

PATIMAS COMPUTERS BERHAD (244510-H)
Condensed Consolidation Statement of Comprehensive Income
for the year ended 31 March 2013

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|---|--|--|--|
| | CURRENT QUARTER 31 Mar 2013 Unaudited RM ' 000 | PRECEDING YEAR CORRESPONDING QUARTER 31 Mar 2012 Audited RM ' 000 | CURRENT FINANCIAL YEAR 31 Mar 2013 Unaudited RM ' 000 | PRECEDING CORRESPONDING FINANCIAL YEAR 31 Mar 2012 Audited RM ' 000 |
| Continuing Operations: | | | | |
| Revenue | 3,911 | N/A | 26,999 | N/A |
| Operating expenses | (8,664) | N/A | (60,067) | N/A |
| Other operating income | 363 | N/A | 1,499 | N/A |
| Finance costs | (1,123) | N/A | (4,209) | N/A |
| Share of profit / (loss) of associates | (231) | N/A | (607) | N/A |
| Profit/(Loss) before tax | (5,744) | N/A | (36,385) | N/A |
| Income tax | 2,274 | N/A | 2,274 | N/A |
| Net Profit/(Loss) for the period | (3,470) | N/A | (34,111) | N/A |
| Other Comprehensive Income/(expense) net of tax | - | N/A | - | N/A |
| Total Comprehensive Income/(expense) for the period | (3,470) | N/A | (34,111) | N/A |
| Attributable to: | | | | |
| Owners of the Parent | (3,505) | N/A | (34,265) | N/A |
| Non-Controlling Interest | 35 | N/A | 154 | N/A |
| | (3,470) | N/A | (34,111) | N/A |
| Total comprehensive income/(expense) attributable to: | | | | |
| Owners of the Parent | (3,505) | N/A | (34,265) | N/A |
| Non-Controlling Interest | 35 | N/A | 154 | N/A |
| | (3,470) | N/A | (34,111) | N/A |
| Earning/(Loss) per share (sen) | | | | |
| - Basic | (0.43) | N/A | (4.25) | N/A |
| - Diluted | (0.43) | N/A | (4.25) | N/A |

Notes :

- (i) Due to the change in the financial year end from 31 December to 31 March, no comparative figures are presented.
- (ii) Basic earnings per share for the quarter and financial period is calculated based on the net profit divided by the weighted average number of ordinary shares for the quarter and financial period respectively.
- (iii) The unaudited condensed consolidated statements of comprehensive income should be read in conjunction with the annual audited account for the financial period ended 31 March 2012.

PATIMAS COMPUTERS BERHAD (244510-H)
Condensed Consolidated Statement of Financial Position
as at 31 March 2013

| | AS AT 31 Mar 2013 Unaudited RM '000 | AS AT 31 Mar 2012 Audited RM '000 |
|---|--|--|
| ASSETS | | |
| Non Current Assets | | |
| Plant and equipment | 5,265 | 12,026 |
| Investment in associates | - | 2,319 |
| Other investments | - | 258 |
| Intangible assets | - | 7,873 |
| Long term receivable | 704 | - |
| | <u>5,969</u> | <u>22,476</u> |
| Current Assets | | |
| Inventories | 127 | 1,872 |
| Trade receivables | 1,670 | 13,270 |
| Other receivables | 2,557 | 7,462 |
| Deposits with licensed banks | - | 24,158 |
| Cash and bank balances | 287 | 245 |
| | <u>4,641</u> | <u>47,007</u> |
| TOTAL ASSETS | <u>10,610</u> | <u>69,483</u> |
| EQUITY AND LIABILITIES | | |
| Equity attributable to owners of the Parent: | | |
| Share capital | 83,290 | 75,790 |
| Treasury shares | - | (482) |
| Reserves | (128,623) | (94,358) |
| Shareholders' Funds | (45,333) | (19,050) |
| Non-controlling interest | (693) | (847) |
| Total Equity | <u>(46,026)</u> | <u>(19,897)</u> |
| Non-Current Liabilities | | |
| Borrowings | - | 1,559 |
| Deferred taxation | - | 2,433 |
| | <u>-</u> | <u>3,992</u> |
| Current Liabilities | | |
| Trade payables | 11,957 | 18,397 |
| Other payables | 5,458 | 6,988 |
| Borrowings | 39,022 | 59,536 |
| Tax payable | 199 | 467 |
| | <u>56,636</u> | <u>85,388</u> |
| Total liabilities | <u>56,636</u> | <u>89,380</u> |
| Total Equity and Liabilities | <u>10,610</u> | <u>69,483</u> |
| Net assets per share attributable to ordinary equity holders of the parent (RM) | | |
| Basic/Fully Diluted: | | |
| Based on 806,017,698 (2012:751,795,780) ordinary shares | (0.06) | (0.03) |

