

**ISS CONSULTING SOLUTIONS BERHAD (“ISS”)  
QUARTERLY REPORT ON CONSOLIDATED RESULTS  
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2009**

**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 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 ACE 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 2008.

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 2008.

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 2008.

**A2. Auditors’ Report**

The auditors’ report on the financial statements of the Company for the FYE 31 December 2008 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, Ledge Consulting Pte Ltd (“**Ledge Consulting**”) and Cogent Business Solutions (S) Pte. Ltd. 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”)	2.4401
100 Thai Baht	10.271
100 Indonesian Rupiah	0.0364
United States Dollar	3.4245

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

**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 material 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**

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	19,893	30,548	50,441
Cost of sales	(14,122)	(21,318)	(35,440)
Gross profit	5,771	9,230	15,001
Other operating income			405
			15,406
Administrative expenses			(13,604)
Marketing and distribution cost			(36)
Other operating expenses			(1,984)
Finance costs			(217)
Profit before taxation			(435)
Taxation			(249)
Loss after taxation for the period			(684)

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

**A9. Segmental Reporting (Cont’d)**

Attributable to:

Equity holders of the parent	(612)
Minority interest	(72)
Loss after taxation for the period	<u>(684)</u>
	<b>Total RM’000</b>
<b>Segment assets</b>	
Unallocated assets	<u>41,197</u>
<b>Segment liabilities</b>	
Unallocated liabilities	<u>22,020</u>
<b>Capital expenditure</b>	
Unallocated capital expenditure	<u>32</u>
<b>Depreciation</b>	
Unallocated depreciation	<u>790</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.

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

<b>Revenue</b>	<b>Cumulative To 31.12.2009 RM’000</b>
Malaysia	6,504
Singapore	31,748
Thailand	9,388
India	725
Indonesia	1,626
China	340
Philippines	110
	<u>50,441</u>

	<b>Segment assets RM’000</b>	<b>Segment liabilities RM’000</b>	<b>Capital expenditure RM’000</b>	<b>Depreciation RM’000</b>
Malaysia	16,955	7,078	20	479
Singapore	18,660	12,653	-	220
Thailand	4,729	1,147	12	85
Indonesia	853	1,142	-	6
	<u>41,197</u>	<u>22,020</u>	<u>32</u>	<u>790</u>

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

**A10. Valuation of Equipment**

There has been no revaluation of equipment during the financial quarter.

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

The following event occurred subsequent to the end of the financial quarter:

a) Acquisition of Diversified Gateway Berhad (“DGB”)

On 12<sup>th</sup> October 2009, the Board of Directors (“the Board”) announced that the Company had entered into a conditional share sale agreement (“SSA”) with Formis Holdings Berhad (“FHB”), a wholly owned subsidiary of Formis Resources Berhad and the management team of DGB for the acquisition of the entire equity interest of DGB from FHB and the management team for a consideration of RM110,000,000 (“Proposed Acquisition”). The purchase for the Proposed Acquisition shall be satisfied via the issuance of 1,100,000,000 ordinary shares of RM0.10 each in ISS Consulting Solutions Berhad (“ISS”) at par.

In conjunction with the Proposed Acquisition, the Board has also resolved to undertake the following proposals:

- (i) Proposed exemption under Practice Note 2.9.1 of the Malaysian Code on Takeovers and Mergers, 1998 (“Code”) to FHB and the management team (“collectively, the vendors”) and any other parties acting in concert with the vendors (if any) from the obligation of having to extend a mandatory offer for all the remaining ISS shares not already held by the vendors and parties acting in concert (if any) upon completion of the Proposed Acquisition (“Proposed Exemption”);
- (ii) Proposed increase in the authorized share capital of ISS from RM50,000,000 comprising 500,000,000 ISS shares to RM500,000,000 comprising 5,000,000,000 ISS shares to accommodate the issuance of the new ISS shares pursuant to the Proposed Acquisition (“Proposed IASC”); and
- (iii) Proposed amendment to the Memorandum and Articles of Association of ISS to reflect the Proposed IASC (“Proposed Amendment”).

As at the date of this report, approvals have been obtained from the regulatory authorities.

Save for the above, 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**

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

**A. EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS  
("FRS") 134 (CONT'D)**

**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 2008.

**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.

**ISS CONSULTING Solutions Berhad**  
**QUARTERLY REPORT ON CONSOLIDATED RESULTS**  
**FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2009 (CONT'D)**

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

**B1. Review of Performance**

	<u>Individual Quarter</u>		<u>Cumulative Quarters</u>	
	<u>Current Quarter</u> <u>31.12.09</u> <u>RM'000</u>	<u>Preceding Quarter</u> <u>31.12.08</u> <u>RM'000</u>	<u>Current Year To Date</u> <u>31.12.09</u> <u>RM'000</u>	<u>Preceding Year To Date</u> <u>31.12.08</u> <u>RM'000</u>
Revenue	<u>16,106</u>	<u>9,366</u>	<u>50,441</u>	<u>42,302</u>
Loss before tax	<u>(531)</u>	<u>(29,741)</u>	<u>(435)</u>	<u>(31,685)</u>
Loss before tax margin (% of revenue)	(3.3%)	(317.5%)	(0.9%)	(74.9%)

For the current financial quarter under review, the Group reported revenue of RM16.1 million. This represents an increase in revenue of RM6.7 million (72%) compared to the corresponding previous quarter. The higher revenue in the current quarter and in the current financial year is due to some extent, revenue contribution from the Singapore Pools project which started in January 2009.

