



Rexit Berhad
Research Report
For The Second Half Year Ended 30 June 2007

BACKGROUND ON REXIT

Rexit Berhad (“Rexit” or “Company”) group of companies (“Rexit Group” or “Group”) focuses on delivering solutions and services to the general insurance industry. Currently, the Group is expanding further to life insurance industry. The Group has managed to attain customers ranging from the largest local insurance companies in Malaysia to multi-national insurance companies operating locally as well as globally.

The number of companies under the umbrella of Rexit Group as at 30 June 2007 are as follows:-

Name	Equity interest	Country of incorporation	Description of activities
<i>Subsidiary company of Rexit</i>			
Rexit Solutions Sdn Bhd	100.0	Malaysia	Sales of application software solutions and related products and services
Rexit (M) Sdn Bhd	100.0	Malaysia	Provision of software, technical and consultancy services
Rexit Software Sdn Bhd	100.0	Malaysia	Research and development of application software solutions and provision of related services (<i>MSC Status company</i>)
Rexit International Sdn Bhd (“Rexit International”)	51.0	Malaysia	Promoting, marketing and selling Rexit's software products and services to potential customers in any region of the world, save and except Malaysia on an exclusive basis
<i>Subsidiary company of Rexit International</i>			
PT Rexit Indonesia	51.0	Indonesia	To undertake the business of providing IT services to the financial and insurance industry in Indonesia
<i>Associated company of Rexit</i>			
Reward-Link.com Sdn Bhd	20.0	Malaysia	Malaysian government authorized JPJ eINSURANS gateway provider between insurance companies and JPJ



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Financial highlights

Summary of financial results of the Rexit Group for the past five (5) financial years and the latest unaudited consolidated results for 2007

	# Proforma results of the Rexit Group			Audited	Unaudited
	< ----- FYE 30 June ----- >				
	2003	2004	2005	2006	2007
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	6,483	13,790	25,257	17,752	20,930
PBT	1,588	2,116	3,269	6,663	9,212
PBT Margin (%)	24.5	15.3	12.9	37.2	44.00
PAT	1,092	1,534	3,008	6,606	9,070
Gross EPS (sen) *	1.29	1.72	2.66	3.52 ⁽¹⁾	4.87
Net EPS (sen) *	0.89	1.25	2.44	3.49 ⁽¹⁾	4.79
Number of ordinary shares assumed to be in issue ('000)	^ 123,080	^ 123,080	^ 123,080	189,333	189,333

Notes:-

The summarised proforma consolidated results of Rexit Group for the past four (4) FYE ended 30 June 2005 are extracted from Rexit's prospectus dated 20 October 2005.

* *For FYE 30 June 2003 to 2005, the gross/ net EPS is calculated based on the proforma profit before/ after tax attributable to shareholders of Rexit Group and the number of shares assumed to be in issue*

^ *The number of ordinary shares in issue represents the enlarged issued and paid-up share capital of Rexit Group on completion of the acquisition of Rexit Solutions Sdn Bhd and its corporate reorganisation, but before Rexit's Public Issue (the details which are set out in Rexit's prospectus dated 20 October 2005).*

⁽¹⁾ *The calculation of the Gross/Net EPS was derived after accounting for the bonus issue which was completed during the current financial year 2007.*

Rexit's revenue is based on an Application Services Provider ("ASP") recurring income model to ensure sustainability and stability in its income stream. Currently, Rexit derives its revenue from the sale of proprietary software, annual maintenance charges, recurring annual subscriptions, value-added system sales, per transaction charges as well as a fee based on a percentage of the premiums transacted through its e-Cover portal.



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Rexit Group achieved a revenue of RM20.930 million in the current financial year ended 30 June 2007, representing a growth of approximately 18% compared to a revenue of RM17.752 million achieved in the previous financial year ended 30 June 2006 mainly attributable to proprietary software sales and the increase in the number of users and transactions due to roll out of non-motor modules.

PBT increased by 38% to RM9.212 million in year 2007 as compared to the PBT achieved in year 2006 of RM6.663 million. This is mainly due to the increase in proprietary software sales and higher contributions from subscription and transactions fees due to the growing number of users and transactions.

OUTLOOK OF THE INDUSTRY

Outlook of Malaysian economy

The Malaysian economy continued to expand by 5.3% in the first quarter of 2007 (4Q 2006: 5.7%). Domestic demand, driven by the private sector consumption and investment activities, was reinforced by increased public investment spending. On the supply side, growth was supported by strong expansion in the services sector and higher construction activity.

