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 fourth quarter of the interim reporting on the consolidated results announced by Century Software Holdings Berhad (the “Company”) in compliance with the Listing Requirements.

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. The explanatory notes attached to the interim financial statements 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 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  **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 December 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.

**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:-

**FRS and IC Interpretations (including the Consequential Effective Date**

**Amendments)**

FRS 1 (Revised) First-time Adoption of Financial 1 July 2010

Reporting Standards

FRS 3 (Revised) Business Combinations 1 July 2010

FRS 127 (Revised) Consolidated and Separate Financial 1 July 2010

Statements

Amendments to FRS 1 (Revised): Limited Exemption from 1 January 2011

Comparative FRS 7 Disclosures for First-time Adopters

Amendment to FRS 1: Additional Exemptions for First-time 1 January 2011

Adopters

Amendment to FRS 2: Scope of FRS 2 and Revised FRS 3 (2010) 1 July 2010

Amendment to FRS 5: Plan to Sell the Controlling Interest 1 July 2010

In a subsidiary

Amendment to FRS 7: Improving Disclosure about Financial 1 January 2011

Instruments

Amendment to FRS 138: Consequential Amendments 1 July 2010

Arising from Revised FRS 3 (2010)

IC Interpretation 4 Determining Whether An Arrangement 1 January 2011

Contains a Lease

IC Interpretation 15 Agreements for the Construction of Real 1 January 2012

Estate

IC Interpretation 16 Hedges of a Net Investment in a Foreign 1 July 2010

Operation

IC Interpretation 17 Distributions of Non-cash Assets to 1 July 2010

Owners

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

IC Interpretation 18 Transfers of Assets from Customers 1 January 2011

Amendments to IC Interpretation 9: Scope of IC Interpretation 9 & 1 July 2010

FRS 3 (Revised)

1. **Audit Report**

The audit report of the Group’s annual audited financial statements for the year ended 31 December 2010 was not subject to any audit qualification.

1. **Seasonal or Cyclical Factors**

The Group’s business operations for the quarter ended 31 December 2011 have not been significantly affected by seasonal or cyclical factors.

1. **Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the current quarter and the financial period ended 31 December 2011.

1. **Effects of Changes in Estimates**

There were no changes in estimates that have a material effect on the current quarter and the financial period ended 31 December 2011.

1. **Changes in Debt and Equity Securities**

Save as disclosed below, there were no issuance, cancellation, repurchase, resale or repayment of debt and/or equity securities during the current quarter and the financial period ended 31 December 2011 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 Paid**

The Board has on 29 August 2011, approved and declared an interim dividend of 10% (single-tier) amounting to RM 3.44m in respect for the financial year ending 31 December 2011. The interim dividend was paid on the 15 November 2011 to the shareholder's whose name appear on the Company’s Record of Depositors on 31 October 2011.

1. **Segmental Reporting**

Segmental information for the Group by business segment for the cumulative quarter ended 31 December 2011 represented as follows:

**Revenue Elimination Consolidation Profit/(Loss)**

**Before Tax**

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

FMSS 38,339 - 38,339 11,698

PAS 4,070 - 4,070 (583)

IMS 931 - 931 666

Others 419 (419) - (2,082)

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

**Total** 43,759 (419) 43,340 9,699

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

FMSS – Financial Management Software Solutions, PAS – Payment Aggregation Software, IMS – investment Management Solutions.

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

During the current quarter ended 31 December 2011, the Company completed the acquisition of PT Praisindo Teknologi for a 60% equity interest on the 14 November 2011 for a purchase consideration of USD1.25 million in cash.

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 Subsequent Events**

There were no material subsequent events that will affect the financial result of the financial period under review.

1. **Related Party Transaction**

The Group during the current quarter and financial period entered into the following related party transaction:

|  |  |  |
| --- | --- | --- |
| **Current Year Quarter**  **31 Dec 2011** |  | **Current Year**  **to-Date**  **31 Dec 2011** |
| **RM** |  | **RM** |

Inventrix Sdn Bhd\* - office rental expenditure 128,850 220,832

The transaction was contracted in the normal course of business and concluded under negotiated terms.

