

Compugates Holdings Berhad

(Company No. 669287 - H)

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2009

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 2008. 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 2008.

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 2008.

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 2008.

(a) 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.

(i) FRSs issued and effective for financial periods beginning on or after 1 July 2007.

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets

The adoption of FRS 111 and FRS 120 are not relevant to the Group’s operations. The adoption of the other standards will only impact the form and content of disclosures presented in the financial statements.

(ii) Amendment to FRS 121 *The Effects of Changes in Foreign Exchange Rates Net Investment in a Foreign Operation*

The adoption of amended to FRS 121 did not have any material impact on the financial of the group.

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2. Changes in Accounting Policies (cont'd)

- (b) (iii) IC Interpretation issued and are effective for financial periods beginning on or after 1 January 2010:
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|----------------------|--|
| IC Interpretation 9 | Reassessment of Embedded Derivatives |
| IC Interpretation 10 | Interim Financial Reporting and Impairment |

IC Interpretation 9 is not relevant to the Group's operations. IC Interpretation 10 prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date.

This interpretation is expected to have no material impact on the financial statements of the Group upon its initial application.

3. Status of Audit Qualifications

The auditors' report on the financial statements for the financial year ended 31 December 2008 was not subject to any qualification.

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 2009.

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 31 March 2009.

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8. Dividends Paid

There were no dividends paid during the quarter under review.

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

	Current Year Quarter Ended 31 Mar 2009 RM'000	Corresponding Quarter Ended 31 Mar 2008 RM'000	Current Year To Date 31 Mar 2009 RM'000	Corresponding Period Ended 31 Mar 2008 RM'000
SEGMENT REVENUE				
Malaysia	103,520	124,725	103,520	124,725
Singapore	452	2,175	452	2,175
Bangladesh	101,072	42,069	101,072	42,069
The British Virgin Islands	-	-	-	-
Cambodia	699	1,882	699	1,882
Indonesia	1,547	-	1,547	-
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	207,290	170,851	207,290	170,851
Inter-segment sales	(480)	(18,360)	(480)	(18,360)
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TOTAL	206,810	152,491	206,810	152,491
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SEGMENT RESULTS				
Malaysia	443	(237)	443	(237)
Singapore	(319)	(111)	(319)	(111)
Bangladesh	361	(152)	361	(152)
The British Virgin Islands	(374)	(297)	(374)	(297)
Cambodia	(59)	(39)	(59)	(39)
Indonesia	(19)	-	(19)	-
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	33	(836)	33	(836)
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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 2008.

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 current quarter.

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12. Significant Related Party Transactions

The recurrent related party transactions (“RRPT”) involved the sales of prepaid cards and IT product & accessory, purchases of prepaid cards, skin care products and commission paid. The RRPT had been entered into in the ordinary course of business and have been established under arm’s length basis and normal commercial terms not to the detriment of the minority shareholders.

	Transaction parties	Nature of transaction	Current Year Quarter Ended 31 Mar 2009 RM'000	Corresponding Quarter Ended 31 Mar 2008 RM'000	Current Year To Date 31 Mar 2009 RM'000	Corresponding Period Ended 31 Mar 2008 RM'000
1	Beausoft Sdn. Bhd.	Sales of prepaid cards	-	1,781	-	1,781
2	Southall Sdn. Bhd.	Sales of prepaid cards	548	3,809	548	3,809
		Sales of IT product & accessory	5	-	5	-
3	Beausoft Sdn. Bhd.	Purchases of skin care products	-	1,839	-	1,839
4	Integra Communication Ltd	Commission Paid	99	189	99	189
5	Deens Telecom Ltd	Commission Paid	99	170	99	170
			99	170	99	170

13. Effect of Changes in the Composition of the Group

There were no material changes in the composition of the Group during the quarter ended 31 March 2009.

14. Significant Subsequent Events

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

15. Capital Commitment

The Group has no capital commitment as of 31 March 2009.

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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 RM206.8 million for the quarter ended 31 March 2009, which was approximately RM54.3 million higher as compared to the preceding corresponding quarter ended 31 March 2008 of approximately RM152.5 million. The higher revenue was mainly due to higher revenue contribution from Bangladesh subsidiary by approximately RM59.0 million.

The Group recorded a gross profit of approximately RM2.1 million for the current quarter which was about RM0.7 million higher as compared to the preceding corresponding quarter of approximately RM1.4 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 RM0.7 million as compared to the preceding corresponding quarter loss before taxation (“LBT”) of approximately RM0.6 million. The improvement in PBT was mainly due to reduction in operating expenses and 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 RM206.8 million for the quarter ended 31 March 2009, which was approximately RM17.4 million higher than the previous quarter ended 31 December 2008 of approximately RM189.4 million. The higher revenue was mainly due to higher revenue contribution from Bangladesh subsidiary by approximately RM13.4 million.

The Group recorded a PBT of approximately RM0.7 million for the quarter ended 31 March 2009 which has been reduced by approximately RM0.5 million from the previous quarter PBT of approximately RM1.1 million. This was mainly due to lower gross profit margin in the quarter under review.

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. At the same time, the Board will continuously explore other business activities that will add value to the Group.

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 2009 RM'000	Corresponding Quarter Ended 31 Mar 2008 RM'000	Current Year To Date 31 Mar 2009 RM'000	Corresponding Period Ended 31 Mar 2008 RM'000
Current taxation	<u>622</u>	<u>233</u>	<u>622</u>	<u>233</u>

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 2009.

22. Quoted Investments

There were no purchases or disposals of quoted investments in the financial period ended 31 March 2009.

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 31 Mar 2009 RM'000
Short term borrowings – secured	
- banker's acceptance	7,011
- hire purchase	105
	<u>7,116</u>
Long term borrowing – secured	
- hire purchase	<u>65</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 does not recommend any dividend for the quarter ended 31 March 2009.

28. 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 number of ordinary shares in issue during the financial period as follows:-

	Current Year Quarter Ended 31 Mar 2009	Corresponding Quarter Ended 31 Mar 2008	Current Year To Date 31 Mar 2009	Corresponding Period Ended 31 Mar 2008
Profit / (loss) attributable to equity holders of parent (RM'000)	31	(559)	31	(559)
Number of ordinary shares in issue ('000) - RM0.10 each	2,134,289	2,134,289	2,134,289	2,134,289
Basic earnings / (loss) per share (sen)	#	(0.03)	#	(0.03)

- Amount less than 0.01 sen

The diluted earnings per share was not applicable as there were no dilute potential ordinary shares outstanding at the balance sheet date.

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29. Authorisation

This interim financial report for the financial period ended 31 March 2009 has been seen and approved by the Board of Directors of Compugates Holdings Berhad on 26 May 2009 for release to the Bursa Securities.

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

Dated : 26 May 2009