

**ISS CONSULTING SOLUTIONS BERHAD (“ISS”)  
QUARTERLY REPORT ON CONSOLIDATED RESULTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007**

**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 year ended (“FYE”) 31 December 2006.

The accounting policies and methods of computation adopted by the ISS and its subsidiaries (“Group”) are consistent with those adopted in the preparation of the financial statements for the FYE 31 December 2006 except for the adoption of the following new FRSs that are effective for the Company’s financial statements for the FYE 31 December 2007:

FRS 117	Leases
FRS 119	Employee Benefits
FRS 124	Related Party Disclosures

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

**A2. Auditors’ Report**

The auditors’ report on the financial statements of the Company for the FYE 31 December 2006 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., PT ISS Consulting Indonesia and Ledge Consulting Pte Ltd (“Ledge”) had been translated at the exchange rates ruling at the balance sheet date.

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

The applicable closing foreign exchange rates used in the translation of foreign currency monetary assets and liabilities and the financial statements of the foreign subsidiaries are as follows:-

<b>Foreign currency</b>	<b>RM</b>
Singapore Dollar (“SGD”)	2.2938
100 Thai Baht	9.8159
100 Indonesian Rupiah	0.0352
United States Dollar	3.3065

**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.

**A7. Changes in Debts and Securities**

During the current year under review, 37,500,000 new ordinary shares of RM0.10 each were issued as partial consideration for the acquisition of Ledge in accordance with the terms of the Share Purchase Agreement dated 24 January 2007, which has been approved by the relevant authorities and shareholders.

Other than the above, there were no issuance, cancellation, repurchase, resale and repayments of debt and equity securities for the financial quarter under review.

**A8. Dividend Paid**

No dividend was paid during the FYE 31 December 2007.

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

**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**

	<b>Product RM’000</b>	<b>Services RM’000</b>	<b>Total RM’000</b>
Revenue	18,877	20,480	39,357
Cost of sales	(10,263)	(10,704)	(20,967)
Gross profit	8,614	9,776	18,390
Other operating income			194
			18,584
Administrative expenses			(10,863)
Marketing and distribution cost			(142)
Other operating expenses			(359)
Finance costs			(54)
Profit before taxation			7,166
Taxation			(1,759)
Profit attributable to shareholders			5,407
			<b>Total RM’000</b>
<b>Segment assets</b>			
Unallocated assets			63,094
<b>Segment liabilities</b>			
Unallocated liabilities			11,205
<b>Capital expenditure</b>			
Unallocated capital expenditure			1,616
<b>Depreciation</b>			
Unallocated depreciation			501

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.

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

**A9. Segmental Reporting (continued)**

**(b) Analysis of Revenue by Geographical Area**

	<b>Cumulative To 31.12.2007 RM’000</b>
<b>Revenue</b>	
Malaysia	6,684
Singapore	17,830
Thailand	8,225
Indonesia	2,717
China	3,288
Taiwan	247
Korea	366
	<hr style="border-top: 1px solid black;"/> 39,357

	<b>Segment assets RM’000</b>	<b>Segment liabilities RM’000</b>	<b>Capital expenditure RM’000</b>	<b>Depreciation RM’000</b>
Malaysia	37,990	2,778	1,380	282
Singapore	14,757	6,453	84	177
Thailand	4,480	929	152	23
Indonesia	5,867	1,045	0	19
	<hr style="border-top: 1px solid black;"/> 63,094	11,205	1,616	501

**A10. Valuation of Property, Plant and Equipment**

There has been no revaluation of property, plant and equipment during the financial year.

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

There are no significant events subsequent to the balance sheet date and up to the date of this report.

**A12. Changes in the Composition of The Group**

*Acquisition of a subsidiary*

In June 2007, the Group acquired 100% equity interest in Ledge, a private limited company incorporated in Singapore which is principally involved in the business of computer systems integration and consultancy services.

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

The acquired subsidiary has contributed the following results to the Group:

	<b>FYE 31.12.2007</b>
	<b>RM’000</b>
Revenue	8,799
Profit for the period	3,864

If the acquisition had occurred on 1 January 2007, the Group’s revenue and profit for the year would have been RM43,176,000 and RM4,962,000 respectively.

The profit for the period has taken into account a waiver by the former shareholders of Ledge on their entitlement in terms of remuneration and related benefits of RM921,900.