The services sector strengthened significantly to expand at an accelerated pace of 9.6% (4Q 2006: 8%), driven by an increase in consumption-related activities, finance and business services. This was reflected in the strong growth in the wholesale and retail trade, accommodation and restaurant as well as in the finance, insurance, real estate and business services sub-sectors. The services sector remained the key driver of growth, contributing five percentage points to overall GDP growth.

Domestic demand strengthened further in the first quarter to record an annual growth of 7.6% (4Q 2006: 7.1%), underpinned by strong private consumption and increased public investment spending. The steady increase in disposable income in an environment of stable labour market conditions and firm commodity prices contributed to the continued strong growth in private consumption of 8.6%. Gross fixed capital formation recorded a growth of 5.4% (4Q 2006: 9.8%) reflecting the positive growth in investment expenditure by both the private and public sectors. The bulk of the public sector spending was channeled towards improving essential services including transportation, agriculture, rural development and public utilities.

(Source: Bank Negara Malaysia, Economic and Financial Developments in Malaysia in the First Quarter of 2007, 30 May 2007)

Outlook of Japan economy

The Japanese economy has exceeded the postwar “Izanagi boom”, and is continuing its expansion. While the economy has been said to lack “a sense of solidity”, consumption and capex are entering a positive cycle. Thereafter too, the economy will probably gradually continue its upward shift. Barring the emergence of any large, unexpected risks, economic growth could continue beyond 2007.

Favorable conditions in the corporate sector are trickling down to the household sector via employment and wages, albeit gradually and there is a strengthening pattern of consumption supporting the economy. There will likely be a temporary lull in the corporate sector from second semester financial year (“FY”) 2007. A peaking trend will strengthen in corporate earnings due to a pronounced productivity effect caused by nearly five years of continuous, aggressive capex, in addition to expanding labor costs and slowdown in the US economy. Under these circumstances, it is expected that capex will follow a gradual trend of slowdown. However, given the steadiness of personal consumption and future improvement in the US economy, the economy will continue at a high level.

In financial year (“FY”) 2007 and 2008, the real GDP growth is expected to be stable and in line with the potential growth rate. It is to be 2.1% for both FY 07 and FY 08.

(Source: Extracted from news release from Mitsubishi Research Institute, Inc. entitled “Japan’s Economic Outlook 2006-2007”, 20 February 2007, and “Japan’s Economic Outlook 2007-2008”, 21 May 2007)

Outlook of Hong Kong economy

The Hong Kong economy continued to show broad-based expansion in the first quarter of 2007, with GDP growing solidly by 5.6 % in real terms over a year earlier. Since the upturn in mid-2003, the economy has been growing at above trend pace for 14 quarters in a row.

Externally, merchandise exports recorded a further notable growth at 8.2% in real terms in the first quarter, even when set against an exceptionally high base a year earlier. Trade flows involving the Mainland remained vibrant, thereby largely cushioning overall export performance against the weakness in the US market. Exports of services leaped by 8.4% in real terms in the first quarter, led by the surge in exports of financial and business services and the brisk expansion of both offshore trade and inbound tourism.

Domestically, private consumption expenditure continued to display strength, picking up to a 5.6% notable growth in the first quarter, on the back of rising income, improving job market and generally



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buoyant stock market activity. On the other hand, overall investment spending grew moderately further, by 3.9% in the first quarter, after several quarters of notable growth.

(Source: www.info.gov.hk/hkecon/press/index.htm)

Outlook of the insurance industry in Asia-Pacific

The aligning of favorable conditions with the strong performances and strengthening balance sheets recorded in most markets have allowed Standard & Poor's Ratings Services to assign stable outlooks to most Asia Pacific insurance markets despite varied country risk profiles. The credit quality of most insurers in the Asia-Pacific region will remain stable for the remainder of 2006 and into 2007, according to the latest "Asia-Pacific Insurance Outlook" report launched today by Standard & Poor's.

(Source: *Strengthening balance sheets will keep Asia-Pacific insurance outlooks stable in 2006-2007, S&P Press Release, 07 August 2006*)

BUSINESS DEVELOPMENT PLAN AND FUTURE PROSPECTS OF REXIT

On 11 June 2007, Rexit International and Asia Insurance Company Limited of Hong Kong ("Asia Insurance") entered into an agreement to appoint Rexit International to provide its insurance software and services to Asia Insurance. This appointment represents Rexit International's first overseas contract which will be the showcase implementation for the Hong Kong and China markets and thus offers good potential for the Company's expansion into overseas markets. This appointment increases Rexit's major clientele base to 11 insurance companies, 4 banks and 2 telecommunication companies, thus making it a major regional player in the provision of IT software and services to the insurance industry.

