

**ISS CONSULTING SOLUTIONS BERHAD (“ISS”)  
QUARTERLY REPORT ON CONSOLIDATED RESULTS  
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2008**

**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 2007.

The accounting policies and methods of computation adopted by ISS and its subsidiaries (“Group”) are consistent with those adopted in the preparation of the financial statements for the FYE 31 December 2007. The following new and revised financial reporting standards (“FRS”) and new interpretations are effective for the financial period beginning on or after 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 134	:	Interim Financial Reporting
FRS 137	:	Provisions, Contingent Liabilities and Contingent Assets
IC Interpretation 1	:	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	:	Members’ 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 <sup>(2004)</sup> - Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	:	Scope of FRS 2

Where applicable, the Group has adopted the above new and revised FRS. The adoption of the abovementioned FRSs does not result in significant changes in accounting policies of the Group.

FRS139 Financial Instruments : Recognition and Measurement has been deferred and has not been adopted by the Group.

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

**A1. Basis of Preparation (cont’d)**

These attached explanatory notes 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 financial year ended 31 December 2007.

**A2. Auditors’ Report**

The auditors’ report on the financial statements of the Company for the FYE 31 December 2007 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.

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”)	2.3995
100 Thai Baht	9.7435
100 Indonesian Rupiah	0.0354
United States Dollar	3.2665

**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 repayments of debt and equity securities for the financial quarter under review.

**A8. Dividend Paid**

No dividend was paid during the current 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 sales of its XPress suite of products. The business segments can be broken down as follows:-

**(a) Analysis of Revenue by Products and Services for cumulative year-to-date**

	<b>Product RM'000</b>	<b>Services RM'000</b>	<b>Total RM'000</b>
Revenue	9,277	13,613	22,890
Cost of sales	(6,181)	(8,801)	(14,982)
Gross profit	<u>3,096</u>	<u>4,812</u>	7,908
Other operating income			<u>1</u>
			7,909
Administrative expenses			(5,752)
Marketing and distribution cost			(143)
Other operating expenses			(915)
Finance costs			(14)
Profit before taxation			<u>1,085</u>
Taxation			(269)
Profit attributable to shareholders			<u>816</u>
			<b>Total RM'000</b>
<b>Segment assets</b>			
Unallocated assets			<u>64,725</u>
<b>Segment liabilities</b>			
Unallocated liabilities			<u>11,388</u>
<b>Capital expenditure</b>			
Unallocated capital expenditure			<u>732</u>
<b>Depreciation</b>			
Unallocated depreciation			<u>351</u>

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**

Revenue	Cumulative To 30.06.2008 RM’000
Malaysia	6,815
Singapore	10,176
Thailand	3,713
India	740
Indonesia	352
China	137
Taiwan	42
Japan	278
Korea	637
	22,890

	Segment assets RM’000	Segment liabilities RM’000	Capital expenditure RM’000	Depreciation RM’000
Malaysia	38,930	3,976	455	203
Singapore	15,242	5,240	156	118
Thailand	4,897	1,057	121	22
Indonesia	5,656	1,115	0	8
	64,725	11,388	732	351

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

There has been no revaluation of property, plant and equipment during the financial quarter:

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

Save as disclosed below, there are no significant events subsequent to the balance sheet date and up to the date of this report.

The Company had on 4 July 2008 announced the completion of the proposed acquisition by the Company of 70% equity interest in Cogent Consulting Sdn Bhd (“**Proposed Acquisition**”) on 30 June 2008. Further details of the Proposed Acquisition are set out under Section A12 of this report.

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

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

Save for the following, there were no changes in the composition of the Group during the current quarter under review :-

On 30 May 2008, the Board announced that the Company had on even date entered into a conditional share purchase agreement with Chiam Guik Meng and Chia Siea Huwa (the “Vendors”) for the acquisition of 70,000 ordinary shares of RM1.00 each in Cogent Consulting Sdn Bhd (“Cogent”) representing 70% equity interest in Cogent for a total consideration of RM385,000.

As at the date of the report, all conditions precedent have been fulfilled and Cogent Consulting is now a 70%-owned subsidiary of the Company.

As the Proposed Acquisition had been completed only on 30 June 2008, the financial results of Cogent have not been consolidated in the financial statements of the Group for the first half of the FYE 2008.

**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 2007.

**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 significant related party transactions during the current quarter under review.

