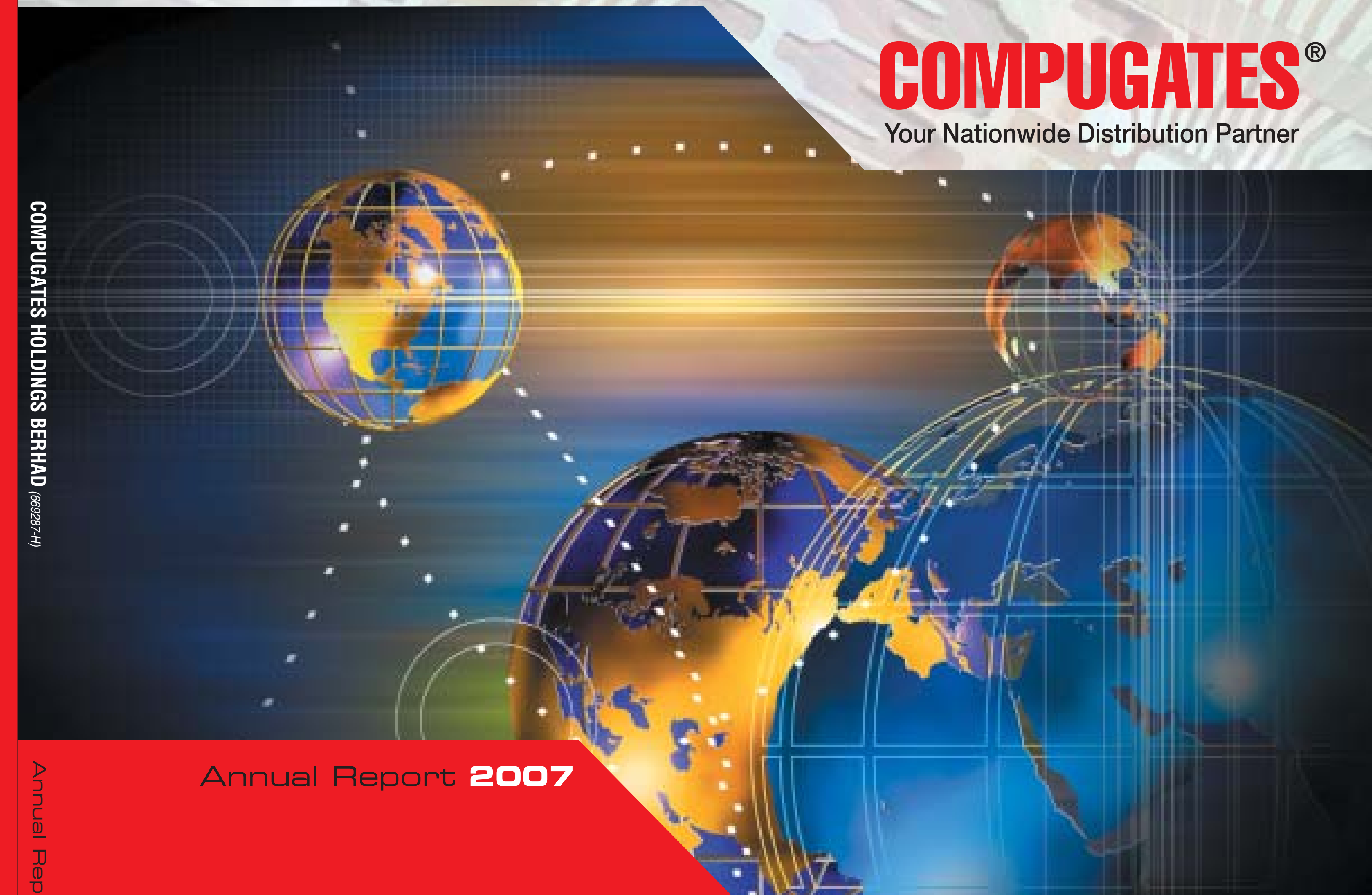
COMPUGATES®

Your Nationwide Distribution Partner



Annual Report **2007**

GLOBAL REACH

COMPUGATES HOLDINGS BERHAD *(669287-H)*

Annual Report **2007**

COMPUGATES®

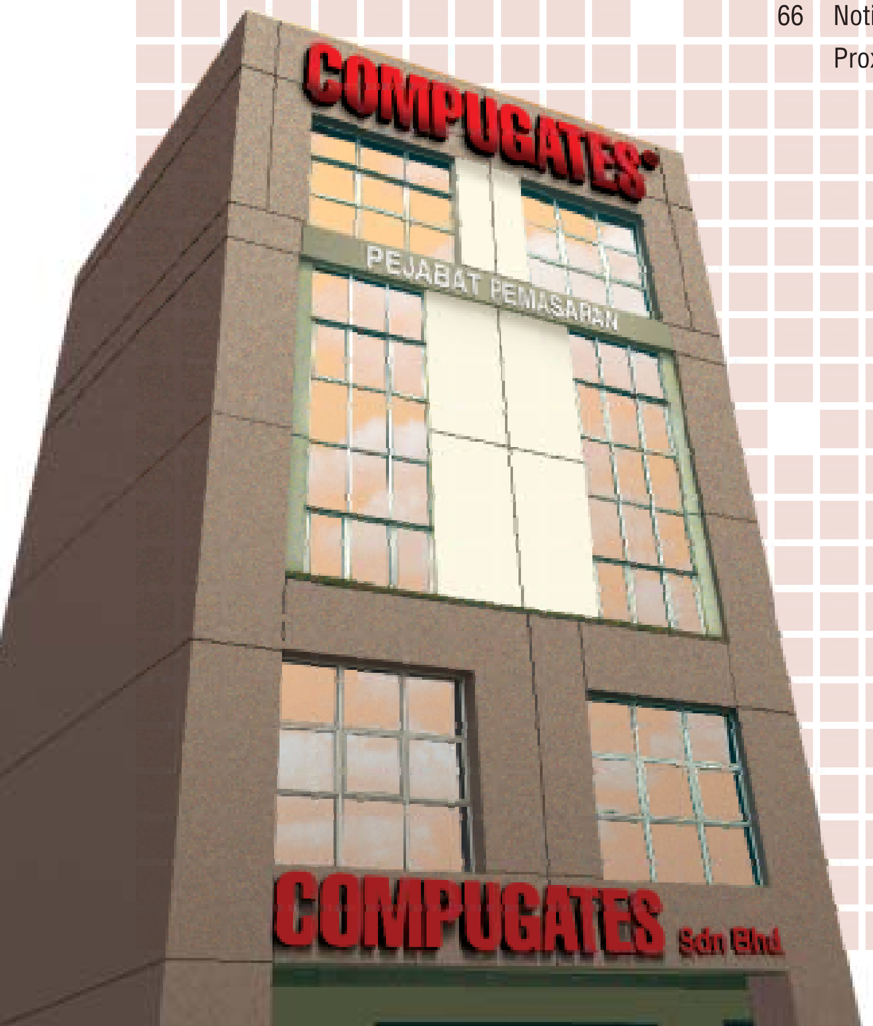
COMPUGATES HOLDINGS BERHAD *(669287-H)*

(Incorporated in Malaysia)

COMPUGATES®

Your Nationwide Distribution Partner

Contents



Corporate Information

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
Wilayah Persekutuan
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 : 03-7718 6000
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
Wilayah Persekutuan
Tel : 03-2166 0000
Fax : 03-2166 1000

STOCK EXCHANGE LISTING

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

Corporate Structure

COMPUGATES MARKETING SDN BHD
(471289-H)
100%
Trading, marketing & distribution of imaging, IT & communication-based products and skin care products.

COMPUGATES (S) PTE LTD
(200300859-G)
99.99%
Distribution of digital cameras, related accessories and consumer electronics products.

COMPUGATES SDN BHD
(431833-W)
100%
Trading, marketing & distribution of imaging, IT & communication-based products.

