

PORTRADE DOTCOM BERHAD

RESEARCH REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2007

Consolidated Income Statements

Unaudited Consolidated Results For The Second Quarter Ended 31 December 2007

	Individual Quarter	Individual Quarter		Cumulative Quarter	Cumulative Quarter	
	Current Year Quarter	Current Year Preceding Quarter	Percentage Change	Current Year To Date	Preceding Year Corresponding Period	Percentage Change
	31-Dec-07 (RM'000)	30-Sept-07 (RM'000)	(%)	31-Dec-07 (RM'000)	31-Dec-06 (RM'000)	(%)
Revenue	3,137.9	2,658.4	18	5,796.3	5,065.4	14
Cost of sales	(866.7)	(644.4)	34	(1,511.1)	(2,058.4)	(27)
Gross profit	2,271.2	2,014.0	13	4,285.2	3,007.0	43
Other operating income	243.2	124.3	96	367.5	441.0	(17)
Administrative and other operating expenses	(2,537.7)	(2,453.4)	3	(4,991.1)	(3,465.6)	44
Loss from operations	(23.3)	(315.1)	(93)	(338.4)	17.6	2,023
Interest expense	(51.1)	(53.5)	(4)	(104.6)	(162.6)	(36)
Loss before taxation	(74.4)	(368.6)	(80)	(443.0)	(180.2)	146
Tax expense	(6.8)	(10.3)	(34)	(17.1)	(21.1)	(19)
Loss after taxation	<u>(81.2)</u>	<u>(378.9)</u>	(79)	<u>(460.1)</u>	<u>(201.3)</u>	129
Attributable to:						
Equity holders of the parent	(81.4)	(378.9)	(79)	(460.3)	(198.7)	132
Minority interests	0.2	-	n.a.	0.2	(2.6)	(108)
	<u>(81.2)</u>	<u>(378.9)</u>	(79)	<u>(460.1)</u>	<u>(201.3)</u>	129

RESULTS ANALYSIS

The principal activities of Portrade dotcom Berhad ("**Portrade**") and its subsidiaries (collectively the "**Group**") are in the provision of Information Technology ("**IT**")-related products and services for the maritime port, shipping and logistics industry and co-operatives.

For the second quarter ended 31 December 2007, the Group recorded a turnover of RM3.1 million compared to the RM2.6 million recorded in the first quarter ended 30 September 2007, an increase of 18%. Nevertheless, higher cost of sales were incurred as a result of higher costs incurred for its IT project for Bintulu Port ("**Bintulu Port Project**") which eroded the gross profit margin to 72% from 76% recorded in the preceding quarter. Nevertheless, the Group recorded significant increase in other operating income as a result of foreign exchange gain. As a result, the Group recorded a smaller loss before taxation of RM74,387, an improvement from the RM368,563 loss before taxation recorded in the preceding quarter. The improvement in revenue and profitability were attributed to works completed for the Bintulu Port Project for the quarter ended and foreign exchange gain.

For the six months ended 31 December 2007, Portrade's revenue increased 14% to RM5.796 million from the RM5.065 million recorded for the last year's corresponding period. The increase was mainly due to works completed for Bintulu Port Project. Nevertheless, the Group's loss before taxation increased to RM442,950 from RM180,135 loss before taxation recorded for the last year's corresponding period mainly due to amortisation of software development costs.

PROSPECTS

Industry Outlook

The Internet age has changed the way businesses are conducted. Ports and port operators, like all other businesses, are increasingly dependent on IT-solutions to handle and manage their operations in the most efficient way and at the lowest of costs.

Increasingly the mid-size government ports in Asia (most notably ports in Indonesia, Philippines, Vietnam and China) are being corporatised and managed (via management contracts) by third party port operators and, in most cases, these will involve upgrading of IT-solutions to enhance efficiency. As these are mid-size ports, their IT-solutions/ investments have to match with the scale of the operation and the projected revenue to be generated from these ports. Portrade's current suite of application software (as explained in the ensuing sections) fits into the requirements of these operators both from a pricing and functionality stand point.