\*a company controlled by common Directors namely, Datuk Samsul Bin Husin, Encik Abdul Mushir Bin Che Chik, Mr Tamil Selvan A/L M. Durairaj and Ms Ang Hsin Hsien.

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

**a) Performance of the Current Quarter v Previous Year Corresponding Quarter**

For the current quarter under review, the Group registered a revenue of RM10.66 million compared to the previous year corresponding quarter’s revenue of RM13.58 million. The lower revenue of 21.5% in comparison to the preceding year corresponding quarter was mainly attributed by higher level of maintenance income secured in relation to the FMSS division during the preceding year corresponding quarter.

As for the profit before taxation, the Group registered RM2.93 million for the current quarter compared to the previous year corresponding quarter’s profit before taxation of RM9.84 million, due to higher operating cost for the group and additional resources required for on-going bigger value projects.

Tabulated below is the segmental break down of the revenue and profit before tax (PBT) for the Group.

**2011 2010**

**Revenue PBT Revenue PBT**

**RM ‘000 RM ‘000 RM ‘000 RM ‘000**

FMSS 8,685 2,908 13,581 6,170

PAS 1,039 (327) - -

IMS 931 666 - -

Others - (321) - 3,670

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

**Total 10,655 2,926 13,581 9,840**

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

**b) Performance of the Current Financial Year v Previous Financial Year**

For the current financial year under review, the Group registered a revenue of RM43.34 million compared to the previous year’s revenue of RM31.73 million. The substantial increase of 36.6% in comparison to the preceding financial year was attributed to the FMSS division awarded the landmark Outcome Based Budgeting with a major portion of the contract sum invoiced during the current financial year.

As for the profit before taxation, the Group registered RM9.70 million for the current financial year compared to the previous year profit before taxation of RM12.73 million. The lower profit before taxation of 23.8% in comparison to the preceding financial year was due to the fast tracking of certain major projects that accounted for higher operating cost to support the increased level of activities.

**b) Performance of the Current Financial Year v Previous Financial Year (Cont’d)**

**2011 2010**

**Revenue PBT Revenue PBT**

**RM ‘000 RM ‘000 RM ‘000 RM ‘000**

FMSS 38,339 11,698 31,726 10,380

PAS 4,070 (583) - -

IMS 931 666 - -

Others - (2,082) - 2,346

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

**Total 43,340 9,699 31,726 12,726**

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

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

The Group registered a revenue and profit before taxation of RM19.88 million and RM3.89 million for the immediate preceding quarter ended 30 September 2011 against lower revenue of RM10.66 million and profit before taxation of RM2.93 million for the current quarter under review.

The higher turnover for the preceding quarter was derived mainly from the contribution arising from the Groups’ ongoing Outcome Based Budgeting project which is being implemented at the Ministry of Finance where major portion of the billings were invoiced.

1. **Business Prospects**

The Group is confident of achieving better performance for the financial year ending 31 December 2012 based on the market developments and business trends impacting the Group’s business divisions as follows:-

**Financial Management Software Solution division (FMSS)** - the public sector continuous initiatives in upgrading to a higher security and better connectivity information infrastructure to strengthen its efficiency and effectiveness in the public delivery systems provide vast opportunities in the medium and long term period for the FMSS business. The on-going Outcome Based Budgeting implementation exercise by Ministry of Finance will progressively integrate with other Government agencies and local authorities in monitoring and managing its planning effectiveness.

**Payment Aggregate Software division (PAS)** - the adoption of e-bayaran payment gateway by the various regulatory authorities enhances the division’s long term income stream.

**Investment Management Solution division (IMS)** - this new acquired subsidiary is a leading portfolio management services provider in Indonesia with established insurance and financial customers. Its software solution covers the entire back-end system such as portfolio management/fund accounting and front-end system solution such as unit registry, selling agent and online transactions.

