

**PATIMAS COMPUTERS BERHAD**  
**EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT - MASB 26**

**A1. ACCOUNTING POLICIES**

The interim financial statements are unaudited and have been prepared in compliance with the requirements of 'Interim Financial Reporting' and paragraph 9.22 of the Listing Requirements of the Bursa Malaysia Securities Commission.

The interim financial statements should be read in conjunction with the audited financial statements of ended 31 December 2004. The accounting policies and methods of computation adopted in the interim financial statements are consistent with those adopted in the audited financial statements of the Group for the financial year ended 2004.

**A2. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS**

There were no qualifications on the audit report of the preceding annual financial statements.

**A3. SEASONALITY OR CYCLICALITY INTERIM OPERATIONS**

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

**A4. UNUSUAL ITEMS**

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

**A5. CHANGES IN ACCOUNTING ESTIMATES**

During the period under review, there were no material changes in estimates of amounts reported in prior periods.

**A6. ISSUANCE OR REPAYMENTS OF DEBTS AND EQUITY SECURITIES**

There were no issuance, cancellation, repurchase, resale and repayment of debts and equity securities during the interim financial report under review save for the following:

**Issued and paid-up ordinary shares of RM1.00 each :-**

Share Capital

As at 1 January 2005

New shares issued pursuant to the conversion of ICULS

As at 31 December 2005

ICULS

As at 1 January 2005

Amount converted into new ordinary shares

As at 31 December 2005

**A7. DIVIDEND PAID**

A final dividend of 5 sen per share less 28% income tax in respect of the financial year ended 31 December 2004 and an exempt interim dividend of 5 sen in respect of the financial year ending 31 December 2005 was paid in September 2005 respectively.

**A8. SEGMENTAL REPORTING**

The Group is principally engaged in the development and sale of computer related products and provision of services that is predominantly carried out in Malaysia. Accordingly, information by business and geographical segment of the Group's operations is not presented.

#### **A9. VALUATION OF PROPERTY, PLANT AND EQUIPMENT**

The valuations of property, plant and equipment have been brought forward, without amendment from statements for the year ended 31 December 2004.

#### **A10. SUBSEQUENT MATERIAL EVENTS**

As at the date of this report there were no material events which arose subsequent to the end of the period.

#### **A11. CHANGES IN THE COMPOSITION OF THE GROUP**

Save as set out below, there were no changes in the composition of the Group during the financial period. The disposal of 2,610,000 ordinary shares of RM1.00 each in Tsun Macro Sdn Bhd by GMH Services Sdn Bhd, a wholly-owned subsidiary of the Company which was completed on 3 June 2005. Tsun Macro Sdn Bhd has ceased to be a subsidiary of the Company.

The disposal of 430,000 ordinary shares of RM1.00 each in Total Communications Sdn Bhd by Co-Link Sdn Bhd, a subsidiary of the Company which was completed on 4 August 2005. Total Communications Sdn Bhd has ceased to be a subsidiary of the Company.

The acquisition of the remaining 100,000 ordinary shares of RM1.00 each in SSD Technology Sdn Bhd by Patimas was completed on 16 August 2005. SSD Technology Sdn Bhd has therefore become a wholly-owned subsidiary of the Company.

The internal restructuring involving the transfer of the entire shareholding in HPD Systems Sdn Bhd and DGN Systems Sdn Bhd from GMH Services (MSC) Sdn Bhd (a wholly-owned subsidiary of Patimas) to Patimas was completed on 26 September 2005 whilst the transfer of the entire shareholding in EIX Solutions Sdn Bhd from m-BX Systems Sdn Bhd (a wholly-owned subsidiary of Patimas) to Patimas was completed on 26 September 2005. Following the completion of the restructuring, HPD Systems Sdn Bhd, DGN Systems Sdn Bhd and EIX Solutions Sdn Bhd are now wholly-owned subsidiaries of the Company.