COMPUGATES INTERNATIONAL LTD (CAMBODIA)
(4351/07 E)
80%
Acting as agents by way of commission for the distribution of telecommunication products and management agent of franchises.

COMPUGATES®
Compugates Holdings Berhad
(669287-H)
Investment holding and provision of management services.

COMPUGATES INTERNATIONAL LTD
(1045449)
51%
Acting as agents by way of commission for the distribution of telecommunication products and management agent of franchises.

COMPUGATES INTERNATIONAL SDN BHD
(721627-P)
100%
Investment holding and provision of management services.

COMPUGATES INTERNATIONAL (BD) LTD
(1045450)
80%
Investment holding, consultancy and project management services.

COMPUGATES INTERNATIONAL (BANGLADESH) LTD
(C-65386(2878)/07)
98%
Exclusive distributor and master franchisee for distribution of telecommunication products and services.

Chairman's Statement

Dear Valued Investors,

On behalf of the Board of Directors of Compugates Holdings Berhad and its Group of Companies, I am delighted to report the results for the financial year ended 31 December 2007. The year under review represents a significant milestone for the Group, as the first fruits of the seeds planted in 2006 were harvested, where we reached the RM586.6 million mark in financial revenue.

Tan Sri Datuk Asmat Bin Kamaludin
Chairman

Sales increased by 33% to RM586.6 million, whilst profit before tax increased to RM25.8 million.

Our strong results arose from our transformation into a regional distributor of prepaid mobile cards, with clear innovation and branding, and increased efficiency.

As a Group, we have strengthened our portfolio, casting our nets further afield to Bangladesh and Cambodia, studied and increased our understanding of consumers' behavior and expectation, while identifying new areas to venture into for the medium and long-term. Plans are in place to introduce new products and enhance existing products in the coming year.

Our strategies raised profitability to higher levels with top-line growth of 33% despite the rising uncertainties in the economic environment.

This achievement is a fitting result of the commitment of our dedicated people who are instrumental to our profitability, despite operating in an environment of heightened competition, growing inflationary pressures and increased costs of operations. The success of the Group is a tribute to the effort and enthusiasm of our employees across the region and the Group's commitment to being a trusted and reliable partner to the brands we serve both locally and in the region.

We have a growing regional business with an extensive sales and service network serving our customers across multiple market sectors. Our local distribution network has increased from 4,000 in 2005 to more than 10,000 in 2007. Whilst we will not be immune from slowing economic growth rates amongst major world economies, the fundamental strength and diversity of our business gives us confidence about the future.

The business is well positioned for further growth. The core product range has been refreshed and enhanced, and is expected to contribute positively to profits in 2008.

The economy in countries where the Group operates, namely Malaysia, Bangladesh, Cambodia and Singapore, has remained resilient in 2007. The economies in these countries are expected to sustain this growth momentum in 2008. However, global economic uncertainties and rising oil prices may impact consumer spending.

The Group will continue its prudent management and will consider further expansion prospects.

On behalf of the Board of Directors, I wish to acknowledge the contribution of our customers, resellers, principals, business partners, suppliers, associates and shareholders for their confidence and commitment, all of whom contributed to us achieving an outstanding year.

To my colleagues on the Board, Management and Staff of Compugates Holdings Berhad and its Group of Companies – together we have made it happened!

Directors' Profile

TAN SRI DATUK ASMAT BIN KAMALUDIN

(Independent Non-Executive Chairman)

Tan Sri Datuk Asmat Bin Kamaludin, a Malaysian, aged 64, 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. 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) 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, Permodalan Nasional Berhad and ABN Amro Bank 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 48, 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 with honours from the University of Malaya with a Bachelor of Economics (Business Administration) in 1983. He has over twenty five (25) 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 35, 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 of Ascend Group of Companies, overseeing the financial management, corporate advisory services, information technology services and other business activities of the Group. He has more than fifteen (15) 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 Pertanian Malaysia.

Prior to joining Compugates, he has held numerous senior management positions in the telecommunications industry, particularly the cellular mobile operations both locally and abroad. A co-founder of Celcom (Malaysia) Berhad ("Celcom"), he served the company from 1988 to 1996 and his last positions in the company were as the Chief Operating Officer of Celcom Technology Sdn Bhd (Celcom's Value-added arm) cum Senior Vice President of Celcom, where he oversees a number of new projects including the fixed network services. In 2000, he was engaged by Across Asia Multimedia (a company listed on The Stock Exchange of Hong Kong Limited) as the Director of Marketing & Customer Services as part of a team of Malaysian to establish Lippotel's Cellular service in Indonesia.

In 2002, he joined Time dotCom Berhad as the Director of its mobile operations, namely TimeCel. Upon the disposal of TimeCel, he was later made the Chief Operating Officer of Time dotCom Berhad and its subsidiary, namely Time dotNet Berhad where he served until 2005. With over twenty (20) years in the industry, he has vast experience particularly in the development and marketing of cellular, public switched telephone network, broadband, value-added, satellite, computer-telephony and internet related services.

Prior to joining the telecommunications industry, he started his career with British Petroleum (M) Sdn Bhd, which he served for almost five (5) years since 1983. Today he is actively involved in the aggregation & marketing of mobile and broadband value added applications in the region through his privately owned companies.

TAN YIP CHIAN

(Independent Non-Executive Director)

Tan Yip Chian, a Malaysian, aged 36, 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. He is currently the General Manager of Corporate Finance in PM Securities Sdn Bhd with responsibility in the origination and execution of corporate finance advisory that includes corporate debt/restructuring, initial public offering, mergers and acquisitions, fund raising, private equity funded transaction and also provide general or specific advice to publicly quoted companies.

SEE THOO CHAN

(Non-Independent Non-Executive Director)

See Thoo Chan, a Malaysian, aged 46, 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, telecommunication products and skin care 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 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 ("RRPTs") which are disclosed in page 65 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 9 of this Annual Report.

Statement On Corporate Governance

The Board of Directors of Compugates Holdings Berhad 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 ("AC"), 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 contribute 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 6 to 7 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	5/6
Mohamed Fauzi Bin Omar	5/6
Tan Yip Chian	6/6
See Thoo Chan (Appointed w.e.f. 21 March 2007)	5/5
Tan Ngaip Soon (Resigned w.e.f. 21 March 2007)	1/1

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

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 for Directors and identification of potential candidates for appointment to the Board.

During the financial year under review, three (3) meetings were held and attended by all members.

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 have attended and successfully completed the Mandatory Accreditation Programme (MAP) as prescribed by Bursa Securities.

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.	Updates on the Companies (Amendment) Act 2007 (A1299)
2.	Awareness on Anti-Money Laundering
3.	Balanced Scorecard As a Strategic Instrument
4.	Passion for Extraordinary Performance
5.	Read, Analyze, Interpret Financial Statements

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 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 Remuneration Committee of the Company 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 and attended by all members.

3. DIRECTORS' REMUNERATION

The details of directors' remuneration for the financial year ended 31 December 2007, distinguishing between Executive and Non-Executive Directors, are as follows:

Categories of Remuneration	Executive Directors (RM)	Non-Executive Directors (RM)
Salary & Other Emoluments	806,000	-
Fee & Allowance	48,000	313,000
Total	854,000	313,000

The number of Directors whose total remuneration for the financial year ended 31 December 2007 falls within the required disclosure bands are set out below:

Remuneration Band	Number of Directors		
	Executive	Non-Executive	Total
RM50,000 and below	1	3	4
RM150,001 to RM200,000	-	1	1
RM 800,001 to RM850,000	1	-	1
Total	2	4	6

For security and confidential reasons, the details of individual Directors' remuneration are not shown. The Board is of the opinion that the transparency and accountability aspects of corporate governance as applicable to Directors' remuneration are appropriately served by the disclosures made above.

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 AC comprises 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 13 to 15 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 CONTROL

   The Statement on Internal Controls as set out on pages 16 to 17 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 14 to 15 of this Annual Report.

