

COMINTEL CORPORATION BHD ("COMCORP")
(Company No. 630068-T)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 31 JULY 2010
(The figures have not been audited)

	Note	Current Year Quarter Ended 31.07.2010 RM'000	Preceding Year Quarter Ended 31.07.2009 RM'000	Current Year To Date 31.07.2010 RM'000	Preceding Year To Date 31.07.2009 RM'000
Revenue	A8	82,387	67,766	150,042	146,656
Cost of sales		(76,739)	(60,465)	(140,501)	(131,213)
Gross profit		5,648	7,301	9,541	15,443
Other operating income		232	374	812	676
Other operating, administrative, selling and distribution expenses		(5,856)	(6,659)	(11,497)	(13,760)
Profit/(Loss) from Operations		24	1,016	(1,144)	2,359
Finance cost		(854)	(885)	(1,609)	(1,555)
(Loss)/Profit before taxation	A8	(830)	131	(2,753)	804
Taxation	B5	(375)	(160)	(375)	(315)
(Loss)/Profit for the period		(1,205)	(29)	(3,128)	489
Other Comprehensive income:					
Currency translation differences for foreign operations		(11)	(90)	(228)	(84)
Total Comprehensive Income for the period		(1,216)	(119)	(3,356)	405
Profit or (Loss) attributable to:					
Equity holders of the parent company		(1,448)	92	(3,555)	629
Non-controlling interests		243	(121)	427	(140)
		(1,205)	(29)	(3,128)	489
Total Comprehensive Income attributable to:					
Equity holders of the parent company		(1,459)	2	(3,783)	545
Non-controlling interests		243	(121)	427	(140)
		(1,216)	(119)	(3,356)	405
(Loss)/Earnings per share					
- Basic (sen)	B13	(1.03)	0.07	(2.54)	0.45
- Diluted (sen)	B13	(1.03)	0.07	(2.54)	0.45

Note:

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 January 2010 and the accompanying explanatory notes attached to the interim financial statements.

COMINTEL CORPORATION BHD ("COMCORP")
(Company No. 630068-T)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 JULY 2010

		(Unaudited)	(Audited)
		As At	As At
		31.07.2010	31.01.2010
	Note	RM'000	RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		61,595	64,585
Prepaid lease payments		2,858	2,889
Investment in unquoted shares		1,052	1,052
Intangible Asset		4,911	5,200
		<u>70,416</u>	<u>73,726</u>
Current assets			
Inventories		78,017	77,614
Trade receivables		51,694	53,799
Other receivables, deposits and prepayment		16,071	17,085
Cash and bank balances		18,597	22,801
		<u>164,379</u>	<u>171,299</u>
TOTAL ASSETS		<u>234,795</u>	<u>245,025</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		70,000	70,000
Share premium		25,745	25,745
Reserve		994	1,222
Retained profit		1,556	5,111
Total Equity attributable to equity holders of the parent		<u>98,295</u>	<u>102,078</u>
Non-controlling interests		<u>3,400</u>	<u>2,973</u>
Total equity		<u>101,695</u>	<u>105,051</u>
Non-current liabilities			
Long term borrowings	B9	3,017	3,728
Hire purchase payables	B9	1,073	1,912
Deferred tax liabilities		2,151	2,151
		<u>6,241</u>	<u>7,791</u>
Current liabilities			
Trade payables		35,632	44,675
Other payables and accruals		13,520	12,824
Provision for warranty		200	200
Short term borrowings	B9	74,494	70,211
Bank overdraft	B9	832	2,097
Hire purchase payables	B9	1,840	1,876
Provision for taxation		341	300
		<u>126,859</u>	<u>132,183</u>
Total liabilities		<u>133,100</u>	<u>139,974</u>
TOTAL EQUITY AND LIABILITIES		<u>234,795</u>	<u>245,025</u>
Net assets per share attributable to ordinary equity holders of the parent company (RM)		0.7021	0.7291

Note:

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 January 2010 and the accompanying explanatory notes attached to the interim financial statements.

