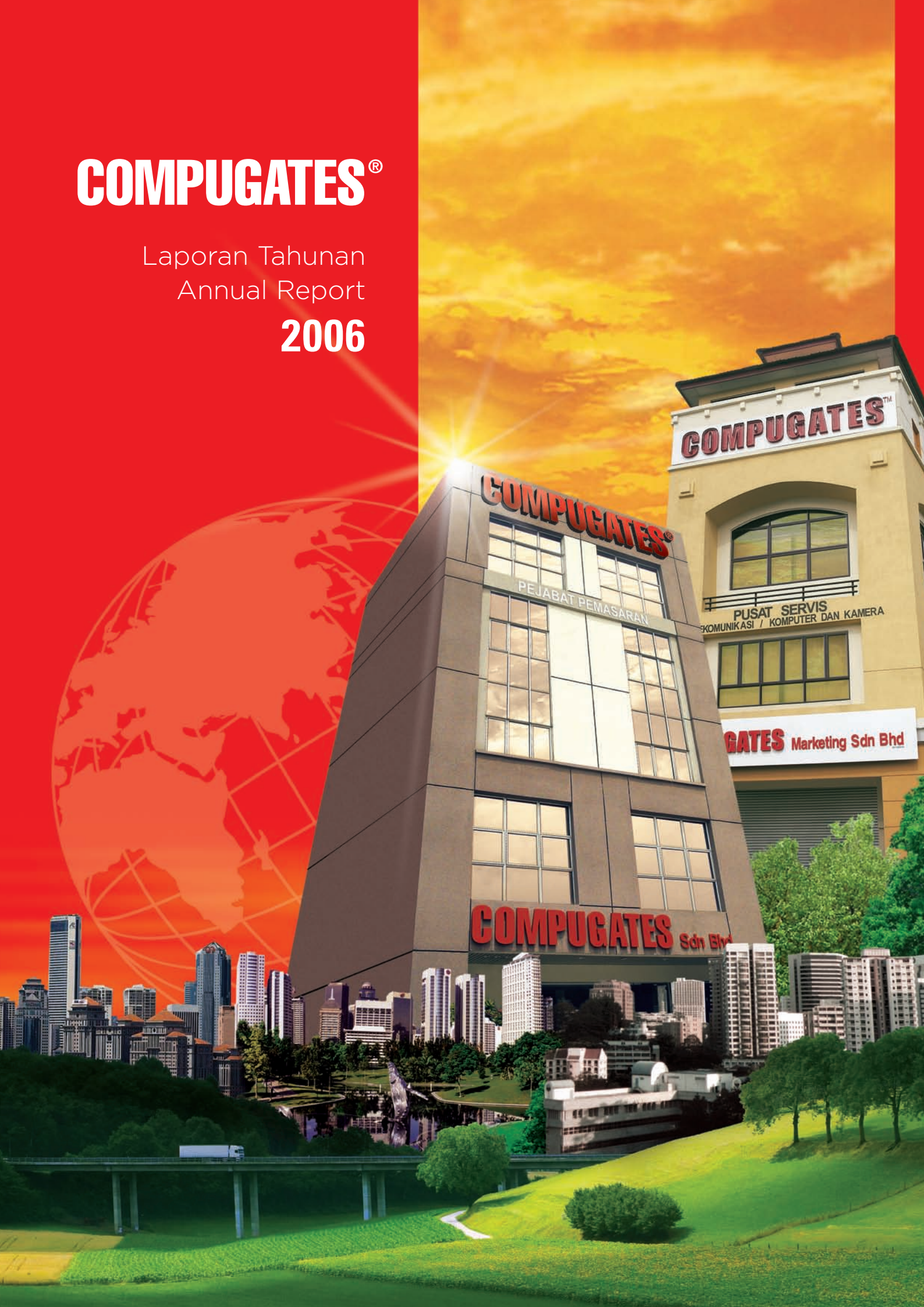


COMPUGATES®

Laporan Tahunan
Annual Report
2006



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COMPUGATES®
Your Nationwide Distribution Partner

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

Mobile / Prepaid Solutions		STD & IDD	
Office Solutions	Canon	Panasonic	PHILIPS
Imaging Solutions	Kodak		



Customer Care Centre To Provide Top Quality Services

Our commitment goes beyond delivering top quality products with the recent establishment of our 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.



our philosophy

awards and recognition



COMPUGATES®
Your Nationwide Distribution Partner



**Panasonic Top 20
Business Partner
2002**



**Panasonic Top 20
Business Partner
2003**



**Panasonic Top 20
Business Partner
2004**



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



**Panasonic Top Achiever
for Dot Matrix Printer
2006**



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



**Canon Top
Distributor Award
2002/2003**



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



**Canon
Silver Award
2003/2004**



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



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



**Panasonic Certificate
Of Excellence
2004**



**Canon National No.1
(Ink-jet consumable
category) Distributor
2004/2005**



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



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



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



**Philips Consumer Electronics
Million Ringgit Award
2005**



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



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



Tan Sri Datuk Asmat Bin Kamaludin

“To our valued shareholders and stakeholders, on behalf of the Board of Directors, I have great pleasure in presenting the Annual Report and Audited Financial Statements of Compugates Holdings Berhad and its Group of Companies for the financial year ended 31 December 2006.”

GROUP FINANCIAL PERFORMANCE REVIEW

In this second annual report as a listed Company, I have to report that the financial year ended 31 December 2006 was a year of potential achieved and potential unfulfilled.

In spite of the difficult and competitive environment encountered in the year under review and changes in the business focus and direction of key industries and suppliers contributing to the Company's core businesses, the Group continued to remain profitable although at a lower level. This was achieved through prudent and cost effective operational management that had been put in place.

For the financial year ended 31 December 2006, the Profit Before Tax achieved was RM1.966 million on turnover of RM440.644 million.

OPERATION REVIEW

In 2006, the local telecommunication industry faced various challenges – high competition among distributors and resellers characterized by lower profit margins, as well as enforced registration of pre-paid accounts that saw a sharp decrease in the number of pre-paid mobile phone users and raised the ‘churn’ rate. Thus, driving down sales and causing price fluctuation.

Our strategy of regional expansion continues as we have established various subsidiaries: Compugates International Sdn Bhd to carry on the trading, marketing and distribution of imaging, information technology and communication-based products overseas, Compugates International Ltd and Compugates International (BD) Ltd, for trading, marketing and distribution of imaging, information technology and communication-based products; and Compugates International (Bangladesh) Ltd for the distribution of telecommunication products and management agent of franchises. Opportunities to lay foundations in a market that is in its infancy are few and the Group has moved quickly to establish itself there. The addition of these subsidiaries is expected to be important building blocks that will enhance the Group's performance, without impacting our on-going operations in Malaysia and Singapore.

The Group continues to negotiate for more distribution rights of international and local brands in Malaysia and overseas markets to complement the current line-up. As always, our focus in selecting principals will be determined by profitability and ‘best-fit’ in each market.

Controlling functions will be increasingly stringent with an emphasis on productivity and cost efficiency towards raising profitability.



CORPORATE DEVELOPMENT

During the year under review:

Mr. Goh Tai Wai, a Non-Independent Non-Executive Director, was re-designated as an Executive Director of the Group.

Our business partner, Panasonic Malaysia Sdn. Bhd., in recognition of our sales achievement in Dot Matrix Printer category, awarded Top Achiever Award to the Group.

A Customer Care Centre was established and this will be an added source of revenue contributor to the Group.

PROSPECTS

The general economy of the country is moving forward at a healthy pace assisted by various economic measures adopted by the Government. GDP for 2007 is expected to grow by over 6% and consumers spending are expected to increase.

With the positive business environment, the Group's performance in 2007 is optimistic as we will continue to focus on enhancing current operations while building on the foundations for growth that were laid in 2006.

We will continue to expand our presence into new markets beyond local shores with the aim of building new platforms for sustainable growth and profitability.

The year ahead will remain to be a competitive year with more competitions expecting to come on board. However, with strong brands, high quality products and extensive distribution networks, the Group will continue to strive for better performance in both our local and international markets. The Group is taking these challenges in stride.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to express my heartfelt appreciation to our customers, resellers, principals, business partners, suppliers, associates and shareholders for your continued support and confidence.

My appreciation also goes to the Board of Directors, the management and staff for your dedication, hard work and commitments shown over the past year.

I am optimistic and confident that with our concerted efforts, 2007 will be an exciting and fruitful year for the Group.

A handwritten signature in black ink, appearing to read 'Asmat Bin Kamaludin'.

Tan Sri Datuk Asmat Bin Kamaludin
Chairman



COMPUGATES HOLDINGS BERHAD

(669287-H)

COMPUGATES SDN BHD (100%)

(431833-W)

Trading, marketing and distribution of imaging, information technology and communication-based products.

COMPUGATES INTERNATIONAL SDN BHD (100%)

(721627-P)

Trading, marketing and distribution of imaging, information technology and communication-based products.

COMPUGATES MARKETING SDN BHD (100%)

(471289-H)

Trading, marketing and distribution of cellular phones and communication-based products.

COMPUGATES (S) PTE LTD (99.99%)

(200300859-G)

Distribution of calculators and digital cameras.

COMPUGATES INTERNATIONAL LTD (51%)

(BC No.1045449)

Trading, marketing and distribution of imaging, information technology and communication-based products.

COMPUGATES INTERNATIONAL (BD) LTD (80%)

(BC No.1045450)

Trading, marketing and distribution of imaging, information technology and communication-based products.

COMPUGATES INTERNATIONAL (BANGLADESH) LTD (98%)

(C-65386(2878)/07)

Distribution of telecommunication products and management agent of franchises.



BOARD OF DIRECTORS

Tan Sri Datuk Asmat Bin Kamaludin
Independent Non-Executive Chairman
Goh Kheng Peow
Managing Director
Goh Tai Wai
Executive Director
Mohamed Fauzi Bin Omar
Independent Non-Executive Director
Tan Yip Chian
Independent Non-Executive Director
See Thoo Chan
Non-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)
Lee Wai Kim (MAICSA 7036446)

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 Short Name : COMPUGT
Stock Code : 5037



TAN SRI DATUK ASMAT BIN KAMALUDIN

(Independent Non-Executive Chairman)

Tan Sri Datuk Asmat Bin Kamaludin, a Malaysian, aged 63, 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 our Company.

Tan Sri Datuk Asmat Bin Kamaludin holds a Bachelor of Arts degree 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 the Economic Counselor for Malaysia in Brussels and has worked with several international bodies such as the Association of South East Asian Nations (ASEAN), World Trade Organisation (WTO) and Asia-Pacific Economic Cooperation (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, Small and Medium Scale Industries Development Corporation (SMIDEC) and 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 of Carlsberg Brewery Malaysia 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.

GOH KHENG PEOW

(Managing Director)

Goh Kheng Peow, a Malaysian, aged 47, is the Managing Director of our Company. He was appointed to the Board of Directors on 8 November 2005. He is also a member of the Remuneration Committee of our Company.

He graduated from the University of Malaya with a Bachelor of Economics (Business Administration) in 1983 with honours. He has over twenty three (23) years of experience in sales and marketing line specialising in fast moving consumer products, office equipment, consumer electronics, medical equipment and telecommunication 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.



GOH TAI WAI

(Executive Director)

Goh Tai Wai, a Malaysian, aged 34, was appointed as a Non-Independent Non-Executive Director on 8 November 2005. He is also an Audit Committee member of our Company. He was re-designated as an Executive Director of our 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.

MOHAMED FAUZI BIN OMAR

(Independent Non-Executive Director)

Mohamed Fauzi Bin Omar, a Malaysian, aged 49, is the Independent Non-Executive Director of our Company. He was appointed to the Board on 8 November 2005. He is also a member of the Nomination Committee and Remuneration Committee of our 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 Chief Operating Officer. 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.



TAN YIP CHIAN

(Independent Non-Executive Director)

Tan Yip Chian, a Malaysian, aged 35, was appointed as a Director of our 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.

SEE THOO CHAN

(Non-Independent Non-Executive Director)

See Thoo Chan, a Malaysian, aged 45, was appointed as a Non-Independent Non-Executive Director of our Company on 21 March 2007.