Audit Committee Report

The Board is pleased to present the Audit Committee Report for the financial year ended 31 December 2007. The AC met five (5) 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 (Independent Non-Executive Chairman)	5/5
Goh Tai Wai (Executive Director)	5/5
Tan Yip Chian (Independent Non-Executive Director)	5/5

Details of the members of the AC are contained in the "Directors' Profile" as set out on pages 6 to 7 of this Annual Report.

TERMS OF REFERENCE

The AC is governed by the following terms of reference which was adopted on 22 February 2008:

1. Composition

The AC shall be appointed from amongst the Board and shall comprise no fewer than three (3) members. All the AC members must be non-executive directors, with 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 Securities.

The AC will comply with its terms of reference in respect of its composition by 31 January 2009.

In the event of any vacancy resulting in the number of members is reduced to below three, the vacancy shall be filled within two (2) months but in any case not later than three (3) months. Therefore a member of the 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. The AC Members may participate in a meeting by means of conference telephone, conference videophone or any similar or other communications equipment by means of which all persons participating in the meeting can hear each other. Such participation in a meeting shall constitute presence in person at such meeting.

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

The internal auditors and external auditors may appear at any meeting at the invitation of the AC and shall appear before the AC when required to do so by the AC. The internal auditors and 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 internal auditors and external auditors, excluding the attendance of other directors and employees of the Group, 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 internal auditors and 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, competency, 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 internal and external 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 financial year.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

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

(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 2007;
(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;
(g) Reviewing related party transactions and considered conflict of interest situations that may arise within the Group; and
(h) Met two (2) times with the External Auditors without the presence of the executive director and the Management.

INTERNAL AUDIT FUNCTION

During the financial year, 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 control 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 pages 16 and 17 of this Annual Report.

Statement On Internal Controls

INTRODUCTION

Pursuant to paragraph 15.27 (b) of the LR of Bursa Securities and as guided by the Bursa Securities's Statement on Internal Control: Guidance for Directors of Public Listed Companies ("the Guidance"), the Board of Compugates Holdings Berhad is pleased to include a statement on the state of the Group's internal controls in this Annual Report.

RESPONSIBILITY

The Board acknowledges its responsibility and re-affirms its commitment in maintaining a sound system of internal controls to safeguard shareholders' investments and the Group's assets as well as reviewing the adequacy and integrity of the system of internal controls.

However, as there are inherent limitations in any system of internal controls, such systems put into effect by the Management can only reduce but cannot eliminate all risks that may impede the achievement of the Group's business objectives. Therefore, the internal control system can only provide reasonable and not absolute assurance against material misstatement or loss.

KEY FEATURES OF THE GROUP'S INTERNAL CONTROL SYSTEM

1. CONTROL ENVIRONMENT

- Organisation Structure & Authorisation Procedures

  The Group maintains a formal organisation structure with well-defined delegation of responsibilities and accountability within the Group's Senior Management. It sets out the roles and responsibilities, appropriate authority limits, review and approval procedures in order to enhance the internal control system of the Group's various business units.

- Periodical and/or Annual Budget

  Budgetary control for every business unit of the Group, where actual performance is closely monitored against budgets to identify and to address significant variances.

- Group Policies and Procedures

  The Group has documented policies and procedures that are regularly reviewed and updated to ensure that it maintains its effectiveness and continues to support the Group's business activities at all times as the Group continues to grow.

- Human Resource Policy

  Comprehensive guidelines on the employment of employees are in place, to ensure that the Group has a team of employees who are well trained and equipped with all the necessary knowledge, skills and abilities to carry out their responsibility effectively.

2. RISK MANAGEMENT FRAMEWORK

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.

3. INTERNAL AUDIT FUNCTION

The Group's internal audit function is outsourced to external consultants, Audex Governance Sdn Bhd. The outsourced internal auditors assist the Board and the AC in providing independent assessment of the adequacy, efficiency and effectiveness of the Group's internal control system. They report directly to the AC and internal audit plans are tabled to the AC for review and approval to ensure adequate coverage.

On a quarterly basis, the Group's internal auditors table the results of their review of the business processes of different business units to the AC at their scheduled meetings. The status of the implementation of corrective actions to address control weaknesses are also followed up by the internal auditors to ensure that these actions have been satisfactorily implemented.

During the financial year under review, identified weaknesses in internal controls have been appropriately addressed and Senior Management will continue to ensure that appropriate actions are taken to enhance and strengthen the internal control environment.

The cost incurred for the internal audit function in respect of the financial year ended 31 December 2007 was RM30,000.00.

4. INFORMATION AND COMMUNICATION

Information critical to the achievement of the Group's business objectives is communicated through established reporting lines across the Group. This is to ensure that matters that require the Board and Senior Management's attention are highlighted for review, deliberation and decision on a timely basis.

5. MONITORING AND REVIEW

Scheduled management and Board meetings are held to discuss and review the business planning, budgeting, financial and operational performances.

- Financial and Operational Review

  The monthly management accounts containing key financial results, operational performance results and comparisons of performance against budget are presented to the management team.

- Quarterly financial results are presented to the AC and the Board for their review, consideration, approval and also for the purposes of monitoring the Group's progress towards achieving its business objectives.

- Business Planning and Budgeting Review

  The Board plays an active role in discussing and reviewing the business plans, strategies, performance and risks faced by the Group.

6. CONCLUSION

The Board is of the view that the Group's system of internal controls is adequate to safeguard shareholders' investments and the Group's assets and that there is no significant weakness or deficiency in the system of internal controls for the financial year ended 31 December 2007. However, the Board is also cognizant of the fact that the Group's system of internal controls and risk management practices must continuously evolve to meet the changing and challenging business environment. Therefore, the Board will, when necessary, put in place appropriate action plans to further enhance the system of internal controls.

This statement was approved by the Board of Directors on 7 April 2008.

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.

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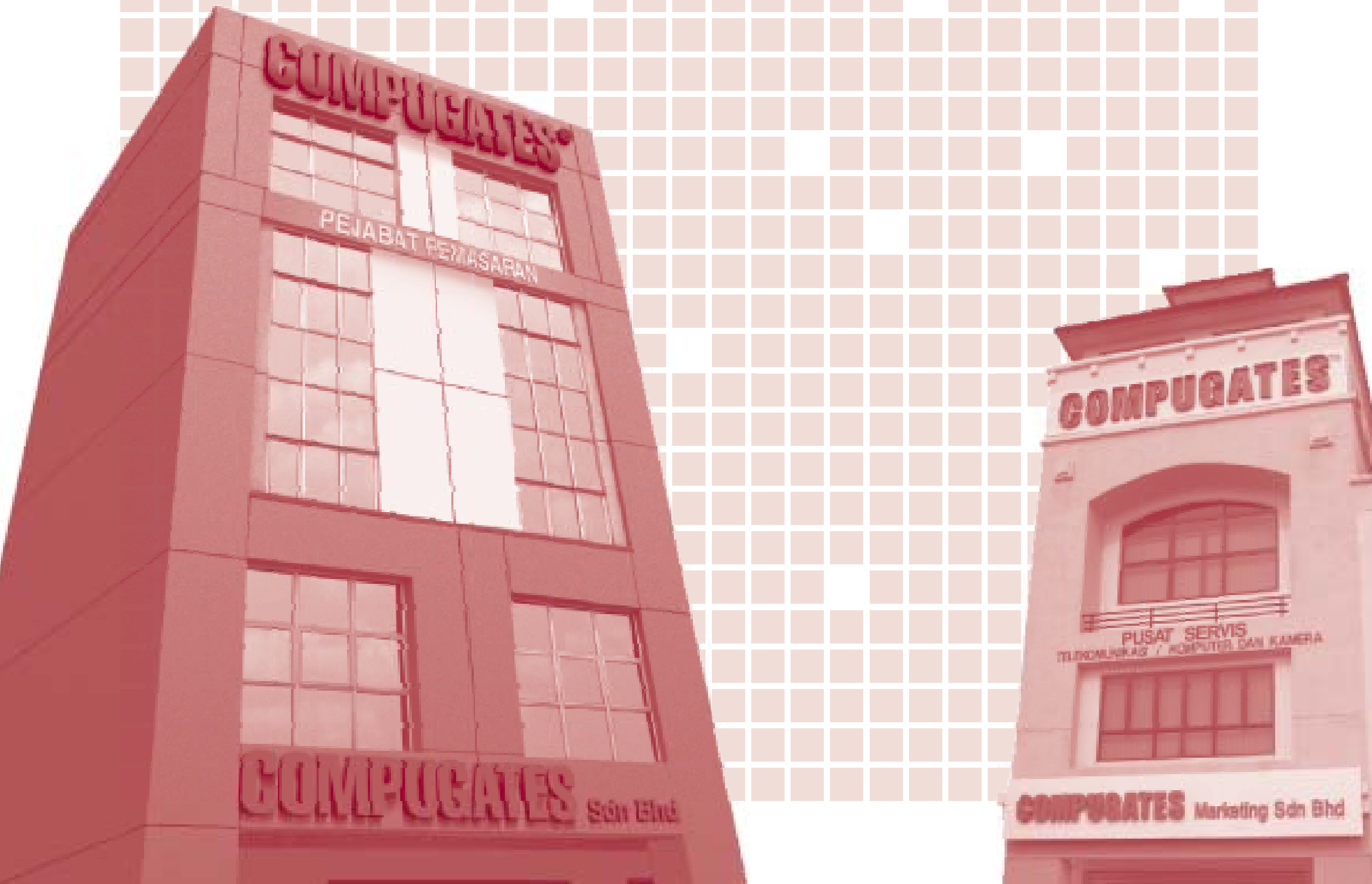
Financial Statements Contents



