

**COMPUGATES™**



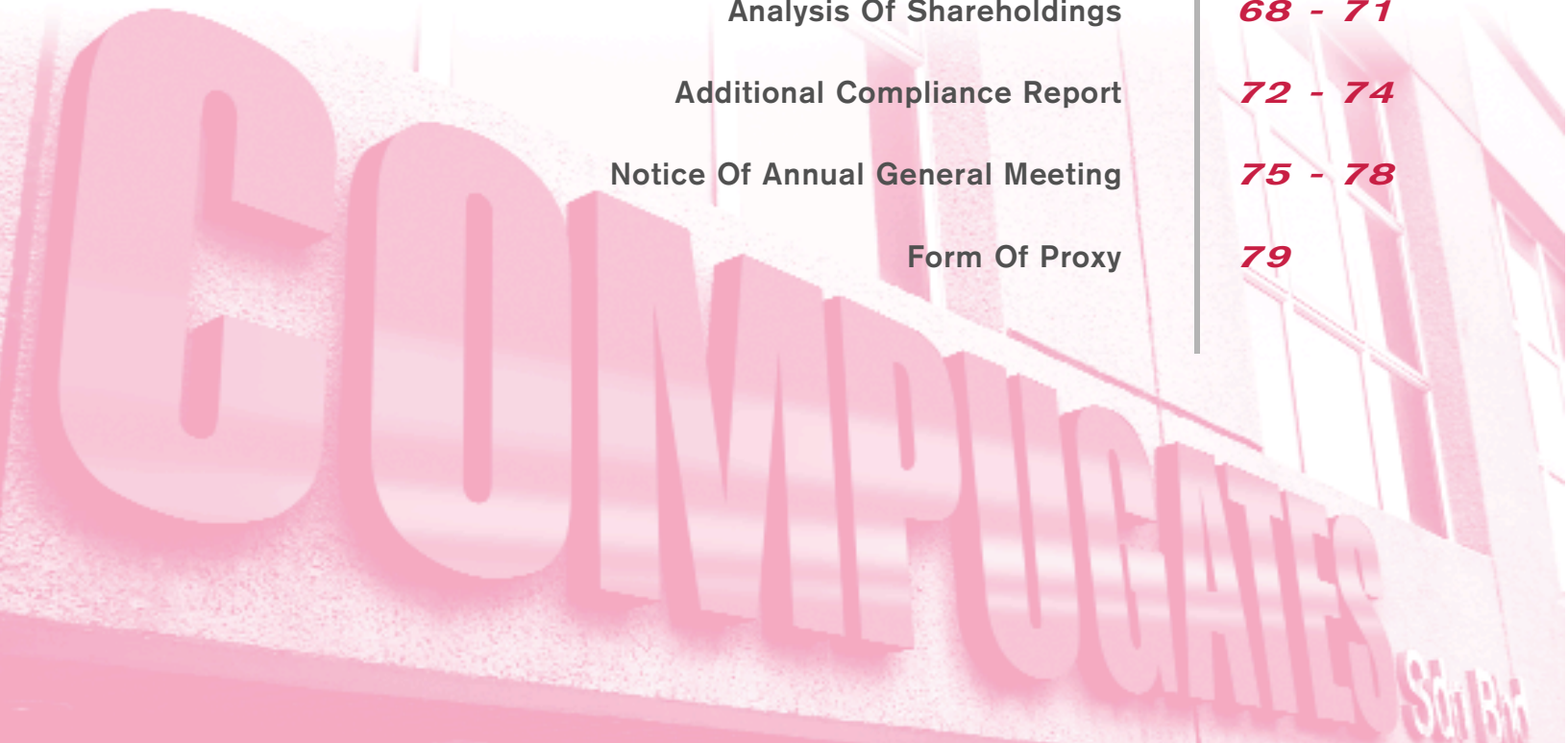
**COMPUGATES HOLDINGS BERHAD** (669287-H)  
(Incorporated in Malaysia)



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corporate

philosophy

OUR PHILOSOPHY

Continuously Striving To Provide Our Customers With The Most Diverse Products Of Market Leading Brands For Homes, Colleges, Universities & Office Usage

Mobile / Prepaid Solutions •



**PHILIPS**  
**STD & IDD**

Office Solutions •

**Canon**  
**PHILIPS**

**Panasonic**

Imaging Solutions •

**Kodak**



Customer Care Centre To Provide Top Quality Services



Our commitment goes beyond delivering top quality products with our recent establishment of Compugates Customer Care Centre.

Quality Distribution

With our commitment to quality distribution with over 4,000 resellers, efficient and prompt after sales service, you are assured that you are in good hands.



**COMPUGATES™**

Your Nationwide Distribution Partner



## awards

## and recognitions

# COMPUGATES™

Your Nationwide Distribution Partner



**Canon National Top  
(Ink-jet consumable  
category) Distributor  
2004/2005**



**Canon Bubble Jet  
Consumable Top  
Distributor  
2003/2004**



**Panasonic Certificate  
Of Excellence  
2004**



**Canon National Top  
(Projector) Distributor  
2004/2005**



**Canon  
Silver Award  
2003/2004**



**Panasonic Top  
Product Award  
2003 (Printer)**



**Canon National No.2  
(Inkjet-single/function  
printer) Distributor  
2004/2005**



**Canon Million Dollar  
Club Award  
2003/2004**



**Panasonic Top 20  
Business Partner  
2003**



**Canon National No.3  
(Ink-jet multi-function  
printer) Distributor  
2004/2005**



**Canon Top  
Distributor Award  
2002/2003**



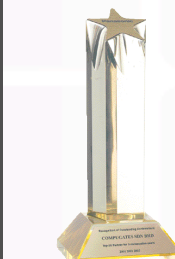
**Panasonic Top 20  
Business Partner  
2002**



**Canon National No.3  
(Scanner) Distributor  
2004/2005**



**Panasonic Printers &  
Consumables  
Appointed Authorised  
Dealer 2005**



**Panasonic Certificate  
Of Achievement/  
Highest Sales Growth  
2002**



**Canon Million Dollar  
Club Award  
2004/2005**



**Panasonic Top 20  
Business Partner  
2004**



**Panasonic Top 20 Partner  
For 3 Consecutive Years  
(2001/2002/2003)**



## chairman's statement



Tan Sri Datuk Asmat Bin Kamaludin

Dear Shareholders,

On behalf of the Board of Directors of Compugates Holdings Berhad and its Group of Companies, I am pleased to present the first Annual Report and Financial Statements of the Group and the Company for the financial period from 13 October 2004 (date of incorporation) to 31 December 2005.

As this is the first period of reporting since incorporation, there are no comparative figures presented.

### GROUP PERFORMANCE REVIEW

For the financial period ended 31 December 2005, Compugates' operating subsidiaries generated a turnover of RM450.252 million and Profit After Tax of RM18.302 million which represents an increase of 1% and 40% over the previous year's turnover of RM445.776 million and Profit After Tax of RM13.093 million respectively.

However, as the Group was only formed on 25 October 2005 with the completion of the acquisition of Compugates Sdn Bhd, the Financial Statements of the Group only reflect the results for the period from 25 October 2005 to 31 December 2005. As such, Compugates Holdings Berhad Group recorded a turnover of RM60.815 million and a Loss After Taxation of RM0.642 million in the Financial Statements.

### OPERATIONS REVIEW

In the period under review, the Group had made tremendous progress by securing the distribution rights for AMOI, an emerging international brand and established telecommunications giant; PenDrive, the international leader in mobile data storage equipments, and as well as iTalk and RingRing prepaid cards. Currently, the Group is among the top distributors for major and multinational players which include Telekom, Celcom, Time, Canon, Panasonic, Kodak, Philips, PenDrive and iRiver, as well as, holding sole distribution rights for AMOI.

In conclusion, the Group is a distributor of pre-paid and subscriber trunk dialing and international dialing cards, IT, office automation, digital cameras, memory cards, mobile phones and projectors.

On 20 February 2006, the Group entered into the Distribution Agreement with Philips Malaysia Sdn Bhd for the non-exclusive distributorship of Philips communication products in Malaysia.

Negotiations for new businesses are on-going to complement the current line of products that we distribute. The Group is selective in its choice of new business partners and products to ensure the best returns to our shareholders.

Despite the less than ideal market, we were encouraged to see that our Malaysian distribution network and resellers continued to grow in strength of numbers, revenue contribution, and diversity of product offering and in geographical reach. Our regional expansion strategy has begun to take root, albeit on a small scale through our subsidiary in Singapore and branch office in Penang.

With prudent controlling functions in place, the Group practises cost effective operational management to encourage profitable performance.

## chairman's statement

### CORPORATE DEVELOPMENT

The shares of the Company were listed on the Main Board of Bursa Malaysia Securities Berhad on 30 December 2005 by taking over the listing status of Pan Pacific Asia Berhad (199795-T), pursuant to a restructuring scheme.

During the period under review, Mr Goh Kheng Peow was appointed as the Managing Director and Mr Tan Ngaip Soon, the Executive Director. With their capabilities and experienced leadership at the helm, the Group will continue to be steered with a steady hand to a course of increasing profitability.

### FUTURE OUTLOOK

In 2006, the Group will continue to explore new markets for leading products and brands to strengthen our performance and also to look into other opportunities.

We have identified the mobile communications market as an area with vast and as yet largely untapped potential due to the convergence of devices and data, entertainment and business. Our long term plans are to enrich our contributions through these channels leveraging on the strength of our distribution network, resellers and a long-term 3i strategy, that is to innovate, integrate and ignite.

In enriching our services and support components, we had on 30 March 2006 established the Compugates Customer Care Centre to further provide after-sales services to our customers.

The long-term success of the Company is highly dependent on the strength of our personnel. The Group believes in continuous investment in training to further develop our personnel to meet the challenges of a business environment where the rules of engagement are constantly changing.

The 9th Malaysian Plan has identified companies in the information technology products and services sector as having high growth potential, and being firmly positioned in this area, the Group looks forward to greater profitability in the years to come.

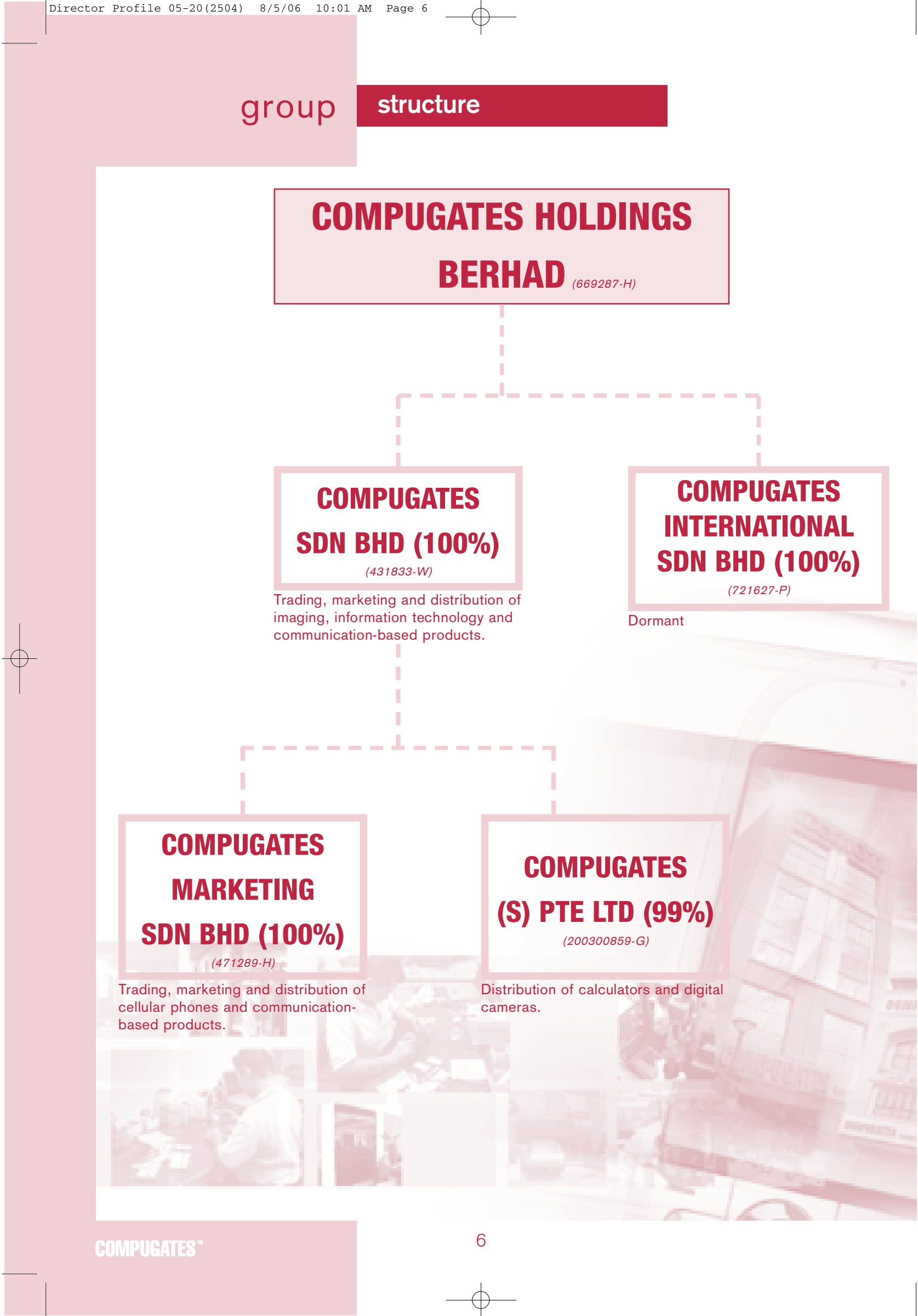
### ACKNOWLEDGEMENT

On behalf of the Board of Directors, I wish to acknowledge the contribution of our customers, re-sellers, principals, business partners, suppliers, associates and shareholders for their longstanding support.

I would also like to take this opportunity to express my thanks and appreciation to the Board of Directors, the management and staff of the Group for their contributions and dedication towards the continuous progress of the Group.



**Tan Sri Datuk Asmat Bin Kamaludin**  
*Chairman*



# corporate

# information

## BOARD OF DIRECTORS

**Tan Sri Datuk Asmat Bin Kamaludin**  
Independent Non-Executive Chairman  
**Goh Kheng Peow**  
Managing Director  
**Tan Ngaip Soon**  
Executive Director  
**Goh Tai Wai**  
Executive Director  
**Mohamed Fauzi Bin Omar**  
Independent Non-Executive Director  
**Tan Yip Chian**  
Independent Non-Executive Director

## AUDIT COMMITTEE

**Tan Sri Datuk Asmat Bin Kamaludin** - Chairman  
**Goh Tai Wai**  
**Tan Yip Chian**

## NOMINATION COMMITTEE

**Tan Sri Datuk Asmat Bin Kamaludin** - Chairman  
**Mohamed Fauzi Bin Omar**  
**Tan Yip Chian**

## REMUNERATION COMMITTEE

**Tan Sri Datuk Asmat Bin Kamaludin** - Chairman  
**Mohamed Fauzi Bin Omar**  
**Goh Kheng Peow**

## COMPANY SECRETARIES

**Mah Li Chen** (MAICSA 7022751)  
**Kim Yi Hwa** (MAICSA 7029686)

## REGISTERED OFFICE

C15-1, Level 15, Tower C  
Megan Avenue II  
12 Jalan Yap Kwan Seng  
50450 Kuala Lumpur  
Tel : 03-2166 2000  
Fax : 03-2166 3000

## SHARE REGISTRAR

**PFA Registration Services Sdn Bhd** (19234-W)  
Level 13, Uptown 1  
No. 1, Jalan SS21/58, Damansara Uptown  
47400 Petaling Jaya, Selangor Darul Ehsan  
Tel : 03-7725 4888  
Fax : 03-7722 2311

## PRINCIPAL BANKERS

**Malayan Banking Berhad** (3813-K)  
**Public Bank Berhad** (6463-H)

## AUDITORS

**Horwath** (AF1018)  
Chartered Accountants  
Level 16, Tower C, Megan Avenue II  
12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur  
Tel : 03-2166 0000  
Fax : 03-2166 1000

## STOCK EXCHANGE LISTING

Main Board of the Bursa Malaysia Securities Berhad  
Stock Name : COMPUGT  
Stock Code : 5037



## directors' profile

### **TAN SRI DATUK ASMAT BIN KAMALUDIN**

*(Independent Non-Executive Chairman)*

Tan Sri Datuk Asmat Bin Kamaludin, a Malaysian, aged 62, is the Independent Non-Executive Chairman of our Company. He was appointed to our Board on 8 November 2005. He is also the Chairman of the Audit Committee, Nomination Committee and Remuneration Committee of the Company.