She obtained her Higher School Certificate in 1980. She is a successful businesswoman having numerous years of experience in trading of telecommunication products. She is also a director of Southall Sdn Bhd and Beausoft Sdn Bhd, which are principally involved in the trading of cellular phones and accessories, mobile phone prepaid cards and telecommunication products.

Notes:

1) Family Relationship with Director and/or Substantial Shareholder

Goh Kheng Peow is related to two (2) members of the Board of Directors, namely See Thoo Chan (his spouse) who serves as a Non-Independent Non-Executive Director and a substantial shareholder of the Company and Goh Tai Wai (his nephew) who serves as an Executive Director.

Save as disclosed herein, none of the Directors has any family relationship with any other director and/or substantial shareholder of the Company.

2) Conflict of Interest

None of the Directors except for Goh Kheng Peow and See Thoo Chan has any conflict of interest with the Group.

Goh Kheng Peow and See Thoo Chan have no direct conflict of interest with the Group other than the recurrent related party transactions of a revenue or trading nature which are disclosed in page 75 of this Annual Report.

3) Conviction for Offences

None of the Directors has been convicted for offences within the past ten (10) years, other than traffic offences, if any.

4) Attendance of Board Meetings

Details of the Directors' attendance at Board meetings are set out in the Statement on Corporate Governance in page 12 of this Annual Report.



The Board of Directors of Compugates Holdings Berhad ("the Company") is committed to ensuring that high standards of corporate governance are maintained throughout the Company and its subsidiaries ("the Group"). Hence, the Board is continuously dedicated to evaluate the Group's corporate governance practices and procedures to ensure that the principles and best practices in corporate governance as promulgated by the Malaysian Code of Corporate Governance ("Code") are applied and adhered to in the interests of its stakeholders.

The Board is pleased to report that various affirmation steps have been implemented to apply the principles and comply with the best practices of the Code as advocated therein pursuant to the Listing Requirements ("LR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

BOARD OF DIRECTORS

1. THE BOARD

The Board is made up of Directors who have an extensive range of skills, experience and knowledge and who are overall accountable for the corporate governance and strategic direction of the Group and are entrusted to exercise reasonable and due care in employing the Company's resources in the best interests of its shareholders and to safeguard the Company's assets.

Three (3) Committees, namely the Audit Committee, the Nomination Committee and the Remuneration Committee have been formed to assist the Board in the deliberation of issues within their respective functions and terms of reference. These Committees, as entrusted by the Board, will discuss relevant issues and report to the Board with their recommendations. However, this does not absolve the Board's ultimate responsibility of decision-making.

2. COMPOSITION AND BOARD BALANCE

The Board currently has six (6) members, of whom two (2) are Executive Directors, three (3) are Independent Non-Executive Directors and one (1) is Non-Independent Non-Executive Director. 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 current composition of the Board complies with the LR.

Although all Directors have an equal responsibility for the Group's operations, the role of the Independent Non-Executive Directors is particularly important in ensuring that the strategies proposed by the executive management are fully discussed and examined independently and objectively.

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 working of the Board, whereas the Managing Director is responsible for the day to day running of the business, execution of the Board's decisions and charting the strategic direction of the Group.

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.



3. BOARD MEETINGS

The Board meets regularly to review the corporate strategies, business operations and performance of the Group. Additional meetings are held as and when necessary to ensure that the Group is efficiently managed. During the financial year under review, six (6) Board meetings were held and the attendance of the Directors is as follows:

Directors	Total Meetings Attended
Tan Sri Datuk Asmat Bin Kamaludin	6/6
Goh Kheng Peow	6/6
Goh Tai Wai	6/6
Mohamed Fauzi Bin Omar	6/6
Tan Yip Chian	6/6
Tan Ngaip Soon (resigned on 21 March 2007)	5/6
See Thoo Chan (appointed on 21 March 2007)	-

In view of the above, all Directors have complied with the minimum 50% attendance requirement in respect of Board meetings.

4. SUPPLY OF INFORMATION

The agenda for each Board meeting and its relevant papers relating to the agenda items are forwarded to all Directors for their perusal prior to the Board meeting. Adequate notice is provided to allow the Directors to review the board papers so that matters arising can be properly deliberated at the Board meetings and appropriate decisions can be made by the Board. Senior management and appointed advisers of the Company may be required to attend the Board meetings when necessary.

All Directors have access to the advice and services of the Company Secretary. The Board has also approved a procedure for Directors, whether in the capacity as the full Board or in their individual capacity, to obtain independent professional advice at the Company's expense in the discharge of their duties and responsibilities.

5. NOMINATION COMMITTEE

The Nomination Committee comprises 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 Nomination Committee monitors, reviews and makes recommendations to the Board regarding the board's performance as a whole as well as every individual Director. It also reviews and makes recommendations to the Board on the size and composition of the Board, the criteria for Board membership and desirable qualifications, experience and standing of individuals appointed to the Board. The Committee also oversees the induction program for new Directors, the continuing education programmes of Directors and identification of potential candidates for appointment to the Board.

During the financial year under review, two (2) meetings were held.



6. RE-ELECTION OF DIRECTORS

In accordance with the Company's Articles of Association, the Directors who are appointed by the Board shall retire from office and be subject to re-election by shareholders at the annual general meeting after their appointment. Meanwhile, one-third (1/3) of the Board, 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 (3) years. A retiring Director shall thereafter be eligible for re-election.

Directors of or over seventy (70) years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

7. DIRECTORS' TRAINING

All the members of the Board except for See Thoo Chan have attended and successfully completed the Mandatory Accreditation Programme ("MAP") as prescribed by Bursa Securities. See Thoo Chan was appointed to the Board of Directors on 21 March 2007.

Directors are required to undergo relevant training programmes to further develop their skills and knowledge as well as to keep abreast with relevant changes in laws, regulations and the business environment. The determination of suitable training programmes for the Directors shall be the responsibility of the Nomination Committee.

During the financial year under review, the Directors have also attended the following training programmes as part of their continuing education programme to enhance their knowledge and to keep abreast with new developments in the furtherance of their duties:

No.	Title of Seminar / Training Attended
1.	Highlights of the New Financial Reporting Standards in Malaysia
2.	ICLIF-INSEAD Directors Forum
3.	Mandatory Accreditation Programme
4.	The New Financial Reporting Standards In Malaysia
5.	Seminar on the Malaysian Code on Take-Over and Mergers

DIRECTORS' REMUNERATION

1. THE LEVEL AND MAKE-UP OF REMUNERATION

The remuneration policy drawn up by the Company is customized to attract and retain Directors of exemplary calibre in 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 to the Board the remuneration packages of Directors, taking into consideration public interest and to avoid 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 it comprises the following Directors:

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

During the financial year under review, one (1) meeting was held to review the remuneration of the Executive Directors.

3. DIRECTORS' REMUNERATION

The details of directors' remuneration for the financial year ended 31 December 2006, distinguishing between Executive and Non-Executive Directors, are as follows:

Categories of Remuneration	Executive Directors (RM)	Non-Executive Directors (RM)
Salary & Other Emoluments	1,305,000	-
Fee & Allowance	27,000	276,000
Total	1,332,000	276,000

The number of Directors whose total remuneration for the financial year ended 31 December 2006 falls within the required disclosure bands are set out below:

Remuneration Band	Number of Directors		
	Executive	Non-Executive	Total
RM50,000 and below	1	2	3
RM150,001 to RM200,000	-	1	1
RM400,001 to RM450,000	1	-	1
RM850,001 to RM900,000	1	-	1
Total	3	3	6

SHAREHOLDERS

1. DIALOGUE BETWEEN COMPANY AND INVESTORS

The Board acknowledges the need for shareholders to be informed on all material business matters affecting the Group. Announcements and release of financial results on a quarterly basis provide the overview of the Group's performance and operations. The information is circulated to the shareholders and investors through various disclosures and announcements to Bursa Securities. Discussions are held between the Group, financial analysts and investors on the corporate objectives and performances of the Group.

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



2. ANNUAL GENERAL MEETING

The Company's Annual General Meeting ("AGM") remains the principal forum for dialogue and interaction with shareholders. Shareholders of the Company are encouraged to attend the AGM in order to have a clear understanding of issues pertaining to the Group's existing performance and future undertakings. At the AGM, questions on issues which are of concern to the shareholders shall be addressed by the Board.

ACCOUNTABILITY AND AUDIT

1. AUDIT COMMITTEE

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

2. FINANCIAL REPORTING

In presenting the annual audited financial statements and quarterly announcement of results to shareholders, investors and regulators, the Directors aim to present a balanced and understandable assessment of the Group's performance and prospects. The AC assists the Board by reviewing the information to be disclosed, to ensure its completeness, accuracy and adequacy.

3. INTERNAL CONTROLS

The Statement on Internal Controls as set out on page 16 of this Annual Report provides an overview of the state of internal controls within the Group.

4. RELATIONSHIP WITH AUDITORS

The Board maintains a formal and transparent professional relationship with the auditors, both internal and external. The role of the AC in relation to the auditors is described in the Audit Committee Report on pages 17 to 20 of this Annual Report.

STATEMENT ON DIRECTORS' RESPONSIBILITIES

Directors are required by the Companies Act, 1965 to ensure that the financial statements for each financial year which have been prepared in accordance with the applicable approved accounting standards and the provisions of the Companies Act, 1965, which give a true and fair view of the state of affairs of the Company at the end of the financial year and of the results and cash flows of the Company for the financial year.

In preparing the financial statements, the Directors have selected suitable accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent.

The Board has an overall responsibility for taking such steps that are reasonably open to them to safeguard the assets of the Company to prevent and detect fraud and other irregularities.



Pursuant to Paragraph 15.27(b) of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") which requires directors of listed companies to include a statement on the state of the internal controls. The Bursa Securities' Statement on Internal Control: Guidance for Directors of Public Listed Companies (Guidance) provides guidance for compliance with these requirements. Set out below is Compugates Holdings Berhad's Statement on Internal Controls which has been prepared in accordance with the Guidance.

BOARD RESPONSIBILITIES

The Board of Directors acknowledges its overall responsibility for the Group's system of internal controls which includes the establishment of an appropriate control environment and framework as well as reviewing the effectiveness, adequacy and integrity of this system.

Due to the inherent limitations in any internal controls system, such a system is designed to manage rather than eliminate the risks that may impede the achievement of the Group's business objectives. Therefore, such a system can only provide reasonable and not absolute assurance against any material misstatement or loss.

RISK MANAGEMENT

The Board recognizes that risk management is an integral part of the Group's business operations and that the identification and management of risks will assist the Group in achieving its business objectives. During the financial year under review, the Group has implemented an ongoing process for identifying, evaluating, monitoring and managing the significant risks affecting the achievement of its business objectives.

INTERNAL CONTROLS SYSTEM

The Board maintains an ongoing commitment to strengthen the Group's control environment and processes. During the financial year under review, the Group has outsourced its Internal Audit Function to a professional services firm to provide independent and objective assurance on the adequacy and effectiveness of the Group's system of internal controls to the Audit Committee. An Internal Audit Plan was prepared by the Internal Audit Function after considering the principal risks faced by the Group. Based on the Internal Audit Plan, periodic internal audit reviews were carried out to determine compliance with the Group's business policies and procedure and to ascertain the adequacy and effectiveness of the Group's system of internal controls.

Other key elements of the Group's internal controls system are as follows:

- The Group has a dedicated team of employees who is clear of its lines of responsibilities within the Group;
- Documented policies and procedures as well as authority limits for the running of day to day operations have been established;
- A financial reporting framework where monitoring of actual results against budget is performed on a monthly basis, with major variances being followed up and management action taken where necessary;
- Quarterly financial results is presented to the Audit Committee and the Board for the purposes of monitoring the Group's progress towards achieving its business objectives; and
- Monthly management meetings are held to deliberate, discuss and resolve operational and financial issues that may arise.

CONCLUSION

The Board recognizes the importance of an effective system of internal controls and risk management practices within the Group. The Board is reasonably assured that the control structures within operations are adequate and effective to safeguard the assets of the Group and to preserve shareholders value. Nevertheless, the Board continues to promote a control conscious culture and constant vigilance to mitigate the risks associated with the businesses of the Group and to improve the existing system of internal controls in order to adapt to any changes with its dynamic business environment.