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**FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2008 (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 30.06.08 RM'000	Preceding year corresponding quarter 30.06.07 RM'000	Current year to date 30.06.08 RM'000	Preceding year corresponding Quarter 30.06.07 RM'000
Revenue	<u>12,915</u>	<u>8,030</u>	<u>22,890</u>	<u>15,181</u>
Profit before tax ("PBT")	<u>578</u>	<u>852</u>	<u>1,085</u>	<u>1,608</u>
PBT margin (%)	<u>4.48</u>	<u>10.61</u>	<u>4.74</u>	<u>10.59</u>

For the current financial quarter under review, the Group reported a revenue of RM12.92 million and PBT of RM0.58 million. This represents an increase of RM4.89 million or 60.8% in revenue whilst profit decreased by RM0.27 million or 32.2% as compared to the preceding year corresponding quarter.

The increase in revenue to RM12.92 million is due to significant improvements in ISS Malaysia and continued strong performances from ISS Singapore and ISS Thailand. Ledge Consulting fell short of expectations due to certain opportunities which did not materialize.

The overall lower profit before tax in the current quarter is mainly due to a higher level of operating expenses arising from increased rental costs for new offices in Malaysia and Thailand and increased resources for business development across most markets.

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

	Current Quarter 30.06.08 RM'000	Immediate Preceding Quarter 31.03.08 RM'000
Revenue	12,915	9,975
Profit before tax	578	507

Revenue increased by RM2.94 million (29.5%) in the current quarter compared to the immediate preceding quarter, whilst profit before tax increased by RM0.07 million (14.0%).

**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 (cont'd)**

The higher revenue for the current quarter is mainly due to improvement in revenue from most markets, in particular, the Singapore and Thailand markets.

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

The Group will continue to explore business opportunities in new markets in the Asia Pacific region and to invest in new products. To this end, the acquisition of Cogent Consulting ("Cogent") will enhance the product portfolio of the Group in the area of corporate performance management solutions, and at the same time extend the Group's footprint into new customer segments.

The Group has a healthy prospect pipeline, and with the continued demand in the SME (Small and Medium Enterprises) sector for automation and system enhancements, the Board of Directors is cautiously optimistic that the Group will be able to achieve positive operational growth for the financial year ending 31 December 2008.

**B4. Profit Forecast Or Profit Guarantee**

No profit forecast or profit guarantee was published.

**B5. Taxation**

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

There is no tax charge for the current quarter 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 during the period from 19 August 1998 to 31 July 2008.

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

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

**B7. Quoted Securities**

There were no purchase or disposals of quoted securities during the financial quarter under review.

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

**B8. Corporate Proposals**

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

**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 utilisation of the IPO proceeds as set out below. Details of the utilisation of the IPO proceeds as at 30 June 2008 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	-		-
Part financing of cash consideration for the acquisition	0	7,174,240	4,523,560	2,650,680	36.9	*July 2008
Listing expenses	1,500,000	1,500,000	1,500,000	-		-
	<u>16,877,240</u>	<u>16,877,240</u>	<u>14,226,560</u>	<u>2,650,680</u>	<u>15.7</u>	

Note:

\* The Group had fully utilised this amount by July 2008

**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	372	93
Denominated in SGD	10	17
Hire purchase and lease payables	<u>382</u>	<u>110</u>

As at the date of this report, the Group has not issued any debt securities.

**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.



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

**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 Payable**

No dividend has been declared during the financial quarter 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	
	30.06.2008	30.06.2007	30.06.2008	30.06.2007
Profit attributable to shareholders (RM'000)	411	736	816	1,253
Weighted average number of ordinary shares of RM0.10 each for computing earnings per share :				
- Basic ('000)	255,877	218,377	255,877	218,377
- Diluted ('000)	N/A	N/A	N/A	N/A
Basic earnings per share (sen) *	0.16	0.34	0.32	0.57
Diluted earnings per share (sen) ^	N/A	N/A	N/A	N/A

Note:

^ - No diluted earnings per share has been computed as the Company has not issued securities that have dilutive effects on the Company's existing shares in issue

\* - The difference in the basic earnings per share was mainly due to reasons as stated under Note B1 above as well as due to different weighted average number of shares in issue for the financial quarter ended 30 June 2008 and 30 June 2007, respectively

**B15. Authorisation 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 13 August 2008.

By order of the Board  
ISS CONSULTING SOLUTIONS BERHAD

Mah Li Chen (MAICSA 7022751)  
Company Secretary  
Dated this 13 August 2008