Tan Sri Datuk Asmat Bin Kamaludin holds a Bachelor of Arts in Economics from the University of Malaya and he also holds a Diploma in European Economic Integration from the University of Amsterdam in 1970. He has vast experience in various capacities in the public service, his last position being the Secretary General of the Ministry of International Trade and Industry (MITI), a position held from 1992 to 2001. He has served as Economic Counselor for Malaysia in Brussels and has done work with several international bodies such as the Association of South East Asian Nations (ASEAN), the World Trade Organisation (WTO) and the Asia-Pacific Economic Co-operation (APEC), representing Malaysia in relevant negotiations and agreements.

Tan Sri Datuk Asmat Bin Kamaludin has also been actively involved in several national organisations such as Permodalan Nasional Berhad, Johor Corporation, the Small and Medium Scale Industries Development Corporation (SMIDEC) and the Malaysia External Trade Development Corporation (MATRADE) while in the Malaysian government service. Other Malaysian public companies which he is currently involved with are UMW Holdings Berhad (Chairman), YTL Cement Berhad (Vice-Chairman), Panasonic Manufacturing Malaysia Berhad (Chairman), Symphony House Berhad (Chairman), Scomi Group Berhad (Chairman), Salwan Corporation Berhad (Chairman) and Trans-Asia Shipping Corporation Berhad (Chairman), and he is a director in Carlsberg Brewery Malaysia Berhad, Bumiputra Commerce Holdings Berhad, Lion Industries Corporation Berhad, Malaysian Pacific Industries Berhad, and Permodalan Nasional Berhad. He also serves on the board of the Japan Chamber of Trade and Industry in Malaysia Foundation.

Tan Sri Datuk Asmat Bin Kamaludin has attended the only Board of Directors' Meeting held on 13 December 2005 in the financial period ended 31 December 2005.

### **GOH KHENG PEOW**

*(Managing Director)*

Goh Kheng Peow, a Malaysian, aged 46, is the Managing Director of the Company. He was appointed to the Board of Directors on 8 November 2005. He is also a member of the Remuneration Committee of the Company.

He graduated from the University of Malaya with a Bachelor of Economics (Business Administration) in 1983.

He has over twenty (20) years of experience in sales and marketing line specialising in fast moving consumer and office products. In 1999, he decided to venture into the field of entrepreneurship and established Compugates Marketing Sdn Bhd. He is responsible for the strategic planning aspects of the Compugates Group. He also sits on the Board of several private limited companies.

He has attended the Board of Directors' Meeting on 13 December 2005 held during the financial period ended 31 December 2005.

## directors'

## profile

### **TAN NGAIP SOON** *(Executive Director)*

Tan Ngaip Soon, a Malaysian, aged 42, was appointed to the Board of Directors of the Company on 8 November 2005.

He graduated in 1985 with a Diploma in Business and Marketing. He has over 19 years experience in the sales and marketing line. He started his career with Mulpha Trading Sdn Bhd in 1985 as a Sales Executive. Subsequently, he joined Canon Marketing Sdn Bhd in 1988 as a Senior Sales Executive before joining O'Connor's Trading & Engineering Bhd as Sales Manager in 1990. Prior to joining Compugates Sdn Bhd in 1997, he was attached with Jebesen & Jessen Marketing (M) Sdn Bhd as a Divisional Manager. Throughout his career progression, he was involved in various marketing and distribution of product functions and as well as negotiation with agents. He has also participated in the preparation of budgets and business plans. He is responsible for overseeing the day to day operations of our Group. He holds directorships in the subsidiaries of the Compugates Group.

He has attended the Board of Directors' Meeting on 13 December 2005 held during the financial period ended 31 December 2005.

### **GOH TAI WAI** *(Executive Director)*

Goh Tai Wai, a Malaysian, aged 33, was appointed as a Non-Independent Non-Executive Director on 8 November 2005. He is also an Audit Committee member of the Company. He was re-designated as an Executive Director of the Company on 21 April 2006.

He holds a Bachelor of Commerce in Accounting and Information Systems from Curtin University of Technology, Perth, Australia. He is a member of the Malaysian Institute of Accountants and a member of CPA Australia as well as a Certified Financial Planner.

He is also the Group General Manager in the Ascend Group of Companies and overseeing the financial management, corporate advisory services, information technology services and other business activities of the Group. He has more than ten (10) years experience ranging from corporate advisory and risk management to finance and information technology.

He has attended the Board of Directors' Meeting on 13 December 2005 held during the financial period ended 31 December 2005.

## directors' profile

### MOHAMED FAUZI BIN OMAR

*(Independent Non-Executive Director)*

Mohamed Fauzi Bin Omar, a Malaysian, aged 48, is the Independent Non-Executive Director of the Company. He was appointed to the Board on 8 November 2005. He is also a member of the Nomination Committee and Remuneration Committee of the Company.

He holds a Master of Business Administration from Northland Open University Canada and International Management Center of Buckingham from the United Kingdom ("UK"). He is also an Associate of the Chartered Institute of Marketing-UK and holds a Diploma in Science (Biology) with Education from Universiti Putra Malaysia.

Prior to joining Compugates, he was the Chief Market Engagement Officer and Chief Operating Officer/Senior Vice President for Time dotCom Berhad where he was responsible for the marketing, sales, product management and customer services divisions for Time dotCom Berhad and its subsidiary, Time dotNet Berhad. He was involved in the setting-up of Celcom (Malaysia) Berhad and served the Company from 1988 to 1996 where he was the Senior Vice President and COO. Throughout his 22 years career, which started with British Petroleum (M) Sdn Bhd, he held various key senior management positions both locally and abroad. He has vast experience in the telecommunications industry particularly in the development and marketing of cellular, public switched telephone network, broadband, value-added, satellite, computer-telephony and internet related services.

He has attended the Board of Directors' Meeting on 13 December 2005 held during the financial period ended 31 December 2005.

### TAN YIP CHIAN

*(Independent Non-Executive Director)*

Tan Yip Chian, a Malaysian, aged 33, was appointed as a Director of the Company on 13 October 2004 and was subsequently designated as an Independent Non-Executive Director on 8 November 2005. He is also a member of the Audit Committee and Nomination Committee.

He obtained his Master in Business Administration from Universiti Putra Malaysia in 2000 and a Bachelor of Science in Engineering from Western Michigan University in 1995.

He has more than ten (10) years of experience in the corporate advisory field.

He has attended the Board of Directors' Meeting on 13 December 2005 held during the financial period ended 31 December 2005.

#### Notes :

1. None of the Directors have any family relationship with any directors and/ or major shareholders of the Company except for Goh Tai Wai, who is the nephew of Goh Kheng Peow. Goh Kheng Peow is also the husband of See Thoo Chan, who is a major shareholder of the Company.
2. None of the Directors except for Goh Kheng Peow have any conflict of interest with the Compugates Group. Goh Kheng Peow has no material conflict of interest with the Compugates Group other than the recurrent related party transactions of a revenue or trading nature which have been disclosed to the Board of Directors and shareholders of the Company.
3. None of the Directors have any conviction for offences within the past ten (10) years.



## statement on corporate governance

The Board of Directors of Compugates Holdings Berhad is committed to ensure that the principles and best practices of corporate governance as promulgated by the Malaysian Code on Corporate Governance ("the Code") are adopted throughout the Group. The Board recognises that good corporate governance practices are pivotal to safeguard and enhance shareholders' value. Hence, the Board will continuously evaluate the Group's practices and procedures to ensure that good corporate governance is adopted.

The Board is pleased to report to the shareholders on the manner the Group has applied the principles and best practices of the Code and which are advocated pursuant to the Bursa Malaysia Securities Berhad ("Bursa Securities")'s Listing Requirements ("LR").

### BOARD OF DIRECTORS

#### 1. THE BOARD

The Board comprises members of a diverse range of skills, experience and knowledge, who are able to steer the Group forward, monitor the achievement of the Group's goals and manage the Group's businesses. The Board recognises the key role in charting the strategic direction, development and control of the Group and have taken steps to adopt the specific responsibilities enlisted by the Code which facilitates the discharge of the Board's stewardship responsibilities.

The Board has currently appropriately delegated specific tasks and responsibilities to three (3) Committees, assisting the Board in various issues. These Committees, namely the Audit Committee, the Nomination Committee and the Remuneration Committee play essential roles in accordance with their respective functions and terms of reference. These Committees will deliberate and discuss relevant issues with authority delegated by the Board and report to the Board with their recommendations. The ultimate responsibility for decision-making still lies with the Board.

#### 2. COMPOSITION AND BOARD BALANCE

The present Board has six (6) members, comprising three (3) Executive Directors and three (3) Independent Non-Executive Directors. Each individual Director has a wide range of experiences and knowledge that contributes to the effective stewardship of the Group. Together, the Directors bring wide business, regulatory, industry and financial experience to complement the direction of the Group. The profiles of the Directors are presented on pages 8 to 10 of this Annual Report.

The presence of the Independent Non-Executive Directors on the Board provides objective participation and independent judgement in advising the Board on any decision-making.

There is also a clear division of responsibilities between the Chairman and the Managing Director to ensure that there is a balance of power and authority. In ensuring this balance, both positions are held by separate members of the Board. The Independent Non-Executive Chairman is primarily responsible for the orderly conduct and workings of the Board, whilst the Managing Director is responsible for overseeing the day to day management, implementation of Board decisions and business operations of the Group, and co-ordinating the development of the Group.

The current composition of the Board complies with the Bursa Securities's LR.

The Chairman of the Board, Tan Sri Datuk Asmat Bin Kamaludin has been appointed as the Senior Independent Non-Executive Director to whom concerns of the shareholders may be conveyed.

## statement on corporate governance

### 3. BOARD MEETINGS

During the financial period under review, the Board met once on 13 December 2005 after its admission into the Main Board of Bursa Securities on 30 December 2005. All the Directors of the Company have attended the meeting as follows:

Directors	Total Meeting Attended
Tan Sri Datuk Asmat Bin Kamaludin	1/1
Goh Kheng Peow	1/1
Tan Ngaip Soon	1/1
Goh Tai Wai	1/1
Mohamed Fauzi Bin Omar	1/1
Tan Yip Chian	1/1

In view of the above, all Directors have complied with the minimum 50% attendance requirement in respect of Board meetings as stipulated in the Bursa Securities's LR.

To ensure the Group is effectively managed, the Board will meet regularly to review the corporate strategies, business operations and performance of the Group, as and when necessary.

### 4. SUPPLY OF INFORMATION

A complete set of the Board papers including the agenda are circulated to the Board prior to Board meetings to ensure that sufficient information and time are given to the Board members to discharge their duties. Senior management and appointed advisers of the Company may be invited to attend the Board meetings, if necessary, to provide all information on the relevant agenda tabled at the meeting.

The Directors have full and unrestricted access to all information pertaining to the Group's business and affairs, and information necessary for the discharge of their responsibilities.

All Directors, whether as a full Board or in their individual capacity, have access to the advice and services of company secretaries, auditors and consultants and, if deemed necessary, other independent professionals at the expense of the Company in furtherance of their duties.

### 5. NOMINATION COMMITTEE

The Code endorses as good practice, a formal procedure for appointments to the Board. The Nomination Committee ("NC") will make recommendations to the Board for any new appointments and assess the Directors on a yearly basis. The NC was formed on 13 December 2005 and comprise exclusively of Independent Non-Executive Directors of the Company.

They are:

- i. Tan Sri Datuk Asmat Bin Kamaludin (Chairman)
- ii. Mohamed Fauzi Bin Omar
- iii. Tan Yip Chian

The NC is responsible for recommending suitable candidates for directorships and respective Board Committees. In addition, it assesses the effectiveness of the Board, the Committees of the Board and the contribution of each individual Director. It also reviews the required mix of skills, expertise, attributes and core competencies and the succession plans for members of the Board. Furthermore, the NC also identifies suitable orientation, educational and training programmes for the continuous development of Directors.

## statement on corporate governance

### 6. RE-ELECTION OF DIRECTORS

The Articles of Association of the Company provide for one-third (1/3) of the Directors, or if their number is not three (3) or a multiple of three (3), then the number nearest to one-third (1/3) shall retire from office each year and each Director shall retire from office once in every three years. In addition, if there is only one (1) Director who is subject to retirement by rotation, he shall retire. A retiring Director shall thereafter be eligible for re-election.

### 7. DIRECTORS' TRAINING

The Company was listed on the Main Board of Bursa Securities on 30 December 2005. All the members of the Board have attended and successfully completed the Mandatory Accreditation Programme ("MAP") as prescribed by Bursa Securities, except for Encik Mohamed Fauzi Bin Omar. He will complete his MAP by May 2006.

The Nomination Committee of the Company will play their role in identifying suitable training programmes for the Directors. The Company will ensure that the Directors will undergo any relevant training programmes to further enhance their skills and knowledge as well as to keep abreast with relevant changes in laws, regulations and the business environment.

## **DIRECTORS' REMUNERATION**

### 1. THE LEVEL AND MAKE-UP OF REMUNERATION

The Company has set a remuneration policy for the Directors, which is tailored to attract and retain the Directors of the Group. The remuneration policy is designed to support the Company's aspirations of delivering long-term value to its shareholders.

### 2. REMUNERATION PROCEDURES

The Remuneration Committee ("RC") is responsible for recommending the remuneration packages of Directors, taking into consideration public interest and avoiding any inappropriate use of public funds. None of the Executive Directors participate in determining their individual remuneration packages and the remuneration of Non-Executive Directors is determined by the Board as a whole with the absence of the individual Director concerned.