Note :

(i) The unaudited condensed consolidated statement of financial position should be read in conjunction with the annual audited account for the financial period ended 31 March 2012.

PATIMAS COMPUTERS BERHAD (244510-H)
Condensed Consolidated Statements of Changes in Equity
for the year ended 31 March 2013

| Group | Share Capital | ICULS | Non Distributable | | | | Distributable | | Non-controlling interest | Total Equity | |
|--|---------------|----------|-------------------|-----------------|--------------------------|---------------------|--------------------------|------------------|--------------------------|--------------|-----------------|
| | | | Share premium | Treasury Shares | Reserve on Consolidation | Revaluation reserve | Foreign exchange reserve | Retained profits | | | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | |
| At 1 April 2012 | 75,790 | - | 44,397 | (482) | - | - | - | (138,755) | (19,050) | (847) | (19,897) |
| Addition | 7,500 | | | | | | | | 7,500 | | 7,500 |
| Treasury shares sold | | | | 482 | | | | | 482 | | 482 |
| Total comprehensive expense for the year | - | - | - | - | - | - | - | (34,265) | (34,265) | 154 | (34,111) |
| At 31 March 2013 | 83,290 | - | 44,397 | - | - | - | - | (173,020) | (45,333) | (693) | (46,026) |
| At 1 January 2011 (re-stated) | 75,790 | - | 44,397 | (482) | - | - | - | (53,106) | 66,599 | - | 66,599 |
| Total comprehensive expense for the period | - | - | - | - | - | - | - | (85,649) | (85,649) | (847) | (86,496) |
| At 31 March 2012 | 75,790 | - | 44,397 | (482) | - | - | - | (138,755) | (19,050) | (847) | (19,897) |

Note :

(i) The unaudited condensed consolidated statements of changes in equity should be read in conjunction with the annual audited account for the financial period ended 31 March 2012.

PATIMAS COMPUTERS BERHAD (244510-H)
Condensed Consolidated Statements of Cash Flow (Unaudited)
for the year ended 31 March 2013

| | Year ended 31 Mar 2013 RM'000 | Period ended 31 Mar 2012 |
|---|-------------------------------------|-----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit/(Loss) before tax | (36,385) | N/A |
| Adjustments for non-cash flow:- | | |
| Non-cash items | 20,378 | N/A |
| Non-operating items - financing | 4,209 | N/A |
| Non-operating items - investing | (405) | N/A |
| Operating profit/(loss) before working capital changes | <u>(12,203)</u> | <u>N/A</u> |
| Changes in working capital | | |
| Net changes in long term receivable | (704) | N/A |
| Net changes in current assets | 14,480 | N/A |
| Net changes in current liabilities | (8,012) | N/A |
| Cash generated from/(used in) operations | <u>(6,439)</u> | <u>N/A</u> |
| Tax (paid) / recovered | 84 | N/A |
| Net cash generated from/(used in) operating activities | <u>(6,355)</u> | <u>N/A</u> |
| INVESTING ACTIVITIES | | |
| Proceed from disposal of plant and equipment | 14 | N/A |
| Purchase of plant and equipment | (199) | N/A |
| Uplift of Fixed deposit pledged as security | 24,158 | N/A |
| Interest received | 405 | N/A |
| Net cash generated from/(used in) investing activities | <u>24,378</u> | <u>N/A</u> |
| FINANCING ACTIVITIES | | |
| Equity investments | 7,500 | N/A |
| Proceed from sale of treasury shares | 760 | N/A |
| Net (repayment)/drawdown of Islamic facility | (780) | N/A |
| Net (repayment)/drawdown of banker's acceptances | (30,685) | N/A |
| Interest paid | (3,795) | N/A |
| Net cash generated from/(used in) financing activities | <u>(27,000)</u> | <u>N/A</u> |
| Net change in cash and cash equivalents | (8,977) | N/A |
| Cash and cash equivalents at the beginning of the year | (23,973) | N/A |
| Cash and cash equivalents at end of the year | <u>(32,950)</u> | <u>N/A</u> |
| Cash and cash equivalents comprise the following: | | |
| Cash and bank balances | 287 | N/A |
| Overdraft invoices | (4,994) | N/A |
| Bank overdrafts | (28,243) | N/A |
| Cash and cash equivalents | <u>(32,950)</u> | <u>N/A</u> |