Directors' 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 2007.

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	12,943	(33)

DIVIDENDS

No dividend was paid since the end of the previous financial year 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) the Company reclassified its authorised share capital of RM350,000,000 divided into 340,000,000 ordinary shares of RM1.00 each and 100,000,000 Irredeemable Convertible Preference Shares of RM0.10 each to RM350,000,000 divided into 350,000,000 ordinary shares of RM1.00 each;

(b) the Company sub-divided its authorised share capital of RM350,000,000 divided into 350,000,000 ordinary shares of RM1.00 each into RM350,000,000 divided into 3,500,000,000 ordinary shares of RM0.10 each;

(c) the Company sub-divided its existing issued and fully paid-up share capital of RM213,428,902 divided into 213,428,902 ordinary shares of RM1.00 each into RM213,428,902 divided into 2,134,289,020 ordinary shares of RM0.10 each; and

(d) 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 of the Group and of the Company 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 liability of the Company is disclosed in Note 31 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
MOHAMED FAUZI BIN OMAR
GOH TAI WAI
TAN YIP CHIAN

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:-

THE COMPANY	**NUMBER OF ORDINARY SHARES** AT 1.1.2007 (PAR VALUE OF RM1.00 EACH)	BOUGHT (PAR VALUE OF RM1.00 EACH)	SOLD (PAR VALUE OF RM1.00 EACH)	AT 31.12.2007 (PAR VALUE OF RM1.00 EACH)	SHARE SPLIT (PAR VALUE OF RM0.10 EACH)
DIRECT INTERESTS					
TAN SRI DATUK ASMAT BIN KAMALUDIN	-	2,500,000	-	2,500,000	25,000,000
GOH KHENG PEOW	122,935,701	6,713,600	(20,500,000)	109,149,301	1,091,493,010
SEE THOO CHAN	7,986,600	23,014,900	-	31,001,500	310,015,000
TAN YIP CHIAN	1	-	-	1	10

THE COMPANY	**NUMBER OF ORDINARY SHARES** AT 1.1.2007 (PAR VALUE OF RM1.00 EACH)	BOUGHT (PAR VALUE OF RM1.00 EACH)	SOLD (PAR VALUE OF RM1.00 EACH)	TOTAL (PAR VALUE OF RM1.00 EACH)	SHARE SPLIT (PAR VALUE OF RM0.10 EACH)	BOUGHT (PAR VALUE OF RM0.10 EACH)	AT 31.12.2007 (PAR VALUE OF RM0.10 EACH)
DEEMED INTERESTS							
TAN SRI DATUK ASMAT BIN KAMALUDIN ^	-	-	-	-	-	30,000	30,000
GOH KHENG PEOW *	7,986,600	23,014,900	-	31,001,500	310,015,000	-	310,015,000
GOH TAI WAI *	20,000	-	-	20,000	200,000	-	200,000
SEE THOO CHAN*	122,935,701	6,713,600	(20,500,000)	109,149,301	1,091,493,010	-	1,091,493,010

^ *Deemed interest through children's shareholdings by virtue of Section 134(12)(C) of the Companies (Amendment) Act 2007.*
* *Deemed interest through spouse's shareholdings by virtue of Section 134(12)(C) of the Companies (Amendment) Act 2007.*

DIRECTORS' INTERESTS (cont'd)

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

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, 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 Group and 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 certain directors have substantial financial interests as disclosed in Note 30 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 34 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 8 APRIL 2008

Goh Kheng Peow

See Thoo Chan

Statement by Directors and Statutory Declaration

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 26 to 59 are drawn up in accordance with applicable approved Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2007 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 8 APRIL 2008

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 26 to 59 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 8 April 2008

Goh Tai Wai

Before me

Mohd Radzi Bin Yasin
No: W 327

Auditors' Report
to the member of Computegates Holdings Berhad

We have audited the financial statements set out on pages 26 to 59. The preparation of the financial statements is the responsibility of the Company's directors.

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

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

In our opinion,

(a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Financial Reporting Standards in Malaysia so as to give a true and fair view of:-

  (i) the state of affairs of the Group and of the Company at 31 December 2007 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 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 subsidiaries 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

8 April 2008

Balance Sheets

at 31 December 2007

	NOTE	THE GROUP 2007 RM'000	THE GROUP 2006 RM'000 (Restated)	THE COMPANY 2007 RM'000	THE COMPANY 2006 RM'000 (Restated)
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	6	-	-	162,100	162,100
Property and equipment	7	9,382	9,262	248	331
Goodwill on consolidation	8	115,684	115,684	-	-
		125,066	124,946	162,348	162,431
CURRENT ASSETS					
Inventories	9	16,056	12,253	-	-
Trade receivables	10	43,095	35,155	-	-
Other receivables, deposits and prepayments	11	28,874	3,021	16	18
Amount owing by subsidiaries	12	-	-	24,073	20,188
Tax refundable		3,611	3,689	173	70
Short-term deposits with a licensed bank	13	1,150	4,300	300	4,300
Fixed deposits with licensed banks	14	16,783	13,671	-	-
Cash and bank balances		4,571	8,001	51	26
		114,140	80,090	24,613	24,602
TOTAL ASSETS		239,206	205,036	186,961	187,033
EQUITY AND LIABILITIES					
EQUITY					
Share capital	15	213,429	213,429	213,429	213,429
Exchange fluctuation reserve	16	(765)	6	-	-
Accumulated losses		(13,257)	(26,200)	(26,788)	(26,755)
SHAREHOLDERS' EQUITY		199,407	187,235	186,641	186,674
MINORITY INTERESTS		10,595	77	-	-
TOTAL EQUITY		210,002	187,312	186,641	186,674

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

Balance Sheets at 31 December 2007 (cont'd)

