

KARENSOFT TECHNOLOGY BERHAD
Company No. 457734-T
(Incorporated in Malaysia)

Interim Financial Report
30 September 2002

KarenSoft Technology Berhad (457734-T)
Condensed Consolidated Balance Sheet
At 30 September 2002

	Note	30 September 2002 RM'000	31 December 2001 RM'000
Plant And Equipment		1,151	1,053
Unquoted Investment, at cost		380	380
Goodwill On Consolidation		1,853	1,853
Development Expenditure		1,633	1,251
Current Assets			
Trade and other receivables		3,792	1,186
Tax refundable		5	5
Cash and cash equivalents		1,370	764
		<u>5,167</u>	<u>1,955</u>
Current Liabilities			
Trade and other payables		468	288
Borrowings	7	2,406	936
Taxation		120	64
		<u>2,994</u>	<u>1,288</u>
Net Current Assets		<u>2,173</u>	<u>667</u>
		<u>7,190</u>	<u>5,204</u>
Financed by :-			
Share Capital		5,070	3,897
Share Premium		1,719	1,892
Retained Earning \			
(Accumulated losses)		297	-780
Shareholders' Funds		<u>7,086</u>	<u>5,009</u>
Deferred Taxation		19	19
Borrowings	7	85	176
		<u>7,190</u>	<u>5,204</u>
NTA per share based on RM1			
per share		<u>N/A</u>	<u>49 sen</u>
NTA per share based on			
RM0.10 per share		<u>7.10 sen</u>	<u>* 4.9 sen</u>

* NTA per share is calculated based on RM0.10 per share for comparison purposes.
The notes set out on pages 6 to 9 form an integral part of, and, should read in conjunction with, these interim financial statements.

KarenSoft Technology Berhad (457734-T)
Condensed Consolidated Income Statements
For The Period Ended 30 September 2002

	Note	3 months ended 30 September		9 months ended 30 September	
		2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Revenue		1,297	63	3,353	1,502
Expenses excluding finance cost and tax		-799	-584	-2,092	-1,784
Other operating income		7	2	16	4
Profit/(Loss) from operations		505	-519	1,277	-278
Finance cost		-58	-16	-105	-38
Profit/(Loss) before taxation		447	-535	1,172	-316
Tax expense	3	-2	-8	-95	-63
Net profit/(loss) for the period		445	-543	1,077	-379
Earnings per share (sen) :	18				
- basic		11.51	-15.47	29.60	-10.80
- diluted		11.05	N/A	27.34	N/A

The notes set out on pages 6 to 9 form an integral part of, and, should read in conjunction with, these interim financial statements.

KarenSoft Technology Berhad (457734-T)
Condensed Consolidated Statement Of Changes In Equity
For The Nine Months Ended 30 September 2002

	Share capital RM'000	Share premium RM'000	Retained earnings / (Accumulated losses) RM'000	Total RM'000
At 1 January 2001	3,510	15	-249	3,276
Share issue expenses		-36		-36
Bonus issue	15	-15		0
Issue of preference shares during the year, for cash	372	1,928		2,300
Net loss after tax for the year			-531	-531
At 31 December 2001	3,897	1,892	-780	5,009
Issue of ordinary shares during the period, for cash	160	840		1,000
Bonus issue	1,013	-1,013		0
Net profit for the nine months period			1,077	1,077
At 30 September 2002	5,070	1,719	297	7,086

The notes set out on pages 6 to 9 form an integral part of, and, should read in conjunction with, these interim financial statements.

KarenSoft Technology Berhad (457734-T)
Condensed Consolidated Cash Flow Statement
For The Nine Months Ended 30 September 2002

	30 September 2002 RM'000	31 December 2001 RM'000
Net cash outflow from operating activities	-952	-775
Net cash outflow from investing activities	-721	-1,132
Net cash (outflow)/inflow from financing activities	-233	1,805
Net decrease in cash and cash equivalents	-1,906	-102
Cash and cash equivalents at 1 January	-363	-261
Cash and cash equivalents at 30 September	* -2,269	-363

* Excluding the fixed deposit of RM1,358,000 pledged as security for bank overdraft facilities granted to the subsidiaries. The deficit in cash and cash equivalents is mainly due to the overdraft facilities utilized for working capital purposes.

The notes set out on pages 6 to 9 form an integral part of, and, should read in conjunction with, these interim financial statements.

