

**ISS CONSULTING SOLUTIONS BERHAD (“ISS”)
QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2006**

**A. EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS
 (“FRS”) 134**

A1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with Financial Reporting Standards (“FRS”) 134 - Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”), and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) for the MESDAQ Market.

The interim financial report should be read in conjunction with the audited financial statements of the Company for the financial period ended 31 December 2005.

The accounting policies and methods of computation adopted by the Group are consistent with those adopted in the preparation of the financial statements for the financial period ended 31 December 2005 except for the adoption of the following new FRSs that are effective for the financial periods beginning on or after 1 January 2006:-

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 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets

The adoption of the above FRS does not have any significant financial impact on the Group except as disclosed below.

Under FRS 3 - Business Combinations, any excess of the Group’s interest in the net fair value of acquirees’ identifiable assets, liabilities and contingent liabilities over the cost of acquisitions (previously referred to as “negative goodwill”), after assessment, is now recognised immediately in income statement. Prior to 1 January 2006, negative goodwill was retained in the consolidated balance sheet.

Up to 31 December 2005, the financial statements of the Company were prepared in accordance with the MASB standards effected before 1 January 2006.

A. EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (“FRS”) 134 (CONT’D)

A2. Auditors’ Report

The auditors’ report on the financial statements of the Company for the financial period ended 31 December 2005 was not subject to any qualification.

A3. Translation of Foreign Currency Financial Statements

For consolidation purposes, all foreign currency monetary assets and liabilities and the financial statements of the Group’s foreign subsidiaries, ISS Consulting (S) Pte Ltd, ISS Consulting (Thailand) Ltd. and PT ISS Consulting Indonesia had been translated at the exchange rates ruling at the balance sheet date.

The applicable closing foreign exchange rates used (expressed on the basis on one unit of foreign currency to Ringgit Malaysia equivalent, unless otherwise stated) in the translation of foreign currency monetary assets and liabilities and the financial statements of the foreign subsidiaries are as follows:-

	RM
Singapore Dollar	2.3028
100 Thai Baht	9.8111
100 Indonesian Rupiah	0.0393
United States Dollar	3.5315

A4. Seasonal or Cyclical Factors

The operations of the Group are not affected by any significant seasonal or cyclical factor during the financial quarter under review.

A5. Unusual Items

There were no items affecting the assets, liabilities, equity, net income or cash flows, that are unusual by reason of their nature, size or incidence during the financial quarter under review.

A6. Changes in Estimates

There were no material changes in the nature and amount of estimates reported that have a material effect in the financial quarter under review.

A. EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (“FRS”) 134 (CONT’D)

A7. Changes in Debts and Securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the financial quarter under review.

A8. Dividend Paid

No dividend was paid or proposed during the financial quarter under review.

A9. Segmental Reporting

The Group is engaged in the provision of project management, consulting and programming services primarily related to mySAP products as well as in sale of its XPress suite of products. The business segments can be broken down as follows:-

(a) Analysis of Revenue by Products and Services

	Product RM'000	Services RM'000	Total RM'000
Revenue	6,368	11,302	17,670
Cost of sales	3,790	5,516	(9,306)
Gross profit	<u>2,578</u>	<u>5,787</u>	8,364
Other operating income			2,889
			<u>11,253</u>
Administrative expenses			(5,107)
Marketing and distribution cost			(55)
Other operating expenses			(157)
Finance costs			(42)
Profit before taxation			<u>5,892</u>
Taxation			(345)
Profit attributable to shareholders			<u>5,547</u>

A. EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (“FRS”) 134 (CONT’D)

A9. Segmental Reporting (Cont’d)

(a) Analysis of Revenue by Products and Services (Cont’d)

	Total RM’000
Segment assets	
Unallocated assets	43,138
Segment liabilities	
Unallocated liabilities	6,121
Capital expenditure	
Unallocated capital expenditure	349
Depreciation	
Unallocated depreciation	464

Operating expenses incurred by the Group could not be allocated to the individual segment as the expenses were incurred in a pool to generate revenue.