Notes :

- (i) Due to the change in the financial year end from 31 December to 31 March, no comparative figures are presented.
- (ii) The unaudited condensed consolidated statements of cash flow should be read in conjunction with the annual audited account for the financial period ended 31 March 2012.

PATIMAS COMPUTERS BERHAD (244510-H)
EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT - FRS 134

A1. BASIS OF PREPARATION

With reference to the disclosure of exceptional items (refer Appendix 1) pertaining to the affairs of Patimas Computers Berhad for the financial period ended 31 March 2012, the interim financial statements of the Group have been prepared in light of the continuation of such exceptional items which may affect the financial results of the Group for the year ended 31 March 2013. Therefore, the interim financial report for the quarter ended 31 March 2013 must be read in the above light.

The interim financial statements have been prepared under the historical cost convention.

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standard ("MFRS") 134, Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial period ended 31 March 2012. The note on exceptional items (refer Appendix 1) 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 financial period ended 31 March 2012.

Going Concern

Pursuant to paragraphs 8.04(2) of the Listing Requirement ("LR") of Bursa Malaysia Securities Berhad ("Bursa") in relation to Practice Note 17, the Company is classified as a PN17 Company as the auditors have expressed a disclaimer opinion on the Company's audited financial statements for the period ended 31 March 2012 and further, the consolidated shareholders' equity stood at a deficit of RM19.90 million on 31 March 2012 which is below 25% of the issued and paid up share capital of RM75.790 million. Since the First Announcement made by the Company on 1st November 2012, the Company is in the midst of formulating a regularisation plan to address its PN17 status.

On 29 January 2013, the Company announced that the regularisation plan will not result in a significant change in the business direction or policy of the Company.

On 28 November 2012, the Company made an announcement pursuant to Practice Note 1 of the LR that Patimas-HPD Systems Sdn Bhd ("PHPD"), its wholly owned subsidiary had received a legal letter of demand from Malaysia Debt Venture Berhad ("MDV") for the outstanding balance of RM4,340,988.30 in connection with the credit facilities granted for a project financing facility totalling RM 14 million. The Company also received a similar legal letter of demand as a guarantor in respect of the said facility. Both the Company and PHPD are currently in communication with MDV and exploring various options to regularise the default.

The appropriateness of preparing the financial statements of the Group and the Company on going concern basis is dependent upon the successful and timely formulation and implementation of a regularization plan, the successful negotiation and settlement of the Group's and the Company's bank borrowings, and the continuing financial support from shareholders, creditors and lenders.

Should the going concern basis of preparing the financial statements be no longer appropriate, adjustments would have to be made to reduce the value of all assets to their estimated realizable values, and to provide further estimated liabilities that may arise, and to reclassify all non-current assets and non-current liabilities as current assets and current liabilities respectively.

The financial statements of the Group and the Company do not include any adjustments and classifications relating to the recorded assets and liabilities that may be necessary if the Group and the Company are unable to continue as going concern.

A2. SIGNIFICANT ACCOUNTING POLICIES

First-time adoption of Malaysian Financial Reporting Standard ("MFRS")

The Group has adopted the Malaysian Financial Reporting Standards ("MFRS") framework commencing 1 April 2012. The MFRS Framework comprises standards as issued by the International Accounting Standards Board ("IASB"). This interim financial report of the Group is compliant with MFRS 1 "First-time adoption of Malaysian Financial Reporting Standard".

In accordance with MFRS1, an opening MFRS statement of financial position has been presented at the date of transition to MFRS. There are no differences between the opening MFRS statement of financial position and the statement of financial position presented under the Financial Reporting Standards ("FRS") at 31 March 2012.