In addition, the push for greater adoption of broadband services coupled with the increased availability of high-speed Internet access across the ASEAN region has created a growing acceptance of conducting transactions via Internet (i.e. on ASP basis). Portrade being one of leading developers and providers of application software for the maritime port, shipping and logistic industry in Malaysia stands to benefit from this growth. The maritime port, shipping and logistic industry is, nevertheless, a niche market and it is subject to extensive governments' regulations and controls in view of their strategic importance to the nations. Accordingly, there is a high barrier of entry for IT-solutions providers to penetrate into new markets, especially overseas markets.

For the Ninth Malaysia Plan period, advancements in the global digital environment are expected to have a significant impact on the positioning of Malaysia as a competitive knowledge-based economy. With Information and Communication Technology ("**ICT**") as a key determinant in the development process to move the economy up the value chain, efforts will be intensified to mainstream ubiquitous access to ICT services and facilities and, equally important, to promote the wider adoption usage in all aspects of everyday life. The pervasive ICT environment will enable Malaysians to have more equitable access to, and participation in, the new and emerging knowledge-driven economic opportunities. Measures will be undertaken to enhance ICT-related skills and competencies as well as infrastructure expansion for improved broadband connections for advanced multimedia applications, local content development, greater e-commerce adoption and improved information security.

(Source: Ninth Malaysia Plan, 2006-2010)

The implementation of the Ninth Malaysian plan would also see more Information and Communications Technology projects being awarded. Portrade through its products (it also has IT-solutions for co-operative organisations) should stand to gain from this.

The "ASP" Model

Portrade's application software are delivered to its clients either from "licensing" or "leasing" (under the ASP basis i.e. "Pay-As-You-Use") basis.

Under the ASP basis, Portrade hosts its software on its own servers and "leases" the application software to its clients/users who gain access to it over the Internet on a pay-as-you-use basis. Accordingly, Portrade's clients no longer need to incur huge financial resources to acquire, install and run and maintain application software (or pay someone else to do it).

Portrade can also license its application software to clients who are able/ prefer to license its IT-solutions. In such case, the client will invest in its own hardware and Portrade will provide the client with implementation services for implementing the software. As part of the licensing agreement, Portrade will also provide maintenance support for its application software.

This dual-delivery channels give Portrade's clients both flexibility and affordability for instant access to its IT-solutions, thus giving Portrade potential access to a wider client base.

Future Prospects

On 1 August 2007, Portrade announced that it received notice of termination of one of its on-going maintenance software support to be effected on 31 October 2007 as a result of the client implementing its own in-house operating system. The said contract was subsequently extended to 31 January 2008. In view of this recent development, the Group's future prospects will depend on its ability to secure new IT-projects and provision of maintenance services for users of its application software and to reduce its operating costs.

Portrade had in February 2008 placed out 27,990,000 new ordinary shares of RM0.10 each ("Shares"), representing up to 30% of the issued and paid-up share capital of the Company, to strategic investors, namely Pergenia International Limited, Pang Hao Chen, Lau Kin Wai and Intra Motion Sdn Bhd (collectively referred to as the "Strategic Investors") at RM0.13 per Share ("**Private Placement**"). These Strategic Investors have extensive experience and technical know-how in the Information Technology and Communication industry as well as their strong business connectivity. It is likely that these Strategic Investors may carry out new business ventures/opportunities to improve the future prospect and profitability of the Group.

Development Milestones of Business Plan

The Group will continue to seek out new projects to enlarge its market share in the maritime port logistics industry in the Asia Pacific region.