		THE GROUP		THE COMPANY	
	NOTE	2007 RM'000	2006 RM'000 (Restated)	2007 RM'000	2006 RM'000 (Restated)
NON-CURRENT AND DEFERRED LIABILITIES					
Hire purchase payables	17	157	231	140	210
Deferred taxation	18	420	428	-	-
		577	659	140	210
CURRENT LIABILITIES					
Trade payables	19	24,500	15,091	-	-
Other payables and accruals	20	3,507	1,850	110	74
Amount owing to a subsidiary	12	-	-	-	5
Hire purchase payables	17	78	86	70	70
Provision for taxation		542	38	-	-
		28,627	17,065	180	149
TOTAL LIABILITIES		29,204	17,724	320	359
TOTAL EQUITY AND LIABILITIES		239,206	205,036	186,961	187,033
NET ASSETS PER SHARE (RM)					
On ordinary shares of:					
- RM0.10 each	21	0.09	-		
- RM1.00 each	21	-	0.88		

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

Income Statements
for the Financial Year ended 31 December 2007

		THE GROUP		THE COMPANY	
		2007	2006	2007	2006
	NOTE	RM'000	RM'000	RM'000	RM'000
REVENUE	22	586,577	440,644	910	420
COST OF SALES		(574,791)	(441,176)	-	-
GROSS PROFIT/(LOSS)		11,786	(532)	910	420
OTHER INCOME		27,990	14,659	46	132
		39,776	14,127	956	552
ADMINISTRATIVE EXPENSES		(11,584)	(9,719)	(754)	(673)
SALES AND MARKETING EXPENSES		(1,535)	(1,632)	-	-
OTHER EXPENSES		(843)	(799)	(83)	(83)
FINANCE COST		(12)	(11)	(9)	(9)
PROFIT/(LOSS) BEFORE TAXATION	23	25,802	1,966	110	(213)
INCOME TAX EXPENSE	24	(2,363)	(1,095)	(143)	(48)
PROFIT/(LOSS) AFTER TAXATION		23,439	871	(33)	(261)
ATTRIBUTABLE TO:					
Equity holders of the Company		12,943	871	(33)	(261)
Minority interests		10,496	-	-	-
		23,439	871	(33)	(261)
EARNINGS/(LOSS) PER SHARE (SEN)					
Basic on ordinary shares of:					
- RM0.10 each	25	0.61	-		
- RM1.00 each	25	-	0.64		
Diluted	25	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 2007

	NOTE	SHARE CAPITAL RM'000	IRREDEEMABLE CONVERTIBLE PREFERENCE SHARE ("ICPS") RM'000	SHARE PREMIUM RM'000	EXCHANGE FLUCTUATION RESERVE RM'000	ACCUMULATED LOSSES RM'000	TOTAL RM'000	MINORITY INTERESTS RM'000	TOTAL EQUITY RM'000
		← ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT →							
THE GROUP									
Balance at 1.1.2006									
- as previously reported		120,429	9,300	83,700	3	(642)	212,790	-	212,790
- prior year adjustment	26	-	-	-	-	(26,429)	(26,429)	-	(26,429)
- as restated		120,429	9,300	83,700	3	(27,071)	186,361	-	186,361
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	-	3
Total recognised income and expense for the financial year		-	-	-	3	871	874	-	874
Subscription of shares in subsidiaries		-	-	-	-	-	-	77	77
Balance at 31.12.2006/1.1.2007		213,429	-	-	6	(26,200)	187,235	77	187,312
Profit after taxation		-	-	-	-	12,943	12,943	10,496	23,439
Exchange difference		-	-	-	(771)*	-	(771)	-	(771)
Total recognised income and expense for the financial year		-	-	-	(771)	12,943	12,172	10,496	22,668
Subscription of shares in subsidiaries		-	-	-	-	-	-	22	22
Balance at 31.12.2007		213,429	-	-	(765)	(13,257)	199,407	10,595	210,002

* Not recognised in the income statements.

	NOTE	SHARE CAPITAL RM'000	ICPS RM'000	SHARE PREMIUM RM'000	ACCUMULATED LOSSES RM'000	TOTAL RM'000
THE COMPANY						
Balance at 1.1.2006						
- as previously reported		120,429	9,300	83,700	(65)	213,364
- prior year adjustment	26	-	-	-	(26,429)	(26,429)
- as restated		120,429	9,300	83,700	(26,494)	186,935
Issuance of ordinary shares pursuant to the conversion of ICPS		93,000	(9,300)	(83,700)	-	-
Loss for the financial year		-	-	-	(261)	(261)
Balance at 31.12.2006/1.1.2007		213,429	-	-	(26,755)	186,674
Loss for the financial year		-	-	-	(33)	(33)
Balance at 31.12.2007		213,429	-	-	(26,788)	186,641

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

Cash Flow Statements

for the Financial Year ended 31 December 2007

	NOTE	THE GROUP 2007 RM'000	THE GROUP 2006 RM'000	THE COMPANY 2007 RM'000	THE COMPANY 2006 RM'000
CASH FLOWS (FOR)/FROM OPERATING ACTIVITIES					
Profit/(Loss) before taxation		25,802	1,966	110	(213)
Adjustments for:-					
Allowance for doubtful debts		172	171	-	-
Bad debts written off		12	9	-	-
Depreciation of property and equipment		657	614	83	83
Equipment written off		-	4	-	-
Loss/(Gain) on disposal of equipment		1	(8)	-	-
Interest expense		11	11	9	9
Provision for inventory obsolescence		-	30	-	-
Dividend income		-	-	(910)	(420)
Interest income		(606)	(595)	(46)	(132)
Unrealised gain on foreign exchange		(57)	-	-	-
Writeback of provision for inventory obsolescence		(35)	(54)	-	-
Operating profit/(loss) before working capital changes		25,957	2,148	(754)	(673)
Increase in inventories		(3,768)	(7,142)	-	-
(Increase)/Decrease in trade and other receivables		(33,977)	10,531	2	(15)
Increase in trade and other payables		11,123	1,734	36	56
CASH (FOR)/FROM OPERATIONS		(665)	7,271	(716)	(632)
Income tax paid		(1,789)	(5,791)	-	(1)
Interest paid		(11)	(11)	(9)	(9)
NET CASH (FOR)/FROM OPERATING ACTIVITIES		(2,465)	1,469	(725)	(642)
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Purchase of property and equipment	27	(779)	(1,479)	-	(64)
Acquisition of a subsidiary, net of cash acquired		-	-	-	(100)
Proceeds from disposal of equipment		1	8	-	-
Interest received		606	595	46	132
Dividend received		-	-	664	302
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(172)	(876)	710	270

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

Cash Flow Statements for the Financial Year ended 31 December 2007 (cont'd)

	NOTE	THE GROUP 2007 RM'000	THE GROUP 2006 RM'000	THE COMPANY 2007 RM'000	THE COMPANY 2006 RM'000
CASH FLOWS FOR FINANCING ACTIVITIES					
Proceeds from issuance of shares to minority shareholders		22	77	-	-
Decrease in bankers' acceptances		-	(11,629)	-	-
Repayment of hire purchase obligations		(82)	(91)	(70)	(70)
Net advances to subsidiaries		-	-	(3,890)	(20,238)
Repayment to a director		-	(346)	-	-
NET CASH FOR FINANCING ACTIVITIES		(60)	(11,989)	(3,960)	(20,308)
Effects of foreign exchange rate changes on cash and cash equivalents		(771)	3	-	-
NET DECREASE IN CASH AND CASH EQUIVALENTS		(3,468)	(11,393)	(3,975)	(20,680)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		25,972	37,365	4,326	25,006
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIALYEAR	28	22,504	25,972	351	4,326

Notes to the Financial Statements

for the Financial Year ended 31 December 2007

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 8 April 2008.

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 sales and 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, Singapore Dollar and Bangladesh Taka.

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

(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.

3. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(a) Market Risk (cont'd)

(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 12% 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 adequate working capital to meet its obligations as and when they fall due.