The RC of the Company was formed on 13 December 2005 and comprises of the following members:

- i. Tan Sri Datuk Asmat Bin Kamaludin (Chairman)
- ii. Mohamed Fauzi Bin Omar
- iii. Goh Kheng Peow



## statement on corporate governance

### 3. DIRECTORS' REMUNERATION

The details of Directors' Remuneration for the financial period ended 31 December 2005, distinguishing between Executive and Non-Executive Directors, are as follows:

Categories of Remuneration	Executive Directors (RM)	Non-Executive Directors (RM)
Salary & Other Emoluments	642,000	-
Fee & Allowance	10,000	43,846
Total	652,000	43,846

The number of Directors whose total remuneration for the financial period ended 31 December 2005 falls within the required disclosure bands are set out below:

Remuneration Band	Number of Directors		
	Executive	Non-Executive	Total
RM50,000 and below	1	3	4
RM250,001 to RM300,000	1	-	1
RM350,001 to RM400,000	1	-	1
Total	3	3	6

## SHAREHOLDERS

### 1. DIALOGUE BETWEEN COMPANY AND INVESTORS

The Board recognises the importance of information to be delivered to the shareholders concerning all major developments affecting the Group. The information is disseminated to the shareholders and investors through various disclosures and announcements to Bursa Securities, including quarterly financial results, annual reports, circulars (if any) and press releases. The Company also holds dialogues with financial analysts and investors on the corporate objectives and the performances of the Group. However, any information that may be regarded as undisclosed material information about the Group are not given.

The Board will regularly review the information disseminated to ensure that consistent and accurate information is provided to the shareholders of the Group.

### 2. ANNUAL GENERAL MEETING

The Annual General Meeting ("AGM") serves as a principal forum for dialogue with shareholders and investors. Shareholders are provided with the opportunity and time to participate in question and answer session on the Group's prospects, performance and other matters of concern. The Board encourage all shareholders of the Company to attend and participate at the AGM in order to have a clear picture pertaining to the Group's existing performance and future prospects.

## ACCOUNTABILITY AND AUDIT

### 1. AUDIT COMMITTEE

The Audit Committee ("AC") of the Board comprises two (2) Independent Non-Executive Directors and an Executive Director. The composition and primary responsibilities of the AC are set out in the Audit Committee Report on pages 17 to 20 of this Annual Report.

## statement on corporate governance

### 2. FINANCIAL REPORTING

The Board aims to provide a clear, balanced and meaningful assessment of the Group's financial performance and prospects to shareholders, investors and regulatory authorities. The AC was formed to assist the Board in overseeing the Group's financial reporting processes and ensuring the accuracy, adequacy and completeness of its financial reporting.

The Company has presented the Group's financial results, which have been reviewed by the AC and approved by the Board, to the public via its announcements.

### 3. INTERNAL CONTROL

The Statement on Internal Control as set out on page 16 of this Annual Report provides an overview of the Group's approach in maintaining a good system of internal control to safeguard shareholders' investment and the Group's assets.

### 4. RELATIONSHIP WITH AUDITORS

With the full support of the AC, the Board maintains a formal and transparent professional relationship with the Group's Auditors. The role of the AC in relation to the auditors is described in the Audit Committee Report set out on pages 17 to 20 of this Annual Report.

This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors dated 21 April 2006.

### STATEMENT ON DIRECTORS' RESPONSIBILITIES

The Board of Directors is responsible for ensuring that the financial statements give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year end and of the results and cash flows of the Group and of the Company for the financial year then ended. In preparing the financial statements, the Board ensures that applicable and approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 have been complied with. The Board also ensures that suitable accounting policies were adopted and applied consistently as well as make judgements and estimates that are reasonable and prudent.

Reasonable steps are taken to safeguard the assets of the Group and to prevent as well as to detect any fraud and/or irregularities.

This Statement on Directors' Responsibilities is made in accordance with the resolution of the Board of Directors dated 21 April 2006.

## statement on internal control

This Statement on Internal Control by the Board of Directors is made pursuant to paragraph 15.27 (b) of the Bursa Malaysia Securities Berhad's Listing Requirements with respect to the compliance of Compugates Holdings Berhad and its subsidiaries ("the Group") with the principles and the best practice for internal controls as provided in the Malaysian Code of Corporate Governance.

### BOARD RESPONSIBILITIES

The Board is responsible for the Group's system of internal control and risk management and for reviewing its effectiveness, adequacy and integrity.

It should be noted that the system of internal control is designed to manage rather than eliminate the risk of failure to achieve the Group's business objectives. In pursuing these objectives, this system can only provide reasonable and not absolute assurance against material misstatement or loss.

### RISK MANAGEMENT

The Board recognize that risk management is an integral part of the Group's business operations and that the identification and management of risks will affect the achievement of the Group's business objectives. The Group has implemented an on-going process for identifying, evaluating, monitoring and managing the significant risk affecting the achievement of its business objectives and has taken into account the guidance of the Malaysian Code on Corporate Governance.

### INTERNAL CONTROL SYSTEM

The Board is committed to maintain a sound internal control structure to govern the manner in which the Group and its employees conduct themselves. The Group is in the process of appointing Internal Auditors to enhance the internal control system.

The key elements of the Group's internal control system are as follows:

- Organization structure with well defined lines of responsibilities and delegation of authority;
- Appropriate authorization of transactions, supported by policies and procedures;
- Monthly financial reporting framework for all companies within the Group whereby actual results monitored against forecast / budgets and key variances investigated and followed up by the management;
- Quarterly reporting on the financial results of the Group to the Audit Committee and the Board; and
- Management meeting is held monthly to identify, discuss, evaluate and resolve operational and financial issues.

### CONCLUSION

For the financial period under review, the Board is of the view that system of internal control being implemented within the Group are sound and effective. Notwithstanding this, reviews of all control procedures will be continuously carried out to ensure the ongoing adequacy, integrity and effectiveness of the system of internal control so as to safeguard the Group's assets and shareholder's investments.



audit committee report

The Audit Committee (“the Committee”) was established on 8 November 2005. During the financial period under review, the Committee met once and the details of the attendance of the Committee members are set out as follows:

COMPOSITION OF THE AUDIT COMMITTEE

NAME	ATTENDANCE
Tan Sri Datuk Asmat Bin Kamaludin (Independent Non-Executive Chairman)	1/1
Goh Tai Wai (Executive Director)	1/1
Tan Yip Chian (Independent Non-Executive Director)	1/1

Details of the members of the Committee are contained in the “Directors’ Profile” as set out on pages 8 to 10 of this Annual Report.

TERMS OF REFERENCE

The Committee is governed by the following terms of reference:

1. Composition

The Committee shall be appointed from amongst the Board and shall comprise no fewer than three (3) members, a majority of whom shall be independent directors and at least one (1) member must be a member of the Malaysian Institute of Accountants or possess such other qualifications and/or experience as approved by the Bursa Malaysia Securities Berhad.

In the event of any vacancy with the result that the number of members is reduced to below three, the vacancy shall be filled within two (2) months but in any case not later than three (3) months. Therefore a member of the Audit Committee who wishes to retire or resign should provide sufficient written notice to the Company so that a replacement may be appointed before he leaves.

2. Chairman

The Chairman, who shall be elected by the Audit Committee, shall be an independent director.

3. Secretary

The Company Secretary shall be the Secretary of the Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it prior to each meeting.

The Secretary shall also be responsible for keeping the minutes of meetings of the Committee and circulating them to the Committee Members. The Committee Members may inspect the minutes of the Audit Committee at the Registered Office or such other place as may be determined by the Audit Committee.

## audit committee report

### 4 Meetings

The Committee shall meet at least four (4) times in each financial year. The quorum for a meeting shall be two (2) members, provided that the majority of members present at the meeting shall be independent.

The Committee may call for a meeting as and when required with reasonable notice as the Committee Members deem fit.

All decisions at such meeting shall be decided on a show of hands on a majority of votes.

The external auditors have the right to appear at any meeting of the Audit Committee and shall appear before the Committee when required to do so by the Committee. The external auditors may also request a meeting if they consider it necessary.

### 5. Rights

The Committee shall:

- (a) have authority to investigate any matter within its terms of reference;
- (b) have the resources which are required to perform its duties;
- (c) have full and unrestricted access to any information pertaining to the Group;
- (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- (e) have the right to obtain independent professional or other advice at the Company's expense;
- (f) have the right to convene meetings with the external auditors, excluding the attendance of the executive members of the audit committee, whenever deemed necessary;
- (g) promptly report to the Bursa Malaysia Securities Berhad ("Bursa Securities"), or such other name(s) as may be adopted by Bursa Securities, matters which have not been satisfactorily resolved by the Board of Directors resulting in a breach of the listing requirements;
- (h) have the right to pass resolutions by a simple majority vote from the Committee and that the Chairman shall have the casting vote should a tie arise;
- (i) meet as and when required on a reasonable notice;
- (j) the Chairman shall call for a meeting upon the request of the External Auditors.

## audit committee report

### 6. Duties

- (a) To review with the external auditors on:
  - the audit plan, its scope and nature;
  - the audit report;
  - the results of their evaluation of the accounting policies and systems of internal accounting controls within the Group; and
  - the assistance given by the officers of the Company to external auditors, including any difficulties or disputes with Management encountered during the audit.
- (b) To review the adequacy of the scope, functions and resources and set the standards of the internal audit function.
- (c) To provide assurance to the Board of Directors on the effectiveness of the system of internal control and risk management practices of the Group.
- (d) To review the internal audit programme, processes the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.
- (e) To review with management:
  - audit reports and management letter issued by the external auditors and the implementation of audit recommendations;
  - interim financial information; and
  - the assistance given by the officers of the Company to external auditors.
- (f) To monitor related party transactions entered into by the Company or the Group and to determine if such transactions are undertaken on an arm's length basis and normal commercial terms and on terms not more favourable to the related parties than those generally available to the public, and to ensure that the Directors report such transactions annually to shareholders via the annual report, and to review conflicts of interest that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity.
- (g) To review the quarterly reports on consolidated results and annual financial statements prior to submission to the Board of Directors, focusing particularly on:
  - changes in or implementation of major accounting policy and practices;
  - significant and / or unusual matters arising from the audit;
  - the going concern assumption;
  - compliance with accounting standards and other legal requirements; and
  - major areas.
- (h) To consider the appointment and / or re-appointment of auditors, the audit fee and any questions of resignation or dismissal including recommending the nomination of person or persons as auditors.
- (i) To verify the allocation of options in accordance with any employees' share scheme of the Company, at the end of each the financial year.



## audit committee report

### SUMMARY OF ACTIVITIES OF THE COMMITTEE

Since its establishment during the financial period under review, the activities undertaken by the Committee includes:-

- (a) Reviewed the unaudited quarterly report of the Company including the announcements pertaining thereto, before recommending to the Board of Directors for their approval and release of the Group's results to Bursa Securities;
- (b) Reviewed with external auditors on their audit planning memorandum of the Group for the financial period ended 31 December 2005;
- (c) Reviewed with external auditors on the results and issues arising from their audit of the financial period end statements and their resolutions of such issues highlighted in their report to the Audit Committee; and
- (d) Reviewed related party transactions and considered conflict of interest situations that may arise within the Group.

### INTERNAL AUDIT FUNCTION

The Board is responsible for the internal controls to review the Group's effectiveness, adequacy and integrity to ensure the achievement of the Group's business objectives. Furthermore, the Board also recognises the importance of risk management and applies the guidance of the Malaysian Code on Corporate Governance in the Group.

Further details on internal audit function are set out in the Statement on Internal Control on page 16 of this Annual Report.

# directors' report

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial period from 13 October 2004 (date of incorporation) to 31 December 2005.

## PRINCIPAL ACTIVITIES

The Company is principally engaged in the businesses of investment holding and the provision of management services whilst the principal activities of the subsidiaries are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial period.

## RESULTS

	THE GROUP RM'000	THE COMPANY RM'000
Loss after taxation	(642)	(65)

## DIVIDENDS

No dividend was paid since the date of incorporation and the directors do not recommend the payment of any dividend for the current financial period.

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial period except as disclosed in the financial statements.

## ISSUES OF SHARES AND DEBENTURES

The Company was incorporated with an authorised share capital of RM2,500,000 comprising 2,500,000 ordinary shares of RM1.00 each, of which 2 ordinary shares of RM1.00 each were subscribed for on the date of incorporation.

During the financial period, the Company,

- (a) increased its authorised share capital from RM2,500,000 to RM350,000,000 by the creation of 337,500,000 new ordinary shares of RM1.00 each and 100,000,000 new Irredeemable Convertible Preference Shares ("ICPS") of RM0.10 each;
- (b) increased its issued and paid-up share capital from RM2 to RM129,728,902 comprising 120,428,902 ordinary shares of RM1.00 each and 93,000,000 ICPS of RM0.10 each by way of:-
  - (i) issuance of 85,000,000 new ordinary shares of RM1.00 each at par and 77,000,000 new ICPS of RM0.10 each at an issue price of RM1.00 each as the purchase consideration for the acquisition of a subsidiary. The details of the acquisition are disclosed in Notes 6 and 32 to the financial statements;
  - (ii) issuance of 4,000,000 new ordinary shares of RM1.00 each at par and 16,000,000 new ICPS of RM0.10 each at an issue price of RM1.00 each for the settlement of debts amounting to RM243.167 million as at 30 June 2003 owing to the Secured Scheme Creditors under the Scheme of Arrangement with Creditors of Pan Pacific Asia Berhad ("PPAB") pursuant to the Restructuring Scheme undertaken by PPAB;

## directors' report

### ISSUES OF SHARES AND DEBENTURES (Cont'd)

- (iii) issuance of 6,428,900 new ordinary shares of RM1.00 each at par to the shareholders of PPAB under the Scheme of Arrangement with Shareholders of PPAB pursuant to the Restructuring Scheme undertaken by PPAB; and
- (iv) allotment of 25,000,000 new ordinary shares of RM1.00 each at par by way of a renounceable restricted issue.

All new shares issued during the financial period rank pari passu in all respects with the existing shares of the Company; and

- (c) there were no issues of debentures by the Company.

### OPTIONS GRANTED OVER UNISSUED SHARES

During the financial period, no options were granted by the Company to any person to take up any unissued shares in the Company.

### BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances that would further require the writing off of bad debts, or additional allowance for doubtful debts in the financial statements of the Group and of the Company.

### CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that any current assets other than debts, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Group and of the Company, have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements misleading.

### VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

## directors' report

### CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:-

- (i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial period which secures the liabilities of any other person; or
- (ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial period.

No contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial period which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

### CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

### ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company during the financial period were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial period.

### DIRECTORS

The directors who served since the date of incorporation are as follows:-

**TAN SRI DATUK ASMAT BIN KAMALUDIN** (APPOINTED ON 8 NOVEMBER 2005)  
**GOH KHENG PEOW** (APPOINTED ON 8 NOVEMBER 2005)  
**TAN NGAIP SOON** (APPOINTED ON 8 NOVEMBER 2005)  
**MOHAMED FAUZI BIN OMAR** (APPOINTED ON 8 NOVEMBER 2005)  
**GOH TAI WAI** (APPOINTED ON 8 NOVEMBER 2005)  
**TAN YIP CHIAN** (FIRST DIRECTOR)  
**LAU KOK KENG** (FIRST DIRECTOR, RESIGNED ON 8 NOVEMBER 2005)

Pursuant to Article 126 of the Articles of Association of the Company, Tan Yip Chian retires at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

Pursuant to Article 131 of the Articles of Association of the Company, Tan Sri Datuk Asmat Bin Kamaludin, Goh Kheng Peow, Tan Ngaip Soon, Mohamed Fauzi Bin Omar and Goh Tai Wai retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.



directors' report

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial period in shares in the Company and its related corporations during the financial period are as follows:-

	NUMBER OF ORDINARY SHARES OF RM1 EACH			
	AT 13.10.2004 (DATE OF INCORPORATION)	ALLOTMENT/ BOUGHT	SOLD	AT 31.12.2005
<i>DIRECT INTERESTS</i>				
TAN YIP CHIAN	1	-	-	1
GOH KHENG PEOW	-	68,000,001	(2,900,000)	65,100,001
TAN NGAIP SOON	-	17,000,000	-	17,000,000
<i>DEEMED INTERESTS</i>				
GOH KHENG PEOW *	-	2,900,000	-	2,900,000
GOH TAI WAI *	-	20,000	-	20,000

\* Deemed interest through spouse's shareholdings.