Towards that end, Portrade's will continue to focus on the following aspects of its business development plan for the next five (5) years:

- (a) To target ports and port operators in the Asia-Pacific region and port operators that are operating ports outside the Asia-Pacific region;
- (b) To market its various application software to port operators, shipping agents, vessel owners, and haulers to other countries in the ASEAN and North Asia Region;

- (c) To interface its application software with that of Customs (being one of the major players in the port trade community) in the region;
- (d) To enter into alliance with Banks to create innovative e-trade financing products or to facilitate existing trade products for the port trade community); and
- (e) Alliances with other complementary portals such as e-insurance, e-auctions, e-logistics, with the view of expanding the logistics communities.

RESEARCH & DEVELOPMENT ("R&D")

Portrade uses various development tools such as Java and other Web-related tools to develop its application software. These development tools are deployed under various operating systems such as UNIX, Windows NT, Windows XP, Websphere and JBOSS. Databases used are mainly Informix and or MS SQL Server.

Development Centers and Personnel

Portrade has two development centers, one in KL Sentral and the other in Kuching. Total R&D staff strength is about 60, comprising System Analysts and Developers/Programmers who have extensive experience in the IT-operations of the port and shipping industry.

R&D Plans and Milestones

At present, the Group has in place its flagship Integrated Port Management Systems ("IPMS") and the e-Port Community applications that are hosted on an Internet portal managed by the Group. As a technology focused organization, Portrade continuously carries out R&D to increase and enhance the modules and functionalities of these applications. The Group has spent RM447,408 for the 6 months ended 31 December 2007. The expenditure does not have a material financial impact on the Group for the current quarter under review.

FINANCIAL FORECAST

The Group did not issue any financial forecast.

UTILISATION OF PROCEEDS

Subsequent to the financial period ended 31 December 2007, Portrade completed the Private Placement in February 2008 and raised RM3,638,700 which is to be utilised for the working capital of the Group as well as to defray the costs incurred for the exercise as follows:-

	Amount (RM)
Working capital for the Portrade Group	3,488,700
Estimated expenses of the Private Placement	150,000
	<u>3,638,700</u>

TOP 10 SHAREHOLDERS AS AT 21 DECEMBER 2007

No.	Name of Shareholders	No. of Shares	(%)
1.	Nobel Pang Paul Gen	19,284,050	20.7
2.	Premier Pact Sdn Bhd	12,569,100	13.5
3.	HSBC Nominees (Asing) Sdn Bhd Exempt an for Credit Suisse (SG BR-TST-ASING)	8,959,500	9.6
4.	Alfa Permana Sdn Bhd	8,469,100	9.1
5.	Ng Wai Peng	4,549,850	4.9
6.	Cecilia Law Tiing Tiing	4,000,000	4.3
7.	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ng San Liong @ Ng Shau Liong	3,879,900	4.2
8.	Lau Hong Thiam	3,379,240	3.6
9.	Widdy Anak Udai	2,600,000	2.8
10.	UOBM Nominees (Asing) Sdn Bhd Exempt an for Societe Generale Bank & Trust, Singapore Branch (Cust Asset)	2,020,000	2.2

SUMMARY OF FINANCIAL RESULTS

YE 30 June	Summary of financial results of 5 financial years					(Unaudited) Cumulative Year to Date Period ended 31 December 2007
	2003	2004	2005	2006	2007	
Revenue (RM `000)	12,783	8,023	7,130	13,609	9,918	5,796
Profit / (Loss) Before Tax (RM `000)	2,772	(34)	(1,435)	(308)	(1,017)	(443)
PBT Margin (%)	21.69	(0.42)	(20.13)	(2.26)	(10.25)	(7.64)
Profit / (Loss) After Tax* (RM `000)	1,909	(57)	(1,475)	(338)	(1,150)	(460)
Gross Earnings Per Share (" EPS ") (sen)	3.21	(0.04)	(1.54)	(0.33)	(1.09)	(0.47)
Net EPS (diluted) (sen)	2.21	(0.06)	(1.57)	(0.36)	(1.23)	(0.49)

* attributable to equity holders of the parent