

Compugates Holdings Berhad
(Company No. 669287 - H)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2008

PART A – EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (“FRS”) 134

1. Basis of Preparation

The interim financial report is unaudited and has been prepared in compliance with FRS 134 - Interim Financial Reporting and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2007. The explanatory notes 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 year ended 31 December 2007.

The accounting policies and methods of computation adopted in this quarter financial statement of the Group are consistent with those adopted for the annual financial statements of the Group for the financial year ended 31 December 2007.

2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 31 December 2007.

With effect from 1 January 2008, the Group has adopted the following revised and amended Financial Reporting Standards (“FRS”) issued by the Malaysian Accounting Standards Board (“MASB”), which are relevant to its operation. These FRS became effective for financial periods beginning on or after 1 July 2007.

FRS 107	Cash Flow Statements
FRS 112	Income Taxes
FRS 118	Revenue
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates <i>Net Investment in a Foreign Operation</i>

The adoption of FRS 107, 112, 118, 134, 137 and amendment to FRS 121 do not have any significant financial impact on the results and the financial position of the group.

3. Status of Audit Qualifications

The auditors’ report on the financial statements for the financial year ended 31 December 2007 was not subject to any qualification.

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4. Nature and Amount of Exceptional and Extraordinary Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flow during the quarter ended 31 March 2008.

5. Seasonal or Cyclical Factors

The demand for certain imaging and information technology products are seasonal in nature, the sales of these products are usually higher towards the end of the financial year due to festive seasons. On the other hand, the sales of telecommunication products are generally in tandem with the performance of the economy.

6. Changes in Estimates

There was no material changes in the estimates used for the preparation of this interim financial report.

7. Debt and Equity Securities

There were no issuances, cancellations, repurchases or resale of debt and equity securities during the current financial period to date as of 31 March 2008.

8. Dividends Paid

There were no dividends paid during the financial period under review.

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9. Segmental Reporting (Analysis by geographical location of the Group Results)

	Current Year Quarter Ended 31 Mar 2008 RM'000 (Unaudited)	Corresponding Quarter Ended 31 Mar 2007 RM'000 (Unaudited)	Current Year To Date 31 Mar 2008 RM'000 (Unaudited)	Corresponding Period Ended 31 Mar 2007 RM'000 (Unaudited)
SEGMENT REVENUE				
Malaysia	124,725	103,134	124,725	103,134
Singapore	2,175	3,444	2,175	3,444
Bangladesh	42,069	77,228	42,069	77,228
Others	1,882	-	1,882	-
	170,851	183,806	170,851	183,806
Inter-segment sales	(18,360)	(20)	(18,360)	(20)
TOTAL	152,491	183,786	152,491	183,786
SEGMENT RESULTS				
Malaysia	(237)	1,016	(237)	1,016
Singapore	(111)	(52)	(111)	(52)
Bangladesh	(152)	517	(152)	517
Others	(336)	-	(336)	-
	(836)	1,481	(836)	1,481

10. Revaluation of Property and Equipment

The valuations of property and equipment have been brought forward without amendment from the financial year ended 31 December 2007.

11. Contingent Liabilities and Contingent Assets

The Company had given corporate guarantees amounting to approximately RM27 million to secure banking facilities granted to its subsidiaries, Compugates Sdn. Bhd. and Compugates Marketing Sdn. Bhd.

There were no contingent assets as of the end of the financial period to date.

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12. Significant Related Party Transactions

The recurrent related party transactions (“RRPT”) involved the sales of prepaid cards, purchases of skin care products and commission paid. The RRPT had been entered into in the ordinary course of business and have been established under terms that were mutually agreed between the parties.

Transaction parties	Nature of transaction	Current Year Quarter Ended 31 Mar 2008 RM'000 (Unaudited)	Corresponding Quarter Ended 31 Mar 2007 RM'000 (Unaudited)	Current Year To Date 31 Mar 2008 RM'000 (Unaudited)	Corresponding Period Ended 31 Mar 2007 RM'000 (Unaudited)
1 Beausoft Sdn. Bhd.	Sales of prepaid cards	1,781	2,288	1,781	2,288
2 Southall Sdn. Bhd.	Sales of prepaid cards	3,809	5,508	3,809	5,508
3 Beausoft Sdn. Bhd.	Purchases of skin care products	1,839	-	1,839	-
4 Integra Communication Ltd	Commission Paid	189	-	189	-
5 Deens Telecom Ltd	Commission Paid	170	-	170	-
		170	-	170	-

13. Effect of Changes in the Composition of the Group

There were no changes in the composition of the Group during the financial period ended 31 March 2008.