(b) Analysis of Revenue by Geographical Area

	Cumulative For the year RM’000			
Revenue				
Malaysia				5,725
Singapore				5,677
Thailand				1,930
Indonesia				2,135
China				220
Korea				24
Japan				781
Saudi Arabia				1,178
				<u>17,670</u>
	Segment assets RM’000	Segment liabilities RM’000	Capital expenditure RM’000	Depreciation RM’000
Malaysia	28,075	1,848	305	297
Singapore	5,728	2,299	-	41
Thailand	2,381	431	-	8
Indonesia	6,954	1,543	44	118
	<u>43,138</u>	<u>6,121</u>	<u>349</u>	<u>464</u>

A. EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (“FRS”) 134 (CONT’D)

A10. Valuation of Property, Plant and Equipment

The Group does not have any revaluation of property, plant and equipment for the financial quarter under review.

A11. Significant Events Subsequent To The End of The Financial Quarter

Save for the corporate proposal set out in Note B8, there are no significant events subsequent to the end of the financial quarter.

A12. Changes in the Composition of The Group

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

A13. Contingent Liabilities or Contingent Assets

The Group has no contingent liabilities or contingent assets at the date of this report.

A14. Capital Commitments

There were no material capital commitments of the Group at the date of this report, except as follows:

Capital expenditure approved and contracted for	RM'000
	900
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A15. Significant Related Party Transactions

There were no related party transactions at the date of this report.

ISS CONSULTING SOLUTIONS BERHAD
QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2006 (CONT'D)

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES FOR THE MESDAQ MARKET

B1. Review of Performance

For the current financial quarter under review, the Group reported a revenue of RM8,241,000 and profit before tax of RM1,089,000.

For the current financial year, the Group reported revenue of RM17,670,000 and profit before tax of RM5,892,000. The Group results represent 7-months operations following the completion of the acquisitions of its subsidiaries on 25 May 2006.

The Group's revenue in products and services was generated substantially from Malaysia and Singapore.

As this is the first financial year following the Company's admission to the MESDAQ market, there are no comparative figures for the preceding year.

B2. Material Changes In The Quarterly Results Compared To The Results of The Preceding Quarter

	Current quarter RM'000	Preceding quarter RM'000
Revenue	8,241	5,365
Profit before tax	1,089	650

Revenue increased significantly by RM2,876,000 (54%) in the current quarter compared to the immediate preceding quarter, whilst profit before tax has increased by RM439,000 (68%).

The higher level of revenue in the final quarter of the financial year is due to higher level of product sales and the achievement of billable milestones of certain projects which started in the preceding quarters.

B3. Prospects For The Financial Year Ending 31 December 2007

The Group is intensifying its marketing efforts to build an even stronger presence both in the local as well as in the regional markets. Stemming from these efforts, and barring unforeseen circumstances, the Board expects positive growth in the Group for the financial year ending 31 December 2007.

At the same time, the acquisition of Ledge Consulting Pte Ltd ('Ledge Consulting'), which is subject to the approval of the relevant authorities, will, upon completion, add further to the Group's earnings.

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES FOR THE MESDAQ MARKET (CONT`D)

B4. Variance of Actual Profit From Forecast Profit

In conjunction with the listing of the Company on the MESDAQ Market of Bursa Malaysia Securities Berhad, the Company forecasted a consolidated profit after taxation ("PAT") of RM5,971 million for the financial year ended 31 December 2006. The variance between the forecasted consolidated PAT and the actual consolidated PAT of RM5,547 million is RM424,000 or 7%.

B5. Taxation

The effective tax rates for the quarter and for the year were lower than the statutory tax rates as a subsidiary of the Group in Malaysia has been granted the Multimedia Super Corridor status which qualifies the subsidiary for the pioneer status incentive with no tax on the subsidiary's income from pioneer activities during the pioneer period.

B6. Sale of Unquoted Investments and/or Properties

There were no disposals of unquoted investments and/or properties during the financial quarter under review.