The Board is pleased to present the Audit Committee Report for the financial year ended 31 December 2006. The Audit Committee ("the AC") met six (6) times during the year. Composition of the AC and the details of the attendance of the AC members are set out as follows:

COMPOSITION OF THE AUDIT COMMITTEE

NAME	ATTENDANCE
Tan Sri Datuk Asmat Bin Kamaludin (Chairman) (Independent Non-Executive Chairman)	6/6
Goh Tai Wai (Executive Director)	6/6
Tan Yip Chian (Independent Non-Executive Director)	6/6

Details of the members of the AC are contained in the "Directors' Profile" as set out on pages 8 to 10 of this Annual Report.

TERMS OF REFERENCE

The AC is governed by the following terms of reference:

1. Composition

The AC 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 ("Bursa Securities").

In the event of any vacancy resulting in the number of members 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 AC 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 AC, shall be an independent director.

3. Secretary

The Company Secretary shall be the Secretary of the AC 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 AC and circulating them to the AC Members. The AC Members may inspect the minutes of the AC at the Registered Office or such other place as may be determined by the AC.



4 Meetings

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

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

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

5. Rights

The AC 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 AC, whenever deemed necessary;
- (g) promptly report to the 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 AC and that the Chairman shall have the casting vote should a tie arise;
- (i) meet as and when required on a reasonable notice; and
- (j) the Chairman shall call for a meeting upon the request of the external auditors.



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 controls 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.



SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year under review, the activities undertaken by the AC include:

- (a) Reviewing and recommending the unaudited quarterly and annual audited consolidated results of the Group to the Board of Directors for approval prior to release to the Bursa Securities;
- (b) Reviewing with external auditors on their audit planning memorandum of the Group for the financial year ended 31 December 2006;
- (c) Reviewing the external auditors' report and their audit findings;
- (d) Reviewing the key risk profile identified and ensured that these are updated by Management in the process and where appropriate new risks are identified and incorporated for deliberation;
- (e) Reviewing and ensuring the adequacy of the scope and coverage of the audit plan proposed by the Internal Auditors and approved the audit plan for audit execution;
- (f) Reviewing the internal audit reports and the results and recommendations arising from the reviews conducted by the outsourced internal audit function; and
- (g) Reviewing related party transactions and considered conflict of interest situations that may arise within the Group.

INTERNAL AUDIT FUNCTION

During the financial year under review, the outsourced internal audit function assisted the AC in discharging its duties and responsibilities by executing independent reviews to ensure the adequacy and effectiveness of the internal controls system of the Group.

The activities of the internal audit function for the year include:

- (a) Conducting internal audit reviews in accordance with the internal audit plan approved by the AC;
- (b) Reporting the results of internal audits and making recommendations for improvements to the AC on a periodic basis; and
- (c) Following-up on the implementation of audit recommendations and agreed upon Management action plans.

The internal audits conducted did not reveal any weaknesses which would result in material losses, contingencies or uncertainties requiring separate disclosure in the annual report.

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



The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2006.

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 year.

RESULTS

	THE GROUP RM'000	THE COMPANY RM'000
Profit/(Loss) attributable to equity holders of the Company	871	(261)

DIVIDENDS

No dividend was paid since the end of the previous financial period and the directors do not recommend the payment of any dividend for the current financial year.

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are disclosed in the financial statements.



ISSUES OF SHARES AND DEBENTURES

During the financial year,

- (a) there were no changes in the authorised share capital of the Company;
- (b) the Company increased its issued and paid-up share capital from RM129,728,902 comprising 120,428,902 ordinary shares of RM1.00 each and 93,000,000 Irredeemable Convertible Preference Shares ("ICPS") of RM0.10 each to RM213,428,902 comprising 213,428,902 ordinary shares of RM1.00 each by the conversion of 93,000,000 ICPS of RM0.10 each at a conversion price of RM1.00 each and the capitalisation of RM83,700,000 of the share premium account. All new shares issued during the financial year 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 year, 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 the 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.

CONTINGENT AND OTHER LIABILITIES

The contingent liabilities of the Company are disclosed in Note 36 to the financial statements. 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 year 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 year.

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 year 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 year 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 year 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 year.



DIRECTORS

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

TAN SRI DATUK ASMAT BIN KAMALUDIN
GOH KHENG PEOW
SEE THOO CHAN (APPOINTED ON 21.3.2007)
TAN NGAIP SOON (RESIGNED ON 21.3.2007)
MOHAMED FAUZI BIN OMAR
GOH TAI WAI
TAN YIP CHIAN

Pursuant to Article 126 of the Articles of Association of the Company, Goh Tai Wai and Tan Yip Chian retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Pursuant to Article 131 of the Articles of Association of the Company, See Thoo Chan who was appointed since the last annual general meeting, retires at the forthcoming annual general meeting and, being eligible, offers herself for re-election.

DIRECTORS' INTERESTS

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

<i>The Company</i>	Number of Ordinary Shares of RM1 Each				
	At 1.1.2006	Bought	Conversion of ICPS	Sold	At 31.12.2006
<i>Direct Interests</i>					
TAN SRI DATUK ASMAT BIN KAMALUDIN	-	5,000,000	-	(5,000,000)	-
GOH KHENG PEOW	65,100,001	18,595,700	61,600,000	(22,360,000)	122,935,701
TAN NGAIP SOON	17,000,000	-	15,400,000	(10,500,000)	21,900,000
TAN YIP CHIAN	1	-	-	-	1
<i>Deemed Interests</i>					
GOH KHENG PEOW*	2,900,000	16,486,600	-	(11,400,000)	7,986,600
GOH TAI WAI*	20,000	-	-	-	20,000

* Deemed interest through spouse's shareholdings.

The other directors holding office at the end of the financial year did not have any interest in shares in the Company during the financial year.



DIRECTORS' INTERESTS (Cont'd)

<i>The Company</i>	Number of ICPS of RM0.10 Each			At 31.12.2006
	At 1.1.2006	Allotment	Converted	
<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 his shareholding in the Company, Goh Kheng Peow is 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 end of the previous financial period, 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 a director has substantial financial interests as disclosed in Note 35 to the financial statements.

Neither during nor at the end of the financial year was the Group or the Company 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 YEAR

The significant events during the financial year are disclosed in Note 42 to the financial statements.

SIGNIFICANT EVENT SUBSEQUENT TO THE BALANCE SHEET DATE

The significant event subsequent to the balance sheet date is disclosed in Note 43 to the financial statements.

AUDITORS

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

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 18 April 2007

Goh Kheng Peow

See Thoo Chan



STATEMENT BY DIRECTORS

We, Goh Kheng Peow and See Thoo Chan, 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 69 are drawn up in accordance with applicable MASB approved accounting standards in Malaysia for Entities Other Than Private Entities 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 2006 and of their results and cash flows for the financial year ended on that date.

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 18 April 2007**

Goh Kheng Peow

See Thoo Chan

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 69 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 date 18 April 2007

Before me
Mohd Radzi Bin Yasin (W-327)
No: 86, Tingkat Bawah
Jalan Putra
50350 Kuala Lumpur

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 69. 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 MASB approved accounting standards in Malaysia for Entities Other Than Private Entities 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 2006 and their results and cash flows for the financial year 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 Section 174(3) of the Companies Act, 1965.

Horwath
Firm No: AF 1018
Chartered Accountants

Lee Kok Wai
Approval No: 2760/06/08 (J)
Partner

Kuala Lumpur
18 April 2007

balance sheets



at 31 December 2006

		THE GROUP		THE COMPANY	
	NOTE	31.12.2006 RM'000	31.12.2005 RM'000	31.12.2006 RM'000	31.12.2005 RM'000
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	6	-	-	162,100	162,000
Property and equipment	7	9,262	8,051	331	-
Listing premium	8	26,429	26,429	26,429	26,429
Goodwill on consolidation	9	115,684	115,684	-	-
		151,375	150,164	188,860	188,429
CURRENT ASSETS					
Inventories	10	12,253	5,087	-	-
Trade receivables	11	35,155	37,260	-	-
Other receivables, deposits and prepayments	12	3,021	11,627	18	3
Amount owing by subsidiaries	13	-	-	20,188	-
Tax refundable		3,689	818	70	-
Short-term deposits with a licensed bank	14	4,300	25,000	4,300	25,000
Fixed deposits with licensed banks	15	13,671	7,894	-	-
Cash and bank balances		8,001	4,471	26	6
		80,090	92,157	24,602	25,009
TOTAL ASSETS					
		231,465	242,321	213,462	213,438
EQUITY AND LIABILITIES					
EQUITY					
Share capital	16	213,429	120,429	213,429	120,429
Irredeemable Convertible					
Preference Shares ("ICPS")	17	-	9,300	-	9,300
Share premium	18	-	83,700	-	83,700
Exchange fluctuation reserve	19	6	3	-	-
Retained profit /(Accumulated losses)		229	(642)	(326)	(65)
SHAREHOLDERS' EQUITY					
		213,664	212,790	213,103	213,364
MINORITY INTERESTS					
		77	-	-	-
TOTAL EQUITY					
		213,741	212,790	213,103	213,364

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

balance sheets (Cont'd)



at 31 December 2006

		THE GROUP		THE COMPANY	
	NOTE	31.12.2006 RM'000	31.12.2005 RM'000	31.12.2006 RM'000	31.12.2005 RM'000
NON-CURRENT AND DEFERRED LIABILITIES					
Hire purchase payables	20	231	38	210	-
Deferred taxation	21	428	436	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
		659	474	210	-
CURRENT LIABILITIES					
Trade payables	22	15,091	13,906	-	-
Other payables and accruals	23	1,850	1,301	74	18
Amount owing to a subsidiary	13	-	-	5	55
Amount owing to a director	24	-	346	-	-
Hire purchase payables	20	86	20	70	-
Bankers' acceptances	25	-	11,629	-	-
Provision for taxation		38	1,855	-	1
		<hr/>	<hr/>	<hr/>	<hr/>
		17,065	29,057	149	74
TOTAL LIABILITIES		<hr/>	<hr/>	<hr/>	<hr/>
		17,724	29,531	359	74
TOTAL EQUITY AND LIABILITIES					
		<hr/>	<hr/>	<hr/>	<hr/>
		231,465	242,321	213,462	213,438
NET ASSETS PER SHARE (RM)					
	26	<hr/>	<hr/>	<hr/>	<hr/>
		1.00	0.99		

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

income statements



for the financial year ended 31 December 2006

		THE GROUP		THE COMPANY	
		1.1.2006 TO 31.12.2006	13.10.2004 (DATE OF INCORPORATION) TO 31.12.2005	1.1.2006 TO 31.12.2006	13.10.2004 (DATE OF INCORPORATION) TO 31.12.2005
	NOTE	RM'000	RM'000	RM'000	RM'000
REVENUE	27	440,644	60,815	420	-
COST OF SALES		(441,176)	(64,720)	-	-
GROSS (LOSS)/PROFIT		(532)	(3,905)	420	-
OTHER INCOME		14,659	6,951	132	3
		14,127	3,046	552	3
ADMINISTRATIVE EXPENSES		(9,719)	(1,186)	(673)	(67)
SALES AND MARKETING EXPENSES		(1,632)	(372)	-	-
OTHER EXPENSES		(799)	(209)	(83)	-
FINANCE COSTS		(11)	(78)	(9)	-
PROFIT/(LOSS) BEFORE TAXATION	28	1,966	1,201	(213)	(64)
INCOME TAX EXPENSE	29	(1,095)	(1,843)	(48)	(1)
PROFIT/(LOSS) AFTER TAXATION		871	(642)	(261)	(65)
ATTRIBUTABLE TO:					
Equity holders of the Company		871	(642)	(261)	(65)
EARNINGS/(LOSS) PER SHARE (SEN)					
- Basic	30	0.64	(4.33)		
- Diluted	30	Not applicable	Not applicable		

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

statements of changes in equity



for the financial year ended 31 December 2006

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT							
	SHARE CAPITAL RM'000	ICPS RM'000	SHARE PREMIUM RM'000	EXCHANGE FLUCTUATION RESERVE RM'000	(ACCUMULATED LOSS)/RETAINED PROFIT RM'000	TOTAL RM'000	MINORITY INTERESTS RM'000	TOTAL EQUITY RM'000
THE GROUP								
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	-	162,000
- Scheme of Arrangement with Creditors of Pan Pacific Asia Berhad ("PPAB")	4,000	1,600	14,400	-	-	20,000	-	20,000
- Scheme of Arrangement with Shareholders of PPAB	6,429	-	-	-	-	6,429	-	6,429
- Renounceable Restricted Issue	25,000	-	-	-	-	25,000	-	25,000
Loss after taxation	-	-	-	-	(642)	(642)	-	(642)
Exchange difference	-	-	-	3	-	3	-	3
Total recognised income and expense for the financial period	-	-	-	3	(642)	(639)	-	(639)
Balance at 31.12.2005/1.1.2006	120,429	9,300	83,700	3	(642)	212,790	-	212,790
Issuance of ordinary shares pursuant to the conversion of ICPS	93,000	(9,300)	(83,700)	-	-	-	-	-
Profit after taxation	-	-	-	-	871	871	-	871
Exchange difference	-	-	-	3	-	-	-	3
Total recognised income and expense for the financial year	-	-	-	3	871	874	-	874
Subscription of shares in subsidiaries	-	-	-	-	-	-	77	77
Balance at 31.12.2006	213,429	-	-	6	229	213,664	77	213,741

- 2 ordinary shares of RM1.00 each.