COMINTEL CORPORATION BHD ("COMCORP")

(Company No. 630068-T)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 31 JULY 2010**

(The figures have not been audited)

Note	Attributable to equity holders of the parent						Non-controlling Interest	Total Equity
	(Non Distributable)			(Distributable)				
	Share Capital	Share Premium	Revaluation Reserves	Translation Reserves	Retained Profits	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
6 months period ended 31 July 2010								
Balance at 1 February 2010	70,000	25,745	1,354	(132)	5,111	102,078	2,973	105,051
Effects of applying FRS 139	-	-	-	-	-	-	-	-
Restated balance, as at 1 February 2010	70,000	25,745	1,354	(132)	5,111	102,078	2,973	105,051
Changes in equity during the year:								
Profit/(Loss) for the period	-	-	-	-	(3,555)	(3,555)	427	(3,128)
Other comprehensive income				(228)		(228)		(228)
Total comprehensive income for the period	-	-	-	(228)	(3,555)	(3,783)	427	(3,356)
Balance as at 31 July 2010	70,000	25,745	1,354	(360)	1,556	98,295	3,400	101,695
6 months period ended 31 July 2009								
Balance at 1 February 2009	70,000	25,745	1,354	76	15,012	112,187	3,467	115,654
Profit/(Loss) for the period	-	-	-	-	629	629	(140)	489
Other comprehensive income				(84)		(84)		(84)
Total comprehensive income for the period	-	-	-	(84)	629	545	(140)	405
Balance as at 31 July 2009	70,000	25,745	1,354	(8)	15,641	112,732	3,327	116,059

Note:

The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the audited financial statements for the year ended 31 January 2010 and the accompanying explanatory notes attached to the interim financial statements.

COMINTEL CORPORATION BHD ("COMCORP")
(Company No. 630068-T)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SECOND QUARTER ENDED 31 JULY 2010**
(The figures have not been audited)

	Current Year To Date 31.07.2010 RM'000	Preceding Year To Date 31.07.2009 RM'000
Cash flows from operating activities		
(Loss)/Profit before taxation	(2,753)	804
Adjustment for non cash and non operating items:		
Depreciation of property, plant & equipment	3,204	4,398
Amortisation of Intangible asset	289	-
Hire purchase interest	163	168
Interest expenses	1,446	1,386
Loss/(Gain) on disposal of property, plant & equipment	858	(52)
Provision for warranty cost	-	(430)
Interest income	(49)	(93)
Operating cash flow before working capital changes	<u>3,158</u>	<u>6,181</u>
Inventories	(403)	3,902
Trade receivables	2,105	(2,868)
Other receivables, deposits and prepayments	1,014	(2,198)
Trade payables	(9,043)	(4,965)
Other payables and accruals	468	(9,508)
Net cash flow from operations	<u>(2,701)</u>	<u>(9,456)</u>
Finance Charges	(1,609)	(1,554)
Income tax paid	(334)	(490)
Net operating cash flow	<u>(4,644)</u>	<u>(11,500)</u>
Cash flows from investing activities		
Purchase of property, plant & equipment	(1,061)	(896)
Proceeds from disposal of property, plant & equipment	20	108
Purchase of investment	-	(187)
Interest income received	49	93
Net investing cash flow	<u>(992)</u>	<u>(882)</u>
Cash flows from financing activities		
Net drawdown/(repayment) of bank borrowings	4,282	(6,449)
Net (repayment) of term loans	(711)	(1,333)
Net (repayment) of hire purchase liabilities	(875)	(570)
Net financing cash flow	<u>2,696</u>	<u>(8,352)</u>
Net changes in cash and cash equivalents	(2,940)	(20,734)
Cash and cash equivalents at the beginning of the period	20,705	31,633
Cash and cash equivalents at the end of the period	<u>17,765</u>	<u>10,899</u>
Analysed into:		
Deposits in financial institutions	9,428	9,105
Cash and bank balances	9,169	4,750
Bank overdrafts	(832)	(2,956)
Cash and cash equivalents at the end of the period	<u>17,765</u>	<u>10,899</u>

Note:

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 31 January 2010 and the accompanying explanatory notes attached to the interim financial statements.