In addition, Rexit International had received a letter of intent from Marubeni Safenet Co. Ltd of Japan for the implementation of Rexit's insurance software and services. These services will ultimately encompass all aspects of Marubeni Safenet's insurance operations in Japan. The agreement setting out details of Rexit International's appointment is currently being negotiated.

On 13 July, we announced that the Life Insurance Association of Malaysia ("LIAM") has selected Rexit as the vendor to develop and implement the IT system for on-line transactions. The IT system will be implemented on a 'pay per use' model where fees will be collected on a per transaction basis. The web-based system will enable participating life insurance companies to transact policies, capture new transaction details and claims on a real time, 24 x 7(24 hours / 7 days per week) basis. This appointment



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represents Rexit's first delivery of IT solutions and services to the local life insurance market and will provide the platform for Rexit to explore further business opportunities in the life insurance market.

In view of the above mentioned coupled with the positive outlook of the economy and insurance industry, Rexit believes that the Group's prospects for the year 2008 will augur well for the Group. The Group will continue to develop its local and overseas business along the above lines, guided by the business development plan of the Group which has been principally carried out as planned with adjustments to cater for changes in technology and customers' requirements.

R&D

Rexit's current R&D efforts are mainly to expand and extend the services offered by the e-Cover portal to cater to the specific needs and requirements of the general insurance industry and as well as life insurance.

Rexit has spent more than RM2.0 million in R&D expenditure for the financial year ended 30 June 2007 which was partly funded from the proceeds from its IPO exercise and internally generated funds. The R&D allocation is expected to improve the future financial performance of Rexit.

TOP 10 SHAREHOLDERS AS AT 28 AUGUST 2007

No.	Name of shareholders	No of shares held	Percentage (%)
1	Rexit Venture Sdn Bhd	67,636,227	35.72
2	Citigroup Nominees (Asing) Sdn Bhd Beneficiary: NSL for Marubeni Corporation	18,930,000	10.00
3	HSBC Nominees (Asing) Sdn Bhd Beneficiary: Exempt AN for JPMorgan Chase Bank, National Association (U.S.A.)	15,128,500	7.99
4	HSBC Nominees (Asing) Sdn Bhd Beneficiary: Exempt AN for Clariden Leu Ltd. (Ex- Clar Bk, Zrh)	7,700,000	4.07
5	HSBC Nominees (Asing) Sdn Bhd Beneficiary: Exempt An for Morgan Stanley & CO. International Plc	6,367,000	3.36
6	Citigroup Nominees (Asing) Sdn Bhd Beneficiary: Exempt AN for UBS AG Singapore (Foreign)	5,000,000	2.64
7	HSBC Nominees (Asing) Sdn Bhd Beneficiary: Exempt An for J.P.Morgan Bank Luxembourg S.A	4,766,900	2.52
8	DB (Malaysia) Nominee (Asing) Sdn Bhd Beneficiary: Presidio Investments Limited	4,693,334	2.48



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No.	Name of shareholders	No of shares held	Percentage (%)
9	HSBC Nominees (Tempatan) Sdn Bhd Beneficiary: HSBC (M) Trustee Bhd for Future Goals Fund	3,659,867	1.93
10	HSBC Nominees (Asing) Sdn Bhd Beneficiary : Exempt AN for Credit Suisse	3,330,933	1.76

FINANCIAL FORECAST

Not applicable as no profit forecast was disclosed in Rexit's prospectus.

UTILISATION OF PROCEEDS

Rexit had fully utilised the proceeds raised from its IPO exercise. The breakdown of the utilisation of the listing proceeds is set out in table below.

	Proposed utilisation proceeds*	Amount utilised as at 31 Dec 2006	Transfer**	Amount outstanding	Expected timeframe for utilisation*
	RM'000	RM'000	RM'000	RM'000	
R&D	2,000	2,000	0	-	End of 2006
Working capital	2,454	2,566	112	-	End of 2006
Estimated listing expenses	1,600	1,488	(112)	-	-
	6,054	6,054	0	-	

Notes:-

* Proposed utilisation as set out in Rexit's prospectus dated 20 October 2005.

** The unutilised listing expenses of approximately RM112,000 was transferred to working capital.

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