

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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.

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

2. Changes in Accounting Policies (cont'd)

(a) (iii) IC Interpretation issued and are effective for financial periods beginning on or after 1 July 2007:

IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
IC Interpretation 7	Applying the Restatement Approach under FRS 129 ₂₀₀₄ Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	Scope of FRS 2

The above IC interpretations are not relevant to the Group's operations.

(b) The Group has not adopted the following FRSs and IC Interpretations that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group.

(i) FRSs issued and effective for financial periods beginning on or after 1 July 2009:-
 FRS 8 Operating Segments

FRS 8 replaces FRS 114₂₀₀₄ Segment Reporting and requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of this standard only impacts the form and content of disclosures presented in the financial statements of the Group. This FRS is expected to have no material impact on the financial statements of the Group upon its initial application.

(ii) FRSs issued and effective for financial periods beginning on or after 1 January 2010:-

FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosure
FRS 139	Financial Instruments: Recognition and Measurement

The Group considers financial guarantee contracts entered to be insurance arrangements and accounts for them under FRS 4. In this respect, the Group treats the guarantee contract as a contingent liability until such a time as it becomes probable that the Group will be required to make a payment under the guarantee. The adoption of FRS 4 is expected to have no material impact on the financial statements of the Group.

The possible impacts of FRS 7 and FRS 139 on the financial statements upon their initial applications are not disclosed by virtue of the exemptions given in these standards.

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

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 September 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 September 2009.

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

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 30 Sept 2009 RM'000	Corresponding Quarter Ended 30 Sept 2008 RM'000	Current Year To Date 30 Sept 2009 RM'000	Corresponding Period Ended 30 Sept 2008 RM'000
SEGMENT REVENUE				
Malaysia	48,714	118,768	256,255	359,434
Singapore	3	1,350	457	5,350
Bangladesh	118,395	59,608	317,304	144,653
The British Virgin Islands	635	416	1,260	1,124
Cambodia	1,957	3,256	3,181	7,239
Indonesia	4,250	160	11,703	160
	173,954	183,558	590,160	517,960
Inter-segment sales	16	(120)	(474)	(18,865)
TOTAL	173,970	183,438	589,686	499,095
SEGMENT RESULTS				
Malaysia	(156)	(29)	403	(905)
Singapore	(1)	(128)	(313)	(327)
Bangladesh	250	66	724	136
The British Virgin Islands	107	(2)	36	100
Cambodia	52	84	(79)	59
Indonesia	119	(52)	245	(52)
	371	(61)	1,016	(989)

10. Revaluation of Property and Equipment

The land and buildings of a subsidiary were revalued during the current quarter and the revaluation surplus of RM883,107 have been accounted for in the Group results.

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.

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

12. Significant Related Party Transactions

The recurrent related party transactions ("RRPT") involved the sales of prepaid cards and IT product & accessory, 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 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 30 Sept 2009 RM'000	Corresponding Quarter Ended 30 Sept 2008 RM'000	Current Year To Date 30 Sept 2009 RM'000	Corresponding Period Ended 30 Sept 2008 RM'000
1 Beausoft Sdn. Bhd.	Sales of prepaid cards	-	3	-	2,089
2 Southall Sdn. Bhd.	Sales of prepaid cards	363	-	1,503	5,843
	Sales of IT product & accessory	1	-	6	-
3 Beausoft Sdn. Bhd.	Purchases of skin care products	-	-	-	1,839
4 Integra Communication Ltd	Commission Paid	547	303	926	853
5 Deens Telecom Ltd	Commission Paid				
		<u>478</u>	<u>273</u>	<u>810</u>	<u>768</u>

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

13. Effect of Changes in the Composition of the Group

Save as disclosed below, there were no material changes in the composition of the Group during the quarter ended 30 September 2009:-

The Company had on 29 June 2009, entered into a conditional Sale of Shares Agreement with Mohamad Daud bin Mohd. Yusoff and Khairul Norazni bt Abdul Ghani to acquire 60% of the entire equity interest in Selama Muda Jaya Sdn Bhd comprising 30,000 issued and paid up ordinary shares of RM1.00 each for a total cash consideration of RM6,000,000.

The Acquisition was completed on 29 September 2009.