COMINTEL CORPORATION BHD ("COMCORP")

(Company No. 630068-T)

Notes to the Interim Financial Report - 2nd Quarter ended 31 July 2010

Part A. EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD (FRS) 134

A1 Basic of Preparation

The interim financial report has been prepared in accordance with Financial Reporting Standard (FRS) 134, Interim Financial Reporting and paragraph 9.22 of the Bursa Malaysia Securities Berhad Listing Requirements. The figures for the cumulative period in the current quarter to 31 July 2010 have not been audited.

The Condensed interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 January 2010.

A2 Changes in Accounting Policies

The accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the year ended 31 January 2010 except for the adoption of the following new and revised FRSs, IC Interpretations and amendments to standards which are effective for the financial year beginning 1 February 2010:

FRS 7, Financial Instruments: Disclosures

FRS 8, Operating Segments

FRS 101 (revised), Presentation of Financial Statements

FRS 123 (revised), Borrowing Costs

FRS 132 (revised), Financial Instruments: Presentation

FRS 139, Financial Instruments: Recognition and Measurement

Amendment to FRS 1, First-time Adoption of Financial Reporting Standards

Amendment to FRS 7, Financial Instruments: disclosures

Amendment to FRS 8, Operating Segments

Amendment to FRS 107, Statement of Cash Flow

Amendment to FRS 108, Accounting policies, Changes in Accounting Estimates and Errors

Amendment to FRS 110, Events after Reporting Period

Amendment to FRS 116, Property, Plant and Equipment

Amendment to FRS 117, Leases

Amendment to FRS 118, Revenue

Amendment to FRS 119, Employee Benefits

Amendment to FRS 123, Borrowing Costs

Amendment to FRS 127, Consolidated and Separate Financial Statements: Costs of an investment in a Subsidiary, jointly controlled Entity or Associates

Amendment to FRS 132, Financial Instruments: Presentation

Amendment to FRS 134, Interim Financial Reporting

Amendment to FRS 136, Impairment of Assets

Amendment to FRS 139, Financial Instrument: Recognition and Measurement

IC Interpretation 9, Reassessment of Embedded Derivatives

IC Interpretation 10, Impairment and Interim Financial Reporting

IC Interpretation 11, FRS 2 - Group and Treasury Share Transactions

The principal effects of the changes in presentation, changes in methods of computation and in accounting policies resulting from the adoption of the new and revised FRSs, IC Interpretations and Amendments are set out below:

a) FRS 8: Operating Segments

FRS 8 requires a 'management approach' under which segment information is presented on a similar basis to that used for internal reporting purposes. As a result, the Group's segmental reporting had been presented based on that used for internal reporting to the chief operating decision maker who makes decision on the allocation of resources and assesses the performance of the reportable segments.

b) FRS 101 (revised): Presentation of Financial Statements

Prior to the adoption of the revised FRS 101, the components of the financial statements presented consisted of a balance sheet, an income statement, a statement of changes in equity, a cash flow statement and notes to the financial statements. With the adoption of the revised FRS 101, the components of the interim financial statements presented consist of a statement of financial position, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and notes to the financial statements.

The effects of the change in presentation are as follows:

The gains and losses that were recognised directly in the preceding year corresponding period are presented as components in other comprehensive income in the statement of comprehensive income. The total comprehensive income for preceding year corresponding period is presented separately and allocation is made to show the amount attributable to owners of the parent and to non-controlling interests. The effects on the comparatives to the Group on adoption of FRS 101 are as follow:

For the period ended 31 July 2010	Income Statement As previously reported RM'000	Effects of adopting FRS 101 RM'000	Statement of comprehensive income As restated RM'000
(Loss) for the period	(3,128)		(3,128)
Other comprehensive income		(228)	(228)
Total comprehensive income			(3,356)
Total comprehensive income attributable to:			
Owners of the Parent			(3,783)
Non-controlling interest			427
			(3,356)

The total comprehensive income for the period is presented as a one-line item in the statement of changes in equity.