The adoption of the MFRS Framework did not result in any material impact to the interim financial report as the accounting policies applicable to the Group under the MFRS Framework are consistent with the accounting policies previously adopted under the FRS in Malaysia.

A3. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the audited financial statements for the financial period ended 31 March 2012 contained a disclaimer of opinion on the audited financial statements due to certain exceptional items (refer to Appendix I).

A4. SEASONAL OR CYCLICAL FACTORS OF OPERATIONS

The Group's operations are not affected by seasonal or cyclical factors.

A5. UNUSUAL ITEMS

There were no items or events that arose, which affected assets, liabilities, equity, net income or cash flows, that are unusual by reason of their nature, size or incidence during the interim period under review.

A6. CHANGES IN ACCOUNTING ESTIMATES

There were no changes in estimates that have had a material effect in the current quarter results that has been brought to the attention of the Board.

A7. ISSUANCE OR REPAYMENTS OF DEBTS AND EQUITY SECURITIES

On 24 July 2012 the Company made an issue of 75,000,000 ordinary shares under private placement at the fixed issue price of RM0.10 per placement share. The 75,000,000 Placement Shares have been listed and quoted on the Main Market of Bursa Malaysia Securities Berhad on Thursday, 26 July 2012.

There were no other issuance, cancellation, repurchase, resale and repayment of debts and equity securities for the current interim financial period under review.

Treasury Shares

The Company sold its treasury shares of 6,100,000 ordinary shares at RM0.125 each on 31 January 2013. There were no other purchase or sale of treasury shares during the quarter under review.

A8. SEGMENTAL REPORTING

Segmental information for the Group by geographical segment is presented as follows:

| | Current quarter 31-Mar-13 RM' 000 | Current year to date RM' 000 |
|------------------------|---|------------------------------------|
| Segment Revenue | | |
| Malaysia | 3,686 | 24,867 |
| Overseas | 225 | 2,132 |
| | <u>3,911</u> | <u>26,999</u> |

No segmental information based on business activity is presented as the Group is principally engaged in the development and sale of computer and IT related products and provision of IT and telecommunication related services.

A9. VALUATION OF INTANGIBLE ASSETS, OTHER INVESTMENTS, PLANT AND EQUIPMENT

There was no revaluation of property, plant and equipment during the financial quarter under review.

A10. SUBSEQUENT MATERIAL EVENTS

(a) Court restraining order

On 18 February 2013, the Court granted an order, inter alia, that:-all proceedings and/or actions and/or any further proceedings in any actions or proceedings against Patimas and its fifteen (15) subsidiaries namely:

Patimas Business Solutions Sdn Bhd (84241-M);
Patimas Dot Com Sdn Bhd (239034-T);
Patimas Services Sdn Bhd (240584-M);
Patimas e-Business Sdn Bhd (363494-M);
Patimas Computer Software Sdn Bhd (481005-U);
Patimas Education Centre Sdn Bhd (444176-W);
Patimas-HPD Systems Sdn Bhd (412987-X);
Patimas Computer Systems Sdn Bhd (421878-H);
OED Technology Sdn Bhd (555174-M);
Patimas Outsourcing Services Sdn Bhd (491931-M);
Patimas Computer Security Sdn Bhd (615059-D);
Patimas Computer Technology Sdn Bhd (245030-T);
Patimas International Sdn Bhd (212484-K);
Patimas Workgroup Technology Sdn Bhd (199702-T); and
Patimas Computer Services Sdn Bhd (207117-H)

A10. SUBSEQUENT MATERIAL EVENTS (continued)

(a) Court restraining order (continued)

including all winding up proceedings, receiverships, any execution proceedings including distress, arbitration, or the appointment of receivers and managers as well as any intended or further proceedings be forthwith restrained and stayed pursuant to Section 176 (10) of the Companies Act, 1965 for a period of sixty (60) days from the date of the order, except by leave by the Court and subject to such terms as the Court may impose.