The fair value of the net assets acquired and cash flow arising from the acquisition of Ledge Consulting is as follows:-

	<b>RM’000</b>
Non-current assets	143
Current assets	4,328
Current liabilities	(2,141)
Net assets acquired	2,330
Goodwill on acquisition	14,711
Total purchase consideration	17,041
Purchase consideration satisfied by issuance of shares	(9,375)
Purchase consideration to be satisfied in cash	(2,916)
Purchase consideration paid in cash to date	4,750
Cash and cash equivalents on acquisition of Ledge	(1,777)
Net cash outflow on acquisition of Ledge	2,973

There were no changes in the composition of the Group during the FYE 31 December 2007 other than as disclosed above.

**A13. Contingent Liabilities or Contingent Assets**

There were no changes in contingent liabilities or contingent assets since the last financial year as at 31 December 2006.

**A14. Capital Commitments**

There were no material capital commitments of the Group at the date of this report.

**A15. Significant Related Party Transactions**

There were no related party transactions during the FYE 31 December 2007.

**ISS CONSULTING SOLUTIONS BERHAD**  
**QUARTERLY REPORT ON CONSOLIDATED RESULTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (CONT'D)**

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

**B1. Review of Performance**

	Individual Quarter		Cumulative Quarter	
	Current year Quarter 31.12.07 RM'000	Preceding year corresponding quarter 31.12.06 RM'000	Current year to date 31.12.07 RM'000	Preceding year corresponding Quarter 31.12.06 (Proforma) <sup>(1)</sup> RM'000
Revenue	13,347	8,452	39,357	25,283
Profit before tax ("PBT")	3,995	1,052	7,166	6,010
PBT margin (%)	29.93	12.45	18.21	23.77

(1) For comparison purposes, the proforma results FYE 31 December 2006 being set out assumed acquisition had occurred on 1 January 2006 with the consolidation of full year results of the subsidiary companies instead of using the post acquisition results for the period from 1 June 2006 to 31 December 2006, following the completion of the acquisition of the subsidiary companies on 25 May 2006.

For the current financial quarter under review, the Group reported a revenue of RM13.3 million and a PBT of RM4.0 million. This represents an increase of RM4.9 million or 58% in revenue and an increase of approximately RM2.9 million or 279% in PBT as compared to the preceding year corresponding quarter. The Group's revenue for the financial year ended 31 December 2007 was approximately RM39.4 million which represented an increase of approximately RM14.1 million or 56% as compared to the FYE 31 December 2006.

Total revenue from Ledge contributed 22% to the Group's total revenue for the current year. Excluding Ledge, the Group's revenue for the year increased by 21%, which is attributable to significant growth in Thailand and Singapore.

The PBT margin for FYE 31 December 2007 is 18.21% as compared to the PBT margin for FYE 31 December 2006 of 23.77%. However, included in the PBT for FYE 31 December 2006 was income from waiver of directors' loan interest and a one-off income from the acquisition of subsidiaries. After discounting these items, the actual PBT margin from operational activities is 16.08%. This shows that for FYE 31 December 2007, the PBT margin grew by 2.13 percentage points.

**B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES FOR THE MESDAQ MARKET (cont'd)**

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

	<b>Current Quarter 31.12.07 RM'000</b>	<b>Immediate Preceding Quarter 30.9.07 RM'000</b>
Revenue	13,347	10,830
Profit before tax	3,995	1,563

Revenue increased by approximately RM2.5 million or 23% in the current quarter compared to the immediate preceding quarter, whilst PBT increased by approximately RM2.4 million or 156%.

Higher revenue and profit in the current quarter was due to growth in Singapore and Thailand resulting from an increase in product sales and the achievement of billable milestones of certain projects.

**B3. Prospects For The Financial Year Ending 31 December 2008**

The Board of Directors of ISS is of the opinion that the increased focus by the Malaysian government in promoting the ICT industry will benefit the company's operations as it will increase awareness of the public towards the importance of ICT and benefits of ICT to achieving greater efficiencies in business operations.