A3 Explanatory Comment On Seasonality or Cyclicity

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

A4 Unusual Items

There are no items of unusual nature and amounts affecting assets, liabilities, equity, net income or cash flows during the financial period ended 30 July 2010.

A5 Change In Estimates

There are no material changes in estimates of amounts that have material effect in the current quarter results.

A6 Debt and Equity Securities

There were no issuance and repayment of debts and equity securities, shares buy-back, share cancellations, shares held as treasury shares or resale of treasury shares during the current quarter under review.

A7 Dividend Paid

There were no dividends paid for the financial quarter under review.

A8 Segmental information**Business Segments Revenue & Results - 2nd Quarter Ended 31 July 2010**

Segment revenue	Investment Holding RM'000	Manufacturing RM'000	Communications & Systems & Systems Integration RM'000	Defence Maintenance RM'000	Consolidated RM'000
Malaysia	-	-	7,470	14,144	21,614
Foreign countries	-	128,428	-	-	128,428
Total Revenue	-	128,428	7,470	14,144	150,042
Results from operating activities					
Segment results	(445)	215	(2,889)	1,975	(1,144)
Finance costs					(1,609)
(Loss) before taxation					(2,753)
Taxation					(375)
(Loss) for the period					(3,128)

A9 Valuation of property, plant and equipment

There were no changes to the valuation of property, plant and equipment from the previous year's audited financial statements.

A10 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.

A11 Changes in the composition of the group

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

A12 Contingent liabilities and contingent assets

As at 31 July 2010, total bank guarantees outstanding relating to performance and tenders amounted to RM6.005 million. The company has provided corporate guarantee amounting to RM228.89 million to financial institutions for banking facilities made available to its subsidiaries of which RM87.26 million is utilised as at 31 July 2010.

A13 Capital Commitments

There were no material capital commitments as at 31 July 2010 and up to the date of this report.

A14 Related Party Transactions

The Group's related party transactions for the current quarter and the cumulative period-to-date ended 31 July 2010 are as follow:

Nature of Relationship	Purchase of goods RM'000	Service Received RM'000	Total for nature of relationship RM'000
Principal owner	396	-	396
Director, other key management personnel	-	43	43
Total for type of transaction	396	43	439

COMINTEL CORPORATION BHD ("COMCORP")

(Company No. 630068-T)

Notes to the Interim Financial Report - 2nd Quarter ended 31 July 2010

Part B. Additional Information Required by The Listing Requirements of Bursa Malaysia Securities Berhad

B1 Review of Performance (Current YTD vs Preceding YTD)

	Current Year To Date 31.07.2010 RM'000	Preceding Year To Date 31.07.2009 RM'000
Revenue	150,042	146,656
(Loss)/Profit before tax	(2,753)	804
(Loss)/Profit after tax	(3,128)	489
Attributable to :		
Equity holders of the parent company	(3,555)	629
Non-controlling interests	427	(140)

For the current YTD ended 31 July 2010, the Group recorded a revenue of RM150 million and a loss after tax of RM3.1 million as compared with revenue of RM146.6 million and profit after tax of RM0.5 million in the preceding YTD ended 31 July 2009. The current YTD losses are mainly due to the following reasons; 1st, competitive products & services pricing and 2nd, lower revenue contribution by the Communications & Systems Integration segment which contribute a better profit margin as compared to the other 2 business segments

B2 Comparison with Preceding Quarter's Results

	Current Quarter ended 31.07.2010 RM'000	Preceding Quarter ended 30.04.2010 RM'000
Revenue	82,387	67,654
(Loss) before tax	(830)	(1,923)
(Loss) after tax	(1,205)	(1,923)
Attributable to :		
Equity holders of the parent company	(1,448)	(2,107)
Non-controlling interests	243	184

The current quarter revenue is RM14.7 million higher than that recorded in the preceding quarter. The increase in the revenue was mainly due to the increase of revenue contribution from the Communications & System Integration segment and the Defence Maintenance segment

The Group recorded a loss before tax of RM0.83 million for the current quarter as compared to the loss before tax of RM1.923 million in the preceding quarter. The higher revenue recorded in the current quarter has help to reduce the losses as compared to the preceding quarter.