	SHARECAPITAL RM'000	ICPS RM'000	SHARE PREMIUM RM'000	ACCUMULATED LOSSES RM'000	TOTAL RM'000
THE COMPANY					
Balance at 13.10.2004 (Date of incorporation)	#	-	-	-	#
Issuance of ordinary shares pursuant to the following:					
- 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 31.12.2005/1.1.2006	120,429	9,300	83,700	(65)	213,364
Issuance of ordinary shares pursuant to the conversion of ICPS	93,000	(9,300)	(83,700)	-	-
Loss for the financial period	-	-	-	(261)	(261)
Balance at 31.12.2006	213,429	-	-	(326)	213,103

- 2 ordinary shares of RM1.00 each.

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

cash flow statements



for the financial year ended 31 December 2006

	NOTE	THE GROUP		THE COMPANY	
		1.1.2006 TO 31.12.2006 RM'000	13.10.2004 (DATE OF INCORPORATION) TO 31.12.2005 RM'000	1.1.2006 TO 31.12.2006 RM'000	13.10.2004 (DATE OF INCORPORATION) TO 31.12.2005 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES					
Profit/(Loss) before taxation		1,966	1,201	(213)	(64)
Adjustments for:-					
Allowance for doubtful debts		171	10	-	-
Bad debts written off		9	59	-	-
Depreciation of property and equipment		614	76	83	-
Equipment written off		4	-	-	-
Gain on disposal of equipment		(8)	-	-	-
Interest expense		11	78	9	-
Provision for inventory obsolescence		30	62	-	-
Dividend income		-	-	(420)	-
Interest income		(595)	(202)	(132)	(3)
Unrealised gain on foreign exchange		-	(7)	-	-
Writeback of allowance for doubtful debts		-	(64)	-	-
Writeback of provision for inventory obsolescence		(54)	-	-	-
Operating profit/(loss) before working capital changes		2,148	1,213	(673)	(67)
(Increase)/Decrease in inventories		(7,142)	4,484	-	-
Decrease/(Increase) in trade and other receivables		10,531	(11,680)	(15)	(3)
Increase/(Decrease) in trade and other payables		1,734	(785)	56	18
CASH FROM/(FOR) OPERATIONS		7,271	(6,768)	(632)	(52)
Income tax paid		(5,791)	(1,000)	(1)	-
Interest paid		(11)	(78)	(9)	-
NET CASH FROM/(FOR) OPERATING ACTIVITIES		1,469	(7,846)	(642)	(52)

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

cash flow statements (Cont'd)



for the financial year ended 31 December 2006

	NOTE	THE GROUP		THE COMPANY	
		1.1.2006 TO 31.12.2006 RM'000	13.10.2004 (DATE OF INCORPORATION) TO 31.12.2005 RM'000	1.1.2006 TO 31.12.2006 RM'000	13.10.2004 (DATE OF INCORPORATION) TO 31.12.2005 RM'000
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Purchase of property and equipment	31	(1,479)	(174)	(64)	-
Acquisition of a subsidiary, net of cash acquired	32	-	16,356	(100)	-
Proceeds from disposal of equipment		8	-	-	-
Interest received		595	202	132	3
Dividend received		-	-	302	-
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(876)	16,384	270	3
CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES					
Proceeds from issuance of share capital		-	25,000	-	25,000
Proceeds from issuance of shares to minority shareholders		77	-	-	-
(Decrease)/Increase in bankers' acceptances		(11,629)	4,316	-	-
Repayment of hire purchase obligations		(91)	(3)	(70)	-
Net advances (to)/from subsidiaries		-	-	(20,238)	55
Repayment to a director		(346)	(489)	-	-
NET CASH (FOR)/FROM FINANCING ACTIVITIES		(11,989)	28,824	(20,308)	25,055
Effects of foreign exchange rate changes on cash and cash equivalents		3	3	-	-
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(11,393)	37,365	(20,680)	25,006
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR/PERIOD		37,365	-	25,006	-
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR/PERIOD	33	25,972	37,365	4,326	25,006

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



for the financial year ended 31 December 2006

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 : C15-1, 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 18 April 2007

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 year.

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 market, credit, liquidity and cash flow risks. The policies in respect of the major areas of treasury activity are as follows:-

(a) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign exchange risk on purchases that are denominated in foreign currencies. It manages its foreign exchange exposure by a policy of matching as far as possible receipts and payments in each individual currency.

Surpluses of convertible currencies are either retained in foreign currency or sold for Ringgit Malaysia. The Group's foreign currency transactions and balances are substantially denominated in United States Dollar and Singapore Dollar.

Foreign currency risk is monitored closely and managed to an acceptable level.



for the financial year ended 31 December 2006

3. FINANCIAL RISK MANAGEMENT POLICIES (Cont'd)

(a) Market Risk (Cont'd)

(ii) 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 licensed financial institutions at the most favourable interest rates.

(iii) Price Risk

The Group does not have any quoted investment and hence is not exposed to price risk.

(b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from receivables. The maximum exposure to credit risk 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 has a major concentration of credit risk related to a major customer which constituted 57% of trade debts as at the balance sheet date.

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

(c) 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 MASB approved accounting standards in Malaysia for Entities Other Than Private Entities and the provisions of the Companies Act, 1965.



for the financial year ended 31 December 2006

4. BASIS OF PREPARATION (Cont'd)

In the current financial year, the Group and the Company have adopted all the new and revised Financial Reporting Standards ("FRS") issued by the Malaysian Accounting Standards Board which are relevant to its operations and effective for financial periods beginning on or after 1 January 2006.

The adoption of the following new and revised FRS does not have any material financial effects on the financial statements of the Group and of the Company:-

FRS 3	Business Combinations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 132	Financial Instruments : Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets

The following FRS have been issued and are effective for financial periods beginning on or after 1 October 2006 and will be effective for the Group's Financial Statements for the financial year ending 31 December 2007:-

FRS 117	Leases
FRS 124	Related Party Disclosures

FRS 6 Exploration for and Evaluation of Mineral Resources has been issued and is effective for financial periods beginning on or after 1 January 2007. This new standard is not relevant to the Company's operations.

FRS 139 Financial instruments: Recognition and Measurement has been issued and the effective date has yet to be determined by MASB. This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Company will apply this standard when it becomes effective.

5. SIGNIFICANT ACCOUNTING POLICIES

(a) Critical Accounting Estimates And Judgements

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group and the Company's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below.



for the financial year ended 31 December 2006

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(a) Critical Accounting Estimates And Judgements (Cont'd)

(i) *Depreciation of Property and Equipment*

The estimates for the residual values, useful lives and related depreciation charges for the property and equipment are based on commercial and usage factors which could change significantly.

The Group anticipates that the residual values of its property and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage and commercial factors could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(ii) *Income Taxes*

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Company recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

(iii) *Impairment of Assets*

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(iv) *Allowance for Doubtful Debts of Receivables*

The Group makes allowance for doubtful debts based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical bad debt, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for doubtful debts of receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

(v) *Allowance for Inventories*

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.



for the financial year ended 31 December 2006

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(a) Critical Accounting Estimates And Judgements (Cont'd)

(vi) Revaluation of Properties

The Group's properties which are reported at valuation are based on valuations performed by independent professional valuers.

The independent professional valuers have exercised judgement in determining discount rates, estimates of future cash flows, capitalisation rate, terminal year value, market freehold rental and other factors used in the valuation process. Also, judgement has been applied in estimating prices for less readily observable external parameters. Other factors such as model assumptions, market dislocations and unexpected correlations can also materially affect these estimates and the resulting valuation estimates.

(vii) Fair Value Estimates for Certain Financial Assets and Liabilities

The Group and the Company carry certain financial assets and liabilities at fair value, which require extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group and the Company uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and equity.

(b) Basis Of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December 2006.

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

All subsidiaries are consolidated using the purchase method. Under the purchase method, the results of the 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 values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

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 subsidiaries to ensure consistency of accounting policies with those of the Group.

Minority interests in the consolidated balance sheet consist of the minorities' share of fair values of the identifiable assets and liabilities of the acquiree as at the date of acquisition and the minorities' share of movements in the acquiree's equity.

Minority interests are presented in the consolidated balance sheet of the Group within equity, separately from the Company's equity holders, and are separately disclosed in the consolidated income statement of the Group.



for the financial year ended 31 December 2006

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(c) 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 an 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.

(d) Functional and Foreign Currency

(i) *Functional and Presentation Currency*

The functional currency of the Group and each of the Group's entity is measured using the currency of the primary economic environment in which the Company or that entity operates.

The consolidated financial statements are presented in Ringgit Malaysia ("RM") which is the Company's functional and presentation currency.

(ii) *Transactions and Balances*

Transactions in foreign currency are converted into the respective functional currencies on initial recognition using exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the balance sheet date are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are taken to the income statement.



for the financial year ended 31 December 2006

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(d) Functional and Foreign Currency (Cont'd)

(iii) Foreign Operations

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:-

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- (b) income and expenses for income statement are translated at average exchange rates for the year; and
- (c) all resulting exchange differences are recognised as a separate component of equity, as foreign currency translation reserve. On disposal, accumulated translation differences are recognised in the consolidated income statements as part of the gain or loss on sale.

(e) 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 identifiable net assets of the subsidiaries at the date of acquisition.

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually. The impairment value of goodwill is recognised immediately in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in a subsequent period.

If, after reassessment, the Group's interest in the fair values of the identifiable net assets of the subsidiaries exceeds the cost of the business combinations, the excess is recognised immediately in the consolidated income statement.

(f) Investments in Subsidiaries

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

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is taken to the income statement.



for the financial year ended 31 December 2006

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(g) Property and Equipment

Property and equipment are stated at cost 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 depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. 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.

The depreciation method, useful life and residual values are reviewed, and adjusted if appropriate, at each balance sheet date to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset is included in the income statement in the year the asset is derecognised.

(h) 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(i).

(i) Impairment of Assets

The carrying values of assets, other than those to which FRS 136 - 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. The recoverable amount of the assets is the higher of the assets' net selling price and its value-in-use, which is measured by reference to discounted future cash flow.



for the financial year ended 31 December 2006

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(i) Impairment of Assets (Cont'd)

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.

(j) Assets under Hire Purchase

Equipment acquired under hire purchase are capitalised in the financial statements.

Each hire purchase payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding outstanding obligations due under the hire purchase after deducting finance charges are included as liabilities in the financial statements.

Finance charges are allocated to the income statement over the period of the respective hire purchase agreements.

Plant and equipment acquired under hire purchase are depreciated over the useful lives of the assets. If there is no reasonable certainty that the ownership will be transferred to the Group, the assets are depreciated over the shorter of the lease terms and their useful lives.

(k) 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.

Net realisable value represents the estimated selling price less the estimated costs necessary to make the sale.