	NUMBER OF ICPS OF RM0.10 EACH			
	AT 13.10.2004 (DATE OF INCORPORATION)	ALLOTMENT	SOLD	AT 31.12.2005
<i>DIRECT INTERESTS</i>				
GOH KHENG PEOW	-	61,600,000	-	61,600,000
TAN NGAIP SOON	-	15,400,000	-	15,400,000

By virtue of their shareholdings in the Company, Goh Kheng Peow and Tan Ngaip Soon are deemed to have interests in the shares in the subsidiaries to the extent of the Company's interest, in accordance with Section 6A of the Companies Act, 1965.

DIRECTORS' BENEFITS

Since the date of incorporation, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in the financial statements, or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which the directors have substantial financial interests as disclosed in Note 35 to the financial statements.

Neither during nor at the end of the financial period was the Company or its subsidiaries a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

The significant events during the financial period are disclosed in Note 37 to the financial statements.

SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

The significant event subsequent to the balance sheet date is disclosed in Note 38 to the financial statements.

directors' report

AUDITORS

The auditors, Messrs. Horwath, have expressed their willingness to continue in office.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS  
DATED 21 APRIL 2006

Goh Kheng Peow

Tan Ngaip Soon

statement by directors

We, Goh Kheng Peow and Tan Ngaip Soon, being two of the directors of Compugates Holdings Berhad, state that, in the opinion of the directors, the financial statements set out on pages 28 to 66 are drawn up in accordance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2005 and of their results and cash flows for the financial period ended on that date.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS  
DATED 21 APRIL 2006

Goh Kheng Peow

Tan Ngaip Soon

STATUTORY DECLARATION

I, Goh Tai Wai, I/C No. 730202-10-5295, being the director primarily responsible for the financial management of Compugates Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 28 to 66 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by  
Goh Tai Wai, I/C No. 730202-10-5295,  
at Kuala Lumpur in the Federal Territory  
on this 21 April 2006

Before me

Goh Tai Wai

## report of the auditors

to the members of Compugates Holdings Berhad  
(incorporated in Malaysia)  
company no: 669287-H

We have audited the financial statements set out on pages 28 to 66. The preparation of the financial statements is the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. Our audit included examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit also included an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:-
  - (i) the state of affairs of the Group and of the Company at 31 December 2005 and their results and cash flows for the financial period ended on that date; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and by the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

We have considered the financial statements and the auditors' report of the subsidiary of which we have not acted as auditors, as indicated in Note 6 to the financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purpose of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comments made under Subsection (3) of Section 174 of the Companies Act, 1965.

**Horwath**  
Firm No: AF 1018  
Chartered Accountants

Kuala Lumpur  
21 April 2006

**Onn Kien Hoe**  
Approval No: 1772/11/06 (J/PH)  
Partner



balance sheets

at 31 December 2005

At 31.12.2005			
	NOTE	THE GROUP RM'000	THE COMPANY RM'000
<b>NON-CURRENT ASSETS</b>			
Investment in a subsidiary	6	-	162,000
Property and equipment	7	8,051	-
Listing premium	8	26,429	26,429
Goodwill on consolidation	9	115,684	-
		150,164	188,429
<b>CURRENT ASSETS</b>			
Inventories	10	5,087	-
Trade receivables	11	37,260	-
Other receivables, deposits and prepayments	12	11,627	3
Tax refundable		818	-
Short term deposits with a licensed bank	13	25,000	25,000
Fixed deposits with licensed banks	14	7,894	-
Cash and bank balances		4,471	6
		92,157	25,009
<b>CURRENT LIABILITIES</b>			
Trade payables	15	13,906	-
Other payables and accruals	16	1,301	18
Amount owing to a subsidiary	17	-	55
Amount owing to a director	18	346	-
Hire purchase payables	19	20	-
Bankers' acceptances	20	11,629	-
Provision for taxation		1,855	1
		29,057	74
<b>NET CURRENT ASSETS</b>		63,100	24,935
		213,264	213,364

The annexed notes form an integral part of these financial statements.

balance

sheets (Cont'd)

at 31 December 2005

At 31.12.2005			
	NOTE	THE GROUP RM'000	THE COMPANY RM'000
<b>FINANCED BY:-</b>			
Share capital	21	120,429	120,429
Irredeemable Convertible Preference Shares ("ICPS")	22	9,300	9,300
Share premium	23	83,700	83,700
Exchange fluctuation reserve	24	3	-
Accumulated loss		(642)	(65)
SHAREHOLDERS' EQUITY		212,790	213,364
<b>NON-CURRENT AND DEFERRED LIABILITIES</b>			
Hire purchase payables	19	38	-
Deferred taxation	25	436	-
		213,264	213,364
<b>NET ASSETS PER SHARE (RM)</b>			
	26	0.99	

The annexed notes form an integral part of these financial statements.

# income statements

for the financial period from 13 October 2004  
(date of incorporation) to 31 December 2005

		13.10.2004 (date of incorporation) to 31.12.2005	
	NOTE	THE GROUP RM'000	THE COMPANY RM'000
REVENUE	27	60,815	-
COST OF SALES		(64,720)	-
GROSS LOSS		(3,905)	-
OTHER OPERATING INCOME		6,951	3
		3,046	3
ADMINISTRATIVE EXPENSES		(1,162)	(67)
SALES AND MARKETING EXPENSES		(372)	-
OTHER OPERATING EXPENSES		(209)	-
PROFIT/(LOSS) FROM OPERATIONS		1,303	(64)
FINANCE COSTS		(102)	-
PROFIT/(LOSS) BEFORE TAXATION	28	1,201	(64)
TAXATION	29	(1,843)	(1)
LOSS AFTER TAXATION		(642)	(65)
LOSS PER SHARE (RM)			
- Basic	30	(0.04)	
- Diluted		Not applicable	

The annexed notes form an integral part of these financial statements.

# statements of changes in equity

for the financial period from 13 October 2004  
(date of incorporation) to 31 December 2005

	SHARE CAPITAL RM'000	ICPS RM'000	SHARE PREMIUM RM'000	EXCHANGE FLUCTUATION RESERVE RM'000	ACCUMULATED LOSS RM'000	TOTAL RM'000
<b>THE GROUP</b>						
Balance at 13.10.2004 (Date of incorporation)	#	-	-	-	-	#
Issuance of ordinary shares pursuant to the:						
- acquisition of a subsidiary	85,000	7,700	69,300	-	-	162,000
- Scheme of Arrangement with Creditors of PPAB	4,000	1,600	14,400	-	-	20,000
- Scheme of Arrangement with Shareholders of PPAB	6,429	-	-	-	-	6,429
- Renounceable Restricted Issue	25,000	-	-	-	-	25,000
Loss after taxation	-	-	-	-	(642)	(642)
Exchange difference	-	-	-	3	-	3
Balance at 31.12.2005	120,429	9,300	83,700	3	(642)	212,790
<b>THE COMPANY</b>						
Balance at 13.10.2004 (Date of incorporation)	#	-	-	-	-	#
Issuance of shares pursuant to the:						
- acquisition of a subsidiary	85,000	7,700	69,300	-	-	162,000
- Scheme of Arrangement with Creditors of PPAB	4,000	1,600	14,400	-	-	20,000
- Scheme of Arrangement with Shareholders of PPAB	6,429	-	-	-	-	6,429
- Renounceable Restricted Issue	25,000	-	-	-	-	25,000
Loss for the financial period	-	-	-	-	(65)	(65)
Balance at 31.12.2005	120,429	9,300	83,700	-	(65)	213,364

# - 2 ordinary shares of RM1.00 each.

The annexed notes form an integral part of these financial statements.



## cash flow statements

for the financial period from 13 October 2004  
(date of incorporation) to 31 December 2005

		13.10.2004 (date of incorporation) to 31.12.2005	
	NOTE	THE GROUP RM'000	THE COMPANY RM'000
<b>CASH FLOWS FOR OPERATING ACTIVITIES</b>			
Profit/(Loss) before taxation		1,201	(64)
Adjustments for:-			
Allowance for doubtful debts		10	-
Allowance for obsolete inventories		62	-
Bad debts written off		59	-
Depreciation of property and equipment		76	-
Interest expense		78	-
Interest income		(202)	(3)
Unrealised gain on foreign exchange		(7)	-
Writeback of allowance for doubtful debts		(64)	-
		<hr/>	<hr/>
Operating profit/(loss) before working capital changes		1,213	(67)
Decrease in inventories		4,484	-
Increase in trade and other receivables		(11,680)	(3)
Decrease in trade and other payables		(785)	18
		<hr/>	<hr/>
<b>CASH FOR OPERATIONS</b>		(6,768)	(52)
Income tax paid		(1,000)	-
Interest paid		(78)	-
		<hr/>	<hr/>
<b>NET CASH FOR OPERATING ACTIVITIES</b>		(7,846)	(52)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property and equipment	31	(174)	-
Acquisition of a subsidiary, net of cash acquired	32	16,356	-
Interest received		202	3
Advances from a subsidiary		-	55
		<hr/>	<hr/>
<b>NET CASH FROM INVESTING ACTIVITIES</b>		16,384	58
		<hr/>	<hr/>
<b>BALANCE CARRIED FORWARD</b>		8,538	6
		<hr/>	<hr/>

*The annexed notes form an integral part of these financial statements.*

cash flow

statements (Cont'd)

for the financial period from 13 October 2004  
(date of incorporation) to 31 December 2005

		13.10.2004 (date of incorporation) to 31.12.2005	
	NOTE	THE GROUP RM'000	THE COMPANY RM'000
BALANCE BROUGHT FORWARD		8,538	6
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of share capital		25,000	25,000
Increase in bankers' acceptances		4,316	-
Repayment of hire purchase obligations		(3)	-
Repayment to a director		(489)	-
NET CASH FROM FINANCING ACTIVITIES		28,824	25,000
Effects of foreign exchange rate changes on cash and cash equivalents		3	-
NET INCREASE IN CASH AND CASH EQUIVALENTS		37,365	25,006
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD		-	-
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	33	37,365	25,006

The annexed notes form an integral part of these financial statements.

# notes to the financial statements

for the financial period from 13 October 2004  
(date of incorporation) to 31 December 2005

## 1. GENERAL INFORMATION

The Company is a public company limited by shares and is incorporated under the Malaysian Companies Act, 1965. The domicile of the Company is Malaysia. The registered office and principal place of business are as follows:-

Registered office : C-15-1, Level 15 Tower C, Megan Avenue II,  
12 Jalan Yap Kwan Seng,  
50450 Kuala Lumpur.

Principal place of business : No. 3, Jalan PJU 1/41, Dataran Prima,  
47301 Petaling Jaya, Selangor Darul Ehsan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 21 April 2006.

## 2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the businesses of investment holding and provision of management services whilst the principal activities of the subsidiaries are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial period.

## 3. FINANCIAL RISK MANAGEMENT POLICIES

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its foreign currency, interest rate, market, credit, liquidity and cash flow risks. The policies in respect of the major areas of treasury activity are as follows:-

### (a) Foreign Currency Risk

The Group is exposed to foreign exchange risk on purchases that are denominated in foreign currencies.

The Group manages its foreign exchange exposure by a policy of matching as far as possible receipts and payments in each individual currency.

### (b) Interest Rate Risk

The Group obtains financing through bank borrowings and hire purchase facilities. Its policy is to obtain the most favourable interest rates available.

Surplus funds are placed with reputable financial institutions at the most favourable interest rates.

## notes to the financial statements

for the financial period from 13 October 2004  
(date of incorporation) to 31 December 2005

### 3. FINANCIAL RISK MANAGEMENT POLICIES (Cont'd)

#### (c) Market Risk

The Group does not have any quoted investments and hence is not exposed to market risks.

#### (d) Credit Risk

The Group's exposure to credit risks, or the risk of counterparties defaulting, arises mainly from receivables. The maximum exposure to credit risks is represented by the total carrying amount of this financial asset in the balance sheet reduced by the effects of any netting arrangements with counterparties.

The Group's concentration of credit risks relates to a major customer which makes up 54% of its total receivables.

The Group manages its exposure to credit risk by investing its cash assets safely and profitably, and by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis.

#### (e) Liquidity and Cash Flow Risks

The Group's exposure to liquidity and cash flow risks arises mainly from general funding and business activities.

It practises prudent liquidity risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

### 4. BASIS OF PREPARATION

The financial statements of the Group and of the Company are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

# notes to the financial statements

for the financial period from 13 October 2004  
(date of incorporation) to 31 December 2005

## 5. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis Of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December 2005.

A subsidiary is defined as a company in which the Group has the power, directly or indirectly, to exercise control over the financial and operating policies so as to obtain benefits therefrom.

All subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair value of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements.

Intragroup transactions, balances and unrealised gains on transactions are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of the subsidiary to ensure consistency of accounting policies with those of the Group.

### (b) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to financial instruments classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Financial instruments recognised in the balance sheet are disclosed in the individual policy statement associated with each item.

### (c) Goodwill on Consolidation

Goodwill on consolidation represents the excess of the fair value of the purchase consideration over the Group's share of the fair values of the separable net assets of the subsidiary at the date of acquisition.

Goodwill on consolidation is retained in the consolidated balance sheet. The carrying value of the goodwill is reviewed annually, and is written down for impairment where it is considered necessary. The impairment value of goodwill written off is taken to the income statement.



notes to the financial statements

for the financial period from 13 October 2004  
(date of incorporation) to 31 December 2005

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(d) Investments in Subsidiaries

Investments in subsidiaries are held on a long term basis and are stated at cost in the balance sheet of the Company, and are reviewed for impairment at the end of the financial period if events or changes in circumstances indicate that their carrying values may not be recoverable.

(e) Property and Equipment

Property and equipment, other than freehold land, are stated at cost or revalued amount less accumulated depreciation and impairment losses, if any.

Freehold land is stated at cost or revalued amount less impairment losses, if any, and is not depreciated.

Depreciation is calculated under the straight-line method to write off the cost of the assets over their estimated useful lives. The principal annual rates used for this purpose are:-

Buildings	2%
Motor vehicles	20%
Office equipment, furniture and fittings	20% to 33 1/3%
Renovation	50%
Signboard	20%

The building-in-progress represents assets under construction, and which are not ready for commercial use at the balance sheet date. The building-in-progress is stated at cost, and will be transferred to the relevant category of long term assets and depreciated accordingly when the assets are completed and ready for commercial use.

(f) Listing Premium

The listing premium, being the cost of shares issued for the acquisition of a public listed company, is retained in the balance sheet as an intangible asset.

The carrying amount of the listing premium is reviewed annually and adjusted for impairment where it is considered necessary. The policy for the recognition and measurement of impairment losses is in accordance with Note 5(g).

(g) Impairment of Assets

The carrying values of assets, other than those to which MASB 23 - Impairment of Assets does not apply, are reviewed at each balance sheet date for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts.