Subsequently on 9 May 2013, the court has granted Patimas an order, inter alia, that all proceedings and/or actions and/or any further proceedings in any actions or proceedings against Patimas and its subsidiaries namely, Patimas Dot Com Sdn Bhd; Patimas HPD Systems Sdn Bhd; and Patimas Outsourcing Services Sdn Bhd including all winding up proceedings, receiverships, any execution proceedings including distress, arbitration, or the appointment of receivers and managers as well as any intended or further proceedings be forthwith restrained and stayed pursuant to Section 176 (10) of the Companies Act, 1965 for a period of six (6) months from 9 May 2013, except by leave by the Court and subject to such terms as the Court may impose ("Restraining Order"). The details of the proposed schemes of arrangement will be announced in due course.

(b) Practice Note 17 Announcement

On 1st November 2012, the Company was classified as a PN17 Company pursuant to paragraphs 8.04(2) of the Listing Requirement ("LR") of Bursa Malaysia Securities Berhad ("Bursa") under Practice Note 17 (PN17), as the auditors had expressed a disclaimer opinion on the Company's audited financial statements for the period ended 31 March 2012 and further, the consolidated shareholders' equity stood at a deficit of RM19.90 million on 31 March 2012 which was below 25% of the issued and paid up share capital of RM75.790 million. The Company made the First Announcement to Bursa on 1st and 2nd November 2012 in compliance with Paragraph 4.1 of PN17.

On 29 January 2013, the Company announced that the regularisation plan will not result in a significant change in the business direction or policy of the Company.

On 2nd May 2013, the Company announced that it is still in the midst of formulating a regularisation plan to address its PN17 status ("Regularisation Plan"). The Company will announce details of the proposed plan in due course.

Premised on the First Announcement, the Company is required to submit a Regularisation Plan to the relevant authorities by 30 October 2013.

(c) Special and investigative audit

On 30 July 2012 the Board appointed PKF Advisory Sdn Bhd ("PKF") to perform special audit into the affairs of the Company on the basis of information and records that were made available by the Board of Directors and by the Management of the Company.

On 10 August 2012 the Company announced to Bursa the termination of PKF as issues had arisen whether certain actions taken by PKF had exceeded their authority and Messrs BDO Governance Advisory Sdn Bhd ("BDO") was appointed on the same day to conduct the special audit in respect of the significant audit issues.

The Audit Committee ("AC") received the special audit report from BDO on 25 September 2012 and met with Bursa Malaysia Securities Berhad ("Bursa") to discuss the report on 26 September 2012. During the discussion with Bursa, Bursa requested the AC to conduct an investigative audit into the financial affairs of the Group. On 16 October 2012, the Board of Directors appointed UHY Advisory (KL) Sdn Bhd (Company No. 902893-T) ("UHY") to conduct the Investigative Audit on the financial affairs of Patimas. The Company on 29 March 2013 announced that the Report of the Investigative Audit on the financial position of Patimas Group to identify any potential irregularities has been completed and presented to the Board. A copy of the Investigative Audit report was submitted to Bursa on the same date. On 14 May 2013, the Company released an announcement on key findings and their financial impact of the Investigative report.

(d) Material Litigation

On 24 November 2011 Patimas Computers Berhad won its claims of RM12,708,012.98 with costs against Omni Quest Sdn Bhd & Tony Poon Ah Huat at the Kuala Lumpur High Court.

On 10 October 2012 the Court of Appeal overturned the decision of High Court with costs.

On 24 October 2012 the Company instructed its lawyers to file a motion for leave at the Federal Court to appeal the decision dated 10 October 2012 made by the Court of Appeal. No hearing date has yet been fixed in respect of the leave application.

On 2 May 2013 the Company announced that the matter is now fixed for case management on 20 August 2013 pending grounds of judgment being obtained from the Court of Appeal, Malaysia.

(e) Practice Note 1 Announcement

On 28 November 2012, the Company made an announcement pursuant to Practice Note 1 of the LR that Patimas-HPD Systems Sdn Bhd ("PHPD"), its wholly owned subsidiary had received a legal letter of demand from Malaysia Debt Venture Berhad ("MDV") for the outstanding balance of RM4,340,988.30 in connection with the credit facilities granted for a project financing facility totalling RM14 million. The Company also received a similar legal letter of demand as a guarantor in respect of the said facility. The management of the Company has several meetings with MDV and is still exploring various options to regularise the default.