Where necessary, due allowance is made for all damaged, obsolete and slow-moving items.



for the financial year ended 31 December 2006

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(l) 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.

(m) 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.

(n) Equity Instruments

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(o) 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 irredeemable and 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.

(p) Revaluation Reserve

Freehold land and buildings classified under property and equipment are appraised periodically, at least once in every five years.

Surpluses arising from the revaluation of properties are credited to the revaluation reserve account. Deficits arising from the revaluation, to the extent that they are not supported by any previous revaluation surpluses, are charged to the income statement.

In the year of disposal of the revalued asset, the attributable remaining revaluation surplus is transferred from the revaluation reserve account to retained profits.



for the financial year ended 31 December 2006

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(q) Interest-bearing Borrowings

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

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

(r) 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.

(s) 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 plans.

(t) Income Taxes

Income taxes for the year comprise current and deferred tax.

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

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

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs 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.



for the financial year ended 31 December 2006

5. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(t) Income Taxes (Con't d)

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 future taxable profit 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 excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs. 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 future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

(u) Segmental Information

Segment revenue and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of property and equipment (net of accumulated depreciation, where applicable), inventories, receivables and cash and cash equivalents.

Most segment assets can be directly attributed to the segments on a reasonable basis. Segment assets do not include income tax assets, whilst segment liabilities do not include income tax liabilities.

Segment revenue, expenses and results include transfers between segments. The prices charged on intersegment transactions are based on normal commercial terms. These transfers are eliminated on consolidation.

(v) Revenue Recognition

(i) Sale of Goods

Revenue is recognised upon delivery of goods and customers' acceptance and where applicable, net of sales 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.

(iv) Dividend Income

Dividend income from investment is recognised when the right to receive dividend payment is established.

notes to the financial statements



for the financial year ended 31 December 2006

6. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	AT 31.12.2006 RM'000	AT 31.12.2005 RM'000
Unquoted shares, at cost	162,100	162,100

Details of the subsidiaries are as follows:-

Name of Company	Effective Equity Interest		Principal Activities
	2006 %	2005 %	
Compugates Sdn. Bhd. ("CSB") (Incorporated in Malaysia)	100%	100%	Trading, marketing and distribution of imaging, information technology and communication-based products.
Compugates Marketing Sdn. Bhd. # (Incorporated in Malaysia)	100%	100%	Trading, marketing and distribution of imaging, information technology and communication-based products.
Compugates (S) Pte. Ltd. #* ("CSPL") (Incorporated in the Republic of Singapore)	99.99%	99.99%	Distribution of calculators, digital cameras and accessories.
Compugates International Sdn. Bhd. # ("CISB") (Incorporated in Malaysia)	100%	-	Dormant.
Compugates International Limited ^ ("CIL") (Incorporated in The British Virgin Islands)	51%	-	Dormant.
Compugates International (BD) Limited ^ ("CIBDL") (Incorporated in The British Virgin Islands)	80%	-	Dormant.

Held through CSB.

^ Held through CISB.

* Not audited by Horwath.

During the financial year,

- the Company incorporated a wholly-owned subsidiary, CISB 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. The Company had on 18 December 2006, subscribed for an additional 99,998 ordinary shares of RM1.00 each in CISB for a total consideration of RM99,998;
- CISB subscribed for 15,300 ordinary shares at USD1.00 each in CIL, representing 51% of the total issued and paid-up capital of CIL for a consideration of USD15,300; and
- CIL, on an even date, subscribed for 24,000 ordinary shares at USD1.00 each in CIBDL, representing 80% of the total issued and paid-up capital of CIBDL for a consideration of USD24,000.

notes to the financial statements



for the financial year ended 31 December 2006

7. PROPERTY AND EQUIPMENT

	AT 1.1.2006 RM'000	ADDITIONS RM'000	TRANSFERS RM'000	WRITE- OFF RM'000	DEPRECIATION CHARGE RM'000	AT 31.12.2006 RM'000
THE GROUP						
NET BOOK VALUE						
Freehold land	989	-	574	-	-	1,563
Buildings	4,121	-	2,689	-	(135)	6,675
Motor vehicles	81	472	-	-	(122)	431
Office equipment, furniture and fittings	168	389	-	(4)	(174)	379
Renovation	109	259	-	-	(178)	190
Signboard	-	29	-	-	(5)	24
Building-in-progress	2,583	680	(3,263)	-	-	-
	8,051	1,829	-	(4)	(614)	9,262

	AT COST RM'000	AT VALUATION RM'000	ACCUMULATED DEPRECIATION RM'000	NET BOOK VALUE RM'000
AT 31.12.2006				
Freehold land	574	989	-	1,563
Buildings	2,689	4,121	(135)	6,675
Motor vehicles	658	-	(227)	431
Office equipment, furniture and fittings	1,234	-	(855)	379
Renovation	774	-	(584)	190
Signboard	60	-	(36)	24
	5,989	5,110	(1,837)	9,262

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

notes to the financial statements



for the financial year ended 31 December 2006

7. PROPERTY AND EQUIPMENT (Cont'd)

	AT 1.1.2006 RM'000	ADDITION RM'000	DEPRECIATION CHARGE RM'000	AT 31.12.2006 RM'000
THE COMPANY				
NET BOOK VALUE				
Motor vehicle	-	414	(83)	331

	AT COST RM'000	ACCUMULATED DEPRECIATION RM'000	NET BOOK VALUE RM'000
AT 31.12.2006			
Motor vehicle	414	(83)	331

	THE GROUP	
	At 31.12.2006 RM'000	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	692
Buildings	2,808	2,862
	<u>3,500</u>	<u>3,554</u>

The freehold land and buildings were stated at valuation at the balance sheet date and were revalued 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.

notes to the financial statements



for the financial year ended 31 December 2006

8. LISTING PREMIUM

	THE GROUP/THE COMPANY	
	AT 31.12.2006 RM'000	AT 31.12.2005 RM'000
At 1.1.2006/13.10.2004 (date of incorporation)	26,429	-
Arising from the acquisition of Pan Pacific Asia Berhad ("PPAB")	-	26,429
At 31.12.2006/2005	26,429	26,429

9. GOODWILL ON CONSOLIDATION

	THE GROUP	
	AT 31.12.2006 RM'000	AT 31.12.2005 RM'000
At 1.1.2006/13.10.2004 (date of incorporation)	115,684	-
Arising from the acquisition of CSPL by CSB	-	247
Arising from the acquisition of CSB	-	115,437
At 31.12.2006/2005	115,684	115,684

10. INVENTORIES

	THE GROUP	
	AT 31.12.2006 RM'000	AT 31.12.2005 RM'000
Inventories held for trading	12,348	5,204
Provision for inventory obsolescence:		
At 1.1.2006/13.10.2004 (date of incorporation)	(117)	(55)
Additions during the financial year/period	(30)	(62)
Writeback during the financial year/period	54	-
Fluctuation on foreign exchange	(2)	-
At 31.12.2006/2005	(95)	(117)
	12,253	5,087
Inventories held for trading:		
- at cost	11,597	4,672
- at net realisable value	656	415
	12,253	5,087

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

	THE GROUP	
	AT 31.12.2006 RM'000	AT 31.12.2005 RM'000
Singapore Dollar	656	415

notes to the financial statements



for the financial year ended 31 December 2006

11. TRADE RECEIVABLES

	THE GROUP	
	AT 31.12.2006 RM'000	AT 31.12.2005 RM'000
Trade receivables	35,356	37,290
Allowance for doubtful debts:		
At 1.1.2006/13.10.2004 (date of incorporation)	(30)	-
Arising from acquisition of CSB	-	(84)
Additions during the financial year/period	(171)	(10)
Writeback during the financial year/period	-	64
At 31.12.2006/2005	(201)	(30)
	<u>35,155</u>	<u>37,260</u>

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

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

	THE GROUP	
	AT 31.12.2006 RM'000	AT 31.12.2005 RM'000
Singapore Dollar	<u>3,803</u>	<u>3,560</u>

Included in trade receivables in the previous financial period was an amount of RM1,632 owing by a company in which the spouse of a director has a substantial financial interest.

notes to the financial statements



for the financial year ended 31 December 2006

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

	THE GROUP	
	AT 31.12.2006 RM'000	AT 31.12.2005 RM'000
Singapore Dollar	537	205
United States Dollar	21	-

13. AMOUNT OWING BY/(TO) SUBSIDIARIES

The amount owing is unsecured, interest-free and repayable on demand.

14. SHORT-TERM DEPOSITS WITH A LICENSED BANK

The effective interest rate of the short-term deposits at the balance sheet date was 2.3% (31.12.2005 - 2.10%) per annum. The short-term deposits have a maturity period of 7 days (31.12.2005 - 4 days).

15. FIXED DEPOSITS WITH LICENSED BANKS

Fixed deposits of the Group amounting to RM7,156,450 (31.12.2005 - 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 2.60% to 3.50% (31.12.2005 - 2.62% to 3.16%) per annum. The fixed deposits have maturity periods ranging from 1 month to 12 months (31.12.2005 - 1 month to 12 months).

notes to the financial statements



for the financial year ended 31 December 2006

16. SHARE CAPITAL

The movements in the share capital are as follows:-

	THE GROUP/THE COMPANY			
	AT 31.12.2006	AT 31.12.2005	AT 31.12.2006	AT 31.12.2005
	NUMBER OF SHARES		RM'000	RM'000
ORDINARY SHARES OF RM1 EACH				
AUTHORISED				
At 1.1.2006/13.10.2004 (date of incorporation)	340,000	2,500	340,000	2,500
Increase during the financial year/period	-	337,500	-	337,500
At 31.12.2006/2005	340,000	340,000	340,000	340,000
ISSUED AND FULLY PAID-UP				
At 1.1.2006/13.10.2004 (date of incorporation)	120,429	*	120,429	#
Issuance of shares pursuant to the following:				
- conversion of ICPS	93,000	-	93,000	-
- acquisition of a subsidiary	-	85,000	-	85,000
- Scheme of Arrangement with Creditors of PPAB	-	4,000	-	4,000
- Scheme of Arrangement with Shareholders of PPAB	-	6,429	-	6,429
- Renounceable Restricted Issue	-	25,000	-	25,000
At 31.12.2006/2005	213,429	120,429	213,429	120,429

* - 2 ordinary shares of RM1.00 each.

- Amount equals to RM2.00.

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM120,428,902 to RM213,428,902 through the conversion of 93,000,000 ICPS of RM0.10 each to 93,000,000 ordinary shares of RM1 each at a conversion price of RM1.00 each and by capitalising the share premium amount of RM83,700,000.

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

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for the financial year ended 31 December 2006

17. IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES ("ICPS")

The movements in the ICPS are as follows:-

	THE COMPANY			
	AT 31.12.2006 NUMBER OF SHARES	AT 31.12.2005	AT 31.12.2006 RM'000	AT 31.12.2005 RM'000
ICPS OF RM0.10 EACH				
AUTHORISED				
At 1.1.2006/13.10.2004 (date of incorporation)	100,000	-	10,000	-
Increase during the financial year/period	-	100,000	-	10,000
At 31.12.2006/2005	100,000	100,000	10,000	10,000
ISSUED AND FULLY PAID-UP				
At 1.1.2006/13.10.2004 (date of incorporation)	93,000	-	9,300	-
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
- conversion to ordinary shares	(93,000)	-	(9,300)	-
At 31.12.2006/2005	-	93,000	-	9,300

During the financial year, all the 93,000,000 ICPS of RM0.10 each were fully converted into 93,000,000 ordinary shares of RM1.00 each.

The salient terms of the ICPS are as follows:-

Par Value : RM0.10 per ICPS.

Maturity Date : The date immediately preceding the 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.

notes to the financial statements



for the financial year ended 31 December 2006

17. ICPS (Cont'd)

- 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 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 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 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.

18. SHARE PREMIUM

	THE COMPANY	
	AT 31.12.2006 RM'000	AT 31.12.2005 RM'000
At 1.1.2006/13.10.2004 (date of incorporation)	83,700	-
Premium arising from:		
- acquisition of a subsidiary	-	69,300
- Scheme of Arrangement with Creditors of PPAB	-	14,400
Capitalised for the conversion of ICPS to ordinary shares	(83,700)	-
At 31.12.2006/2005	-	83,700

The share premium in respect of the previous financial year was not distributable by way of dividends.