# notes to the financial statements

for the financial period from 13 October 2004  
(date of incorporation) to 31 December 2005

## 5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (g) Impairment of Assets

An impairment loss is charged to the income statement immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at its revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to the revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

### (h) Inventories

Inventories comprise goods held for trading and are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis, and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

In arriving at net realisable value, due allowance is made for all obsolete, damaged and slow-moving items.

### (i) Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off in the period in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts at the balance sheet date.

### (j) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

## notes to the

## financial statements

for the financial period from 13 October 2004  
(date of incorporation) to 31 December 2005

## 5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (k) Assets Under Hire Purchase

Equipment acquired under hire purchase are capitalised in the financial statements and are depreciated in accordance with the policy set out in Note 5(e) above. Each hire purchase payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. Finance charges are allocated to the income statement over the periods of the respective hire purchase agreements.

### (l) Interest-bearing Borrowings

Interest-bearing borrowings are recorded at the amount of proceeds received, net of transaction costs.

All the borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

### (m) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised as liabilities when declared before the balance sheet date. A dividend proposed or declared after the balance sheet date, but before the financial statements are authorised for issue, is not recognised as a liability at the balance sheet date but as an appropriation from retained earnings and treated as a separate component of equity. Upon the approval of the proposed dividend, it will be accounted for as a liability.

### (n) Irredeemable Convertible Preference Shares ("ICPS")

FRS 132 - Financial Instruments: Disclosure and Presentation requires the Company as an issuer of a financial instrument to classify the instrument either as a liability or equity in accordance with the substance of the contractual arrangement on initial recognition. Consequently, ICPS, which, amongst other conditions, are convertible to ordinary shares, are classified as equity under such circumstances. Dividends from the ICPS are recognised in equity when declared before the balance sheet date. A dividend proposed or declared after the balance sheet date, but before the financial statements are authorised for issue, is recognised as an appropriation from retained earnings and treated as a separate component of equity. Upon the approval of the proposed dividend, it will be accounted for as a liability.

### (o) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, deposits pledged with financial institutions, bank overdrafts and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

# notes to the financial statements

for the financial period from 13 October 2004  
(date of incorporation) to 31 December 2005

## 5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (p) Revaluation Reserve

Freehold land and buildings classified under property and equipment are appraised periodically, at least once in every five years. The net increase arising from revaluation of the properties, if adjusted, is credited to a revaluation reserve. A net decrease, to the extent that it is not supported by any previous revaluation is charged to the income statement. Revaluation surpluses relating to properties disposed during the year are transferred from the revaluation reserve to the retained earnings.

### (q) Employee Benefits

#### (i) Short-term Benefits

Wages, salaries, paid annual leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

#### (ii) Defined Contribution Plans

The Company's contributions to defined contribution plans are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plan.

### (r) Foreign Currencies

Transactions in foreign currencies are converted into Ringgit Malaysia at the approximate rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated at the rates ruling as of that date. All exchange differences are taken to the income statement.

The financial statements of the foreign subsidiary are translated into Ringgit Malaysia using the closing rate method for the balance sheet whilst the average rate is used for the translation of the income statement for consolidation purposes. All exchange differences arising are taken directly to equity as a movement in the foreign exchange translation reserve. Foreign exchange differences relating to a foreign subsidiary are recognised as income or expense upon the disposal of that subsidiary.

# notes to the financial statements

for the financial period from 13 October 2004  
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## 5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (s) Taxation

Taxation for the period comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the period and is measured using the tax rates that have been enacted or substantially enacted at the balance sheet date.

Deferred taxation is provided in full, using the liability method, on temporary differences arising between tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantially enacted at the balance sheet date.

Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly to equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill. The carrying amounts of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

### (t) Revenue Recognition

#### (i) Sales of goods

Sales are recognised upon delivery of goods and customers' acceptance and where applicable, net of returns and trade discounts.

#### (ii) Interest income

Interest income is recognised on an accrual basis.

#### (iii) Rental income

Rental income is recognised on an accrual basis.

# notes to the financial statements

for the financial period from 13 October 2004  
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## 6. INVESTMENT IN A SUBSIDIARY

THE COMPANY  
AT  
31.12.2005  
RM'000

Unquoted shares, at cost

162,000

Details of the subsidiaries are as follows:-

Name of Company	Equity Interest 31.12.2005	Principal Activities
<b>Compugates Sdn. Bhd.</b> <b>("CSB")</b> (Incorporated in Malaysia)	100%	Trading, marketing and distribution of imaging, information technology and communication-based products.
<b>Compugates Marketing Sdn. Bhd.#</b> (Incorporated in Malaysia)	100%	Trading, marketing and distribution of cellular phones and communication-based products.
<b>Compugates (S) Pte. Ltd.# *</b> <b>("CSPL")</b> (Incorporated in the Republic of Singapore)	99.99%	Distribution of calculators, digital cameras and accessories.

# Held through CSB.

\* Not audited by Horwath.

During the financial period, the Company acquired the entire issued and paid-up ordinary share capital of CSB comprising 3,500,000 ordinary shares of RM1.00 each for a purchase consideration of RM162 million. The purchase consideration was satisfied by the issuance of 85,000,000 ordinary shares of RM1.00 each at par and 77,000,000 Irredeemable Convertible Preference Shares of RM0.10 each at an issue price of RM1.00 each.



notes to the

financial statements

for the financial period from 13 October 2004  
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7. PROPERTY AND EQUIPMENT

	AT 13.10.2004 (DATE OF INCORPORATION) RM'000	ACQUISITION OF SUBSIDIARY RM'000	ADDITIONS RM'000	DEPRECIATION CHARGE RM'000	AT 31.12.2005 RM'000
THE GROUP					
NET BOOK VALUE					
Freehold land	-	989	-	-	989
Buildings	-	4,130	-	(9)	4,121
Motor vehicles	-	27	59	(5)	81
Office equipment, furniture and fittings	-	208	12	(52)	168
Renovation	-	115	4	(10)	109
Building-in-progress	-	2,444	139	-	2,583
	-	7,913	214	(76)	8,051

	AT COST RM'000	AT VALUATION RM'000	ACCUMULATED DEPRECIATION RM'000	NET BOOK VALUE RM'000
AT 31.12.2005				
Freehold land	-	989	-	989
Buildings	-	4,121	-	4,121
Motor vehicles	186	-	(105)	81
Office equipment, furniture and fittings	851	-	(683)	168
Renovation	515	-	(406)	109
Signboard	31	-	(31)	-
Building-in-progress	2,583	-	-	2,583
	4,166	5,110	(1,225)	8,051

THE GROUP  
At  
31.12.2005  
RM'000

Net book value of properties, had the assets been stated at  
cost less accumulated depreciation, are as follows:-

Freehold land	692
Buildings	2,862
	3,554

notes to the financial statements

for the financial period from 13 October 2004  
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7. PROPERTY AND EQUIPMENT (Cont'd)

The freehold land and buildings stated at valuation at the balance sheet date were revalued in October 2004 by an independent professional valuer, Paul Khong, a registered valuer of Regroup Associates Sdn. Bhd., an independent firm of valuers at open market value based on the comparison method of valuation supported by the investment method.

The motor vehicles of the Group were acquired under hire purchase terms.

8. LISTING PREMIUM

	THE GROUP/ THE COMPANY AT 31.12.2005 RM'000
Listing premium	
At 13 October 2004 (date of incorporation)	-
Arising from the acquisition of Pan Pacific Asia Berhad ("PPAB")	26,429
At 31 December 2005	26,429

9. GOODWILL ON CONSOLIDATION

	THE GROUP AT 31.12.2005 RM'000
Goodwill on consolidation	
At 13 October 2004 (date of incorporation)	-
Arising from the acquisition of CSPL by CSB	247
Arising from the acquisition of CSB	115,437
At 31 December 2005	115,684

notes to the

financial statements

for the financial period from 13 October 2004  
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10. INVENTORIES

Inventories held for trading:  
- at cost  
- at net realisable value

THE GROUP  
AT  
31.12.2005  
RM'000

4,672  
415

5,087

The foreign currency exposure profile of inventories at the balance sheet date was as follows:-

Singapore Dollar

THE GROUP  
AT  
31.12.2005  
RM'000

415

11. TRADE RECEMABLES

Trade receivables  
Allowance for doubtful debts

THE GROUP  
AT  
31.12.2005  
RM'000

37,290  
(30)

37,260

Allowance for doubtful debts  
At 13 October 2004 (date of incorporation)  
Arising from acquisition of CSB  
Additions during the financial period  
Write-back during the financial period

-  
84  
10  
(64)

30

At 31 December 2005

notes to the financial statements

for the financial period from 13 October 2004  
(date of incorporation) to 31 December 2005

11. TRADE RECEIVABLES (Cont'd)

The Group's normal trade credit terms range from 1 to 60 days.

The foreign currency exposure profile of trade receivables at the balance sheet date was as follows:-

	THE GROUP AT 31.12.2005 RM'000
Singapore Dollar	3,560
Included in trade receivables is an amount of RM1,632 owing by a company in which the spouse of a director has a substantial financial interest.	

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in other receivables, deposits and prepayments is an amount of RM10 million being advance payment to a third party for the purchase of telecommunication products.

The foreign currency exposure profile of other receivables, deposits and prepayments at the balance sheet date was as follows:-

	THE GROUP AT 31.12.2005 RM'000
Singapore Dollar	205

13. SHORT TERM DEPOSITS WITH A LICENSED BANK

The effective interest rate of the short term deposits at the balance sheet date was 2.10% per annum. The short term deposits have a maturity period of 4 days.

14. FIXED DEPOSITS WITH LICENSED BANKS

Fixed deposits of the Group amounting to RM6,751,328 have been pledged as collateral to licensed banks to secure banking facilities granted to certain subsidiaries.

The effective interest rates of the fixed deposits at the balance sheet date ranged from 2.62% to 3.16% per annum. The fixed deposits have maturity periods ranging from 1 month to 12 months.

notes to the financial statements

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15. TRADE PAYABLES

Included in trade payables is an amount of RM1,400 owing to a company in which the spouse of a director has a substantial financial interest.

The normal trade credit terms granted to the Group range from 1 to 90 days.

The foreign currency exposure profile of trade payables at the balance sheet date was as follows:-

	THE GROUP AT 31.12.2005 RM'000
Singapore Dollar	2,193
United States Dollar	2,435

16. OTHER PAYABLES AND ACCRUALS

The foreign currency exposure profile of other payables and accruals at the balance sheet date was as follows:-

	THE GROUP AT 31.12.2005 RM'000
Singapore Dollar	397

17. AMOUNT OWING TO A SUBSIDIARY

The amount owing is unsecured, interest-free and not subject to fixed terms of repayment.

18. AMOUNT OWING TO A DIRECTOR

The amount owing is unsecured, interest-free and not subject to fixed terms of repayment.

notes to the financial statements

for the financial period from 13 October 2004  
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19. HIRE PURCHASE PAYABLES

	THE GROUP AT 31.12.2005 RM'000
Future minimum hire purchase payments:	
- not later than one year	23
- later than one year and not later than five years	41
	<hr/>
	64
Future finance charges	(6)
	<hr/>
Present value of hire purchase payables	58
	<hr/> <hr/>
The net hire purchase payables are repayable as follows:-	
Current:	
- not later than one year	20
Non-Current:	
- later than one year and not later than five years	38
	<hr/>
	58
	<hr/> <hr/>

The hire purchase payables of the Group bore effective interest rates ranging from 4.73% to 9.60% per annum at the balance sheet date.

20. BANKERS' ACCEPTANCES

The bankers' acceptances of the Group bore effective interest rates ranging from 2.95% to 3.28% per annum and are secured by way of:-

- (i) a pledge of certain fixed deposits of the Group; and
- (ii) a joint and several guarantee of certain directors of the Company.



notes to the financial statements

for the financial period from 13 October 2004  
(date of incorporation) to 31 December 2005

21. SHARE CAPITAL

The movements in the share capital are as follows:-

	THE COMPANY At 31.12.2005	
	NUMBER OF SHARES '000	RM'000
ORDINARY SHARES OF RM1 EACH		
AUTHORISED		
At 13 October 2004 (date of incorporation)	2,500	2,500
Increase during the financial period	337,500	337,500
At 31 December 2005	340,000	340,000
ISSUED AND FULLY PAID-UP		
At 13 October 2004 (date of incorporation)	*	#
Issuance of shares pursuant to the:		
- acquisition of a subsidiary	85,000	85,000
- Scheme of Arrangement with Creditors of Pan Pacific Asia Berhad ("PPAB")	4,000	4,000
- Scheme of Arrangement with Shareholders of PPAB	6,429	6,429
- Renounceable Restricted Issue	25,000	25,000
At 31 December 2005	120,429	120,429

\* - 2 ordinary shares of RM1.00 each.  
# - Amount equals to RM2.00.

## notes to the financial statements

for the financial period from 13 October 2004  
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### 21. SHARE CAPITAL (Cont'd)

During the financial period, the Company,

- (a) increased its authorised ordinary share capital from RM2,500,000 to RM340,000,000 by the creation of 337,500,000 new ordinary shares of RM1.00 each; and
- (b) increased its issued and paid-up ordinary share capital from RM2 to RM120,428,902 by way of:-
  - (i) issuance of 85,000,000 new ordinary shares of RM1.00 each at par as part of the purchase consideration for the acquisition of a subsidiary. The details of the acquisition are disclosed in Notes 6 and 32 to the financial statements;
  - (ii) issuance of 4,000,000 new ordinary shares of RM1.00 each at par for the part settlement of debts amounting to RM243.167 million as at 30 June 2003 owing to the Secured Scheme Creditors under the Scheme of Arrangement with Creditors of Pan Pacific Asia Berhad ("PPAB") pursuant to the Restructuring Scheme undertaken by PPAB;
  - (iii) issuance of 6,428,900 new ordinary shares of RM1.00 each at par to the shareholders of PPAB under the Scheme of Arrangement with Shareholders of PPAB pursuant to the Restructuring Scheme undertaken by PPAB; and
  - (iv) allotment of 25,000,000 new ordinary shares of RM1.00 each by way of a renounceable restricted issue.

All new shares issued during the financial period rank pari passu in all respects with the existing shares of the Company.

# notes to the financial statements

for the financial period from 13 October 2004  
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## 22. IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES ("ICPS")

The movements in the ICPS are as follows:-

	THE COMPANY At 31.12.2005	
	NUMBER OF SHARES '000	RM'000
ICPS OF RM0.10 EACH		
AUTHORISED		
At 13 October 2004 (date of incorporation)	-	-
Increase during the financial period	100,000	10,000
At 31 December 2005	100,000	10,000
ISSUED AND FULLY PAID-UP		
At 13 October 2004 (date of incorporation)		
Issuance of shares pursuant to the:		
- acquisition of a subsidiary	77,000	7,700
- Scheme of Arrangement with Creditors of PPAB	16,000	1,600
At 31 December 2005	93,000	9,300

During the financial period, the Company,

- (a) increased its authorised share capital by the creation of 100,000,000 new ICPS of RM0.10 each;
- (b) increased its issued and fully paid-up share capital by way of:-
  - (i) issuance of 77,000,000 new ICPS of RM0.10 each at an issue price of RM1.00 each as part of the purchase consideration for the acquisition of a subsidiary. The details of the acquisition are disclosed in Notes 6 and 32 to the financial statements; and
  - (ii) issuance of 16,000,000 new ICPS of RM0.10 each at an issue price of RM1.00 each for the part settlement of debts amounting to RM243.167 million as at 30 June 2003 owing to Secured Scheme Creditors under the Scheme of Arrangement with Creditors of Pan Pacific Asia Berhad ("PPAB") pursuant to the Restructuring Scheme undertaken by PPAB.

