1. **EXPLANATORY NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARD (“FRS”) 134: INTERIM FINANCIAL REPORTING**
2. **Basis of Preparation**

This interim report is unaudited and has been prepared in accordance with FRS 134: Interim Financial Reporting and para 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

This is the first interim report on the consolidated results announced by Century Software Holdings Berhad (the “Company”) in compliance with the Listing Requirements. As such, there are no comparative figures for the preceding years’ corresponding quarter and period.

The accounting policies and methods of computation adopted by the Company and its subsidiaries (the “Group”) for this interim financial report are in compliance with the new and revised FRSs issued by the Malaysian Accounting Standards Board (“MASB”).

This interim report should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 December 2010.

1. **Adoption of New and Revised Accounting Policies**
2. During the current financial period, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments):

|  |  |
| --- | --- |
|  | |
| **FRSs and IC Interpretations (including the Consequential Amendments)** | |
| FRS 4 Insurance Contracts | |
|  | |
| FRS 7 Financial Instruments: Disclosures | |
|  | |
| FRS 8 Operating Segments | |
|  | |
| FRS 101 (Revised) Presentation of Financial Statements | |
|  | |
| FRS 123 (Revised) Borrowing Costs | |
|  | |
| FRS 139 Financial Instruments: Recognition and Measurement | |
|  | |
| Amendments to FRS 1 and FRS 127: Cost of an Investment in a Subsidiary,  Jointly Controlled Entity or Associate | |

|  |  |
| --- | --- |
| Amendments to FRS 2: Vesting Conditions and Cancellations  Amendments to FRS 7, FRS 139 and IC Interpretation 9  Amendments to FRS 101 and FRS 132: Puttable Financial Instruments and  Obligations Arising on Liquidation   1. **Adoption of New and Revised Accounting Policies (Cont’d)**   Amendments to FRS 132: Classification of Rights Issues and the Transitional  Provision in Relation to Compound Instruments | |
|  |
| IC Interpretation 9 Reassessment of Embedded Derivatives |
|  |
| IC Interpretation 10 Interim Financial Reporting and Impairment |
|  |
| IC Interpretation 11: FRS 2 - Group and Treasury Share Transactions |
|  |
| IC Interpretation 13 Customer Loyalty Programmes |
|  |
| IC Interpretation 14: FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction |
|  |
| Annual Improvements to FRSs (2009) |

The adoption of the above accounting standards and interpretations (including the consequential amendments) did not have any material impact on the Group’s interim report, other than the following FRS’s as set out below:

(i) FRS 7 requires additional disclosures about the Group’s financial instruments. Prior to 1 January 2010, information about financial statements was disclosed in accordance with the requirements of FRS 132 Financial Instruments: Disclosures and Presentation. FRS 7 requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Group has applied FRS 7 prospectively in accordance with the transitional provisions. Accordingly, the new disclosures have not been applied to the comparatives and are included throughout the Group’s Interim Financial Report for the quarter ended 31 March 2011.

(ii) The adoption of FRS 139 (including the consequential amendments) did not have any material impact on the Group’s interim financial report.

(iii) FRS 101 (Revised) introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present this statement as one single statement.

The revised standard also separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented in the statement of comprehensive income as other comprehensive income.

FRS 101 also requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group’s objectives, policies and processes for managing capital.

1. **Adoption of New and Revised Accounting Policies (Cont’d)**

Comparative information has been re-presented so that it is in conformity with the requirements of this revised standard.

(b) The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments) those have been issued by the MASB but are not yet effective for the current financial period:-

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **FRSs and IC Interpretations (including the Consequential**  **Amendments)** | | | | **Effective date** | |
|  | | | |  | |
| FRS 1 (Revised) First-time Adoption of Financial  Reporting Standards | | | | 1 July 2010 | |
|  | | | |  | |
| FRS 3 (Revised) Business Combinations | | | | 1 July 2010 | |
|  | | | |  | |
| FRS 127 (Revised) Consolidated and Separate Financial  Statements | | | | 1 July 2010 | |
|  | | | |  | |
| Amendments to FRS 1 (Revised): Limited Exemption from  Comparative FRS 7 Disclosures for First-time Adopters | | | | 1 January 2011 | |
|  | | | |  | |
| Amendments to FRS 1: Additional Exemptions for First-time  Adopters | | | | 1 January 2011 | |
|  | | | |  | |
| Amendments to FRS 2: Scope of FRS 2 and Revised FRS 3  (2010) | | | | 1 July 2010 | |
| Amendments to FRS 5: Plan to Sell the Controlling Interest  in a Subsidiary | | | 1 July 20110 | |
|  | | |  | |
| Amendments to FRS 7: Improving Disclosures about Financial  Instruments | | 1 January 2011 | | | |
|  | |  | | | |
| Amendments to FRS 138: Consequential Amendments  Arising from Revised FRS 3 (2010) | | 1 July 2010 | | | |
|  | |  | | | |
| IC Interpretation 4 Determining Whether An Arrangement  Contains a Lease | | 1 January 2011 | | | |
|  |  | | | |
| **2. Adoption of New and Revised Accounting Policies (Cont’d)** | | |  | | |
|  | | |  | | |
| IC Interpretation 15 Agreements for the Construction of Real  Estate | | | 1 January 2012 | | |
|  | | |  | | |
| IC Interpretation 16 Hedges of a Net Investment in a Foreign  Operation | | | 1 July 2010 | | |
| IC Interpretation 17 Distributions of Non-cash Assets to  Owners | | | 1 July 2010 | | |
|  | | |  | | |
| IC Interpretation 18 Transfers of Assets from Customers | | | 1 January 2011 | | |
|  | | |  | | |
| Amendments to IC Interpretation 9: Scope of IC Interpretation 9 & FRS 3  (Revised) | | | 1 July 2010 | | |
|  |  | |