19. EXCHANGE FLUCTUATION RESERVE

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

notes to the financial statements



for the financial year ended 31 December 2006

20. HIRE PURCHASE PAYABLES

	THE GROUP		THE COMPANY	
	AT 31.12.2006 RM'000	AT 31.12.2005 RM'000	AT 31.12.2006 RM'000	AT 31.12.2005 RM'000
Future minimum hire purchase payments:				
- not later than one year	98	23	79	-
- later than one year and not later than five years	259	41	237	-
	<u>357</u>	<u>64</u>	<u>316</u>	<u>-</u>
Future finance charges	(40)	(6)	(36)	-
	<u>317</u>	<u>58</u>	<u>280</u>	<u>-</u>
Present value of hire purchase payables				
	<u>317</u>	<u>58</u>	<u>280</u>	<u>-</u>
The net hire purchase payables are repayable as follows:-				
Current:				
- not later than one year	86	20	70	-
Non-current:				
- later than one year and not later than five years	231	38	210	-
	<u>317</u>	<u>58</u>	<u>280</u>	<u>-</u>

The hire purchase payables of the Group and of the Company bore effective interest rates ranging from 4.73% to 9.60% (31.12.2005 - 4.73% to 9.60%) per annum at the balance sheet date.

21. DEFERRED TAXATION

	THE GROUP	
	AT 31.12.2006 RM'000	AT 31.12.2005 RM'000
At 1.1.2006/13.10.2004 (date of incorporation)	436	-
Arising from acquisition of CSB	-	436
Transfer to income statements (Note 29)	(8)	-
	<u>428</u>	<u>436</u>
At 31.12.2006/2005		
	<u>428</u>	<u>436</u>

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

notes to the financial statements



for the financial year ended 31 December 2006

22. TRADE PAYABLES

Included in trade payables in the previous financial period was 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 the trade payables at the balance sheet date are as follows:-

	THE GROUP	
	AT 31.12.2006 RM'000	AT 31.12.2005 RM'000
Singapore Dollar	2,808	2,193
United States Dollar	2,379	2,435
	<u> </u>	<u> </u>

23. OTHER PAYABLES AND ACCRUALS

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

	THE GROUP	
	AT 31.12.2006 RM'000	AT 31.12.2005 RM'000
Singapore Dollar	170	397
United States Dollar	3	-
	<u> </u>	<u> </u>

24. AMOUNT OWING TO A DIRECTOR

The amount owing in the previous financial year was unsecured, interest-free and not subject to fixed terms of repayment.

25. BANKERS' ACCEPTANCES

The bankers' acceptances of the Group in the previous financial year bore effective interest rates ranging from 2.95% to 3.28% per annum and were 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.

26. NET ASSETS PER SHARE

The net assets per share is calculated based on the net assets value at the balance sheet date of RM213,664,000 (31.12.2005 - RM119,790,000) divided by the number of ordinary shares in issue at the balance sheet date of 213,428,902 (31.12.2005 - 120,428,902).

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for the financial year ended 31 December 2006

27. REVENUE

Revenue of the Group represents the invoiced value of goods sold less trade discounts and returns whilst revenue of the Company represents gross dividend income.

Details of the revenue are as follows:-

	THE GROUP		THE COMPANY	
	1.1.2006 To 31.12.2006 RM'000	13.10.2004 (DATE OF INCORPORATION) To 31.12.2005 RM'000	1.1.2006 To 31.12.2006 RM'000	13.10.2004 (DATE OF INCORPORATION) To 31.12.2005 RM'000
Trading sales	440,644	60,815	-	-
Dividend income	-	-	420	-
	<u>440,644</u>	<u>60,815</u>	<u>420</u>	<u>-</u>

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for the financial year ended 31 December 2006

28. PROFIT/(LOSS) BEFORE TAXATION

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

	THE GROUP		THE COMPANY	
	1.1.2006 To 31.12.2006 RM'000	13.10.2004 (DATE OF INCORPORATION) To 31.12.2005 RM'000	1.1.2006 To 31.12.2006 RM'000	13.10.2004 (DATE OF INCORPORATION) To 31.12.2005 RM'000
Allowance for doubtful debts	171	10	-	-
Audit fee				
- statutory	62	55	15	15
- non-statutory	-	17	-	1
Bad debts written off	9	59	-	-
Depreciation of property and equipment	614	76	83	-
Directors' fee				
- current year/period	309	45	309	45
- overprovision in previous financial period	(6)	-	-	-
Directors' non-fee emoluments				
- current year/period	1,319	651	-	1
- overprovision in previous financial period	(14)	-	-	-
Equipment written off	4	-	-	-
Interest expense:				
- bankers' acceptances	-	77	-	-
- hire purchase	11	1	9	-
Office rental	122	14	-	-
Provision for inventories obsolescence	30	62	-	-
Staff costs	3,906	1,069	-	-
Warehouse rental	7	-	-	-
Dividend income	-	-	(420)	-
Gain on disposal of equipment	(8)	-	-	-
Gain on foreign exchange				
- realised	(831)	(32)	-	-
- unrealised	-	(7)	-	-
Interest income	(595)	(202)	(132)	(3)
Rental income	(162)	(27)	-	-
Rebates and sales incentives	(12,812)	(6,296)	-	-
Writeback of allowance for doubtful debts	-	(64)	-	-
Writeback of provision for inventories obsolescence	(54)	-	-	-

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for the financial year ended 31 December 2006

29. INCOME TAX EXPENSE

	THE GROUP		THE COMPANY	
	1.1.2006 To 31.12.2006 RM'000	13.10.2004 (DATE OF INCORPORATION) To 31.12.2005 RM'000	1.1.2006 To 31.12.2006 RM'000	13.10.2004 (DATE OF INCORPORATION) To 31.12.2005 RM'000
Current tax:				
- for the financial year/period	1,118	1,590	48	1
- (over)/underprovision in previous financial year	(15)	253	-	-
	<u>1,103</u>	<u>1,843</u>	<u>48</u>	<u>1</u>
Deferred taxation (Note 21)	(8)	-	-	-
	<u>1,095</u>	<u>1,843</u>	<u>48</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:-

	THE GROUP		THE COMPANY	
	1.1.2006 To 31.12.2006 RM'000	13.10.2004 (DATE OF INCORPORATION) To 31.12.2005 RM'000	1.1.2006 To 31.12.2006 RM'000	13.10.2004 (DATE OF INCORPORATION) To 31.12.2005 RM'000
Profit/(Loss) before taxation	<u>1,966</u>	<u>1,201</u>	<u>(213)</u>	<u>(64)</u>
Tax at the statutory tax rate of 28%	550	336	(60)	(18)
Tax effects of:				
Non-deductible expenses	564	85	108	19
Non-taxable gain	-	(228)	-	-
Deferred tax assets not recognised during the financial year/period	37	-	-	-
Tax exemption	(24)	-	-	-
(Over)/Underprovision in previous financial year	(15)	253	-	-
Differential in tax rates	(23)	(40)	-	-
Others	6	1,437	-	-
Tax for the financial year/period	<u>1,095</u>	<u>1,843</u>	<u>48</u>	<u>1</u>

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for the financial year ended 31 December 2006

30. EARNINGS/(LOSS) PER SHARE

The basic earnings/(loss) per share is arrived at by dividing the Group's profit after taxation of RM871,000 (31.12.2005 – loss after taxation of RM642,000) by the weighted average number of ordinary shares in issue during the financial year/period of approximately 135,212,191 (31.12.2005 - 14,826,360).

The fully diluted earnings per share for the Group for the financial year is not presented as the ICPS have been fully converted during the financial year.

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

31. PURCHASE OF PROPERTY AND EQUIPMENT

	THE GROUP		THE COMPANY	
	1.1.2006 To 31.12.2006 RM'000	13.10.2004 (DATE OF INCORPORATION) To 31.12.2005 RM'000	1.1.2006 To 31.12.2006 RM'000	13.10.2004 (DATE OF INCORPORATION) To 31.12.2005 RM'000
Cost of property and equipment purchased	1,829	214	414	-
Amount financed through hire purchase	(350)	(40)	(350)	-
Cash disbursed for purchase of property and equipment	1,479	174	64	-

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 previous financial period were as follows:-

	THE GROUP	
	1.1.2006 To 31.12.2006 RM'000	13.10.2004 (DATE OF INCORPORATION) To 31.12.2006 RM'000
Revenue	-	60,815
Cost of sales	-	(64,720)
Gross loss	-	(3,905)
Other operating income	-	6,948
Operating overheads	-	3,043
Profit before taxation	-	1,265
Taxation	-	(1,842)
Loss after taxation	-	(577)

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for the financial year ended 31 December 2006

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 previous financial period were as follows:-

	THE GROUP	
	AT 31.12.2006 RM'000	AT 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)
Bankers' acceptances	-	(11,629)
Hire purchase payables	-	(58)
Deferred taxation	-	(436)
Exchange fluctuation reserve	-	(3)
	<hr/>	<hr/>
Group's share of net assets	-	45,986
	<hr/>	<hr/>

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for the financial year ended 31 December 2006

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	
	AT 31.12.2006 RM'000	AT 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)
Fair value of net assets acquired	-	46,563
Goodwill on acquisition	-	115,437
Total purchase consideration	-	162,000
Satisfied by the issuance of:-		
- Ordinary shares	-	(85,000)
- ICPS	-	(77,000)
		-
Add: Cash and cash equivalents of subsidiary acquired	-	16,356
Net cash inflow from acquisition of a subsidiary	-	16,356

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for the financial year ended 31 December 2006

33. CASH AND CASH EQUIVALENTS

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

	THE GROUP		THE COMPANY	
	At 31.12.2006 RM'000	At 31.12.2005 RM'000	At 31.12.2006 RM'000	At 31.12.2005 RM'000
Short term deposits with a licensed bank	4,300	25,000	4,300	25,000
Fixed deposits with licensed banks	13,671	7,894	-	-
Cash and bank balances	8,001	4,471	26	6
	<u>25,972</u>	<u>37,365</u>	<u>4,326</u>	<u>25,006</u>

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

	THE GROUP	
	At 31.12.2006 RM'000	At 31.12.2005 RM'000
Singapore Dollar	-	1,714
United States Dollar	100	1,502
	<u>100</u>	<u>1,502</u>

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for the financial year ended 31 December 2006

34. DIRECTORS' REMUNERATION

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

	THE GROUP		THE COMPANY	
	1.1.2006 To 31.12.2006 RM'000	13.10.2004 (DATE OF INCORPORATION) To 31.12.2005 RM'000	1.1.2006 To 31.12.2006 RM'000	13.10.2004 (DATE OF INCORPORATION) To 31.12.2005 RM'000
Executive directors:-				
- basic salaries, incentives, allowances, bonus and EPF	1,305	650	-	-
- fee	27	2	33	2
	<u>1,332</u>	<u>652</u>	<u>33</u>	<u>2</u>
Non-executive directors:-				
- allowance	-	1	-	1
- fee	276	43	276	43
	<u>276</u>	<u>44</u>	<u>276</u>	<u>44</u>

The details of emoluments for the directors of the Group and of the Company received/receivable for the financial year/period in bands of RM50,000 are as follows:-

	THE GROUP/THE COMPANY			
	1.1.2006 To 31.12.2006		13.10.2004 (Date Of Incorporation) To 31.12.2005	
	Executive Directors	Non- Executive Directors	Executive Directors	Non- Executive Directors
Below RM50,000	1	2	1	3
RM150,001 – RM200,000	-	1	-	-
RM250,001 – RM300,000	-	-	1	-
RM350,001 – RM400,000	-	-	1	-
RM400,001 – RM450,000	1	-	-	-
RM850,001 – RM900,000	1	-	-	-
	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

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35. SIGNIFICANT RELATED PARTY TRANSACTIONS

	NOTE	THE GROUP		THE COMPANY	
		1.1.2006 To 31.12.2006 RM'000	13.10.2004 (DATE OF INCORPORATION) To 31.12.2005 RM'000	1.1.2006 To 31.12.2006 RM'000	13.10.2004 (DATE OF INCORPORATION) To 31.12.2005 RM'000
Acquisition of CSB from directors	(a)	-	-	-	162,000
Sales to related party:					
- Beausoft Sdn. Bhd.	(b)	25,997	1,799	-	-
- Southall Sdn. Bhd.	(b)	274	1,041	-	-
Purchases from related party:					
- Southall Sdn. Bhd.	(b)	774	3	-	-
		<u> </u>	<u> </u>	<u> </u>	<u> </u>

(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, who is a director of the Company, has substantial financial interests.