4. BASIS OF PREPARATION

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

During the current financial year, the Group and the Company have adopted all the new and revised Financial Reporting Standards ("FRSs") issued by the Malaysian Accounting Standards Board ("MASB"):

(a) FRSs issued and effective for financial periods beginning on or after 1 October 2006:

FRS 117	Leases
FRS 124	Related Party Disclosures

(b) FRSs issued and effective for financial periods beginning on or after 1 January 2007:

FRS 6	Exploration for and Evaluation of Mineral Resources
FRS 119_{2004}	Amendment to FRS 119_{2004} Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures

The effects of adopting FRS 124 are disclosed in Note 30 to the financial statements.

The adoption of FRS 117, FRS 6 and FRS 119_{2004} does not have any material financial effects on the financial statements of Company.

4. BASIS OF PREPARATION (cont'd)

Framework for the Preparation and Presentation of Financial Statements has been issued and is effective immediately. This Framework sets out the concepts that underlie the preparation and presentation of financial statements for external users. It is not an MASB approved accounting standard and hence, does not define standards for any particular measurement or disclosure issue. The Group and the Company has applied this Framework from the financial year ended 31 December 2007 onwards.

The Group has not adopted FRS 139 - Financial Instruments: Recognition and Measurement and the consequential amendments resulting from FRS 139 as the effective date is deferred to a date to be announced by the MASB. FRS 139 establishes the principles for the recognition and measurement of financial assets and financial liabilities including circumstances under which hedge accounting is permitted. By virtue of the exemption provided under paragraph 103AB of FRS 139, the impact of applying FRS 139 on its financial statements upon first adoption of the standard as required by paragraph 30(b) of FRS 108 is not disclosed.

The following FRSs have been issued and are effective for financial periods beginning on or after 1 July 2007 and will be effective for the Group's financial statements for the financial year ending 31 December 2008:-

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

The above FRSs align the MASB's FRSs with the equivalent International Accounting Standards (''IASs''), both in terms of form and content. The adoption of these standards will only impact the form and content of disclosures presented in the financial statements. The Group will apply these FRSs from the financial year ending 31 December 2008 onwards.

FRS 134 - Interim Financial Reporting has been issued and is effective for the financial periods beginning on or after 1 July 2007. This FRS aligns the MASB's FRS with the equivalent IAS, both in terms of form and content. The adoption of this standard will only impact the form and content of disclosures presented in the quarterly financial statements. The Group will apply this FRS from the financial year ending 31 December 2008 onwards.

Amendment to FRS 121 - The Effects of Changes in Foreign Exchange Rates *Net Investment in a Foreign Operation* has been issued and is effective for financial periods beginning on or after 1 July 2007. This amendment results in exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation to be recognised in equity irrespective of the currency in which the monetary item is denominated and whether the monetary item results from a transaction with the Company or any of its subsidiaries. Previously, exchange differences arising from such transactions between the Company and its subsidiaries would be accounted for in the income statement or in equity depending on the currency of the monetary item. The Group will apply this amendment from the financial year ending 31 December 2008 onwards.

IC Interpretation 1 - Changes in Existing Decommissioning, Restoration and Similar Liabilities has been issued and is effective for financial periods beginning on or after 1 July 2007. This interpretation addresses the effects of events that changes the measurement of an existing decommissioning, restoration or similar liability, namely a change in the estimated outflow of resources embodying economic benefits required to settle the obligation, a change in the current market-based discount rate as defined in paragraph 48 of FRS 137_{2004} and an increase that reflects the passage of time. This interpretation is not relevant to the Group's operations.

IC Interpretation 2 - Members' Shares in Co-operative Entities and Similar Instruments has been issued and is effective for financial periods beginning on or after 1 July 2007. This interpretation is not relevant to the Group's operations.

IC Interpretation 5 - Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds has been issued and is effective for financial periods beginning on or after 1 July 2007. This interpretation is not relevant to the Group's operations.

4. BASIS OF PREPARATION (cont'd)

IC Interpretation 6 - Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment has been issued and is effective for financial periods beginning on or after 1 July 2007. This interpretation is not relevant to the Group's operations.

IC Interpretation 7 - Applying the Restatement Approach under FRS 129_{2004} Financial Reporting in Hyperinflationary Economies has been issued and is effective for financial periods beginning on or after 1 July 2007. This interpretation is not relevant to the Group's operations.

IC Interpretation 8 - Scope of FRS 2 has been issued and is effective for financial periods beginning on or after 1 July 2007. This interpretation applies to transactions in which goods or services are received, including transactions in which the entity cannot identify specifically some or all of the goods or services received. Where the fair value of the share-based payment is in excess of the identifiable goods or services received, it is presumed that additional goods or services have been or will be received. The whole fair value of the share-based payment will be charged to the income statement. This interpretation is not relevant to the Group's operations.

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 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.

(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 as a result of technical innovations and competitors' actions in response to the market conditions.

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 technological 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 Group 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.

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

(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.

(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 carries 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 uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and equity.

(b) Financial Instruments

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

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

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) 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 the 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.

(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:-

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- income and expenses for income statement are translated at the average exchange rates for the year; and
- all resulting exchange differences are recognised as a separate component of equity, as a 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.

(d) Basis Of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December 2007.

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.

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Basis Of Consolidation (cont'd)

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.

(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.

(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	15% to 33 1/3%
Renovation	10% to 50%
Signboard	20%

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 and equipment.

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) 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.

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.

(i) 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.

(j) 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.

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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 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.

(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) 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.

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 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.

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.

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Income Taxes (cont'd)

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.

(o) 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.

(p) 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.

(q) Employee Benefits

(i) Short-term Benefits

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

(ii) Defined Contribution Plans

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

(r) 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.

(s) Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party, to the extent that it prevents the other party from pursuing its own separate interests in making financial and operating decisions.

5. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(t) 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.

6. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2007 RM'000	2006 RM'000
Unquoted shares, at cost	162,100	162,100

Details of the subsidiaries are as follows:-

Name of Company	Effective Equity Interest 2007 %	2006 %	Principal Activities
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. ("CMSB") # (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 digital cameras, related accessories and consumer electronics products.
Compugates International Sdn. Bhd. ("CISB") (Incorporated in Malaysia)	100%	100%	Investment holding and provision of management services.

6. INVESTMENTS IN SUBSIDIARIES (cont'd)

Name of Company	Effective Equity Interest 2007 %	2006 %	Principal Activities
Compugates International Limited ^* ("CIL") (Incorporated in The British Virgin Islands)	51%	51%	Acting as agents by way of commission for distribution of telecommunication products and management agent of franchises.
Compugates International (BD) Limited ^* ("CIBDL") (Incorporated in The British Virgin Islands)	80%	80%	Investment holding, consultancy and project management services.
Compugates International (Bangladesh) Limited ^* ("CIBL") (Incorporated in Bangladesh)	98%	-	Exclusive distributor and maste franchisee for distribution of telecommunication products and services.
Compugates International Limited (Cambodia) ^* ("CILC") (Incorporated in Cambodia)	80%	-	Acting as agents by way of commission for the distribution of telecommunication products and management agent of franchises.

\# Held through CSB.
^ Held through CISB.
* Not audited by Horwath.

During the financial year,

a) CIBDL subscribed for 1,960 ordinary shares of Taka 1,000 each in CIBL, representing 98% of the total issued and paid-up capital of CIBL for a consideration of Taka 1,960,000; and

b) CIL subscribed for 24,000 ordinary shares of Riels 4,000 each in CILC, representing 80% of the total issued and paid-up capital of CILC for a consideration of Riels 96,000,000.