**KarenSoft Technology Berhad (457734-T)
Notes To The Interim Financial Report**

1. Basis Of Preparation

The interim financial report is unaudited and has been prepared in compliance with MASB26, Interim Financial Reporting.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2001.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the financial statements for the year ended 31 December 2001 except for the adoption of MASB26, Interim Financial Reporting.

The following notes explain the 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 2001.

2. Audit Report Of Preceding Annual Financial Statements

The audit report of the preceding annual financial statements was not subjected to any qualification.

3. Tax

	3 months ended 30 September		9 months ended 30 September	
	2002	2001	2002	2001
	RM'000	RM'000	RM'000	RM'000
In respect of current period				
- Income tax	2	8	94	63
In respect of prior years				
- Income tax	0	0	1	0
	<u>2</u>	<u>8</u>	<u>95</u>	<u>63</u>

The disproportionate tax charge in relation to the results for the period is mainly due to tax incentive available by the Company. The company has been awarded MSC status on 7th August 2001.

4. Changes in the composition of the Group

There were no changes in the composition of the Group for the current quarter and financial year to date.

5. Seasonal Or Cyclical Factors

The business of the Group was not affected by any significant seasonal or cyclical factors in the third quarter.

6. Issuances and repayment of debt and securities

There were no issuances and repayments of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current financial year to date.

7. Borrowings

Detailed of Group's bank borrowings as at 30 September 2002 are as follows :-

	Current RM'000	Non Current RM'000
Unsecured	468	
Secured	* 1,938	85
	<hr/>	<hr/>
	2,406	85

* The secured portion of the borrowings is pledged with RM1,358,000 fixed deposit.

8. Contingent Liability

There were no changes in the contingent liability of the Company for the current quarter and financial year to date except for fixed deposit pledged for banking facility granted to a subsidiary amounting to RM150,000 as reflected in the financial year ended 31 December 2001 financial statement.

9. Off Balance Sheet Financial Instruments

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

10. Material Litigation

The Group does not have any material litigation, which in the opinion of the Directors, would have a material adverse effect on the financial results of the Group.

11. Segment Information

There is no segmental reporting as the Group deems its activities to involve one sector of operation.

12. Related Party Transactions

Other than the rental expenses paid to a director for the occupancy of the current office premises at No.163, Jalan Kikik, Taman Inderawasih, 13600 Prai and No.3-1-5 and 3-3-5, Lorong Delima 20, 11700 Penang, no other related party transactions exist during the current quarter and financial year to date. The transactions were entered in the normal course of business and the terms were established on a negotiated basis.

13. Capital Commitments

The Group capital commitments not provided for in the financial statements as at 30 September 2002 is as follows :

	RM'000
Property, plant and equipment	
Authorised but not contracted for	580
	=====

14. Comparison With Preceding Quarter

This note is not applicable as this is the first quarterly announcement made by the Company in compliance with the Kuala Lumpur Stock Exchange requirement in conjunction with the Company's admission to the MESDAQ Market of the Kuala Lumpur Stock Exchange.

15. Review Of Performance

The Group achieved a revenue and profit before taxation of RM1.3 million and RM0.45 million respectively for the quarter under review. This result was mainly attributable to the growing acceptance of the KarenSoft ERP2 as a branded Malaysian ERP2 solution particularly by mid-sized companies as well as the top tier SMIs..

For the nine months period to 30 September 2002, the group recorded a revenue of RM3.35 million and a profit before taxation of RM1.17 million.

16. Prospects

With the growing acceptance of the KarenSoft ERP2 among mid-sized companies and top tier SMIs, barring any unforeseen circumstances, the overall financial performance of the Group is expected to improve.

17. Dividend

No interim dividend has been recommended for the quarter under review.

18. Earning Per Share

		3 months ended 30 September		9 months ended 30 September	
		2002	2001	2002	2001
(a) Basic earnings per share					
Net profit/(loss) for the period	(RM'000)	445	-543	1,077	-379
Weighted average number of ordinary shares in issue	('000)	3,866	3,510	3,639	3,510
Basic earnings/(loss) per share	(sen)	11.51	-15.47	29.60	-10.80
(b) Diluted earnings per share					
Net profit for the period	(RM'000)	445	N/A	1,077	N/A
Weighted average number of shares in issue	('000)	4,026	N/A	3,940	N/A
Diluted earnings per share	(sen)	11.05	N/A	27.34	N/A

Private & Confidential

Authorisation For Issue

On 22nd January 2003, the Board of Directors authorized this interim report for issue.

On behalf of the Board,

Chee Chong Hwa, CA(M), CPA
Executive Chairman / CEO