The loss before tax in the previous year arises mainly from impairment losses on write down of software development costs and goodwill on certain subsidiaries, which in total amounted to RM21.8m.

The improvement in profit before tax margin in the current quarter and the current year to date is, due to the higher revenue coupled with the effects of measures taken since the beginning of 2009 to reduce cost and operate on a leaner scale.

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

	<u>Current Quarter</u> <u>31.12.09</u> <u>RM'000</u>	<u>Immediate Preceding Quarter</u> <u>30.09.09</u> <u>RM'000</u>
Revenue	<u>16,106</u>	<u>10,900</u>
Profit/(Loss) before tax	<u>(531)</u>	<u>378</u>

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

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

Revenue for the current quarter improved by 48% compared to the immediate preceding quarter. The higher revenue in the current quarter is due to a higher level of software revenue in the current quarter coupled with contribution from the Singapore Pools project.

The loss in the current quarter is due to a higher level of provisioning for doubtful debts. Collection of debts were slower than expected in the current quarter resulting in a higher level of debts which were more than 6 months for which it is the Group's policy to make provisions accordingly. Excluding the provision for doubtful debts, the profit/(loss) for the quarters under review would be as follows:

Profit/(Loss) before tax	RM000 (531)	RM000 378
Less : Provision/(Write back) for doubtful debts	1,171	(528)
Profit/(Loss) before tax before provision	----- 640 -----	----- (150) -----

**B3. Prospects For The Financial Year Ending 31 December 2010**

Despite the slow growth in 2009, the ICT (Information and Communication technology) industry is expected to remain buoyant. ICT is viewed by enterprises as a vital component for business efficiency and will continue to be a key enabler and strategic tool for cost savings and productivity improvement. In particular, the ISS Group foresees that large enterprises will continue to look towards ICT for long term cost savings and business improvements.

In addition, with the initiatives and efforts undertaken by the Malaysian Government to boost the ICT industry, the ISS Group sees tremendous opportunities for its solutions offerings, from the large private enterprise sector to the government and government-linked companies as well as the small and medium enterprises.

Further, with its 70%-owned subsidiary, Cogent Consulting Sdn Bhd (acquired in July 2008), which specialises in budgeting and planning solutions, the ISS Group believes that it would be able to service a new market segment, which so far has not been tapped.

Premised on the above, the ISS Group expects that its prospects for 2010, albeit challenging, will be positive.

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

**B4. Profit Forecast Or Profit Guarantee**

No profit forecast or profit guarantee was published.

**B5. Taxation**

The tax charge for the current period to date relates to tax on profits derived from the foreign subsidiaries in Thailand and Singapore which are not allowed to be off-set against losses from other subsidiaries.

A reconciliation of the income tax expense applicable to the profit before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group is as follows:-

	Current Year To Date 31.12.2009 RM'000 (Unaudited)
Loss before taxation	<u>(435)</u>
Tax at the statutory tax rate of 25%	(109)
Non-deductible expenses	112
Deferred tax assets not recognized during the financial period	945
Utilisation of deferred tax assets not recognised in prior years	(649)
Difference in tax rates	46
Others	<u>(96)</u>
	<u>249</u>

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

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

**B7. Quoted Securities**

There was no purchase or disposal of quoted securities during the financial quarter under review.

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

**B8. Corporate Proposals**

Save as mentioned in para A.11, there are no corporate proposals which are yet to be completed as at the date of this report.

**B9. Status of Utilisation of Proceeds**

There was no corporate proposal undertaken to raise any proceeds during the financial year ended 31 December 2009.

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

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

<b>Secured</b>	<b>Repayable within 12 months RM'000</b>	<b>Repayable later than 12 months RM'000</b>
Denominated in RM	85	23
Denominated in SGD	1	-
Hire purchase and lease payables	86	23
Short term borrowings from financial institutions	2,430	-

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.

**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 ACE MARKET (CONT'D)**

**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	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Profit/(Loss) attributable to shareholders (RM'000)	(661)	(29,810)	(612)	(32,403)
Weighted average number of ordinary shares of RM0.10 each for computing earnings per share :				
- Basic ('000)	255,877	255,877	255,877	255,877
- Diluted ('000)	N/A	N/A	N/A	N/A
Basic earnings/(loss) per share (sen)	(0.26)	(11.65)	(0.24)	(12.66)
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

**B15. Authorisation for Issue**

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution by the Board of Directors dated 25 February 2010.

By order of the Board  
ISS CONSULTING SOLUTIONS BERHAD

Masharum binti Abdul Wahab (MAICSA 7041619)  
Company Secretary  
Dated this 25 February 2010