1. **Auditors’ Report**

The auditor’s report of the Company in respect of the annual audited Financial Statements for the year ended 31 December 2010 was not subject to any audit qualifications.

1. **Seasonal or Cyclical Factors**

The Group’s business operations were not significantly affected by any major seasonal or cyclical factors.

1. **Significant Unusual Items**

There were no significant unusual items affecting assets, liabilities, equity, net income or cash flows for the current quarter under review and financial year to-date.

1. **Material Changes in Estimates**

There were no material changes in estimates of amount reported that have a material effect on the current quarter under review and quarter ended 30 June 2011.

1. **Changes in Debt and Equity**

Save as disclosed below, there were no issuance, cancellation, repurchase, resale or repayment of debt and/or equity securities during the current quarter under review.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Date of** | **Number** | **Par Value** | **Issue Price** |  | **Issued and Paid-up share capital**  **(RM)** | **Cumulative Issued and Paid-up share capital** |
| **Allotment** | **of Shares** | **(RM)** | **(RM)** | **Consideration** | **(RM)** |
| 08.08.2008 | 20 | 0.10 | 0.10 | Subscribers’ shares | 2 | 2 |
| 19.11.2010 | 132,999,980 | 0.10 | 0.10 | Acquisition of CSM | 13,299,998 | 13,300,000 |
| 08.12.2010 | 16,100,000 | 0.10 | 0.10 | Acquisition of T-Melmax | 1,610,000 | 14,910,000 |
| 25.01.2011  23.05.2011 | 23,000,000  172,100,000 | 0.10  0.10 | 0.93  0.10 | Public Issue  Bonus Issue | 2,300,000  17,210,000 | 17,210,000  34,420,000 |

1. **Dividend**

There were no dividends paid as at the end of this financial period.

1. **Segmental Reporting**

Segmental information for the Group by business segment for the cumulative quarter ended 30 June 2011 represented as follows:

**Revenue Elimination Consolidation Profit Before Tax**

**Division RM ‘000 RM ‘000 RM ‘000 RM’000**

FMSS 10,855 - 10,855 2,947

Payment Aggregation 2,097 - 2,097 11

\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_

**Total** 12,952 - 12,952 2,958

\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_

FMSS – Financial Management Software Solutions

1. **Changes in the Composition of the Group**

There were no changes in the composition of the Group for the current quarter and financial period ended 30 June 2011.

1. **Contingent Liabilities**

The Group does not have any contingent liabilities as at the end of the current quarter.

1. **Capital Commitments**

The Group does not have any material commitment for capital expenditure for the current quarter.

1. **Material Events Subsequent to the End of the Interim Reporting Period**

There are no material events subsequent to the end of the interim reporting period.

1. **Related Party Transactions**

The group did not engage into any related party transactions during the current quarter.

1. **EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS**
2. **Review of Performance**

For the current quarter under review, the Group registered revenue and profit before taxation (“PBT”) of RM5.32 million and RM0.93 million respectively.

Tabulated below is the segmental break down of the Revenue for the Group.

**Payment FMSS Aggregation Others Total**

**Revenue** **RM ‘000 RM ‘000 RM ‘000 RM’000**

Software, Implementation

and Training 1,772 652 - 2,423

Hardware 478 - - 478

Maintenance 2,176 143 2,319

Others - - 95 95

\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_

**Total 4,426 795 95 5,316**  \_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_

1. **Comparison with immediate Preceding Quarter’s Results.**

The Group registered a revenue and PBT of RM7.65 million and RM1.95 million for the immediate preceding quarter ended 31 March 2011 against a lower revenue of RM5.32 million and PBT of RM0.93 million for the current quarter under review.

The lower turnover was due to the normal business cycle where most Government agencies are still awaiting their respective budget allocation and disbursement.

1. **Business Prospects**

With the implementation of the government’s ongoing Economic Transformation Programme, major computerization proposals are to be initiated for implementation by the various Government agencies and local authorities, thus provide an encouraging business outlook for the Group.

As for the FMSS division, the public sector is upgrading to a higher security and better connectivity information infrastructure to strengthen its public delivery systems.