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

36. CONTINGENT LIABILITIES

	THE COMPANY	
	At 31.12.2006 RM'000	At 31.12.2005 RM'000
Corporate guarantees given to secure banking facilities granted to certain subsidiaries	27,000	-
	<u> </u>	<u> </u>

37. CAPITAL COMMITMENTS

	THE COMPANY	
	At 31.12.2006 RM'000	At 31.12.2005 RM'000
In respect of purchase of properties approved and contracted for	-	287
	<u> </u>	<u> </u>

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for the financial year ended 31 December 2006

38. NUMBER OF EMPLOYEES

	THE GROUP		THE COMPANY	
	AT 31.12.2006	AT 31.12.2005	AT 31.12.2006	AT 31.12.2005
Number of employees at the balance sheet date	<u>87</u>	<u>70</u>	<u>-</u>	<u>-</u>

39. 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'000	At 31.12.2006 RM'000
Singapore Dollar	2.29	2.27
United States Dollar	<u>3.57</u>	<u>3.78</u>

40. SEGMENTAL REPORTING

31.12.2006	Malaysia RM'000	Singapore RM'000	Total RM'000
REVENUE			
External sales	415,993	25,024	441,017
Inter-segment sales	(369)	(4)	(373)
TOTAL	<u>415,624</u>	<u>25,020</u>	<u>440,644</u>
RESULT			
Segment profit	1,727	256	1,983
Finance costs			(17)
Profit before taxation			<u>1,966</u>
Taxation			(1,095)
Profit after taxation			<u>871</u>
OTHER INFORMATION			
Segment assets #	221,176	6,600	227,776
Segment liabilities *	14,708	2,978	17,686
Capital expenditure	1,708	121	1,829
Depreciation	<u>567</u>	<u>47</u>	<u>614</u>

notes to the financial statements



for the financial year ended 31 December 2006

40. SEGMENTAL REPORTING (Cont'd)

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	1,129	150	1,279
Finance costs			(78)
Profit before taxation			1,201
Taxation			(1,843)
Loss after taxation			(642)
OTHER INFORMATION			
Segment assets #	235,585	5,918	241,503
Segment liabilities *	25,085	2,591	27,676
Capital expenditure	210	4	214
Depreciation	72	4	76

- Segment assets comprise total current and non-current assets, excluding income tax assets.

* - Segment liabilities comprise total current and non-current liabilities, excluding income tax liabilities.

No segmental analysis by business segment is prepared as the Group operates predominantly in one industry.

notes to the financial statements



for the financial year ended 31 December 2006

41. 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) Amounts Owning By/(To) Subsidiaries And A Director

It is not practicable to estimate the fair values of the amounts owing by/(to) the subsidiaries 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 received or settled.

(b) Short-Term Borrowings And Other Current Liabilities

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

(c) Hire Purchase Obligations

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

(d) 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.

The nominal amount and net fair value of financial instruments not recognised in the balance sheets of the Group and of the Company are as follows:

		THE GROUP		THE COMPANY	
		Nominal Amount RM'000	Net Fair Value RM'000	Nominal Amount RM'000	Net Fair Value RM'000
At 31 December 2006	NOTE				
Contingent liabilities	36	-	-	27,000	*
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2005					
Contingent liabilities	36	-	-	-	-
		<u> </u>	<u> </u>	<u> </u>	<u> </u>

* The net fair value of the contingent liabilities is estimated to be minimal as the subsidiaries are expected to fulfill their obligations to repay their borrowings.



for the financial year ended 31 December 2006

42. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

During the financial year,

- (i) the Company incorporated a wholly-owned subsidiary, CISB, as explained in Note 6 to the financial statements;
- (ii) CISB subscribed for 15,300 ordinary shares at USD1.00 each in CIL, as explained in Note 6 to the financial statements;
- (iii) CIL, on an even date, has subscribed for 24,000 ordinary shares at USD1.00 each in CIBDL, as explained in Note 6 to the financial statements; and
- (iv) all the 93,000,000 ICPS of RM0.10 each were converted into 93,000,000 ordinary shares of RM1.00 each. The 93,000,000 new ordinary shares issued pursuant to the ICPS conversion have been granted listing and quotation status on the Main Board of Bursa Malaysia Securities Berhad

43. SIGNIFICANT EVENT SUBSEQUENT TO THE BALANCE SHEET DATE

Subsequent to the balance sheet date, CIBDL, a subsidiary of the Company, had on 21 January 2007 incorporated a new subsidiary, namely Compugates International (Bangladesh) Limited ("CIBL"). CIBL was incorporated in Bangladesh with an authorised share capital of Taka 50,000,000 and issued and paid-up share capital of Taka 2,000,000 divided into 2,000 shares of Taka 1,000 each.

The proposed principal activity of CIBL will be to distribute telecommunication products and as a management agent of franchises.

44. COMPARATIVE FIGURES

The comparative figures of the Group and the Company were in respect of the financial period from 13 October 2004 (date of incorporation) to 31 December 2005.

list of properties



Location	Description /Existing Use	Date of Acquisition / Date of Last Revaluation	Gross Floor Area (square feet)	Tenure	Age of Buildings (years)	Net Book Value (RM)
1. Nos. 3-1 to 3-5 Jalan PJU 1/ 41 Dataran Prima Petaling Jaya Selangor Darul Ehsan	Five (5) strata shop / Office	30 Dec1999 7 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	7	2,027,660
2. No. 31-2 Jalan PJU 1/ 39 Dataran Prima Petaling Jaya Selangor Darul Ehsan	One (1) strata shop / Office	9 Aug 2002 7 Oct 2004	No.31-2: 1,735	Freehold	5	343,000
3. No. 46 Jalan PJU 1/ 43 Aman Suria Damansara Petaling Jaya Selangor Darul Ehsa	1 unit of 3-storey end terrace shop / Office	23 Aug 2002 7 Oct 2004	PT 832: 4,950	Freehold	3	1,377,644
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 7 Oct 2004	PT 833: 4,950	Freehold	3	1,279,258
5. C-G-03, C-1-03, C-2-03 Jalan SS6/5B Dataran Glamac Pusat Kelana Jaya Selangor	3-storey shop office	30 Sep 2004	Land Area (square meter) 186	Freehold	1	1,452,734
6. F-G-05, G-1-05, F-2-05 Jalan SS6/5B Dataran Glomac Pusat Kelana Jaya Selangor	3-storey shop office	17 Sep 2004	Land Area (square meter) 186	Freehold	1	1,364,533
7. Level No. 07 101-07-09 Menara PERDANA Jalan Gurdwara Penang	14-storey light industrial building	26 Sep 2006	2,034	Freehold	7	393,206



as at 23 March 2007

SHAREHOLDINGS STRUCTURE

Authorised Capital : 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

Issued and fully paid up capital : RM213,428,902.00 divided into

- 213,428,902 Ordinary Shares of RM1.00 each

Class of shares : Ordinary Shares of RM1.00 each

ANALYSIS OF SHAREHOLDINGS OF ORDINARY SHARES OF RM1.00 EACH

Voting Rights : Every member of the Company, present in person or by proxy or attorney or authorised representative, shall have on a show of hands, one (1) vote or on a poll, one (1) vote for each share held

<u>Size of shareholdings</u>	<u>No. of shareholders</u>	<u>%</u>	<u>No. of shareholdings</u>	<u>%</u>
1 - 99	1,431	24.465	70,659	0.033
100 - 1,000	2,994	51.188	926,237	0.434
1,001 - 10,000	1,039	17.763	4,343,014	2.035
10,001 - 100,000	279	4.770	9,276,717	4.347
100,001 - 10,671,444	105	1.795	160,712,274	75.300
(less than 5% of issued shares)				
10,671,445	1	0.017	38,100,001	17.851
(5% and above of issued shares)				
	<u>5,849</u>	<u>100.000</u>	<u>213,428,902</u>	<u>100.000</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	38,100,001	17.851
2	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Kheng Peow	10,368,200	4.857
3	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for See Thoo Chan	9,457,500	4.431
4	M.I.T Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Kheng Peow (MG0050-315)	8,883,600	4.162
5	M.I.T Nominees (Tempatan) Sdn Bhd Pledged Securities Account for See Thoo Chan (MG0058-315)	8,444,000	3.956
6	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Kheng Peow (CEB)	7,600,000	3.560
7	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for See Thoo Chan (CEB)	7,600,000	3.560

analysis of shareholdings



as at 23 March 2007

8	Mayban Nominees (Tempatan) Sdn Bhd	7,500,000	3.514
	Pledged Securities Account for Goh Kheng Peow (514011598188)		
9	Kenanga Nominees (Tempatan) Sdn Bhd	6,100,000	2.858
	Pledged Securities Account for Goh Kheng Peow		
10	TA Nominees (Tempatan) Sdn Bhd	6,000,000	2.811
	Pledged Securities Account for Goh Kheng Peow		
11	Tan Ngaip Soon	5,762,100	2.699
12	OSK Nominees (Tempatan) Sdn Berhad	5,112,500	2.395
	Pledged Securities Account for Goh Kheng Peow		
13	Alliancegroup Nominees (Tempatan) Sdn Bhd	5,000,000	2.342
	Pledged Securities Account for Goh Kheng Peow (8026769)		
14	Goh Tian Chuan	3,599,500	1.686
15	M & A Nominee (Tempatan) Sdn Bhd	3,583,500	1.679
	Pledged Securities Account for Goh Kheng Peow		
16	EB Nominees (Tempatan) Sendirian Berhad	3,391,000	1.588
	Pledged Securities Account for Goh Kheng Peow (SFC)		
17	Amsec Nominees (Tempatan) Sdn Bhd	3,316,000	1.553
	AmBank (M) Berhad for Goh Kheng Peow (SMART)		
18	Malacca Equity Nominees (Tempatan) Sdn Bhd	3,232,400	1.514
	Pledged Securities Account for Goh Kheng Peow		
19	Kenanga Nominees (Tempatan) Sdn Bhd	3,000,000	1.405
	Pledged Securities Account for See Thoo Chan		
20	HDM Nominees (Tempatan) Sdn Bhd	2,730,000	1.279
	Pledged Securities Account for Goh Kheng Peow (M02)		
21	Amsec Nominees (Tempatan) Sdn Bhd	2,492,100	1.167
	Pledged Securities Account for Goh Kheng Peow		
22	Lim Ting Chai	2,482,000	1.162
23	Standard Chartered Bank Malaysia Berhad	2,120,000	0.993
24	Kenanga Nominees (Tempatan) Sdn Bhd	2,100,000	0.983
	Pledged Securities Account for Goh Sin Yee		
25	TA Nominees (Tempatan) Sdn Bhd	1,972,800	0.924
	Pledged Securities Account for Low Peng Kai @ Lau Peng Kai		
26	Lee Kok Leong	1,900,000	0.890
27	TA Nominees (Tempatan) Sdn Bhd	1,707,600	0.800
	Pledged Securities Account for Goh Tian Chuan		
28	Mercsec Nominees (Tempatan) Sdn Bhd	1,600,000	0.749
	Pledged Securities Account for Goh Kheng Peow		
29	Low Sau Peng	1,500,000	0.702
30	Innosabah Nominees (Tempatan) Sdn Bhd	1,478,200	0.692
	Pledged Securities Account for Antara Reka Sdn Bhd		
TOTAL		168,133,001	78.777

analysis of shareholdings



as at 23 March 2007

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	115,649,301	54.19	*29,501,500	13.82
2	See Thoo Chan	29,501,500	13.82	**115,649,301	54.19

Notes:

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

** Deemed interest by virtue of her relationship with 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	-	-	-	-
Goh Kheng Peow	115,649,301	54.19	*29,501,500	13.82
Goh Tai Wai	-	-	**20,000	0.02
Mohamed Fauzi bin Omar	-	-	-	-
Tan Yip Chian	1	0.00	-	-
See Thoo Chan	29,501,500	13.82	***115,649,301	54.19

Notes:

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

** Deemed interest by virtue of his relationship with Fong Yin Sien, his spouse.

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



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 2006, the proceeds of RM25 million raised by the Company from its floatation exercise have been utilised as follows:

Purpose	Proposed Utilisation RM'000	Utilisation As At 31 December 2006 RM'000	Balance Unutilised RM'000
Repayment of bank borrowings	6,500	6,500	-
Working Capital	18,500	14,200	4,300
	<u>25,000</u>	<u>20,700</u>	<u>4,300</u>

2. Shares Buy-back

There were no shares buy-back or cancellation or resale of treasury shares during the financial year under review.