#### **A12. CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

The contingent liabilities arising from unsecured corporate guarantees given to licensed banks for bank facilities of subsidiaries decreased from RM89.9 million as at 31 December 2004 to RM89.4 million as at 31 December 2005.

### **B BURSA MALAYSIA LISTING REQUIREMENTS**

#### **B1. REVIEW OF THE GROUP'S PERFORMANCE**

Revenue was RM81.6 million for the fourth quarter and RM324 million for the financial year. The revenue increased by 34% compared to the preceding year mainly due to the disposal of two subsidiaries during the year.

The Loss from operations for financial year 2005 was RM9.5 million after deducting depreciation and amortisation of RM15.7 million.

Loss Before Tax was RM10.6 million for the fourth quarter and RM16.7 million for the financial year compared to RM12.9 million and RM14.6 million in the preceding year. The Loss Before Tax for the fourth quarter and financial year was mainly due to lower margins, higher finance cost and disposal of subsidiaries.

#### **B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS**

For the Fourth Quarter of 2005, the Group's revenue was RM81.6 million compared to RM59.9 million for the fourth quarter of 2004, representing an increase of 36%, as a result of adopting more aggressive sales and marketing strategies to expand its customer base. The Loss Before Tax for the fourth quarter was RM10.6 million compared to RM6.9 million in the preceding quarter mainly due to lower margins arising from the sales and marketing expenses in a competitive market conditions.

### B3. PROSPECTS

The Group is optimistic of the prospects in the year ahead and anticipates better financial results in 2006. The Group has a healthy revenue backlog and strong sales pipeline. The upcoming 9th Malaysia Plan will provide a market with increased business opportunities. The Group also expects its earlier investment of resources in the marketplace to begin yielding results in 2006. The Group has participated in a number of tenders and has many more chances. In addition, the Group has put in place strategies to increase its margins in the upcoming financial year.

The Group is currently exploring the possibility of unlocking the value of its assets through the disposal of a property located at Technology Park Malaysia which it had acquired in 1998. This is envisaged to result in a gain to the Group. When the disposal of the property materializes, it would also provide surplus funds for expansion and result in further enhancement of shareholders' value. Barring unforeseen circumstances, the Group expects positive financial performance in 2006.

### B4. PROFIT FORECAST AND GUARANTEE

Not applicable.

### B5. TAXATION

	Current year quarter RM' 000
Current taxation comprises : -	
- Malaysia	350
- Overprovision in respect of previous years	(1,211)
	<hr/> (861)
Transfer to deferred taxation	(332)
	<hr/> (1,193) <hr/>

The effective tax rate is higher than the statutory tax rate of 28% principally due to the losses of certain subsidiaries which cannot be set off against taxable profits made by other subsidiaries and certain expenses which are not deductible for tax purposes.

### B6. SALE OF UNQUOTED INVESTMENTS AND PROPERTIES

	Current year quarter RM' 000
Loss on disposal of land and building	<hr/> 0 <hr/>

### B7. PURCHASE OR DISPOSAL OF QUOTED SECURITIES

There were no quoted securities disposed or held by the Group at the end of the period under review.

### B8. STATUS OF CORPORATE PROPOSALS

There are no corporate proposals announced but not completed as at 24 February 2006, the latest practicable date, not earlier than 7 days from the date of issue of this quarterly report.

The Company, on 14 December 2005 announced that it was proposing to seek from the shareholders on the Proposed Share Buy-Back was obtained at an Extraordinary General Meeting 2006. The said authorisation will, in accordance with Chapter 12 of the Listing Requirements of Bursa Berhad lapse at the conclusion of the forthcoming Annual General Meeting unless it is renewed.

## **B9. GROUP BORROWINGS AND DEBT SECURITIES**

Short term borrowings:  
Secured

Long term borrowings:  
Secured

All the above are denominated in Ringgit Malaysia.

## **B10. OFF BALANCE SHEET FINANCIAL INSTRUMENTS**

As at 24 February 2006, there were no off balance sheet financial instruments held by the Group.