In relation to Payment Aggregate software division, the adoption of e-bayaran payment gateway by the various regulatory authorities enhances the division’s long term income stream.

Barring any unforeseen circumstances, the Group is confident of achieving a better performance for the financial year ending 31 December 2011.

1. **Profit Forecast and Profit Guarantee**

The Group has not provided any profit forecast or profit guarantee.

1. **Income Tax Expense**

The taxation figures are as follows:

|  |  |  |
| --- | --- | --- |
| **Current Year Quarter**  **30 June 2011** |  | **Current Year**  **to-Date**  **30 June 2011** |
| **RM’000** |  | **RM’000** |

|  |
| --- |
| Current tax - - |
| \*\*amount insignificant |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

1. **Sales of Unquoted Investments and/or Properties**

There were no disposals of unquoted investments and/or properties held by the Group as at the date of this interim report.

1. **Purchase and/ or Disposal of Quoted Securities**

There were no purchases or disposal of quoted securities for the Group as at the date of this interim report.

1. **Borrowings**

The Group’s borrowings as at 30 June 2011 are as follows:

|  |  |
| --- | --- |
|  |  |
|  | **RM ’000** |
| **Short-term borrowings** |  |
| Hire Purchase | 187 |
| Project Financing Loan (Secured) | 2.355 |
|  |  |
|  | **2,542** |
| **Long-term borrowings** |  |
| Hire purchase | 536 |
|  |  |
| **Total** | **3,078** |

The project financing loan is secured by debenture and deed of assignment of all contract proceeds.

1. **Status of Corporate Proposals**
   1. The Group does not have any corporate proposals which have been announced but not

completed as at 30 June 2011.

**b. Utilisation of proceeds**

The Company received proceeds of RM21.39 million from the public the issuance of 23,000,000 new shares and the utilisation status is as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Proposed Utilisation** | **RM’000** | **%** | **Amount Utilised**  **30 June 2011**  **RM’000** | **Amount Unutilised**  **30 June 2011**  **RM’000** | **Expected time frame for utilisation** |
| Research and Development expenditure | 6,000 | 28.05 | - | 6,000 | Within three (3) years from the date of receipt. |
| Business expansion and  capital expenditure | 4,890 | 22.86 | - | 4,890 | Within three (3) years from the date of receipt. |
| Working capital | 4,000 | 18.70 | - | 4,000 | Within three (3) years from the date of receipt. |
| Repayment of bank borrowings | 4,000 | 18.70 | 4,000 | - | Within six (6) months from the date of receipt. |
| Estimated listing expenses | 2,500 | 11.69 | 2,500 | - | Within six (6) months from the date of receipt. |
|  | **21,390** | **100.00** | **6,500** | **14,890** |  |

1. **Off Balance Sheet Financial Instruments**

There were no off balance sheet financial instruments as at the date of this interim report.

1. **Derivatives Financial Instruments**

There were no derivatives financial instruments as at the date of this interim report.

1. **Material Litigation**

There were no material litigations involving the Group as at the date of this interim report.

1. **Dividend**

The Board has approved and declared a first interim single tier dividend of 10% in respect for the financial year ending 31 December 2011. The first interim dividend will be paid on 15 November 2011 to shareholders whose names appear on the Company’s Record of Depositors on 31 October 2011.

1. **Realised and Unrealised Profits/(Loss) Disclosure**

**The Group The Group**

**As at 30 June 2011 As at 31 Dec 2010**

**RM ‘000 RM ‘000**

Total retained profits/(loss) of the Company

and its subsidiaries

* Realized 29,402 26,518
* Unrealised - -

\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_

Total Group Retained Profits 29,402 26,518

\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_

1. **Earnings Per Share**
   * 1. Basic

The basic earnings per share is calculated by dividing the profit attributable to owners of the Company for the period by the weighted average number of ordinary shares in issue during the financial period under review.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Individual Quarter** | |  | **Cumulative Quarter** | |
|  | **Current Year**  **Quarter**    **30 Jun 2011**  **RM ‘000** | **Preceding Year Corresponding Quarter**  **30 Jun 2010 RM ‘000** |  | **Current Year**  **to-date**  **30 Jun 2011 RM ’000** | **Preceding Year Corresponding Period**  **30 Jun 2010 RM ‘000** |
| Total comprehensive income attributable to owners of the Company (RM’000) | 0.925 | N/A |  | 2.884 | N/A |
|  |  |  |  |  |  |
| Weighted average number of ordinary shares in issue (‘000) | 344,200 | N/A |  | 344,200 | N/A |
|  |  |  |  |  |  |
| Basic earnings per share (sen) | 0.27 | N/A |  | 0.84 | N/A |

* + 1. Diluted

The Company does not have any convertible share or convertible financial instruments for the current quarter under review and financial year to-date.

1. **Authorisation for issue**

The interim financial statements were authorised for release by the Board of Directors as per the Board Meeting held on 26 August 2011.