A11. CHANGES IN THE COMPOSITION OF THE GROUP

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

A12. CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS

| | As At 31-Mar-13 RM' 000 | As At 31-Mar-12 RM' 000 |
|--|--|--|
| Unsecured corporate guarantees given to licensed banks for credit facilities | 4,000 | 4,000 |
| Unsecured corporate guarantees given to financial institution for credit | 14,000 | 16,000 |
| | <u>18,000</u> | <u>20,000</u> |

B BURSA MALAYSIA LISTING REQUIREMENTS

B1. REVIEW OF THE GROUP'S PERFORMANCE

The Group's performance for the quarter under review was significantly affected by the many challenges and adverse market reactions faced by the group following the Company being classified as a PN17 and PN 1 Company by Bursa in November 2012.

The Group registered a revenue of RM3.911 million and a net loss before taxation of RM5.744 million for the quarter under review with no comparative data for the corresponding quarter due to change of financial year end. The net loss before taxation for the quarter under review is arrived at after credit of impairment loss on trade receivables no longer required of RM4.733 million and debit of impairment loss on investment in associated companies and trade receivables of RM1.712 million and RM3.136 million respectively.

The Group registered a revenue of RM27 million and a net loss before taxation of RM36.40 million for the year under review with no comparative data for the corresponding quarter due to change of financial year end. Of the net loss before taxation for the year, RM6.333 million was due to impairment loss on software development cost, RM4.868 million due to impairment loss on trade receivable, RM4.301 million due to writing off of plant and equipment, RM4.209 million due to interest expenses, RM1.712 million due to impairment loss on investment in associated companies and RM1.366 million due to writing down of inventories.

B2. COMMENTS ON MATERIAL CHANGES IN PROFIT/LOSS BEFORE TAX

| | Current Quarter | Preceding Quarter |
|-----------------|-----------------|-------------------|
| | 31-Mar-13 | 31-Dec-12 |
| | RM' 000 | RM' 000 |
| Revenue | 3,911 | 4,568 |
| Loss Before Tax | (5,744) | (17,135) |

For the quarter under review, the Group earned a revenue of RM3.911 million and incurred a net loss before taxation of RM5.744 million which is substantially lower than the preceding quarter. The higher loss before tax recorded in the preceding quarter was due to the impairment loss of RM6.333 million on software development cost, writing off the carrying amount of RM3.639 million of plant and equipments and writing down of RM1.366 million from inventories.

B3. PROSPECTS

On 12 December 2012 the Company entered into a Memorandum Of Understanding(MOU) with a Tanzanian company for the provision of 4G telecommunication services in Tanzania. The Company has completed the due diligence and the Board has on 29th May 2013, decided to not pursue this MOU.

The Company is still in the midst of evaluating various options in its endeavour to formulate a regularisation plan to address the group's PN 17 and PN 1 status. At this point in time, the Board is unable to comment on the prospects of the Group.

B4. PROFIT FORECAST AND GUARANTEE

Not applicable.

B5. TAXATION

| | Current quarter | Current year |
|--|-----------------|----------------|
| | 31-Mar-13 | to date |
| | RM' 000 | RM' 000 |
| Current taxation comprises : - | | |
| - Under provision in respect of previous years | 157 | 157 |
| | <u>157</u> | <u>157</u> |
| Deferred taxation | (2,431) | (2,431) |
| | <u>(2,274)</u> | <u>(2,274)</u> |

B6. STATUS OF CORPORATE PROPOSALS

There were no corporate proposals announced in the current quarter and financial year-to-date. However, on 1 November 2012 it was announced that the Company was considered an Affected Listed Issuer under Practice Note 17 of the LR. Accordingly, the Company is required to submit a regularisation plan to the relevant authority within 12 months from the date of such announcement. The Company is currently in the process of formulating such regularisation plan.

B7. GROUP BORROWINGS AND DEBT SECURITIES

| | As At 31-Mar-13 RM'000 |
|------------------------|---------------------------------------|
| Short term borrowings: | |
| Unsecured | |
| - Overdraft invoices | 4,994 |
| - Bankers' acceptance | 1,214 |
| - Islamic facilities | 4,571 |
| - Bank overdrafts | 28,243 |
| | <u>39,022</u> |

All of the above are denominated in Ringgit Malaysia.

B8. MATERIAL LITIGATION

On 24 November 2011 Patimas Computers Berhad won its claims of RM12,708,012 with costs against Omni Quest Sdn Bhd & Tony Poon Ah Huat at the Kuala Lumpur High Court.