The Company had on, 24 January 2007, entered into a conditional share purchase agreement to acquire 200,000 ordinary shares of SGD1.00 each in Ledge (“**SPA**”) representing the entire equity interest therein for an indicative purchase consideration of RM17,041,000 to be satisfied by a cash consideration of SGD3.34 million (equivalent to approximately RM7,666,000) and the issue of 37.5 million ordinary shares of RM0.10 each in ISS at an issue price of RM0.25 per share (“**Acquisition**”). The Acquisition will allow ISS to expand its business and revenue base in Singapore as Ledge is involved in a similar business as ISS i.e. the provision of integrated software solutions. The expansion of ISS's business in Singapore will provide greater access to multi-national companies based in Singapore with regional or worldwide presence. This will enable the ISS Group to indirectly expand on its presence in new markets. The Board is also of the view that there will be synergistic benefits from the acquisition through the opportunities to share their technology and resources and adopting the best practices for the ISS Group. The rebranding of Ledge's solution and the potential sales of this solution to market outside Singapore where the Group already has footprint, such as Malaysia and Thailand provides further synergy and platforms of growth for this coming financial year.

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

**B3. Prospects For The Financial Year Ending 31 December 2008 (contd)**

The on-going R&D activities of ISS Group in enhancing its existing products with more functionality as well as more add-on packages will enable ISS Group to differentiate from its competitors.

Barring unforeseen circumstances, the Board is cautiously optimistic of positive growth in the FYE 31 December 2008.

**B4. Profit Forecast Or Profit Guarantee**

No profit forecast or profit guarantee was published.

**B5. Taxation**

The current year tax expenses relate to foreign tax arising from its foreign subsidiaries in Thailand and Singapore.

There is no tax charge for the FYE 31 December 2007 on business income derived from Malaysia as a subsidiary was granted Multimedia Super Corridor Status which qualifies the subsidiary for the pioneer status incentive with tax exemption on the subsidiary's income from pioneer activities.

**B6. Sale of Unquoted Investments and/or Properties**

There were no sale of unquoted investments and/or properties during the financial quarter under review and financial year-to-date.

**B7. Quoted Securities**

There were no purchase or disposals of quoted securities during the financial quarter under review and the Company does not hold any quoted securities as at 31 December 2007.

**B8. Status of Corporate Proposals**

There were no corporate proposals announced but not completed as at 31 December 2007.



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

**B9. Status of Utilisation of Proceeds**

The Company raised proceeds of RM16,877,240 from its Initial Public Offering ("IPO") in August 2006. On 28 May 2007, the Securities Commission approved the revision of the utilization of the IPO proceeds as set out below. Details of the utilisation of the IPO proceeds as at 31 December 2007 are as follows:-

Purpose	Approved proposed utilisation	Revised approved utilisation	Actual utilisation	Deviation		Approved timeframe for utilisation
	RM	RM	RM	RM	%	
Working capital	10,377,240	3,203,000	3,203,000	-		-
R&D expenditure	5,000,000	5,000,000	5,000,000	-		July 2009
Part financing of cash consideration for the acquisition	0	7,174,240	4,749,225	2,425,015	33.8	July 2008
Listing expenses	1,500,000	1,500,000	1,500,000	-		-
	<u>16,877,240</u>	<u>16,877,240</u>	<u>14,452,225</u>	<u>2,425,015</u>	<u>14.4</u>	

**B10. Group's Borrowings and Debt Securities**

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

Secured	Repayable within 12 months	Repayable later than 12 months
	RM'000	RM'000
Denominated in RM	195	93
Denominated in SGD	0	13
Hire purchase and Lease payables	<u>195</u>	<u>106</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.

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

**B13. Dividends Payable**

No dividend has been declared during the financial quarter/year under review.

**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	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Profit attributable to shareholders (RM'000)	3,422	1,237	5,407	5,548
Weighted average number of ordinary shares of RM0.10 each for computing earnings per share :				
- Basic ('000)	255,877	218,377	233,377	124,554
- Diluted ('000)	N/A	N/A	N/A	N/A
Basic earnings per share (sen)	1.34	0.57	2.32*	4.45*
Diluted earnings per share (sen) ^	N/A	N/A	N/A	N/A

Note:

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

\* The difference in the basic earnings per share was mainly due to different weighted average number of shares in issue for financial year ended 31 December 2006 and 31 December 2007 respectively while profit after tax and attributable to shareholders remained relatively consistent.

**B15. Authorization for Issue**

The interim financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the Board of Directors dated 25 February 2008.

By order of the Board  
ISS CONSULTING SOLUTIONS BERHAD

Mah Li Chen (MAICSA 7022751)  
Lim Siew Ting (MAICSA 7029466)  
Company Secretaries  
Dated this 25 February 2008