B3 Prospects for the Remaining Period of the Current Financial Year

The Group expects the global economic conditions to remain challenging. To this effect, the Group will intensify its marketing efforts in expanding and penetrating into new markets while widening its range of products to strive for sustainable growth in its three (3) business segments.

In addition, the Group will continue to take appropriate measures to increase operational efficiency, productivity, products and services improvement to deliver a better performance.

B4 Profit Forecast or Profit Guarantee

The Group did not issue any profit forecast or profit guarantee.

B5 Tax Expenses

	Current Quarter 31.07.2010 RM'000	Current Year To Date 31.07.2010 RM'000
Income Tax	(375)	(375)
Deferred taxation	-	-
	<u>(375)</u>	<u>(375)</u>

The effective tax rate of the Group is higher than the statutory tax rate mainly due to the losses of certain subsidiaries which cannot be set off against taxable profits made by other subsidiary, and certain expenses which are not deductible for tax purposes.

B6 Profit or Loss on Sales of Unquoted Investments and Properties

The Group has not disposed of any unquoted investments or properties during the current quarter under review.

B7 Quoted Securities

There was no purchase or disposal of quoted securities in the current quarter.

B8 Corporate Proposals

There were no corporate proposals announced and not completed as at the date of this report.

B9 Group Borrowings

	Payable within 12 months RM'000	Payable after 12 months RM'000	Total RM'000
<u>Secured</u>			
Bank Borrowings	75,326	3,017	78,343
Hire purchase payables	1,840	1,073	2,913

Total Borrowings	77,166	4,090	81,256
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B10 Off Balance Sheet Financial Instrument

There were no off balance sheet financial instruments as at the date of this report that might materially affect the Group's business position.

B11 Changes in material litigations

Save as disclosed below, Comintel Corporation Bhd ("Comcorp") and its subsidiary companies are not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Directors of Comcorp have no knowledge of any proceedings pending or threatened against Comcorp and/or its subsidiary companies or of any facts likely to give rise to any proceedings which may materially and adversely affect the position and/or business of Comcorp and its subsidiary companies:-

On 16 July 2010, Comintel Sdn Bhd ("Comintel"), a wholly owned subsidiary of Comcorp, commenced legal action against U Television Sdn Bhd ("1st Defendant") and Tan Sri Dato' Seri Vincent Tan Chee Yioun ("2nd Defendant") at the Kuala Lumpur High Court under suit no. S-22-624-2010.

B12 Proposed Dividends

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

B13 (Loss)/Earnings Per Share ("EPS")

The basic (loss)/earnings per share is calculated by dividing profit/(loss) for the period attributable to ordinary equity owners of the parent by the weighted average number of ordinary shares in issue during the financial quarter ended 31 July 2010 and is as follows:-

	Current Qtr 31.07.2010	Cumulative Qtr To- date 31.07.2010
Loss attributable to owners of the parent (RM'000)	(1,448)	(3,555)
Weighted average number of ordinary shares in issue (based on ordinary share of RM0.50 each) ('000)	140,000	140,000
Basic loss per share (sen)	(1.03)	(2.54)

B14 Comparative Figures

Comparative figures, where applicable, have been modified to conform with the current quarter presentation.

B15 Audit Report Qualification and Status of Matters Raised

The audited financial statements of the Group for the preceding year ended 31 January 2010 were not subject to any qualification.

B16 Authorisation for issue

These unaudited interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 27 September 2010.

Date: 27 Sept 2010