

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 30 September 2008.

**5. Seasonal or Cyclical Factors**

The demand for certain imaging and information technology products are seasonal in nature and 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 quarter ended 30 September 2008.

**8. Dividends Paid**

There were no dividends paid during the quarter under review.

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

	<b>Current Year Quarter Ended 30 Sept 2008 RM'000 (Unaudited)</b>	<b>Corresponding Quarter Ended 30 Sept 2007 RM'000 (Unaudited)</b>	<b>Current Year To Date 30 Sept 2008 RM'000 (Unaudited)</b>	<b>Corresponding Period Ended 30 Sept 2007 RM'000 (Unaudited)</b>
<b>SEGMENT REVENUE</b>				
Malaysia	118,768	91,559	359,434	306,493
Singapore	1,350	2,685	5,350	9,108
Bangladesh	59,608	32,789	144,653	134,183
Others	3,832	-	8,523	-
	183,558	127,033	517,960	449,784
Inter-segment sales	(120)	(90)	(18,865)	(145)
<b>TOTAL</b>	<b>183,438</b>	<b>126,943</b>	<b>499,095</b>	<b>449,639</b>
<b>SEGMENT RESULTS</b>				
Malaysia	(29)	(502)	(905)	1,801
Singapore	(128)	(64)	(327)	(117)
Bangladesh	66	551	136	964
Others	30	(220)	107	(324)
	(61)	(235)	(989)	2,324

**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. ("CMSB").

There were no contingent assets as of the end of the current quarter.

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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 30 Sept 2008 RM'000 (Unaudited)	Corresponding Quarter Ended 30 Sept 2007 RM'000 (Unaudited)	Current Year To Date 30 Sept 2008 RM'000 (Unaudited)	Corresponding Period Ended 30 Sept 2007 RM'000 (Unaudited)
1 Beausoft Sdn. Bhd.	Sales of prepaid cards	3	2,571	2,089	10,816
2 Southall Sdn. Bhd.	Sales of prepaid cards	-	6,107	5,843	16,721
3 Beausoft Sdn. Bhd.	Purchases of skin care products	-	-	1,839	-
4 Integra Communication Ltd	Commission Paid	303	-	853	-
5 Deens Telecom Ltd	Commission Paid				
		273	-	768	-

**13. Effect of Changes in the Composition of the Group**

Save as disclosed below, there were no changes in the composition of the Group during the quarter ended 30 September 2008:-

CMSB (a wholly-owned subsidiary of Compugates Sdn. Bhd.), had on 18 September 2008 incorporated a new subsidiary, namely Compugates Development and Mining Sdn. Bhd. (“CDMSB”). CDMSB has an authorised share capital of RM100,000 divided into 100,000 ordinary shares of RM1.00 each with an issued and paid-up share capital of RM100.00 divided into 100 ordinary shares of RM1.00 each. CMSB has subscribed for 60% of the total paid-up share capital comprising 60 ordinary shares of RM1.00 each.

CDMSB’s principal activities are investment holdings and mining.

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**14. Significant Subsequent Events**

There were no significant events subsequent to the end of the current quarter.

**15. Capital Commitment**

The Group's capital commitments are as follows:

	As at 30 Sept 2008 RM'000
Approved and contracted for :-	
- Purchase of properties	7,271
- Commission	2,000
	<hr/> 9,271 <hr/>

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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 RM183.4 million for the quarter ended 30 September 2008, which was approximately RM56.5 million higher as compared to the preceding corresponding quarter ended 30 September 2007 of approximately RM126.9 million. The higher revenue was mainly due to higher revenue contribution from Malaysia and Bangladesh subsidiaries.

The Group recorded a gross profit of approximately RM2.7 million for the current quarter which was approximately RM1.0 million higher as compared to the preceding corresponding quarter of approximately RM1.7 million. The increase in gross profit was in line with the higher revenue recorded.

During the current quarter, the Group recorded a profit before taxation (“PBT”) of approximately RM0.6 million as compared to the preceding corresponding quarter PBT of approximately RM0.2 million mainly due to the higher revenue as mentioned above.

**17. Comment on Material Changes in the Profit Before Taxation for the Quarter Reported on as Compared with the Immediate Preceding Quarter**

The Group registered a revenue of approximately RM183.4 million for the quarter ended 30 September 2008, which was approximately RM20.2 million or 12% higher than the previous quarter ended 30 June 2008 of approximately RM163.2 million. The higher revenue was mainly due to higher revenue contribution from Bangladesh subsidiary.

The Group recorded a PBT of approximately RM569,000 for the quarter ended 30 September 2008 which was marginally improved by RM42,000 as compared to the previous PBT of approximately RM527,000.

**18. Current Year Prospect**

The Board is of the view that, barring unforeseen circumstances, the Group’s business prospects will remain challenging given the competitive market.

**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 30 Sept 2008 RM'000 (Unaudited)	Corresponding Quarter Ended 30 Sept 2007 RM'000 (Unaudited)	Current Year To Date 30 Sept 2008 RM'000 (Unaudited)	Corresponding Period Ended 30 Sept 2007 RM'000 (Unaudited)
Current taxation	630	495	1,482	1,490

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**

Save as disclosed below, there were no purchases or disposals of unquoted investments and/or properties in the quarter ended 30 September 2008:-

CDMSB, a 60%-owned subsidiary of CMSB had on 25 September 2008 entered into two (2) Sale and Purchase Agreements with Kumpulan Darul Ehsan Berhad for the purchase of two (2) pieces of land, for a total consideration of RM7,270,761.00.

**22. Quoted Investments**

There were no purchases or disposals of quoted investments in the quarter ended 30 September 2008.

**23. Status Of Corporate Proposals**

There were no corporate proposals announced but not completed as at the date of this announcement.

**24. Borrowings and Debt Securities**

The Group's borrowings are as follows:

	As at 30 Sept 2008 RM'000
Short term borrowings – secured	
- banker's acceptance	1,955
- hire purchase	50
	<u>2,005</u>
Long term borrowing – secured	
- hire purchase	137
	<u>137</u>

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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 did not recommend any dividend for the quarter ended 30 September 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:-

	<b>Current Year Quarter Ended 30 Sept 2008 (Unaudited)</b>	<b>Corresponding Quarter Ended 30 Sept 2007 (Unaudited)</b>	<b>Current Year To Date 30 Sept 2008 (Unaudited)</b>	<b>Corresponding Period Ended 30 Sept 2007 (Unaudited)</b>
(Loss) / profit attributable to equity holders of parent (RM'000)	(140)	18	(1,182)	1,941
Weighted average number of ordinary shares in issue ('000) - RM0.10 each	2,134,289	2,134,289	2,134,289	2,134,289
Basic (loss) / earnings per share (sen)	(0.01)	#	(0.06)	0.09

# - Amount less than 0.01 sen

**29. Authorisation**

This interim financial report for the financial period ended 30 September 2008 has been seen and approved by the Board of Directors of Compugates Holdings Berhad on 21 November 2008 for release to the Bursa Securities.



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

Dated: 21st day of November 2008