## notes to the financial statements

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### 22. ICPS (Cont'd)

The salient terms of the ICPS are as follows:-

Par Value	:	RM0.10 per ICPS.
Maturity Date	:	The date immediately preceding the third (3rd) anniversary date of the issue date of the ICPS. On the Maturity Date, all ICPS shall be automatically converted into Compugates Holdings Berhad Shares ("CHB Shares").
Dividend	:	The ICPS shall bear a fixed non-cumulative gross dividend of 2% per annum on the par value of the ICPS. During the financial years when the ICPS are issued or the Maturity Date falls respectively, the dividends of the ICPS shall be pro-rated based on the period the ICPS is in existence during the said financial year.  No dividends shall be paid on the ordinary shares of the Company unless the dividends on the ICPS have been fully paid up. The rights of the ICPS holder to receive dividends prior to conversion of the ICPS are subject to there being sufficient net PAT available for distribution to be determined by the Board of Directors based on the latest audited accounts.
Voting Rights	:	The registered holders of the ICPS shall not have any right to vote at any general meeting of the Company, unless the meeting was convened for the purpose of reducing the capital, or winding-up or during the winding-up or disposing the whole of the Company's properties, businesses and undertakings or where the proposition to be submitted to the meeting directly affects their rights and privileges or when the dividend or part of the dividend on the ICPS is in arrears for more than six (6) months.
Conversion Rights	:	Each ICPS shall entitle its holder the right to convert such ICPS held into fully paid-up ordinary shares at the Conversion Ratio at any time during the Conversion Period. Any ICPS not converted into CHB Shares on the Maturity Date shall be automatically converted into new CHB Shares of RM1.00 each at the Conversion Ratio.
Conversion Ratio	:	Each ICPS shall be convertible into one (1) new CHB Share payable in full by way of surrendering one (1) ICPS of RM0.10 each for cancellation by the Company and the remaining RM0.90 capitalised from the share premium account of the Company.
Conversion Period	:	The ICPS can be converted into CHB Shares at any time after the first (1st) anniversary from the date of issue of the ICPS until the Maturity Date
Status of the new CHB Shares	:	New CHB Shares to be issued pursuant to the conversion of the ICPS shall rank pari passu in all respects with the existing CHB Shares except that they will not be entitled to any rights, dividends, allotments and/or other distributions for which the relevant entitlement date precedes the relevant issue date of the new CHB Shares.
Redemption	:	Each ICPS shall not be redeemed for cash.
Listing Status	:	The ICPS will not be listed on Bursa Malaysia Securities Berhad.

## notes to the financial statements

for the financial period from 13 October 2004  
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### 23. SHARE PREMIUM

	THE COMPANY AT 31.12.2005 RM'000
At 13 October 2004 (date of incorporation)	-
Premium arising from:	
- acquisition of a subsidiary	69,300
- Scheme of Arrangement with Creditors of PPAB	14,400
At 31 December 2005	83,700

The share premium is not distributable by way of dividends.

### 24. EXCHANGE FLUCTUATION RESERVE

The exchange fluctuation reserve arose from the translation of the financial statements of the foreign subsidiary and is not distributable by way of cash dividends.

### 25. DEFERRED TAXATION

	THE GROUP AT 31.12.2005 RM'000
At 13 October 2004 (date of incorporation)	-
Arising from acquisition of a subsidiary	436
At 31 December 2005	436

The deferred taxation arose from the revaluation of the properties held by the Group.

### 26. NET ASSETS PER SHARE

The net assets per share is calculated based on the net assets value at the balance sheet date of RM119,790,000 divided by the number of ordinary shares in issue at the balance sheet date of 120,428,902.

### 27. REVENUE

Revenue of the Group represents the invoiced value of goods sold less trade discounts and returns.

notes to the financial statements

for the financial period from 13 October 2004  
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28. PROFIT/(LOSS) BEFORE TAXATION

Profit/(Loss) before taxation is arrived at after charging/(crediting):-

	13.10.2004 (date of incorporation) to 31.12.2005	
	THE GROUP RM'000	THE COMPANY RM'000
Allowance for doubtful debts	10	-
Allowance for obsolete inventories	62	-
Audit fee - statutory	55	15
- non-statutory	17	1
Bad debts written off	59	-
Depreciation of property and equipment	76	-
Directors' fee	45	45
Directors' non-fee emoluments	651	1
Interest expense:		
- bankers' acceptances	77	-
- hire purchase	1	-
Office rental	14	-
Staff costs	1,069	-
Gain on foreign exchange		
- realised	(32)	-
- unrealised	(7)	-
Interest income	(202)	(3)
Rental income	(27)	-
Rebate and sales incentives	(6,296)	-
Writeback of allowance for doubtful debts	(64)	-



# notes to the financial statements

for the financial period from 13 October 2004  
(date of incorporation) to 31 December 2005

## 29. TAXATION

	13.10.2004 (date of incorporation) to 31.12.2005	
	THE GROUP RM'000	THE COMPANY RM'000
Current tax:		
- for the financial period	1,590	1
- underprovision in previous financial year	253	-
	<u>1,843</u>	<u>1</u>

A reconciliation of income tax expense applicable to the profit/(loss) before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group and of the Company is as follows:-

	13.10.2004 to 31.12.2005	
	THE GROUP RM'000	THE COMPANY RM'000
Profit/(Loss) before taxation	1,201	(64)
Tax at the statutory tax rate	336	(18)
Tax effects of:		
Non-deductible expenses	85	19
Non-taxable gain	(228)	-
Differential in tax rates	(40)	-
Underprovision in previous financial year	253	-
Others	1,437	-
Tax for the financial period	<u>1,843</u>	<u>1</u>

## 30. LOSS PER SHARE

The basic loss per share is arrived at by dividing the Group's loss after taxation of RM642,000 by the weighted average number of ordinary shares in issue during the financial period of approximately 14,826,360.

The fully diluted loss per share for the Group is not presented as the effect on the loss per share on the assumed conversion from the ICPS during the financial period would be anti-dilutive.

notes to the financial statements

for the financial period from 13 October 2004  
(date of incorporation) to 31 December 2005

31. PURCHASE OF PROPERTY AND EQUIPMENT

THE GROUP  
13.10.2004  
to  
31.12.2005  
RM'000

Cost of property and equipment purchased	214
Amount financed through hire purchase	(40)
Cash disbursed for purchase of property and equipment	174

32. ACQUISITION OF A SUBSIDIARY

The effects of the acquisition of the subsidiary, CSB, on the financial results of the Group at the end of the financial period were as follows:-

THE GROUP  
13.10.2004  
(date of  
Incorporation)  
to  
31.12.2005  
RM'000

Revenue	60,815
Cost of sales	(64,720)
Gross loss	(3,905)
Other operating income	6,948
	3,043
Operating overheads	(1,778)
Profit before taxation	1,265
Taxation	(1,842)
Loss after taxation	(577)

notes to the

financial statements

for the financial period from 13 October 2004  
(date of incorporation) to 31 December 2005

32. ACQUISITION OF A SUBSIDIARY (Cont'd)

The effects of the acquisition of the subsidiary on the financial position of the Group at the end of the financial period were as follows:-

	THE GROUP 31.12.2005 RM'000
Goodwill on consolidation	247
Property and equipment	8,051
Inventories	5,087
Trade receivables	37,260
Other receivables, deposits and prepayments	11,679
Tax refundable	818
Fixed deposits with licensed banks	7,894
Cash and bank balances	4,465
Trade payables	(13,906)
Other payables and accruals	(1,283)
Amount owing to a director	(346)
Provision for taxation	(1,854)
Banker's acceptances	(11,629)
Hire purchase payables	(58)
Deferred taxation	(436)
Exchange fluctuation reserve	(3)
Group's share of net assets	45,986

## notes to the financial statements

for the financial period from 13 October 2004  
(date of incorporation) to 31 December 2005

### 32. ACQUISITION OF A SUBSIDIARY (Cont'd)

The details of net assets acquired and cash flow arising from the acquisition of the subsidiary were as follows:-

	THE GROUP 31.12.2005 RM'000
Goodwill on consolidation	247
Property and equipment	7,913
Inventories	9,633
Trade receivables	36,052
Other receivables, deposits and prepayments	1,160
Fixed deposits with licensed banks	7,674
Cash and bank balances	8,682
Trade payables	(14,826)
Other payables and accruals	(1,173)
Amount owing to a director	(835)
Bankers' acceptances	(7,313)
Hire purchase payables	(21)
Provision for taxation	(194)
Deferred taxation	(436)
	<hr/>
Fair value of net assets acquired	46,563
Goodwill on acquisition	115,437
	<hr/>
Total purchase consideration	162,000
Satisfied by the issuance of:-	
- Ordinary shares	(85,000)
- ICPS	(77,000)
	<hr/>
	-
Add: Cash and cash equivalents of subsidiary acquired	16,356
	<hr/>
Net cash inflow from acquisition of a subsidiary	16,356
	<hr/>

notes to the financial statements

for the financial period from 13 October 2004  
(date of incorporation) to 31 December 2005

33. CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statements, cash and cash equivalents comprise the following:-

	At 31.12.2005	
	THE GROUP RM'000	THE COMPANY RM'000
Short term deposits with a licensed bank	25,000	25,000
Fixed deposits with licensed banks	7,894	-
Cash and bank balances	4,471	6
	<u>37,365</u>	<u>25,006</u>

The foreign currency exposure profile of cash and cash equivalents at the balance sheet date was as follows:-

	THE GROUP At 31.12.2005 RM'000
Singapore Dollar	<u>1,714</u>

# notes to the financial statements

for the financial period from 13 October 2004  
(date of incorporation) to 31 December 2005

## 34. DIRECTORS' REMUNERATION

The aggregate amount of emoluments received and receivable by Directors of the Group and of the Company during the financial period are as follows:-

	13.10.2004 (date of incorporation) to 31.12.2005	
	THE GROUP RM'000	THE COMPANY RM'000
Executive directors:-		
- basic salaries, incentives, allowances, bonus and EPF	650	-
- fee	2	2
	<hr/> 652	<hr/> 2
Non-executive directors:-		
- allowance	1	1
- fee	43	43
	<hr/> 44	<hr/> 44

Details of emoluments for the directors of the Group and of the Company received/receivable for the financial period in bands of RM50,000 of Directors' remuneration are as follows:-

	THE GROUP/THE COMPANY At 31.12.2005	
	Executive Directors	Non-Executive Directors
Below RM50,000	1	3
RM250,001 - RM300,000	1	-
RM350,001 - RM400,000	1	-
	<hr/> 2	<hr/> 3

notes to the financial statements

for the financial period from 13 October 2004  
(date of incorporation) to 31 December 2005

35. SIGNIFICANT RELATED PARTY TRANSACTIONS

		At 31.12.2005	
	NOTE	THE GROUP RM'000	THE COMPANY RM'000
Acquisition of CSB from directors	(a)	-	162,000
Sales to related party:			
- Beausoft Sdn. Bhd.	(b)	1,799	-
- Southall Sdn. Bhd.	(b)	1,041	-
Purchases from related party:			
- Southall Sdn. Bhd.	(b)	3	-

(a) A company in which Goh Kheng Peow and Tan Ngaip Soon, who are the directors of the Company, have substantial financial interests.

(b) A company in which See Thoo Chan, spouse of Goh Kheng Peow, has a substantial financial interest.

In the opinion of the directors, the above transactions had been entered into in the ordinary course of business and have been established under terms that were mutually agreed between the parties.

36. CAPITAL COMMITMENTS

	THE GROUP At 31.12.2005 RM'000
In respect of purchase of properties approved and contracted for	287



# notes to the financial statements

for the financial period from 13 October 2004  
(date of incorporation) to 31 December 2005

## 37. SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

During the financial period, the Company issued a prospectus dated 23 November 2005 in conjunction with the following exercise:-

### a) Acquisition

Compugates Holdings Berhad ("CHB") entered into a Sale and Purchase Agreement with CSB Vendors (collectively, Goh Kheng Peow and Tan Ngaip Soon) in relation to the Acquisition of the entire equity interest in CSB comprising 3,500,000 ordinary shares of RM1.00 each for a purchase consideration of RM162,000,000 to be satisfied entirely via the issuance of 85,000,000 new CHB Shares at an issue price of RM1.00 each and 77,000,000 ICPS at an issue price of RM1.00 per ICPS.

### b) Exemption

Upon completion of the Acquisition, the CSB Vendors will collectively hold 85,000,000 new CHB Shares and 77,000,000 CHB ICPS. The 85,000,000 new CHB Shares represent more than 99.99% (but less than 100.00%) of the equity interest in CHB immediately after the Acquisition comprising 85,000,002 CHB Shares.

In accordance with Paragraph 6(1)(a) of Part II of the Malaysian Code on Take- Overs and Mergers, 1998 ("Code"), the CSB Vendors are obliged to undertake a mandatory general offer for all the remaining CHB Shares not already held by them upon completion of the Acquisition. The holders of the remaining two (2) CHB Shares not held by the CSB Vendors after the Acquisition had given an undertaking that they would not accept the said general offer.

Premised on the above, the CSB Vendors sought an exemption from undertaking a mandatory general offer for all the remaining CHB Shares not already held by them upon completion of the Acquisition under Practice Note 2.9.6 of the Code.

### c) Scheme of Arrangement with Creditors

The Scheme of Arrangement with Creditors entailed the settlement of PPAB's liabilities through the issuance of 4,000,000 new CHB Shares and 16,000,000 ICPS at an issue price of RM1.00 each.

# notes to the financial statements

for the financial period from 13 October 2004  
(date of incorporation) to 31 December 2005

## 37. SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD (Cont'd)

### d) Scheme of Arrangement with Shareholders

PPAB has undertaken the following:-

- (i) reduction of the existing issued and paid-up share capital of PPAB of RM128,578,004 comprising 128,578,004 ordinary shares of RM1.00 each ("PPAB Shares") to RM6,428,900 comprising 128,578,004 ordinary shares of approximately RM0.05 each ("Reduction");
- (ii) consolidation of the 128,578,004 ordinary shares of approximately RM0.05 each in PPAB into 6,428,900 PPAB Shares ("Consolidation");
- (iii) cancellation of the entire issued and paid-up share capital of PPAB of RM6,428,900 comprising 6,428,900 PPAB Shares, resulting in a credit reserve of RM6,428,900 arising in the financial statements of PPAB ("Cancellation");
- (iv) in consideration for the Cancellation, CHB allotted and issued to the shareholders of PPAB 6,428,900 ordinary shares of RM1.00 each in CHB ("CHB Shares") at par, credited as fully paid-up on the basis of one (1) CHB Share for every one (1) PPAB Share held after the Consolidation; and
- (v) forthwith and contingent upon the Cancellation, PPAB applied an amount of RM6,428,900 out of the credit reserve arising in paying in full at par 6,428,900 PPAB Shares which has been allotted and issued, credited as fully paid-up to CHB.

The Scheme of Arrangement with Shareholders was effected pursuant to Sections 64 and 176 of the Malaysian Companies Act, 1965 ("Act").

### e) Restricted Issue

In order to meet the public spread requirement of Bursa Malaysia, CHB undertook a restricted issue of up to 25,000,000 new CHB Shares to Entitled Shareholders at an issue price of RM1.00 per share.