On 10 October 2012 the Court of Appeal overturned the decision of High Court with costs.

On 24 October 2012 the Company instructed its lawyers to file a motion for leave at the Federal Court to appeal the decision made by the Court of Appeal dated 10 October 2012. No hearing date has yet been fixed in respect of the leave application

On 2 May 2013 the Company announced that the matter is now fixed for Case Management on 20 August 2013 pending grounds of judgment being obtained from the Court of Appeal of Malaysia.

B9. DIVIDEND

The Directors do not recommend any dividend payment in respect of the current financial period under review.

B10. LOSS PER SHARE

The basic loss per share was calculated by dividing the net loss attributable to shareholders of the Company and the weighted average number of ordinary shares in issue during the period under review:-

| Basic | Current quarter 31-Mar-13 | Current year to date |
|--|--------------------------------------|---------------------------------|
| Net loss attributable to ordinary shareholders (RM' 000) | <u>(3,505)</u> | <u>(34,265)</u> |
| Weighted average number of ordinary shares in issue ('000) | <u>806,018</u> | <u>806,018</u> |
| Basic loss per ordinary share (sen) | <u>(0.43)</u> | <u>(4.25)</u> |

B11. OTHER RECEIVABLES

Included in other receivables are tax recoverable and prepaid tax instalments amounting to RM0.984 million.

B12. OPERATING INCOME / EXPENSES

Included in Operating income/expenses are :-

| | Current quarter 31-Mar-13 RM' 000 | Current year to date RM' 000 |
|--|--|---|
| - Interest income | - | 405 |
| - Impairment loss on trade receivables no longer required | 4,733 | 4,733 |
| - Depreciation expenses | (412) | (2,975) |
| - Plant and equipment written off | (663) | (4,301) |
| - Amortisation of software development cost | - | (1,540) |
| - Impairment loss on software development cost (intangible assets) | - | (6,333) |
| - Interest expense | (1,123) | (4,209) |
| - Gain on sale of treasury share | 278 | 278 |
| - Forex gains/(losses) | 61 | 50 |
| - Impairment loss on trade receivables | (3,136) | (4,868) |
| - Inventories written back | 58 | 55 |
| - Write down of inventories | - | (1,366) |
| - Impairment loss on investment in associates | (1,712) | (1,712) |
| - Impairment loss on other investments | - | (258) |

Other than the above there were no other exceptional items for the current quarter and financial year to date.

B13. REALISED AND UNREALISED PROFITS/LOSSES DISCLOSURE.

| | Current financial year RM' 000 |
|---|--|
| Total accumulated losses of Patimas Computers Berhad and its subsidiaries: | |
| - Realised | (243,560) |
| - Unrealised | 61 |
| | <hr style="border-top: 1px solid black;"/> |
| | (243,499) |
| Less: Consolidation adjustments | 70,479 |
| Total group accumulated losses as per consolidated accounts | <hr style="border-top: 1px solid black;"/> <hr style="border-top: 3px double black;"/> |
| | (173,020) |

APPENDIX 1

EXCEPTIONAL ITEMS

At end of July 2012, the external auditors, Messrs. Ernst & Young, had highlighted certain exceptional items to the Audit Committee and the Board of Directors ("the Board"). The external auditors had expressed that they have not been able to obtain appropriate audit evidence and satisfactory management explanation to satisfy themselves as to the validity of certain sale and purchase transactions with a group of customers/suppliers. The Board is of the opinion that there is a strong possibility of material misstatement to the financial statements in regard to the exceptional items.

Further information on these matters is set out below:

- (a) The external auditors were unable to obtain sufficient appropriate audit evidence to satisfy themselves as to the veracity of the abovementioned sale and purchase transactions with a group of customers/suppliers amounting to approximately RM89.78million and RM86.10million respectively. These transactions were included in the interim financial information as disclosed on the quarterly announcements. Subsequent to the discussions between the external auditors and the company, the company decided to reverse these transactions from the financial statements for the period ended 31 March 2012 and prior periods.
- (b) Included in trade receivables balance of the Group as at 31 March 2012 and 31 December 2010 were amounts arising from the abovementioned sale and purchase transactions described in paragraph (a) above of approximately RM21.2million and RM19.5million respectively which were subsequently provided for in full by the company. Due to the unavailability of certain required audit evidence and explanation, the external auditors were unable to satisfy themselves as to the identity of the debtors, the correctness of stated balance and as to whether allowances for the impairment recognized on the recoverability of the stated balance is appropriate.

