 are generated from the following segments:

	Licensing & Data Management RM'000	Managed Customer Loyalty Services RM'000	Mail Order & Channel Sales RM'000	Inter- Segment Revenue RM'000	Consolidated RM'000
Malaysia	1,682	10,496	78	(345)	11,911
Singapore & others	-	185	-	-	185
	<u>1,682</u>	<u>10,681</u>	<u>78</u>	<u>(345)</u>	<u>12,096</u>

	Licensing & Data Management RM'000	Managed Customer Loyalty Services RM'000	Mail Order & Channel Sales RM'000		Consolidated RM'000
Malaysia	1,075	997	(170)	-	1,902
Singapore & Others	-	(21)	-	-	(21)
	<u>1,075</u>	<u>976</u>	<u>(170)</u>	<u>-</u>	<u>1,881</u>

12. Review of performance

During the second quarter ("Q2") ended 30 June 2007, the Group achieved a revenue of RM12.1 million, representing an increase of 31.5% as compared to the RM9.2 million reported in the preceding year corresponding quarter ended 30 June 2006. This is attributable to the higher transactions with existing clients in financial institutions and FMCG sectors. Our strategy has helped these clients to enhance their customers' loyalty and enabled us to benefit from their growth. We will continue to work hard to improve our service offerings and help our clients acquire and retain more customers.

On the quarterly basis, gross profit increased by RM0.6 million to RM4.9 million, representing an increase of 15.0% compared to RM4.3 million reported in the preceding year corresponding quarter ended 30 June 2006. The increase in gross profit is not in tandem with the increase in sales as we have incurred more direct costs in promoting our service offerings for our pre-paid card business and the higher cost of redemption activities under the customer loyalty management services. These are strategic initiatives taken by the management to enhance the service offerings of our customer loyalty business.

Our operating expenses have increased by RM1.15 million as we have invested more resources in new business initiatives, in particular, in our direct marketing business, our pre-paid and store value card businesses and in our investment in Indonesia. These investments are mainly in salaries cost, and selling and marketing expenses. These investments are necessary as the Group is taking initiatives to broaden its revenue drivers and grow regionally. Other operating income of RM0.2 mil is mainly derived from interest income from short term deposits.

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Overall, we have achieved an unaudited profit before tax of RM1.9 million and unaudited profit after tax of RM1.6 million for the Q2 ended 30 June 2007.

13. Prospects for 2007

Barring unforeseen circumstances, the Group is expected to continue to operate profitably in the ensuing year.

14. Profit forecast

The Group did not disclose any profit forecast and profit guarantee for this financial period.

15. Taxation

	Current Quarter 30.6.2007 RM'000	Current Year To Date 30.6.2007 RM'000
Current provision	<u>(253)</u>	<u>(491)</u>

The effective tax rate of the Company is lower than the statutory rate applicable mainly due to the Multimedia Super Corridor status granted by Multimedia Development Corporation. The pioneer status entitles the company for five years exemption from Malaysian Income tax (only on income derived from MSC related activities).

16. Unquoted investments and/or properties

There was no sale of unquoted investments and/or properties for the current quarter and financial year to date.

17. Purchase or disposal of quoted securities

(a) There were no purchase or disposal of quoted securities for the current quarter under review.

(b) There were no investments in quoted securities as at the end of the reporting period.

18. a) Status of corporate proposal announced

There were no corporate proposals announced but not completed as at the date not earlier than 7 days from the date of announcement.

b) Utilisation of proceeds

The Company raised RM14.7 million during its Initial Public Offering exercise in April 2006 and the details of the utilisation of proceeds up to 30 June 2007 are as follows:-

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance Amount RM'000	Explanations*
Expansion of the core and related business of the Group	3,900	3,900	-	N/A
Purchase of software and hardware equipment	3,000	654	2,346	N/A
R & D expenditure	4,800	1,293	3,507	N/A
Working capital	1,300	1,300	-	N/A
Estimated listing expenses	1,700	1,700	-	N/A
Total	<u>14,700</u>	<u>8,847</u>	<u>5,853</u>	

*The utilisation of proceeds is within the timeframe of 5 years as stated in the company's prospectus dated 28 March 2006

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19. Group borrowings

Total Group borrowings as at 30 June 2007 were as follows :-

	Secured RM'000	Unsecured RM'000	Total RM'000
Short term borrowings			
- Local currency (RM)	182	-	182
Long term borrowings			
- Local currency (RM)	1,360	-	1,360
Total	<u>1,542</u>	<u>-</u>	<u>1,542</u>

20. Off balance sheet financial instruments

There were no off Balance Sheet financial instruments entered into by the Group as at the date not earlier than 7 days from the date of announcement.

21. Material litigation

The Group is not engaged in any material litigation either as a plaintiff or defendant and the directors do not have any knowledge of any proceeding pending or threatened against the Group which might materially and adversely affect the financial position or business of the Group.

22. Basis of calculation of earnings per share

The basic earnings per share for the quarter and cumulative year to date are computed as follows:

	Current Quarter 30.6.2007	Preceding Year Corresponding Quarter 30.6.2006	Current Year To Date 30.6.2007	Preceding Year Corresponding Period 30.6.2006
Net profit attributable to equity holders of the parent for the period (RM'000)	<u>1,594</u>	<u>2,055</u>	<u>3,596</u>	<u>4,234</u>
Weighted average number of ordinary shares of RM0.10 each in issue ('000)	<u>155,000</u>	<u>148,462</u>	<u>155,000</u>	<u>114,193</u>
- Basic earnings per share (sen)	1.03	1.38	2.32	3.71
Actual number of ordinary shares of RM0.10 each in issue ('000)	<u>155,000</u>	<u>155,000</u>	<u>155,000</u>	<u>155,000</u>
- Basic earnings per share (sen)	1.03	1.33	2.32	2.73

Diluted

The fully diluted earnings per share have not been presented as there is no diluted effect for the shares of the Company.