14. Significant Events Subsequent to the End of the Financial Period

There were no significant events subsequent to the end of the financial period to date.

15. Capital Commitment

The Group has no capital commitment as of 31 March 2008.

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PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

16. Review of Performance

The Group registered a revenue of approximately RM152.5 million for the quarter ended 31 March 2008, which was lower by approximately RM31.3 million as compared to the preceding corresponding quarter ended 31 March 2007 of approximately RM183.8 million. The lower revenue was mainly due to lower sales contribution from Bangladesh subsidiary.

The Group recorded a gross profit of approximately RM1.4 million in the current quarter which was lower by approximately RM2.4 million as compared to the preceding corresponding quarter of approximately RM3.8 million. This was mainly due to increase competition in the market place.

During the current quarter, the Group recorded a loss before taxation (“LBT”) of approximately RM0.6 million as compared to a profit before taxation (“PBT”) of approximately RM2.0 million in the preceding corresponding quarter mainly due to lower gross profit as mentioned above.

17. Comment on Material Changes in the Loss Before Taxation for the Quarter Reported on as Compared With The Immediate Preceding Quarter

The Group registered a revenue of approximately RM152.5 million for the quarter ended 31 March 2008, which was 11% higher than the previous quarter ended 31 December 2007 of approximately RM136.9 million. The higher revenue was mainly due to higher sales contribution from Malaysia subsidiaries.

Despite the increase in revenue, the Group recorded a LBT of approximately RM0.6 million for the quarter ended 31 March 2008 as compared to previous quarter PBT of approximately RM22.0 million. These were mainly due to lower gross profit margin and higher other income generated in other subsidiary in the previous quarter.

18. Current Year Prospect

The Board is of the view that, the market condition will remain competitive and hence, the Group’s business prospects will remain challenging.

19. Profit Forecast or Profit Guarantee

The disclosure requirements for explanatory notes for the variance of actual profit and forecast profit and for the shortfall in profit guarantee are not applicable.

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20. Income Tax Expense

	Current Year Quarter Ended 31 Mar 2008 RM'000 (Unaudited)	Corresponding Quarter Ended 31 Mar 2007 RM'000 (Unaudited)	Current Year To Date 31 Mar 2008 RM'000 (Unaudited)	Corresponding Period Ended 31 Mar 2007 RM'000 (Unaudited)
Current taxation	233	554	233	554

The Group's effective tax rate is higher than the statutory tax rate due to certain expenses being disallowed for taxation purposes, and losses of certain subsidiaries which cannot be set off against taxable profits made by other subsidiaries.

21. Unquoted Investments and/or Properties

There were no purchases or disposals of unquoted investments and/or properties in the quarter ended 31 March 2008.

22. Quoted Investments

There were no purchases or disposals of quoted investments in the quarter ended 31 March 2008.

23. Status Of Corporate Proposals

There were no corporate proposals announced or completed as at the date of this announcement.

24. Borrowings and Debt Securities

The Group's borrowings are as follows:

	As at 31 March 2008 RM'000
Short term borrowing – secured - hire purchase	78
Long term borrowing – secured - hire purchase	138

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25. Off Balance Sheet Financial Instruments

There were no off balance sheet financial instruments entered into by the Group as at the date of this announcement.

26. Material Litigation

The Group is not engaged in any material litigation either as plaintiff or defendant and the directors do not have any knowledge of any proceedings pending or threatened against the Group which might materially and adversely affect the financial position or business of the Group.

27. Dividend

The Board of Directors does not recommend any dividend for the period ended 31 March 2008.

28. Basic Earnings per Share

The earnings per share is calculated by dividing the Group's profit attributable to equity holders of the parent for the financial period over the weighted average number of ordinary shares in issue during the financial period as follows:-

	Current Year Quarter Ended 31 Mar 2008 (Unaudited)	Corresponding Quarter Ended 31 Mar 2007 (Unaudited)	Current Year To Date 31 Mar 2008 (Unaudited)	Corresponding Period Ended 31 Mar 2007 (Unaudited)
(Loss) / profit attributable to equity holders of parent (RM'000)	(559)	1,182	(559)	1,182
Weighted average number of ordinary shares in issue ('000)				
- RM0.10 each	2,134,289	-	2,134,289	-
- RM1.00 each	-	213,429	-	213,429
Basic (loss) / earnings per share (sen)	(0.03)	0.55	(0.03)	0.55

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29. Authorisation

This interim financial report for the financial period ended 31 March 2008 has been seen and approved by the Board of Directors of Compugates Holdings Berhad on 26 May 2008 for release to the Bursa Securities.

By order of the Board
Mah Li Chen
Lee Wai Kim
Company Secretaries

Dated : 26 May 2008