The Company has provided an additional provision of doubtful debts of RM11,562,500 for sales transactions which relates to financial year 2009.

- (c) During the mentioned financial period ended 31 March 2012, Software Development Costs and Goodwill were impaired by RM2.7 million and RM48.7 million respectively. The External Auditors were unable to satisfy themselves as to whether the quantum of the impairment losses recognized on The Software Development Costs and Goodwill is appropriate.
- (d) As disclosed in Note 14 to the financial statements for the period ended 31 March 2012, RM72.94 million have been impaired on the carrying value of investments in subsidiaries as a consequence of matters described in paragraph (a), (b) & (c) above. The carrying amount of investment in subsidiaries as at 31 March 2012 is RM19.79million (31 December 2010: RM92.73 million). The external auditors were unable to determine whether the quantum of impairment recognised is appropriate.
- (e) In addition to the abovementioned matters, the external auditors further draw attention to the basis of preparation of the financial statements of the Group and of the Company on the going concern basis as the Group and the Company incurred a net loss of approximately RM106,211,000 and RM21,692,000 respectively during the financial period ended 31 March 2012 and, as of that date, the Group's and Company's current liabilities exceeded its current assets by approximately RM38,611,000 and RM15,119,000 respectively, and that these conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's and the Company's ability to continue as going concerns;

The continuation of the Group and the company as a going concern will be dependent on the successful formulation and implementation of a regularization plan, the successful negotiation and settlement of the Group's and the Company's bank borrowings, and the continuing financial support from shareholders, creditors and lenders. If these are not forthcoming, adjustments may have to be made to reduce the value of all assets to their estimated realizable values, and to provide further estimated liabilities that may arise, and to reclassify all non-current assets and non-current liabilities as current assets and current liabilities respectively.

- (f) As a result of these abovementioned findings, there may be financial impact on other areas of the financial statements, including but not limited to statement of financial position items such as plant and equipment, intangible assets (including goodwill on consolidation and software development expenditure), investments in subsidiaries and associates, inventories, receivables, payables and borrowings, and statement of total comprehensive income items including sales, purchases, expenses and other income; which at this juncture, the quantum of the financial impact cannot be reasonably ascertained;
- (g) The Board has taken management to task on the above matters and the Board has reasons to believe that the financial statements for the financial period ended 31 March 2012 may contain material misstatement with regard to the exceptions above and their financial impact. As announced on 10 August 2012, the Company has appointed BDO Governance Advisory Sdn Bhd ("BDO") to perform a special audit into the affairs of the Company ("special audit") on the basis of information and records that are made available by the Board and from the management of the Company.

As announced on 26 September 2012, the Audit Committee has received the Special Audit Report from BDO and has met up Bursa Malaysia Securities Berhad ("Bursa") to discuss the report. During the discussion, Bursa has requested the Audit Committee to conduct an Investigative Audit on the financial affairs of Patimas. On 16 October 2012, the Board of Directors appointed UHY Advisory (KL) Sdn Bhd (Company No. 902893-T) to conduct the Investigative Audit on the financial affairs of Patimas. The investigation process will take approximately two months to complete. However, pending the outcome of the Investigative Audit, the Board is unable to ascertain the extent of misstatement in the financial statements;

- (h) The Board, in discharging its fiduciary duties, has authorised the issuance of the financial statements for the period ended 31 March 2012 which comprise the financial statements of the Company together with the consolidation of the financial statements of the subsidiaries.

The Board is of the view that the expediency of providing the financial statements of the Group and of the Company is an overriding factor and of utmost importance to enable the dissemination of information on a timely basis to the shareholders and stakeholders. The delay in the completion of the audit of the Company and its subsidiaries is due to the exceptions noted above, as well as administrative procedures required for the completion of the audit of the Company and its subsidiaries.

- (i) There may be additional circumstances at this juncture that may have a material impact on the truth and fairness of the financial statements.

Upon completion of the Investigative Audit, the Board may re-issue the financial statements or make announcements as necessary depending on the outcome of the Investigative Audit.