B7. Quoted Securities

There were no acquisitions or disposals of quoted securities during the financial quarter under review. The Company does not hold any quoted securities as at 31 December 2006.

B8. Status of Corporate Proposals

On 24 January 2007, the Company announced that it had entered into a conditional share purchase agreement to acquire 200,000 ordinary shares of SGD1.00 each in Ledge Consulting representing the entire equity interest therein for an indicative purchase consideration of RM16,877,100 to be satisfied by a cash consideration of SGD3.57 million (equivalent to RM8,139,600) and the issue of 37.5 million ordinary shares of RM0.10 each in the Company at an issue price of RM0.233 per share. The acquisition is pending submission to the relevant authorities.

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES FOR THE MESDAQ MARKET (CONT'D)

B9. Status of Utilisation of Proceeds

The proceeds from the Company's Initial Public Offering ("IPO") of RM16,877,240 have been received by the Company during the previous quarter. Details of the utilisation of the IPO proceeds up to the end of the current financial quarter are as follows:-

Purpose	Proposed utilisation	Actual utilisation	Amount not utilised	Approved timeframe for utilisation
	RM	RM	RM	
Working capital	10,377,240	3,203,000	7,174,240	July 2008
R&D expenditure	5,000,000	2,398,000	2,602,000	July 2009
Listing expenses	1,500,000	1,500,000	-	
	<u>16,877,240</u>	<u>7,101,000</u>	<u>9,776,240</u>	

B10. Group's Borrowings and Debt Securities

The Group's borrowings at the end of the financial quarter are as follows:-

Secured	Repayable less than 12 months	Repayable after 12 months
	RM'000	RM'000
Denominated in RM	252	87
Denominated in SGD	64	-
Hire purchase payables	<u>316</u>	<u>87</u>

B11. Off Balance Sheet Financial Instruments

The Group does not have any financial instruments with off balance sheet risk at the date of this report.

B12. Material Litigations

The Group does not have any material litigation which would materially and adversely affect the financial position of the Group at the date of this report.

B13. Dividends

No dividend was paid or declared during the financial quarter under review.

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES FOR THE MESDAQ MARKET (CONT'D)

B14. Earnings Per Share

The earnings per share were calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares of RM0.10 each during the reporting period as follows:-

	Current Quarter Ended		Cumulative Quarter Ended	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
Profit attributable to shareholders (RM'000)	1,236	N/A	5,547	N/A
Weighted average number of ordinary shares of RM0.10 each for computing earnings per share are as follows:-				
Basic ('000)	218,377	N/A	125,907	N/A
Diluted ('000)	N/A	N/A	N/A	N/A
Basic earnings per share (sen)	0.57	N/A	4.41	N/A
Diluted earnings per share (sen) ^	N/A	N/A	N/A	N/A

Notes:

^ - No diluted earnings per share has been computed as the Group presently does not have any potential dilutive effects.

N/A - Not applicable

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES FOR THE MESDAQ MARKET (CONT'D)

B15. Acquisitions of Subsidiaries

The fair value of the net assets acquired and cash flow arising from the acquisitions of subsidiaries are as follows:-

	RM'000
Non-current assets	16,168
Current assets	15,335
Current liabilities	(14,092)
Non-current liabilities	(23)
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Net assets acquired	17,388
Goodwill on acquisition	802
Excess of net fair value of acquired subsidiary's identifiable assets, liabilities and contingent liabilities over cost of acquisition	(469)
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Total purchase consideration	17,721
Purchase consideration satisfied by issuance of shares	(17,721)
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Cash and cash equivalents on acquisitions of subsidiaries	396
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Net inflows on acquisitions of subsidiaries	396
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B16. Authorization for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Board of Directors dated 23 February 2007.

By order of the Board
ISS CONSULTING SOLUTIONS BERHAD

Mah Li Chen (MAICSA 7022751)
Lim Siew Ting (MAICSA 7029466)
Company Secretaries

Dated this 23 February 2007