

EXPLANATORY NOTES

1. Basis of preparation

The interim financial statements are unaudited and have been prepared in compliance with FRS 134, Interim Financial Reporting and Chapter 9 Part K of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 January 2007. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group.

The accounting principles and bases used are consistent with those previously adopted in the preparation of the audited financial statements of Comintel Corporation Bhd (Comcorp) except for the accounting policies changes that are expected to be reflected in the 2008 annual financial statements. Details of these changes in accounting policies are set out in Note 2.

2. Changes in accounting policies

The Group has adopted the relevant new and revised Financial Reporting Standards ("FRS") issued by the Malaysian Accounting Standards Board ("MASB") for accounting periods beginning on or after 1 October 2006 as follows:

FRS 117 : Leases
FRS 124 : Related party disclosure
FRS 139 : Financial instrument: recognition and measurement

3. Audit report of preceding annual financial statements

The auditors' reports on the financial statements for the financial year ended 31 January 2007 were not qualified.

4. Seasonality or cyclical nature of operations

The Group's operations have not been affected materially by any seasonal/cyclical factors.

5. Nature and amount of unusual items affecting assets, liabilities, equity, net income or cash flows

During the quarter under review, there were no items or events that arose, which affected assets, liabilities, equity, net income or cash flows, that are unusual by reason of their nature, size or incidence.

6. Changes in estimates

There were no changes in the estimates of amounts reported that have a material effect in the current financial quarter.

7. Issuance, cancellations, repurchases, resale and repayments of debt and equity securities

There was no issuance, cancellations, repurchases, resale and repayment of debt and equity securities in the current quarter under review.

8. Valuation of property, plant and equipment

The Group did not carry out any valuation on the property, plant and equipment since the listing of the Company on 16 August 2004.

9. Material events subsequent to the end of the interim period

There were no material events subsequent to the end of the quarter under review that have not been reflected in the financial statements for the quarter under review.

10. Change in the composition of the group

There were no changes in the composition of the Group during the quarter under review.

11. Contingent liabilities and contingent assets

As at 31 October 2007, total bank guarantees outstanding relating to performance and tenders amounted to RM7.685 million. The company has provided corporate guarantee amounting to RM193.483 million to financial institutions for banking facilities made available to its subsidiaries.

12. Segmental information

The revenue and profit/(loss) of the Group are generated from the following segments:

Segment revenue	Investment Holding	Manufacturing	Communications & Systems Integration	Defence Maintenance	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	-	-	55,481	11,686	67,167
Foreign countries	-	180,615	-	-	180,615
Consolidation adjustments	-	-	-	-	-
	0	180,615	55,481	11,686	247,782

Segment profit/(loss) before taxation	Investment Holding	Manufacturing	Communications & Systems Integration	Defence Maintenance	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	(1,080)	-	6,872	3,441	9,233
Foreign countries	-	(322)	(177)	-	(499)
Consolidation adjustments	-	-	-	-	18
	(1,080)	(322)	6,695	3,441	8,752

13. Review of performance

The Group continued to perform satisfactorily in this quarter.

14. Comments on material change in Profit before taxation

The Group recorded a turnover of RM90.523 million in the current quarter as compared to a turnover of RM88.154 million in the preceding year corresponding quarter. The profit before taxation in the current quarter of RM1.414 million as opposed to profit before taxation of RM1.609 million in the preceding year corresponding quarter is due mainly to higher operating expenses and financing cost in the current quarter.

15. Commentary on prospects

The Group is confident that it will continue to grow across all sectors including the Communications & Systems Integration segment, Defence Maintenance segment and Manufacturing segment.

16. Profit forecast

The Group did not provide any profit forecast in any public document for the quarter ended 31 October 2007.

17. Taxation

	Current Quarter 31.10.2007 RM'000	Current Year To Date 31.10.2007 RM'000
Provision for taxation for the period under review	363	1,267
Deferred taxation	(5)	11
	<u>358</u>	<u>1,278</u>

18. Disposal of unquoted investments and/or properties

There was no sale of unquoted investments and/or properties for the current quarter and financial year to date.

19. Purchase or disposal of quoted securities

(a) There were no purchases or disposals of quoted securities for the current quarter under review.

(b) There were no investments in quoted securities as at the end of the reporting period.

20. Status of corporate proposal announced

There were no corporate proposals announced as at the date of this report.

21. Group borrowings

Total Group borrowings as at 31 October 2007 were as follows :-

	As at 31 October 2007		
	Secured RM'000	Unsecured RM'000	Total RM'000
Short term borrowings			
- Local currency (RM)	81,700	-	81,700
Long term borrowings			
- Local currency (RM)	13,195	-	13,195
Total	<u>94,895</u>	<u>-</u>	<u>94,895</u>

Included in the short term borrowings is an amount of RM62.624 million relating to trade financing.

22. Off balance sheet financial instruments

The Group does not have any off balance sheet financial instruments as at the date of this report.

23. Material litigation

There is no material litigation for the period under review.

24. Dividends

There were no dividends declared or proposed by the Company in the quarter under review.

25. Basis of calculation of profit per share

The basic profit per share for the quarter and cumulative year to date are computed as follows:

	Current Quarter 31.10.2007	Current Year To Date 31.10.2007
Profit attributable to equity holders of the parent (RM'000)	<u>933</u>	<u>6,792</u>
Weighted average number of ordinary shares of RM0.50 each in issue ('000)	<u>140,000</u>	<u>140,000</u>
- Basic profit per share (sen)	0.67	4.85
- Diluted profit per share (sen)	0.67	4.85

26. Approval of financial statement

These interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 26 December 2007.

By order of the Board
COMINTEL CORPORATION BHD (Company no. : 630068-T)
Loh Hock Chiang
Company Secretary MIA 11139
Eng Shuh Shiang
Company Secretary MAICSA 7038994

Shah Alam
26 December 2007