3. Option, Warrants or Convertible Securities

All the 93,000,000 Irredeemable Convertible Preference Shares of RM0.10 each ("ICPS") have been converted to 93,000,000 ordinary shares of RM1.00 each and have been listed on the Main Board of Bursa Malaysia Securities Berhad during the financial year under review.

Save as disclosed above, there were no options, warrants and other convertible securities exercised during the financial year under review.

4. American Depositary Receipt ("ADR") or Global Depositary Receipt ("GDR")

The Company did not sponsor any ADR or GDR programme during the financial year 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 year under review.

6. Non-audit Fees

The non-audit fees paid to the external auditors or a firm or company affiliated to the auditors' firm by the Group during the financial year under review were RM12,600.

7. Profit Guarantee

There were no profit guarantee given by the Company or its subsidiaries during the financial year under review.

8. Material Contract Involving Directors and Substantial Shareholders Entered During The Financial Year Ended 31 December 2006

There were no material contracts involving Directors and Substantial Shareholders entered into by the Company and its subsidiaries involving Directors and substantial shareholders' interests during the financial year under review.



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.

10. Recurrent Related Party Transaction ("RRPT") of a Revenue or Trading Nature

At the First Annual General Meeting held on 31 May 2006, the Company had obtained a mandate from its shareholders to allow Compugates Group to enter into recurrent related party transactions of a revenue or trading nature. The aggregate value of the recurrent transactions of a revenue or trading nature conducted for the year under review between the Company and/or its subsidiary companies with the related parties are set out below:

Name of Related Party	Nature of Transaction	Relationship	Aggregate Value As At 31.12.2006 (RM'000)
Southall Sdn Bhd	<ul style="list-style-type: none"> - Purchases of cellular phones and accessories, mobile phone prepaid cards and telecommunication products; and - Sales of cellular phones and accessories, mobile phone prepaid cards and telecommunication products. 	<p>Related to Goh Kheng Peow by virtue of his relationship with See Thoo Chan, his spouse, who is a Director and Major Shareholder of SSB.</p> <p>Related to See Thoo Chan, the Director and Major Shareholder of Company, who is also a Director and Major Shareholder of SSB.</p>	1,048,615.00
Beausoft Sdn Bhd	<ul style="list-style-type: none"> - Purchases of cellular phones and accessories, mobile phone prepaid cards and telecommunication products; and - Sales of cellular phones and accessories, mobile phone prepaid cards and telecommunication products. 	<p>Related to Goh Kheng Peow by virtue of his relationship with See Thoo Chan, his spouse, who is a Director and Major Shareholder of BSB.</p> <p>Related to See Thoo Chan, the Director and Major Shareholder of Company, who is also a Director and Major Shareholder of BSB.</p>	25,997,075.95

The Company will be seeking renewal of the mandate from the shareholders to enter into proposed recurrent related party transactions of a revenue or trading nature at the forthcoming Annual General Meeting of the Company. Details of the recurring related party transactions of a revenue or trading nature are set out in the Circular to Shareholders dated 3rd May 2007.



11. Variation in Results

Variances of Actual Profit And Forecast Profit of The Group

	Audited FY 2006 RM'000	Profit Forecast FY 2006 RM'000	Variance	
			RM'000	%
Revenue	440,644	589,724	(149,080)	(25.3)
Profit before taxation	1,966	25,386	(23,420)	(92.3)
Taxation	(1,095)	(7,045)	5,950	84.5
Profit after taxation	871	18,341	(17,470)	(95.3)
Weighted average no. of ordinary shares of RM1.00 each	135,212	120,429		
Gross earnings per share ("EPS")(sen)	1.45	21.08		
Net EPS (sen)	0.64	15.23		

The reconciliation of the deviation is shown as follows:

	RM'000
Profit after taxation as per Forecast	18,341
Lower Revenue	(149,080)
Gross profit	(26,649)
Other operating income	3,993
Operating expenses	(863)
Finance costs	99
	(23,420)
Taxation	5,950
	(17,470)
Profit after taxation as per Audited results	871



The non-achievement of the Profit Forecast is primarily due to the following factors:

1. Group revenue lower by approximately RM149 million or 25.3% compared to revenue forecast

The shortfall in the forecasted revenue was attributed to the following:

- (a) lower sales of reload coupon and starter packs due to smaller territory coverage granted by telcos to distribute prepaid cards;
- (b) lower sales of Time Kontakt STD/IDD prepaid cards ("TKC") due to telco's change of business focus and prices of prepaid cards which fluctuated according to market demand; and
- (c) proposed bundling exercise with certain suppliers did not materialise due to reason above. Bundling exercise represents TKC cards that were proposed to be bundled with other products sold by the Group.

2. Group gross profit lower by approximately RM27 million or 102.0% compared to forecast

	Audited FY 2006 RM'000	Profit Forecast FY 2006 RM'000	Variance	
			RM'000	%
Revenue	440,644	589,724	(149,080)	(25.3)
Gross (loss)/Profit ("GL)/GP")	(532)	26,117	(26,649)	(102.0)
(GL)/GP Margin (%)	(0.1)	4.4	N/A	(4.5)

The shortfall in gross profit was mainly due to lower sales as explained in earlier section and also variance in margin earned, as tabulated above.

Lower GP and GP margin earned by the Group was due to the following:

- (a) lower margin contributed from sales of reload coupon and starter packs and TKC;
- (b) stiff competition in the market which resulted in lower selling prices in order to maintain the Group's market share. The selling price of the products distributed by the Group normally fluctuated according to market demand and condition. The Group was compensated through sales incentives from certain suppliers for the losses incurred. These sales incentives have been included in other operating income as explained in Note 3; and
- (c) proposed bundling exercise with certain suppliers did not materialise.

3. Other Operating Income

Despite lower rebates contributed from telcos, other operating income is higher than forecasted due to higher rebates and sales incentives received from other suppliers as explained in Note 2(b) above.

4. Operating Expenses

Operating expenses were higher by approximately RM863,000 due to higher administrative expenses for the holding company and a newly incorporated subsidiary, Compugates International Sdn Bhd.

5. Finance Costs

Finance costs of the Group comprised hire purchase interest. Finance costs were lower by approximately RM99,000 or 19.5% due to lower utilisation of credit facilities.

6. Taxation

Actual taxation charge is lower than forecast consistent with the lower profit made by the Group.

notice of annual general meeting



NOTICE IS HEREBY GIVEN THAT the Second Annual General Meeting of **Compugates Holdings Berhad** (669287-H) will be held at Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Friday, 25 May 2007 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 financial year ended 31 December 2006 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 RM309,538 for the financial year ended 31 December 2006. | <i>Ordinary Resolution 2</i> |
| 3. To re-elect the following Directors who are retiring pursuant to the Company's Articles of Association, and being eligible, offering themselves for re-election: | |
| (i) Tan Yip Chian, retiring pursuant to Article 126 of the Articles of Association | <i>Ordinary Resolution 3</i> |
| (ii) Goh Tai Wai, retiring pursuant to Article 126 of the Articles of Association | <i>Ordinary Resolution 4</i> |
| (iii) See Thoo Chan, retiring pursuant to Article 131 of the Articles of Association | <i>Ordinary Resolution 5</i> |
| 4. To re-appoint Messrs Horwath as Auditors of the Company and to authorise the Directors to fix their remuneration. | <i>Ordinary Resolution 6</i> |

Special Business

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

5. **Proposed Renewal of 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 Company is hereby mandated to enter into recurrent related party transactions with Southall Sdn Bhd and Beausoft Sdn Bhd as detailed in 2.1.4 of the Circular to Shareholders dated 3 May 2007, 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 general 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 is made in the annual report on the recurrent related party transactions conducted 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 authority conferred by this resolution shall commence immediately upon passing of this resolution and shall continue to be in force until:
 - (a) the conclusion of the next Annual General Meeting of the Company following the Annual General Meeting at which the Proposed Renewal of 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 7*

6. 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 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 Bursa Malaysia Securities Berhad and other relevant bodies where such approval is necessary." *Ordinary Resolution 8*

7. Proposed Amendments to the Articles of Association of the Company

"THAT the alteration, modifications and/or additions to the Articles of Association of the Company as set out under Appendix I of the Circular to Shareholders dated 3 May 2007 be and are hereby approved." *Special Resolution 1*

8. Proposed Amendments to the Memorandum of Association of the Company

"THAT the first sentence of clause 5 of the Memorandum of Association of the Company be amended to read as follow:

"The share capital of the Company is RM350,000,000 divided into 350,000,000 ordinary shares of RM1.00 each."" *Special Resolution 2*

BY ORDER OF THE BOARD

MAH LI CHEN (MAICSA 7022751)
LEE WAI KIM (MAICSA 7036446)
Company Secretaries

Kuala Lumpur
Dated this 3rd day of May 2007

notice of annual general meeting



Notes :

1. Every member entitled to attend and vote at the meeting is entitled to appoint a proxy 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 Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Southall Sdn Bhd and Beausoft Sdn Bhd

The proposed Ordinary Resolution 7 if passed, will empower the Company and its subsidiaries ("CHB Group") to enter into recurrent related party transactions of a revenue or trading nature which are necessary for CHB Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

Detailed information on the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature is set out in the Circular to Shareholder dated 3 May 2007 which is dispatched together with this Annual Report.

(b) Authority to Issue and Allot Shares pursuant to Section 132D of the Companies Act, 1965

The proposed Ordinary Resolution 8, if passed, will give flexibility to the Directors of the Company to issue shares and allot up to a maximum of 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.

(c) Proposed Amendments to the Memorandum and Articles of Association of the Company

The Proposed Special Resolution 1 is to amend the Company's Articles of Association in line with the Listing Requirements of Bursa Securities. The details of the Proposed Amendments to the Articles of Association are set out in the Circular to Shareholders dated 3 May 2007 which is dispatched together with this Annual Report.

The Proposed Special Resolution 2 is to amend the Company's Memorandum of Association to reclassify the authorised share capital of the Company into RM350,000,000 divided into 350,000,000 ordinary shares of RM1.00 each following the full conversion of the Irredeemable Convertible Preference Shares of the Company.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. 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.



FORM OF PROXY

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

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

as my/our proxy/proxies, to vote for me/us on my/our behalf at the Second Annual General Meeting of the Company to be held at Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Friday, 25 May 2007 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.	Ordinary Resolutions	For	Against
1.	Adoption of Audited Financial Statements for the financial year ended 31 December 2006		
2.	Approval of Directors' Fees		
3.	Re-election of Tan Yip Chian as Director		
4.	Re-election of Goh Tai Wai as Director		
5.	Re-election of See Thoo Chan as Director		
6.	Re-appointment of Messrs Horwath as Auditors		
7.	Special Business 1 Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
8.	Special Business 2 Authority to Issue and Allot Shares Pursuant to Section 132D of the Companies Act, 1965		
Special Resolutions			
9.	Special Business 3 Proposed Amendments to the Articles of Association of the Company		
10.	Special Business 4 Proposed Amendments to the Memorandum of Association of the Company		

(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/proxies may vote or abstain at his/her discretion.)

Number of shares held

.....
Signature/Common Seal of Shareholder

Signed this day of 2007

Notes :

- Every member entitled to attend and vote at the meeting is entitled to appoint a proxy 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 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.

Fold this flap for sending

...then fold here

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

1st fold here

COMPUGATES®

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