## **B11. MATERIAL LITIGATION**

The Group was not engaged in any material litigation that will materially affect the Group.

## **B12. DIVIDEND**

The Directors have recommended a final tax exempt dividend payment of 3 sen per share for the financial year 2005. (Financial year 2004: 5 sen per share less 28% income tax). The date of the entitlement dividend have not yet been determined as at the date of this interim financial report.

## **B13. EARNINGS PER SHARE**

The basic earnings per share was calculated by dividing the net profit attributable to members of weighted average number of ordinary shares in issue during the period under review:-

<b>Basic</b>	<b>Current year quarter RM' 000</b>
Net loss for the year	(8,643)
ICULS interest	(768)
Net loss attributable to ordinary shareholders	<u>(9,411)</u>
Weighted average number of ordinary shares in issue ('000)	62,202
Basic loss per ordinary share (sen)	<u>(15.13)</u>

There is no dilution in the Company's earnings per share as the market values of the securities were prices.

## **B14. OTHER RECEIVABLES**

Included in other receivables are tax recoverable amounting to RM5.73 million and an amount of RM Tsun Macro Sdn Bhd consisting of advances granted prior to its disposal by the Company and p guarantor. Of the total tax recoverable, RM3.82 million relates to tax credits and tax instalments paid in for Year of Assessment 2005 as at 31 December 2005. The amount owed by Tsun Macro Sdn Bhd guarantee from 2 shareholders of Tsun Macro Sdn Bhd and would be repaid over a period of five year 6% p.a.

#### **B15. OPERATING EXPENSES**

Included in Operating expenses are :-

	<b>Current year quarter RM' 000</b>
a) Depreciation expenses	3,125
b) Amortisation of software development expenditure	373
c) Amortisation of intangible assets	19
	<hr/> <hr/>

irements of MASB 26,  
curities Berhad.

f the Group for the year  
im financial statements  
ar ended 31 December

ts, liabilities, equity, net

ior financial years.

s for the current interim

RM'000
62,085
286
<u>62,371</u>
52,079
(1,088)
<u>50,991</u>

cember 2004 and a tax  
on 7 July 2005 and 12

ion of computer related  
phical segments on the

from the audited financial

period under review.

period under review:

ces (MSC) Sdn Bhd, a  
has therefore ceased to

ardoda Corporation Sdn  
Sdn Bhd has therefore

had not held by Patimas  
owned subsidiary of the

and DGN Systems Sdn  
completed on 1 September  
In Bhd (a wholly-owned  
completion of the internal  
re direct wholly-owned

credit facilities granted  
December 2005.

revenue decreased by 37%  
for

and amortization costs of

compared to Profit Before  
for under review and the

million in the 3rd Quarter  
strategies to retain and  
to a Loss Before Tax of  
marketing strategies and

06. The Group currently provide the domestic ICT services into the regional ICT market and is optimistic of its financial year.

Real of its unencumbered assets realise a significant capital gain for the Group's business purposes, the Group anticipates

Current year to date RM' 000
2,625
(1,340)
<hr/> 1,285
(418)
<hr/> <b>867</b>

subsidiaries which are not deductible for tax

Current year to date RM' 000
111
<hr/> <hr/>

contractable date which is



olders the authority to  
 ("). The approval of the  
 ig held on 17 January  
 rsa Malaysia Securities

**As At**  
**31-Dec-05**  
**RM'000**  
 91,045

	3,263
	<u>94,308</u>

financial year ended 31  
 lement and payment of

the Company and the

**Current year**  
**to date**  
**RM' 000**

	(15,168)
	(3,095)
	<u>(18,263)</u>

	62,202
	<u>(29.36)</u>

lower than the exercise

RM17.08 million owed by  
payments on behalf as  
excess of tax provision  
is secured by personal  
assets bearing an interest of

**Current year  
to date  
RM' 000**

13,957

1,672

75

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