

# Compugates Holdings Berhad

(Company No. 669287 - H)

(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 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:
- |                      |  |
|----------------------|--|
| 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 30 June 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 30 June 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)**

	<b>Current Year Quarter Ended 30 June 2009 RM'000</b>	<b>Corresponding Quarter Ended 30 June 2008 RM'000</b>	<b>Current Year To Date 30 June 2009 RM'000</b>	<b>Corresponding Period Ended 30 June 2008 RM'000</b>
<b>SEGMENT REVENUE</b>				
Malaysia	104,021	115,941	207,541	240,666
Singapore	2	1,825	454	4,000
Bangladesh	97,837	42,976	198,909	85,045
The British Virgin Islands	625	708	625	708
Cambodia	525	2,101	1,224	3,983
Indonesia	5,906	-	7,453	-
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	208,916	163,551	416,206	334,402
Inter-segment sales	(10)	(385)	(490)	(18,745)
	<hr/>			
<b>TOTAL</b>	<b>208,906</b>	<b>163,166</b>	<b>415,716</b>	<b>315,657</b>
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<b>SEGMENT RESULTS</b>				
Malaysia	116	(639)	559	(876)
Singapore	7	(88)	(312)	(199)
Bangladesh	113	222	474	70
The British Virgin Islands	303	400	(71)	102
Cambodia	(72)	13	(131)	(25)
Indonesia	145	-	126	-
	<hr/>			
	612	(92)	645	(928)
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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.

	<b>Transaction parties</b>	<b>Nature of transaction</b>	<b>Current Year Quarter Ended 30 June 2009 RM'000</b>	<b>Corresponding Quarter Ended 30 June 2008 RM'000</b>	<b>Current Year To Date 30 June 2009 RM'000</b>	<b>Corresponding Period Ended 30 June 2008 RM'000</b>
1	Beausoft Sdn. Bhd.	Sales of prepaid cards	-	305	-	2,086
2	Southall Sdn. Bhd.	Sales of prepaid cards	592	2,034	1,140	5,843
		Sales of IT product & accessory	-	-	5	-
3	Beausoft Sdn. Bhd.	Purchases of skin care products	-	-	-	1,839
4	Integra Communication Ltd	Commission Paid	280	361	379	550
5	Deens Telecom Ltd	Commission Paid				
			233	325	332	495

**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 30 June 2009.

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**14. Significant Subsequent Events**

Save as disclosed below, there were no significant events subsequent to the end of the current quarter:-

Celcom Mobile Sdn Bhd ("Celcom") had, on 14 July 2009, pursuant to terms of the Agreement(s), given a fourteen (14) days written notice to Compugates Sdn Bhd ("CSB"), a wholly-owned subsidiary of the Company, to terminate the Distributorship Agreement Celcom Prepaid Mobile, including any executed supplemental and addendum, and extension letter [collectively referred to as "Agreement(s)"].

CSB had on, 15 July 2009 written to Celcom to re-consider their decision to terminate the Agreement(s) and CSB had on 29 July 2009 received reply letter from Celcom dated 27 July 2009, rejecting CSB's request for Celcom to re-consider their decision to terminate the Agreement(s) and that the Agreement(s) shall be terminated with effect from 29 July 2009.

**15. Capital Commitment**

The Group's capital commitments are as follows:

	As at 30 June 2009 RM'000
Approved and contracted for	<u>2,500</u>

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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 RM208.9 million for the quarter ended 30 June 2009, which was approximately RM45.7 million higher as compared to the preceding corresponding quarter ended 30 June 2008 of approximately RM163.2 million. The higher revenue was mainly due to higher revenue contribution from Bangladesh subsidiary by approximately RM54.9 million.

The Group recorded a gross profit of approximately RM2.0 million for the current quarter which was about RM0.5 million lower as compared to the preceding corresponding quarter of approximately RM2.5 million.