The effect of the financial position of the Group at the end of the financial period are as follows :

	30 Sept 2009 RM'000
Non-current assets	2,248
Current assets	- #
Current liabilities	(11)
Minority interests	(895)
Net assets acquired	<u>1,342</u>
Goodwill on consolidation	<u>4,658</u>
Total cost of acquisition, satisfied by cash	6,000
Less : Cash and cash equivalents of the subsidiary acquired	<u>- #</u>
Net cash outflow from acquisition of subsidiary	<u>6,000</u>

- Amount less than RM1,000

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

14. Significant Subsequent Events

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

CMSB (a wholly-owned subsidiary of Compugates Sdn. Bhd.), had on 6 October 2009 incorporated a new subsidiary, namely Compugates Perak Sdn. Bhd. ("CPSB"). CPSB 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 51% of the total paid-up share capital comprising 51 ordinary shares of RM1.00 each.

CPSB's principal activities are the cultivation and trading of agricultural and natural products, as well as general trading.

CMSB (a wholly-owned subsidiary of Compugates Sdn. Bhd.), had on 7 October 2009 incorporated a new subsidiary, namely Compugates Sabah Sdn. Bhd. ("CSSB"). CSSB 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 51% of the total paid-up share capital comprising 51 ordinary shares of RM1.00 each.

CSSB's principal activities are the cultivation and trading of agricultural and natural products and also carrying out projects and trading in solar and green energy products.

15. Capital Commitment

There were no capital commitment for Group during the quarter ended 30 September 2009.

Compugates Holdings Berhad

(Company No. 669287 - H)

(Incorporated in Malaysia)

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 RM174.0 million for the quarter ended 30 September 2009, which was approximately RM9.4 million lower as compared to the preceding corresponding quarter ended 30 September 2008 of approximately RM183.4 million. The lower revenue was mainly due to lower revenue contribution from Malaysia subsidiaries by approximately RM70.1 million which was offset with higher revenue contribution mainly from Bangladesh subsidiary.

The Group recorded a gross profit of approximately RM2.0 million for the current quarter which was about RM0.7 million lower as compared to the preceding corresponding quarter of approximately RM2.7 million.

During the current quarter, the Group recorded a profit before taxation ("PBT") of approximately RM0.9 million as compared to the preceding corresponding quarter PBT of approximately RM0.6 million. The improvement in PBT was mainly due to lower sales and marketing expenses recorded for 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 RM174.0 million for the quarter ended 30 September 2009, which was approximately RM34.9 million lower than the previous quarter ended 30 June 2009 of approximately RM208.9 million. The lower revenue was mainly due to lower revenue contribution from Malaysia subsidiaries by approximately RM55.3 million.

The Group recorded a PBT of approximately RM0.9 million for the quarter ended 30 September 2009 which is lower by approximately RM0.2 million from the previous quarter PBT of approximately RM1.1 million. This was mainly due to lower other income contribution 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.

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

20. Income Tax Expense

	Current Year Quarter Ended 30 Sept 2009 RM'000	Corresponding Quarter Ended 30 Sept 2008 RM'000	Current Year To Date 30 Sept 2009 RM'000	Corresponding Period Ended 30 Sept 2008 RM'000
Current taxation	<u>480</u>	<u>630</u>	<u>1,559</u>	<u>1,482</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 September 2009:-

The company had, on 5 August 2009, entered into conditional Sale of Shares Agreement with Lim Huey Shan and Cheong Seow Wai to acquire the entire interest in Ceria Agresif Sdn Bhd comprising 2 issued and paid up ordinary shares of RM1.00 each for a total cash consideration of RM6,000.

22. Quoted Investments

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

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

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

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

22. Quoted Investments (cont'd)

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

	As at 30 Sept 2009 RM'000	As at 31 Dec 2008 RM'000
At cost	12,034	-
At book value	<u>12,034</u>	<u>-</u>
At market value	<u>12,895</u>	<u>-</u>

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 2009 RM'000	As at 31 Dec 2008 RM'000
Short term borrowings – secured		
- hire purchase	91	112
- banker's acceptance	<u>-</u>	<u>2,074</u>
	<u>91</u>	<u>2,186</u>
Long term borrowing – secured		
- hire purchase	<u>22</u>	<u>86</u>

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.

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

27. Dividend

The Board of Directors does not recommend any dividend for the quarter ended 30 September 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 30 Sept 2009	Corresponding Quarter Ended 30 Sept 2008	Current Year To Date 30 Sept 2009	Corresponding Period Ended 30 Sept 2008
Profit / (loss) attributable to equity holders of parent (RM'000)	75	(140)	416	(1,182)
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	(0.06)

- 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.

29. Authorisation

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

By order of the Board
Lim Ming Toong
Aileen Khor
 Company Secretaries

Dated : 25 November 2009