7. PROPERTY AND EQUIPMENT

THE GROUP	AT 1.1.2007 RM'000	ADDITIONS RM'000	DISPOSAL RM'000	DEPRECIATION CHARGE RM'000	AT 31.12.2007 RM'000
NET BOOK VALUE					
Freehold land	1,563	-	-	-	1,563
Buildings	6,675	-	-	(143)	6,532
Motor vehicles	431	140	-	(126)	445
Office equipment, furniture and fittings	379	443	(2)	(203)	617
Renovation	190	196	-	(180)	206
Signboard	24	-	-	(5)	19
	9,262	779	(2)	(657)	9,382

7. PROPERTY AND EQUIPMENT (cont'd)

	AT COST RM'000	AT VALUATION RM'000	ACCUMULATED DEPRECIATION RM'000	NET BOOK VALUE RM'000
AT 31.12.2007				
Freehold land	574	989	-	1,563
Buildings	2,689	4,121	(278)	6,532
Motor vehicles	798	-	(353)	445
Office equipment, furniture and fittings	1,678	-	(1,061)	617
Renovation	970	-	(764)	206
Signboard	60	-	(41)	19
	6,769	5,110	(2,497)	9,382
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

THE COMPANY

	AT 1.1.2007 RM'000	DEPRECIATION CHARGE RM'000	AT 31.12.2007 RM'000
NET BOOK VALUE			
Motor vehicle	331	(83)	248

	AT COST RM'000	ACCUMULATED DEPRECIATION RM'000	NET BOOK VALUE RM'000
AT 31.12.2007			
Motor vehicle	414	(166)	248
AT 31.12.2006			
Motor vehicle	414	(83)	331

7. PROPERTY AND EQUIPMENT (cont'd)

	THE GROUP	
	2007	2006
	RM'000	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	2,754	2,808
	3,446	3,500

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, using the open market value based on the comparison method of valuation supported by the investment method.

The motor vehicles of the Group and of the Company with a net book value of approximately RM284,000 (2006 - RM431,000) and RM248,000 (2006 - RM331,000) respectively were acquired under hire purchase terms.

8. GOODWILL ON CONSOLIDATION

	THE GROUP		THE COMPANY	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
At Cost:-				
Goodwill on consolidation	115,684	115,684	-	-

Goodwill on consolidation arose from the acquisition of CSB and CSPL during the financial year ended 31 December 2005.

Goodwill on consolidation is stated at cost and reviewed for impairment annually.

Goodwill on consolidation has been allocated for impairment testing to the Group's cash-generating unit ("CGU") in Malaysia.

During the financial year, the Group assessed the recoverable amount of the goodwill on consolidation, and determined that the goodwill on consolidation is not impaired.

The recoverable amount of a CGU is determined based on the value-in-use calculations. These calculations use post-tax cash flow projections based on financial budgets approved by management covering a period of five years.

The key assumptions underpinning the value-in-use calculations are as follows:

Gross margin	2% to 12%
Growth rate	5% to 25%
Discount rate	7%

Management determined the budgeted gross margin based on the past performance and its expectations of market development. The growth rate used is based on the past years achievement and the expected projects/contracts to be secured. The discount rate used is based on the borrowing rates.

9. INVENTORIES

	THE GROUP 2007 RM'000	THE GROUP 2006 RM'000
Inventories held for trading	16,114	12,348
Provision for inventory obsolescence:		
At 1 January	(95)	(117)
Additions during the financial year	-	(30)
Writeback during the financial year	35	54
Fluctuation on foreign exchange	2	(2)
At 31 December	(58)	(95)
	16,056	12,253
Inventories held for trading:		
- at cost	16,056	11,597
- at net realisable value	-	656
	16,056	12,253

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

	THE GROUP 2007 RM'000	THE GROUP 2006 RM'000
Bangladesh Taka	35	-
Singapore Dollar	570	656
United States Dollar	28	-

10. TRADE RECEIVABLES

	THE GROUP 2007 RM'000	THE GROUP 2006 RM'000
Trade receivables	43,356	35,356
Allowance for doubtful debts:		
At 1 January	(201)	(30)
Additions during the financial year	(172)	(171)
Writeoff during the financial year	111	-
Fluctuation on foreign exchange	1	-
At 31 December	(261)	(201)
	43,095	35,155

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

10. TRADE RECEIVABLES (cont'd)

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

	THE GROUP	
	2007 RM'000	2006 RM'000
Bangladesh Taka	7,433	-
Singapore Dollar	1,736	3,803

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in other receivables, deposits and prepayments was an amount of RM6,000,000 (2006 - Nil) being deposit payment to a third party for the tender of a project.

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

	THE GROUP	
	2007 RM'000	2006 RM'000
Bangladesh Taka	96	-
Singapore Dollar	160	537
United States Dollar	20,445	21

12. AMOUNT OWING BY/(TO) SUBSIDIARIES

The amount owing by/(to) subsidiaries consist of the following:-

	THE COMPANY	
	2007 RM'000	2006 RM'000
Amount owing by:-		
CSB	20,152	20,164
CMSB	2,997	-
CISB	924	24
	24,073	20,188
Amount owing to:-		
CMSB	-	5

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

13. SHORT-TERM DEPOSITS WITH A LICENSED BANK

The weighted average effective interest rate of the short-term deposits at the balance sheet date was 2.3% (2006 - 2.3%) per annum. The short-term deposits have maturity periods ranging from 2 days to 7 days (2006 - 7 days).

14. FIXED DEPOSITS WITH LICENSED BANKS

Fixed deposits of the Group amounting to RM7,393,362 (2006 - RM7,156,450) have been pledged as collateral to licensed banks to secure banking facilities granted to certain subsidiaries.

The weighted average effective interest rate of the fixed deposits at the balance sheet date was 2.87% (2006 - 3.05%) per annum. The fixed deposits have maturity periods ranging from 1 month to 12 months (2006 - 1 month to 12 months).

15. SHARE CAPITAL

The movements in the share capital are as follows:-

	THE GROUP/THE COMPANY					
	2007			2006		
	Par Value RM	NUMBER OF SHARES '000	RM'000	Par Value RM	NUMBER OF SHARES '000	RM'000
AUTHORISED						
ORDINARY SHARES						
At 1 January	1.00	340,000	340,000	1.00	340,000	340,000
Reclassification from ICPS	1.00	10,000	10,000	-	-	-
	1.00	350,000	350,000			
Sub-division of the par value of ordinary shares of RM1.00 each into RM0.10 each	0.10	3,500,000	-		-	-
At 31 December	0.10	3,500,000	350,000	1.00	340,000	340,000
ICPS						
At 1 January	0.10	100,000	10,000	0.10	100,000	10,000
Reclassification to ordinary shares	0.10	(100,000)	(10,000)	-	-	-
At 31 December		-	-	0.10	100,000	10,000

15. SHARE CAPITAL (cont'd)

	THE GROUP/THE COMPANY					
	2007			2006		
	Par Value RM	NUMBER OF SHARES '000	RM'000	Par Value RM	NUMBER OF SHARES '000	RM'000
ISSUED AND FULLY PAID-UP						
ORDINARY SHARES						
At 1 January	1.00	213,429	213,429		120,429	120,429
Issuance of shares pursuant to the conversion of ICPS	-	-	-	1.00	93,000	93,000
Sub-division of the par value of ordinary shares of RM1.00 each into RM0.10 each	0.10	2,134,289	-	-	-	-
At 31 December	0.10	2,134,289	213,429	1.00	213,429	213,429
ICPS						
At 1 January	-	-	-	0.10	93,000	9,300
Conversion to ordinary shares	-	-	-	0.10	(93,000)	(9,300)
At 31 December	-	-	-	-	-	-

During the financial year, the Company:-

(a) reclassified its authorised share capital of RM350,000,000 divided into 340,000,000 ordinary shares of RM1.00 each and 100,000,000 Irredeemable Convertible Preference Shares of RM0.10 each to RM350,000,000 divided into 350,000,000 ordinary shares of RM1.00 each;

(b) sub-divided its authorised share capital of RM350,000,000 divided into 350,000,000 ordinary shares of RM1.00 each into RM350,000,000 divided into 3,500,000,000 ordinary shares of RM0.10 each; and

(c) sub-divided its existing issued and fully paid-up share capital of RM213,428,902 divided into 213,428,902 ordinary shares of RM1.00 each into RM213,428,902 divided into 2,134,289,020 ordinary shares of RM0.10 each.