### f) Listing Transfer

The entire issued and paid-up share capital of PPAB was de-listed from the Official List of the Main Board of Bursa Malaysia and CHB was admitted to the Official List of the Main Board of Bursa Malaysia with the listing of its entire enlarged issued and paid-up share capital upon completion of the Restructuring Scheme.

### g) Disposal/Liquidation of PPAB

Upon the completion of the Acquisition, Exemption, Scheme of Arrangement with Creditors, Scheme of Arrangement with Shareholders, Restricted Issue and Listing Transfer, CHB undertook a disposal of the entire issued and paid-up share capital of PPAB comprising 6,428,900 PPAB Shares to Pacific Stage Sdn. Bhd.. This was to facilitate the disposal, winding-up and/or liquidation of PPAB and its subsidiaries. The amount recovered net of recovery expenses, if any, will be set aside for distribution to the prescribed creditors of PPAB ("Scheme Creditors") on a pro-rata basis based on the net liabilities to be settled under the Scheme of Arrangement with Creditors.

On 30 December 2005, the Company was admitted to the Official List of the Main Board of Bursa Malaysia with the listing of its entire enlarged issued and paid-up share capital.

notes to the financial statements

for the financial period from 13 October 2004  
(date of incorporation) to 31 December 2005

38. SIGNIFICANT EVENT SUBSEQUENT TO THE BALANCE SHEET DATE

Subsequent to the balance sheet date, the Company incorporated a wholly-owned subsidiary with an authorised share capital of RM2,500,000 comprising 2,500,000 ordinary shares of RM1.00 each and a paid-up share capital of RM2.00 comprising 2 ordinary shares of RM1.00 each.

39. NUMBER OF EMPLOYEES

	At 31.12.2005	
	THE GROUP	THE COMPANY
Number of employees at the balance sheet date	70	-

40. FOREIGN EXCHANGE RATES

The principal closing foreign exchange rates used (expressed on the basis of one unit of foreign currency to RM equivalent) for the translation of foreign currency balances at the balance sheet date are as follows:-

	THE GROUP/ THE COMPANY
	At 31.12.2005 RM
Singapore Dollar	2.27
United States Dollar	3.78

# notes to the financial statements

for the financial period from 13 October 2004  
(date of incorporation) to 31 December 2005

## 41. SEGMENTAL REPORTING

31.12.2005	Malaysia RM'000	Singapore RM'000	Total RM'000
REVENUE			
External sales	57,633	3,817	61,450
Inter-segment sales	(578)	(57)	(635)
TOTAL	57,055	3,760	60,815
RESULT			
Segment profit	1,153	150	1,303
Finance costs			(102)
Profit before taxation			1,201
Taxation			(1,843)
Loss after taxation			(642)
OTHER INFORMATION			
Segment assets #	236,403	5,918	242,321
Segment liabilities *	26,929	2,602	29,531
Capital expenditure	210	4	214
Depreciation	72	4	76

# - Segment assets comprise total current and non-current assets.

\* - Segment liabilities comprise total current and long term liabilities.

# notes to the financial statements

for the financial period from 13 October 2004  
(date of incorporation) to 31 December 2005

## 42. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced sale or liquidation.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

### (a) Investments In Subsidiaries

It is not practicable to determine the fair values because of the lack of quoted market prices and the assumptions used in valuation models to value the investments cannot be reasonably determined.

### (b) Cash And Cash Equivalents And Short Term Receivables

The carrying amounts approximated their fair values due to the relatively short term maturity of these investments.

### (c) Short Term Borrowings And Other Current Liabilities

The carrying amounts approximated their fair values because of the short period to maturity of these instruments.

### (d) Hire Purchase Obligations

The carrying amounts approximate the fair values of the instruments. The fair value of hire purchase payables are determined by discounting the relevant cash flows using current interest rates for similar types of instruments.

### (e) Amount Owing To A Subsidiary And A Director

It is not practicable to estimate the fair values of the amounts owing to a subsidiary and a director due principally to the lack of fixed repayment terms. However, the Company does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be settled.

## 43. COMPARATIVE FIGURES

No comparative figures are presented for the Group and the Company as this is the first set of financial statements prepared by the Company since incorporation.

list of properties

of the group  
as at 31 December 2005

Location	Description	Date of Acquisition / Date of Valuation	Gross Floor Area (square feet)	Tenure	Age of Buildings (years)	Net Book Value 2005 (RM)
1. Nos. 3-1 to 3-5, Jalan PJU 1/ 41, Dataran Prima, Petaling Jaya, Selangor Darul Ehsan.	Five (5) Strata shop / office Units	30 Dec1999 13 Oct 2004	No. 3-1: 1,542 No. 3-2: 1,735 No. 3-3: 1,735 No. 3-4: 1,735 No. 3-5: 1,735  8,482	Freehold	6	2,060,000
2. No. 31-2, Jalan PJU 1/ 39, Dataran Prima, Petaling Jaya, Selangor Darul Ehsan.	One (1) Strata shop / office Unit	9 Aug 2004 13 Oct 2004	No.31-2: 1,735	Freehold	4	350,000
3. No. 46, Jalan PJU 1/ 43, Aman Suria Damansara, Petaling Jaya, Selangor Darul Ehsan.	1 unit of 3-storey end terrace shop / office	23 Aug 2002 13 Oct 2004	PT 832: 4,950	Freehold	2	1,400,000
4. No. 42 A, Jalan PJU 1/ 43, Aman Suria Damansara, Petaling Jaya, Selangor Darul Ehsan.	1 unit of 3-storey intermediate terrace shop / office	23 Aug 2002 13 Oct 2004	PT 833: 4,950	Freehold	2	1,300,000
5. Lot No. F-05, HS(D) 78235 PT No. 3862 Mukim of Damansara, District of Petaling Jaya, Selangor Darul Ehsan.	3-storey shop office (under construction)	17 Sep 2004	Land Area (square meter) 186	Freehold	-	1,390,000 (purchase price)
6. Lot No. C-03 HS(D) 78294 PT No. 3923 Mukim of Damansara, District of Petaling Jaya, Selangor Darul Ehsan.	3-storey shop office (under construction)	20 Sep 2004	Land Area (square meter) 186	Freehold	-	1,480,000 (purchase price)

# analysis of shareholdings

as at 3 April 2006

## SHAREHOLDINGS STRUCTURE

<b>Authorised Capital</b>	: RM350,000,000.00 divided into
	- 340,000,000 Ordinary Shares of RM1.00 each
	- 100,000,000 Irredeemable Convertible Preference Shares of RM0.10 each
<b>Issued and fully paid up capital</b>	: RM129,728,902.00 divided into
	- 120,428,902 Ordinary Shares of RM1.00 each
	- 93,000,000 Irredeemable Convertible Preference Shares of RM0.10 each
<b>Class of shares</b>	: Ordinary Shares of RM1.00 each
	Irredeemable Convertible Preference Shares of RM0.10 each

## ANALYSIS OF SHAREHOLDINGS OF ORDINARY SHARES OF RM1.00 EACH

**Voting Rights by show of hand** : One vote for every shareholder

**Voting Rights by poll** : One vote for every ordinary share held

<u>Size of shareholdings</u>	<u>No. of shareholders</u>	<u>%</u>	<u>No. of shareholdings</u>	<u>%</u>
1 - 99	1,550	23.02	76,840	0.06
100 -1,000	3,602	53.51	1,147,885	0.95
1,001 - 10,000	1,186	17.62	4,775,007	3.97
10,001 - 100,000	330	4.90	11,313,445	9.39
100,001 - 6,021,444	60	0.89	38,015,724	31.57
(less than 5% of issued shares)				
6,021,445	4	0.06	65,100,001	54.06
(5% of issued shares) and above				
	<u>6,732</u>	<u>100.00</u>	<u>120,428,902</u>	<u>100.00</u>

## THIRTY LARGEST SHAREHOLDERS FOR ORDINARY SHARES OF RM1.00 EACH

<u>No.</u>	<u>Name</u>	<u>No. of Shares Held</u>	<u>%</u>
1	Goh Kheng Peow	35,000,001	29.063
2	A.A. Assets Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Kheng Peow	15,000,000	12.455
3	Tan Ngaip Soon	9,000,000	7.473
4	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Kheng Peow	6,100,000	5.065
5	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Kheng Peow	5,568,200	4.624
6	A.A. Assets Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Asmat Bin Kamaludin	5,000,000	4.152
7	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for See Thoo Chan	3,900,000	3.238

## analysis of

## shareholdings

as at 3 April 2006

8	Loke Mei Ping	2,146,400	1.782
9	M & A Nominee (Tempatan) Sdn Bhd	2,000,000	1.661
	Pledged Securities Account for Goh Kheng Peow		
10	RHB Nominees (Tempatan) Sdn Bhd	1,500,000	1.246
	Pledged Securities Account for See Thoo Chan		
11	George Chee Tat Min	1,306,100	1.085
12	Amsec Nominees (Tempatan) Sdn Bhd	1,000,000	0.830
	Pledged Securities Account for Goh Kheng Peow		
13	Malacca Equity Nominees (Tempatan) Sdn Bhd	1,000,000	0.830
	Pledged Securities Account for See Thoo Chan		
14	Malacca Equity Nominees (Tempatan) Sdn Bhd	1,000,000	0.830
	Pledged Securities Account for Goh Kheng Peow		
15	Kenanga Nominees (Tempatan) Sdn Bhd	900,000	0.747
	Pledged Securities Account for Tiong Thai King		
16	Jon-Matthew Investment Holdings (L) Inc	836,200	0.694
17	Low Geok Eng	610,000	0.507
18	Kenanga Nominees (Tempatan) Sdn Bhd	566,500	0.470
	Pledged Securities Account for George Toh Kin Siang		
19	Loke Mei Ling	547,400	0.455
20	Kenanga Nominees (Tempatan) Sdn Bhd	529,100	0.439
	Pledged Securities Account for Kuek Hann Yih		
21	Public Nominees (Tempatan) Sdn Bhd	525,000	0.436
	Pledged Securities Account for Ngu Meng Kui		
22	HSBC Nominees (Tempatan) Sdn Bhd	459,274	0.381
	HSBC LBU for Datuk Dr Philip Ling Lee Kang		
23	John Thong Sing Keong	414,000	0.344
24	Kenanga Nominees (Tempatan) Sdn Bhd	410,000	0.340
	Pledged Securities Account for Lau Ngie Yung		
25	Low Han Pial	400,000	0.332
26	Soh Weng Thiam	400,000	0.332
27	Alliancegroup Nominees (Tempatan) Sdn Bhd	390,000	0.324
	Pledged Securities Account for Goh Tian Chuan		
28	Malaysia Nominees (Tempatan) Sendirian Berhad	353,000	0.293
	Pledged Securities Account for Yong Kah Chin		
29	PM Nominees (Tempatan) Sdn Bhd	320,000	0.266
	For Dorothy Ng Siew May		
30	Lim Ting Chai	313,300	0.260
<b>TOTAL</b>		<b>97,494,475</b>	<b>80.956</b>



analysis of shareholdings  
as at 3 April 2006

LIST OF SUBSTANTIAL SHAREHOLDERS

The substantial shareholders of the ordinary shares of RM1.00 each as per the Register of Substantial Shareholders:

<u>No.</u>	<u>Name</u>	<u>Direct</u>		<u>Indirect</u>	
		<u>No. of Shares Held</u>	<u>%</u>	<u>No. of Shares Held</u>	<u>%</u>
1	Goh Kheng Peow	65,668,201	54.53	*6,400,000	5.31
2	See Thoo Chan	6,400,000	5.31	**65,668,201	54.53
3	Tan Ngaip Soon	9,000,000	7.47	-	-

Notes:

\* Deemed interest by virtue of his relationship with Ms. See Thoo Chan, his spouse.

\*\* Deemed interest by virtue of her relationship with Mr. Goh Kheng Peow, her spouse.

LIST OF DIRECTORS' SHAREHOLDINGS

The Directors' shareholdings of the ordinary shares of RM1.00 each as per the Register of Directors' Shareholdings:

<u>Name</u>	<u>Direct</u>		<u>Indirect</u>	
	<u>No. of Share Held</u>	<u>%</u>	<u>No. of Share Held</u>	<u>%</u>
Tan Sri Datuk Asmat bin Kamaludin	5,000,000	4.15	-	-
Goh Kheng Peow	65,668,201	54.53	*6,400,000	5.31
Tan Ngaip Soon	9,000,000	7.47	-	-
Goh Tai Wai-	-	**20,000	0.02	-
Mohamed Fauzi bin Omar	-	-	-	-
Tan Yip Chian	1	0.00	-	-

Notes:

\* Deemed interest by virtue of his relationship with Ms See Thoo Chan, his spouse.

\*\* Deemed interest by virtue of the shareholdings of Ms Fong Yin Sien, his spouse.

# analysis of

## shareholdings

as at 3 April 2006

### ANALYSIS OF SHAREHOLDINGS OF IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES ("ICPS") OF RM0.10 EACH (THE ICPS ARE NOT LISTED ON THE BURSA MALAYSIA SECURITIES BERHAD)

**Voting Rights by show of hand** : One vote for every ICPS holder

**Voting Rights by poll** : One vote for every ICPS share held

<u>Size of shareholdings</u>	<u>No. of shareholders</u>	<u>%</u>	<u>No. of shareholdings</u>	<u>%</u>
1 - 99	0	0.00	0	0.00
100 -1,000	0	0.00	0	0.00
1,001 - 10,000	0	0.00	0	0.00
10,001 - 100,000	0	0.00	0	0.00
100,001 - 4,649,999	4	57.14	8,158,000	8.77
(less than 5% of issued shares)				
4,650,000	3	42.86	84,842,000	91.23
(5% of issued shares) and above				
	7	100.00	93,000,000	100.00

#### SHAREHOLDERS FOR ICPS

<u>No.</u>	<u>Name</u>	<u>No. of Shares Held</u>	<u>%</u>
1	Goh Kheng Peow	61,600,000	66.236
2	Tan Ngaip Soon	15,400,000	16.559
3	Lau Kueng Chai	7,842,000	8.432
4	RHB Capital Nominees (Tempatan) Sdn Bhd	4,621,000	4.969
5	Standard Chartered Bank Malaysia Berhad	1,976,000	2.125
6	Public Bank Berhad	978,000	1.052
7	EB Nominees (Tempatan) Sdn Bhd	583,000	0.627
<b>Total</b>		<b>93,000,000</b>	<b>100.00</b>

#### LIST OF DIRECTORS' SHAREHOLDINGS

The Directors' shareholdings of the ICPS of RM0.10 each as per the Register of Directors' Shareholdings:-

<u>Name</u>	<u>Direct</u>		<u>Indirect</u>	
	<u>No. of Shares Held</u>	<u>%</u>	<u>No. of Shares Held</u>	<u>%</u>
Tan Sri Datuk Asmat bin Kamaludin	-	-	-	-
Goh Kheng Peow	61,600,000	66.24	-	-
Tan Ngaip Soon	15,400,000	16.56	-	-
Goh Tai Wai	-	-	-	-
Mohamed Fauzi bin Omar	-	-	-	-
Tan Yip Chian	-	-	-	-

additional compliance information

The following is presented in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad:-

- 1)

Utilisation of Proceeds raised from Corporate Proposal

As at 31 December 2005, the proceeds of RM 25 million raised by the Company from its floatation exercise have been utilised as follows:-

	RM '000
Repayment of Banker's Acceptance	6,500
Working Capital	18,500
	<hr/>
	25,000
- 2)

Share Buybacks

There were no share buybacks or cancellation or resale of treasury shares during the financial year under review.
- 3)

Option, Warrants or Convertible Securities

There were no option, warrants or convertible securities exercised during the financial period under review.
- 4)

American Depository Receipt ("ADR") or Global Depository Receipt ("GDR")

The company did not sponsor any ADR or GDR programme during the financial period under review.
- 5)

Sanctions and/or Penalties Imposed

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory authorities during the financial period under review.
- 6)

Non-audit Fees

For the financial period under review, non-audit fees paid by the Company to the external Auditors, Messrs. Horwath were RM 17,500.
- 7)

Profit Guarantee

There were no profit guarantees given by the Company or its subsidiaries during the financial period under review.
- 8)

Material Contract Involving Directors and Substantial Shareholders Entered During The Financial Period Ended 31 December 2005

1.