During the current quarter, the Group recorded a profit before taxation (“PBT”) of approximately RM1.1 million as compared to the preceding corresponding quarter PBT of approximately RM0.5 million. The improvement in PBT was mainly due to lower sales and marketing expenses and higher other income recorded in the current quarter.

**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 RM208.9 million for the quarter ended 30 June 2009, which was approximately RM2.1 million higher than the previous quarter ended 31 March 2009 of approximately RM206.8 million. The higher revenue was mainly due to higher revenue contribution from Indonesia subsidiary by approximately RM4.4 million which is offset against lower revenue contribution from Bangladesh subsidiary.

The Group recorded a PBT of approximately RM1.1 million for the quarter ended 30 June 2009 which is higher by approximately RM0.4 million from the previous quarter PBT of approximately RM0.7 million. This was mainly due to lower operating expenses 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**

	<b>Current Year Quarter Ended 30 June 2009 RM'000</b>	<b>Corresponding Quarter Ended 30 June 2008 RM'000</b>	<b>Current Year To Date 30 June 2009 RM'000</b>	<b>Corresponding Period Ended 30 June 2008 RM'000</b>
Current taxation	<u>457</u>	<u>619</u>	<u>1,079</u>	<u>852</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**

Save as disclosed below, there were no purchases or disposals of unquoted investments and/or properties in the quarter ended 30 June 2009:-

The company had, on 29 June 2009, entered into conditional Sale of Shares Agreement with Mohamad Daud bin Mohd. Yusoff and Khairul Norazni bt Abdul Ghani to acquire 30,000 ordinary shares of RM1.00 each representing 60% of the entire equity interest in Selama Muda Jaya Sdn. Bhd. for a total cash consideration of RM6 million. A deposit of RM3.5 million was paid to vendors' solicitors as stakeholders.

**22. Quoted Investments**

Save as disclosed below, there were no purchases or disposals of quoted investments in the quarter ended 30 June 2009:-

a) Total purchases and disposal of quoted investments by the Group were as follows:-

	<b>Current Year Quarter Ended 30 June 2009 RM'000</b>	<b>Corresponding Quarter Ended 30 June 2008 RM'000</b>	<b>Current Year To Date 30 June 2009 RM'000</b>	<b>Corresponding Period Ended 30 June 2008 RM'000</b>
Purchases of quoted investments	650	-	650	-
Sales proceeds of quoted investment	688	-	688	-
Gain on disposal of quoted investment	38	-	38	-



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**22. Quoted Investments (cont'd)**

b) Quoted investments as at end of the quarter were as follows:-

	<b>As at 30 June 2009 RM'000</b>	<b>As at 31 Dec 2008 RM'000</b>
At cost	9,035	-
At book value	9,035	-
At market value	10,467	-

**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:

	<b>As at 30 June 2009 RM'000</b>	<b>As at 31 Dec 2008 RM'000</b>
Short term borrowings – secured		
- hire purchase	99	112
- banker's acceptance	-	2,074
	<u>99</u>	<u>2,186</u>
Long term borrowing – secured		
- hire purchase	43	86

**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.

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**27. Dividend**

The Board of Directors does not recommend any dividend for the quarter ended 30 June 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:-

	<b>Current Year Quarter Ended 30 June 2009</b>	<b>Corresponding Quarter Ended 30 June 2008</b>	<b>Current Year To Date 30 June 2009</b>	<b>Corresponding Period Ended 30 June 2008</b>
Profit / (loss) attributable to equity holders of parent (RM'000)	310	(483)	341	(1,042)
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)	0.01	(0.02)	0.02	(0.05)

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

**29. Authorisation**

This interim financial report for the financial period ended 30 June 2009 has been seen and approved by the Board of Directors of Compugates Holdings Berhad on 25 August 2009 for release to the Bursa Securities.

By order of the Board  
**Mah Li Chen**  
**Aileen Khor**  
 Company Secretaries

Dated : 25 August 2009