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**  **31 Dec 2011** |  | **Current Year**  **to-Date**  **31 Dec 2011** |
| **RM’000** |  | **RM’000** |

|  |
| --- |
| Current tax 195 197 |
| The current tax paid/payable is mainly in respect of interest income from bank deposits, as both the subsidiaries Century Software (M) Sdn Bhd and T-Melmax Sdn Bhd has been granted Multimedia Super Corridor status, which qualifies the subsidiaries for the Pioneer Status incentive under the Promotion of Investment Act, 1986. As for the Indonesian subsidiary PT Praisindo the tax payable were pertaining to corporation tax and value added tax. |  |  |  |  |  |

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 31 December 2011 are as follows: **RM ’000**

**Short-term borrowing**

Hire purchase 78

Project financing loan (Secured)/Overdraft 572

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

650

**Long-term borrowing**

Hire purchase 474

**\_\_\_\_\_\_\_**

**Total** 1,124  **\_\_\_\_\_\_\_**

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 31 December 2011.
   2. **Utilisation of proceeds**

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

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Proposed Utilisation** | **RM’000** | **%** | **Amount Utilised**  **31 Dec 2011**  **RM’000** | **Amount Unutilised**  **31 Dec 2011**  **RM’000** | **Expected time frame for utilisation** |
| Research and Development expenditure | 6,000 | 28.05 | 2,000 | 4,000 | Within three (3) years from the date of receipt. |
| Business expansion and  capital expenditure | 4,890 | 22.86 | 4,052 | 838 | Within three (3) years from the date of receipt. |
| Working capital | 4,000 | 18.70 | 2,000 | 2,000 | 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** | **14,552** | **6,838** |  |

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 on 29 August 2011, approved and declared an interim dividend of 10% (single-tier) amounting to RM 3.44m in respect for the financial year ending 31 December 2011. The interim dividend was paid on the 15 November 2011 to the shareholder's whose name appear on the Company’s Record of Depositors on 31 October 2011.

No dividend has been proposed or declared in relation to the current financial quarter.

1. **Additional Disclosures**

|  |  |  |
| --- | --- | --- |
| **Current Year Quarter**  **31 Dec 2011** |  | **Current Year**  **to-Date**  **31 Dec 2011** |
| **RM’000** |  | **RM’000** |

Interest Income 38 259

Other Income including Investment Income 668 668

Interest Expense 157 506

Depreciation and Amortization 1,070 2,859

Provision for and write off of Receivables - -

Impairment of Assets - -

Foreign Exchange (gain)/ loss - 559

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

The following analysis is prepared in accordance with Guidance on Special Matter No 1, Determination of Realised and Unrealised Profits or Losses in the context of disclosure pursuant to Bursa Securities Listing Requirements, as issues by the Malaysian Institute of Accountant (“MIA Guidance”) and the directive of Bursa Malaysia Securities Berhad.

**As at 31 Dec 2011 As at 30 Sept 2011**

**RM ‘000 RM ‘000**

Total retained profits/(loss) of the Company

and its subsidiaries

* Realized 32,388 29,288
* Unrealised - -

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

Total Group Retained Profits 32,388 29,288

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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**    **31 Dec 2011**  **RM ‘000** | **Preceding Year Corresponding Quarter**  **31 Dec 2010 RM ‘000** |  | **Current Year**  **to-date**  **31 Dec 2011 RM ‘000** | **Preceding Year Corresponding Period**  **31 Dec 2010 RM ‘000** |
| Total comprehensive income attributable to owners of the Company (RM’000) | 2,542 | 9,839 |  | 9,312 | 12,795 |
|  |  |  |  |  |  |
| Weighted average number of ordinary shares in issue (‘000) | 344,200 | 133,000 |  | 344,200 | 133,000 |
|  |  |  |  |  |  |
| Basic earnings per share (sen) | 0.74 | 7.40 |  | 2.71 | 9.62 |

* + 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 22 February 2012.