Underwriting agreement dated 9 November 2005 entered into between the Company, Goh Kheng Peow, Tan Ngaip Soon and Avenue Securities Sdn Bhd (682-X) (as Underwriter) for the underwriting of 25,000,000 new CHB shares to be issued pursuant to the Restricted Issue for an underwriting commission of 2% of the issue price per share.
- 9)

Revaluation of Landed Properties

The Group has a revaluation policy to appraise the freehold land and buildings, which are classified as property periodically, at least once in every five years. The net increase arising from revaluation of the property, if adjusted, is credited to a revaluation reserve. On the other hand, a net decrease, to the extent that it is not supported by any previous revaluation is charged to income statements. Revaluation surplus relating to disposed property during the year is transferred from the revaluation reserve to the retained earnings.

additional

compliance information

10) Variation in Results

**Explanation On the Variation of more than 10% of the Unaudited Results of the Group for the financial period ended 31 December 2005 and the Consolidated Profit Estimate of the Group as stated in the Prospectus dated 23 November 2005**

Proforma and Forecast Income Statement – A Comparison for the financial period ended 31 December 2005

	Proforma # RM'000	Estimated RM'000	Variance RM'000	%
Revenue	450,252	565,514	(115,262)	(20.38)
Other operating income	29,045	10,145	18,900	186.30
Operating expenses	(453,463)	(550,442)	(96,979)	(17.62)
Profit from operations	25,834	25,217	617	2.45
Finance costs	(343)	(266)	77	28.95
Profit before taxation	25,491	24,951	540	2.16
Taxation	(7,189)	(6,932)	257	3.71
Profit after taxation	18,302	18,019	283	1.57
Pre-acquisition profit	(18,944)	(12,356)	(6,588)	53.32
(Loss)/Profit attributable to shareholders	(642)	5,663	(6,305)	(111.34)

# - The proforma results of the Group incorporating the results of Compugates Sdn Bhd ("CSB"), to show the effects of the acquisition of CSB had the acquisition been implemented and completed on 1 January 2005.

The differences between the proforma and the estimated results (as per prospectus of the Company dated 23 November 2005) for the period ended 31 December 2005 are summarised in the above table and the explanation for those items registering more than 10% variance are provided below:-

- i) **Revenue**  
The lower than estimated revenue was mainly due to the restriction in the supply of prepaid cards by a telco and the forecasted sales of Time Kontakt STD/IDD prepaid cards, IDD call cards and bundling products which did not materialise.
- ii) **Other operating income**  
Other operating income comprised mainly sales incentives and rebates. The increase in other operating income was mainly due to the recognition of additional rebates given by telcos and suppliers during the financial period.

additional compliance information

- iii) **Operating expenses**  
Operating expenses comprised mainly cost of sales. The significant reduction in revenue resulted in a corresponding decline in cost of sales and other variable operating expenses.
- iv) **Finance costs**  
The increase in finance costs was mainly due to the utilisation of additional Bankers' Acceptance facility.
- v) **Pre-acquisition profit**  
The higher pre-acquisition profit was mainly due to better results in the first three (3) quarters of the financial period compared to the 4th quarter. The results from 1 January 2005 to 24 October 2005 has been included as pre-acquisition profit.
- vi) **(Loss)/Profit attributable to shareholders**  
The loss attributable to shareholders was due to lower sales of prepaid cards after the acquisition date i.e. 25 October 2005

## notice of annual general meeting

NOTICE IS HEREBY GIVEN THAT the First Annual General Meeting of **Compugates Holdings Berhad** (669287-H) will be held at Bukit Kiara Resort Berhad, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Wednesday, 31 May 2006 at 10.00 a.m., for the purpose of considering the following businesses:

### AGENDA

#### Ordinary Business

- |  |                              |
|--|------------------------------|
| 1. To receive and adopt the Audited Financial Statements for the period from 13 October 2004 to 31 December 2005 together with the Reports of the Directors and the Auditors thereon.          | <i>Ordinary Resolution 1</i> |
| 2. To approve the payment of Directors' fees of RM45,346.00 for the period from 13 October 2004 to 31 December 2005.   | <i>Ordinary Resolution 2</i> |
| 3. To re-elect the following Directors who are retiring by rotation pursuant to Article 131 of the Company's Articles of Association, and being eligible, offering themselves for re-election: |                              |
| (i) Tan Sri Datuk Asmat Bin Kamaludin  | <i>Ordinary Resolution 3</i> |
| (ii) Goh Kheng Peow  | <i>Ordinary Resolution 4</i> |
| (iii) Tan Ngaip Soon   | <i>Ordinary Resolution 5</i> |
| (iv) Goh Tai Wai   | <i>Ordinary Resolution 6</i> |
| (v) Mohamed Fauzi Bin Omar   | <i>Ordinary Resolution 7</i> |
| 4. To re-elect Tan Yip Chian, the Director who is retiring by rotation pursuant to Article 126 of the Company's Articles of Association, and being eligible, offering himself for re-election. | <i>Ordinary Resolution 8</i> |
| 5. To re-appoint Messrs Horwath as Auditors of the Company and to authorise the Directors to fix their remuneration.   | <i>Ordinary Resolution 9</i> |

#### Special Business

To consider and if thought fit, pass the following ordinary resolutions:

6. **Proposed Shareholders' Ratification for Recurrent Related Party Transactions of a Revenue or Trading Nature entered into by Southall Sdn Bhd and Beausoft Sdn Bhd from 30 December 2005 up to and including the date of the Annual General Meeting**

"THAT those Recurrent Related Party Transactions of a revenue or trading nature which have been entered into between the Compugates Holdings Berhad Group ("CHB Group") and Southall Sdn Bhd and Beausoft Sdn Bhd as detailed in Section 2.3 of the Circular to Shareholders dated 8 May 2006 for the period from 30 December 2005 up to and including the date of the Annual General Meeting, which were necessary for the day to day operations of the CHB Group and which were conducted in the ordinary course of business on terms which are not more favourable to the Related Parties than those generally available to the public and on terms not to the detriment of the shareholders, be and are hereby ratified and approved."

*Ordinary Resolution 10*

## notice of annual general meeting

### 7. Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Southall Sdn Bhd and Beausoft Sdn Bhd

"THAT subject always to the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Compugates Holdings Berhad Group is hereby mandated to enter into Recurrent Related Party Transactions with Southall Sdn Bhd and Beausoft Sdn Bhd as detailed in Section 2.3 of the Circular to Shareholders dated 8 May 2006, subject to the following:

- (i) The Recurrent Related Party Transactions are in the ordinary course of business which are necessary for the day to day operations which are not more favourable than those generally available to the public and are made on arm's length basis and on normal commercial terms not to the detriment of shareholders;
- (ii) Disclosure be made in the annual report on the recurrent related party transactions conducted pursuant to the shareholders' mandate during the year, in the manner required under the Listing Requirements of Bursa Securities and based on the type of Recurrent Related Party Transactions made and the related parties involved;
- (iii) THAT the shareholders' mandate shall continue in force until:
  - (a) the conclusion of the next Annual General Meeting of the Company following the Annual General Meeting at which the Proposed Shareholders' Mandate for the recurrent related party transactions is approved, at which time it will lapse, unless by a resolution passed at the Annual General Meeting, the mandate is again renewed;
  - (b) the expiration of the period within which the next Annual General Meeting of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or
  - (c) revoked or varied by resolution passed by shareholders in general meeting; whichever is the earlier; and
- (iv) THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things necessary (including such documents as may be required) to give effect to the transactions contemplated and/or authorised by this Resolution." *Ordinary Resolution 11*

### 8. Authority to issue and allot shares pursuant to Section 132D of the Companies Act, 1965

"THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued does not exceed ten percentum (10%) of the issued capital of the Company at the time of issue and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued, subject to the Companies Act, 1965, the Articles of Association of the Company and approval from the Bursa Malaysia Securities Berhad and other relevant bodies where such approval is necessary."

*Ordinary Resolution 12*

BY ORDER OF THE BOARD

MAH LI CHEN (MAICSA 7022751)  
KIM YI HWA (MAICSA 7029686)  
Company Secretaries

Kuala Lumpur  
8 May 2006

COMPUGATES™

## notice of annual general meeting

### Notes :

1. Every member entitled to attend and vote at the meeting is entitled to appoint proxies to attend and vote for him/her. A proxy may but need not be a member of the Company. If the proxy is not a member, the proxy need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.
2. A member may appoint up to two (2) proxies to attend and vote at the meeting. If a member appoints more than one (1) proxy, the appointments shall be invalid unless he/she specifies the proportions of his holding to be represented by each proxy.
3. The instrument appointing a proxy shall be in writing, executed by or on behalf of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at C15-1, Level 15, Tower C, Megan Avenue II, 12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur at least forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.
5. Explanatory Notes on Special Business

(a) **Proposed Shareholders' Ratification for Recurrent Related Party Transactions of a Revenue or Trading Nature entered into by Southall Sdn Bhd and Beausoft Sdn Bhd from 30 December 2005 up to and including the date of the Annual General Meeting**

The ratification of Recurrent Related Party Transactions under Ordinary Resolution 10 is intended to ratify the transactions which were carried out in the normal course of business of Compugates Holdings Berhad Group with the related parties, which are on arm's length basis and on normal commercial terms and which are not detrimental to the minority shareholders of the Company for the period from 30 December 2005 up to and including the date of the Annual General Meeting.

Detailed information on the Proposed Shareholders' Ratification for Recurrent Related Party Transactions of a Revenue or Trading Nature is set out in the Circular to Shareholder dated 8 May 2006 which is despatched together with this Annual Report.

(b) **Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Southall Sdn Bhd and Beausoft Sdn Bhd**

The Shareholders' Mandate under Ordinary Resolution 11 is intended to facilitate transactions in the normal course of business of the Compugates Holdings Berhad Group which are transacted from time to time with the Related Parties, provided such transactions are undertaken in the ordinary course of business, on arm's length basis and on normal commercial terms which are not detrimental to the minority shareholders of the Company.

By obtaining the Shareholders' Mandate on an annual basis, the necessity to convene separate general meetings from time to time to seek shareholders' approval as and when such Recurrent Related Party Transactions occur would not arise. This would reduce substantial administrative time, inconvenience and expenses associated with the convening of such meetings.

Detailed information on the Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature is set out in the Circular to Shareholder dated 8 May 2006 which is despatched together with this Annual Report.

(c) **Authority to issue and allot shares pursuant to Section 132D of the Companies Act, 1965**

The proposed Ordinary Resolution 12, if passed, will give flexibility to the Directors of the Company to issue shares and allot up to a maximum of ten percentum (10%) of the issued share capital of the Company at the time of such allotment and issuance of shares and for such purposes as they consider would be in the best interest of the Company without having to convene separate general meetings. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.



## notice of annual general meeting

### STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. Directors who are standing for re-election at the First Annual General Meeting of the Company to be held at Bukit Kiara Resort Berhad, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Wednesday, 31 May 2006 at 10.00 a.m. are as follows:

- (i) Tan Sri Datuk Asmat Bin Kamaludin
- (ii) Goh Kheng Peow
- (iii) Tan Ngaip Soon
- (iv) Goh Tai Wai
- (v) Mohamed Fauzi Bin Omar
- (vi) Tan Yip Chian

Further details of the Directors standing for re-election are set out in the Directors' Profile appearing on pages 8 to 10 of the Annual Report.

2. During the financial year ended 31 December 2005, one (1) Board meeting was held. Details of attendance of each Director are set out in the Statement on Corporate Governance appearing on page 11 to 15 of this Annual Report.



# FORM OF PROXY

**COMPUGATES™**  
COMPUGATES HOLDINGS BERHAD (669287-H)  
(Incorporated in Malaysia)

I/We.....  
of.....  
being a Shareholder of COMPUGATES HOLDINGS BERHAD (669287-H) hereby appoints \*THE CHAIRMAN OF THE MEETING or failing him/her

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings (%)
1.			
*And/or (delete as appropriate)			
2.			

as my/our proxy/proxies, to vote for me/us on my/our behalf at the First Annual General Meeting of Compugates Holdings Berhad to be held at Bukit Kiara Resort Berhad, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Wednesday, 31 May 2006 at 10.00 a.m. or at any adjournment thereof.

\* If you wish to appoint other person/persons to be your proxy/proxies, kindly delete the words "The Chairman of the Meeting or failing him" and insert the name/names of the person/persons desired.

My/our proxy/proxies is/are to vote as indicated below:

No.	Resolutions	For	Against
	<b>Ordinary Business</b>		
1.	Adoption of Audited Financial Statements for the period from 13 October 2004 to 31 December 2005		
2.	Approval of Directors' Fees		
3.	Re-election of Tan Sri Datuk Asmat bin Kamaludin as Director		
4.	Re-election of Goh Kheng Peow as Director		
5.	Re-election of Tan Ngaip Soon as Director		
6.	Re-election of Goh Tai Wai as Director		
7.	Re-election of Mohamed Fauzi bin Omar as Director		
8.	Re-election of Tan Yip Chian as Director		
9.	Re-appointment of Messrs Horwath as Auditors		
	<b>Special Business</b>		
10.	Ratification of the Recurrent Related Party Transactions of A Revenue or Trading Nature		
11.	Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
12.	Authority to Issue and Allot Shares Pursuant to Section 132D of the Companies Act, 1965		

(Please indicate with a cross (X) in the space provided, how you wish your vote to be cast in respect of the above resolutions. If you do not do so, the proxy may vote or abstain at his/her discretion.)

Number of shares held	
-----------------------	--

.....  
Signature/Common Seal of Shareholder

Signed this ..... day of ..... 2006

- Notes :
- Every member entitled to attend and vote at the meeting is entitled to appoint proxies to attend and vote for him/her. A proxy may but need not be a member of the Company. If the proxy is not a member, the proxy need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.
  - A member may appoint up to two (2) proxies to attend and vote at the meeting. If a member appoints more than one (1) proxy, the appointments shall be invalid unless he/she specifies the proportions of his/her holding to be represented by each proxy.
  - The instrument appointing a proxy shall be in writing, executed by or on behalf of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
  - The instrument appointing a proxy must be deposited at the Registered Office of the Company at C15-1, Level 15, Tower C, Megan Avenue II, 12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur at least forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

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AFFIX STAMP  
HERE

The Company Secretary  
**COMPUGATES HOLDINGS BERHAD** (669287-H)  
C15-1, Level 15 Tower C  
Megan Avenue II  
12, Jalan Yap Kwan Seng  
50450 Kuala Lumpur

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