16. 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.

17. HIRE PURCHASE PAYABLES

	THE GROUP		THE COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Future minimum hire purchase payments:				
- not later than one year	88	98	79	79
- later than one year and not later than five years	176	259	158	237
	264	357	237	316
Future finance charges	(29)	(40)	(27)	(36)
Present value of hire purchase payables	235	317	210	280
The net hire purchase payables are repayable as follows:-				
Current:				
- not later than one year	78	86	70	70
Non-current:				
- later than one year and not later than five years	157	231	140	210
	235	317	210	280

The hire purchase payables of the Group and of the Company bore a weighted average effective interest rate of 4.82% (2006 - 4.82%) per annum at the balance sheet date.

18. DEFERRED TAXATION

	THE GROUP	
	2007 RM'000	2006 RM'000
At 1 January	428	436
Transfer to income statements (Note 24)	(8)	(8)
At 31 December	420	428

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

19. TRADE PAYABLES

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

Included in trade payables as at the balance sheet date were the following:-

	THE GROUP	
	2007 RM'000	2006 RM'000
Amount owing to related parties:-		
Integra Communications Ltd. ("ICL")	2,634	-
Deens Telecom Ltd. ("DTL")	2,178	-
	4,812	-

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

	THE GROUP	
	2007 RM'000	2006 RM'000
Bangladesh Taka	6,357	-
Singapore Dollar	879	2,808
United States Dollar	41	2,379

20. OTHER PAYABLES AND ACCRUALS

Included in other payables and accruals as at the balance sheet date was the following:-

	THE GROUP	
	2007 RM'000	2006 RM'000
Amount owing to a related party:-		
Integra International Ltd. ("IIL")	53	-

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

	THE GROUP	
	2007 RM'000	2006 RM'000
Bangladesh Taka	312	-
Singapore Dollar	41	170
United States Dollar	708	3

21. NET ASSETS PER SHARE

The net assets per share is calculated based on the net assets value at the balance sheet date of RM199,407,000 (2006 - RM187,235,000) divided by the number of ordinary shares of RM0.10 in issue at the balance sheet date of 2,134,289,020 (2006 - 213,428,902 ordinary shares of RM1.00 each).

22. REVENUE

Details of the revenue are as follows:-

	THE GROUP		THE COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Trading	586,577	440,644	-	-
Dividend income	-	-	910	420
	586,577	440,644	910	420

23. PROFIT/(LOSS) BEFORE TAXATION

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

	THE GROUP		THE COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Allowance for doubtful debts	172	171	-	-
Audit fee				
- current year	73	62	15	15
- underprovision in the previous financial year	7	-	5	-
Bad debts written off	12	9	-	-
Depreciation of property and equipment	657	614	83	83
Directors' fee				
- current year	361	309	361	309
- overprovision in the previous financial year	-	(6)	-	-
Directors' non-fee emoluments				
- current year	806	1,319	-	-
- overprovision in the previous financial year	-	(14)	-	-
Equipment written off	-	4	-	-
Hire purchase interest	11	11	9	9
Loss/(Gain) on disposal of equipment	1	(8)	-	-
Office rental	478	122	-	-
Provision for inventory obsolescence	-	30	-	-
Staff costs	6,225	3,906	-	-
Warehouse rental	12	7	-	-
Dividend income	-	-	(910)	(420)
Gain on foreign exchange		-		
- realised	(900)	(831)	-	-
- unrealised	(57)	-	-	-
Interest income	(606)	(595)	(46)	(132)
Rental income	(261)	(162)	-	-
Sales incentives	(7,742)	(12,812)	-	-
Writeback of provision for inventory obsolescence	(35)	(54)	-	-

24. INCOME TAX EXPENSE

	THE GROUP		THE COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Current tax:				
- for the financial year	2,400	1,118	142	48
- (over)/underprovision in the previous financial year	(29)	(15)	1	-
	2,371	1,103	143	48
Deferred taxation (Note 18)	(8)	(8)	-	-
	2,363	1,095	143	48

During the current financial year, the statutory tax rate was reduced from 28% to 27%, as announced in the Malaysian Budget 2007.

The corporate tax rate on the first RM500,000 of chargeable income is 20%. The rate applicable to the balance of the chargeable income is 27% (2006 - 28%).

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	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Profit/(Loss) before taxation	25,802	1,966	110	(213)
Tax at the statutory tax rate of 27% (2006 - 28%)	6,966	550	30	(60)
Tax effects of:				
Non-deductible expenses	632	564	89	108
Non-taxable gain	(5,483)	-	-	-
Deferred tax assets not recognised during the financial year	119	37	23	-
Tax exemption	(9)	(24)	-	-
(Over)/Underprovision in the previous financial year	(29)	(15)	1	-
Differential in tax rates	175	(23)	-	-
Others	(8)	6	-	-
Tax for the financial year	2,363	1,095	143	48

25. EARNINGS PER SHARE

The basic earnings per share is arrived at by dividing the profit attributable to equity holders of the Company of RM12,943,000 (2006 - RM871,000) by the weighted average number of ordinary shares of RM0.10 each in issue during the financial year of 2,134,289,020 (2006 - 135,212,191 ordinary shares of RM1.00 each).

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

26. PRIOR YEAR ADJUSTMENT

During the financial year, the Group changed its accounting policy in relation to the recognition of listing premium.

Listing premium arose from the acquisition of the listing status of Pan Pacific Asia Berhad during the financial year ended 31 December 2005. The Group had previously recognised listing premium as an intangible asset which was retained in the balance sheet. The listing premium was reviewed annually and adjusted for impairment where it was considered necessary.

The Group changed its policy to discontinue the recognition of listing premium as an intangible asset in the current financial year, pursuant to the Financial Reporting Standards Implementation Committee Consensus 5/2008 dated 27 March 2008 issued by the Malaysian Institute of Accountants which stated that premium paid for transfer of listing status in a reverse takeover scenario should be expensed to the income statements.

The financial effects arising from the change in the above accounting policy has been effected retrospectively as prior year adjustment and the comparative figures of Balance Sheets and Statement of Changes in Equity for the financial year ended 31 December 2006 have been restated as follows:-

	THE GROUP		
	AS PREVIOUSLY REPORTED RM'000	EFFECT OF ADJUSTMENT RM'000	AS RESTATED RM'000
BALANCE SHEETS AT 31 DECEMBER 2006 (EXTRACT):-			
Listing premium	26,429	(26,429)	-
Retained profits/(Accumulated losses)	229	(26,429)	(26,200)
STATEMENT OF CHANGES IN EQUITY (EXTRACT):-			
Balance at 31.12.2005/1.1.2006			
- Accumulated losses	(642)	(26,429)	(27,071)
Balance at 31.12.2006/1.1.2007			
- Retained Profits/(Accumulated losses)	229	(26,429)	(26,200)

	THE COMPANY		
	AS PREVIOUSLY REPORTED RM'000	EFFECT OF ADJUSTMENT RM'000	AS RESTATED RM'000
BALANCE SHEETS AT 31 DECEMBER 2006 (EXTRACT):-			
Listing premium	26,429	(26,429)	-
Accumulated losses	(326)	(26,429)	(26,755)
STATEMENT OF CHANGES IN EQUITY (EXTRACT):-			
Balance at 31.12.2005/1.1.2006			
- Accumulated losses	(65)	(26,429)	(26,494)
Balance at 31.12.2006/1.1.2007			
- Accumulated losses	(326)	(26,429)	(26,755)

27. PURCHASE OF PROPERTY AND EQUIPMENT

	THE GROUP		THE COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Cost of property and equipment purchased	779	1,829	-	414
Amount financed through hire purchase	-	(350)	-	(350)
Cash disbursed for purchase of property and equipment	779	1,479	-	64

28. CASH AND CASH EQUIVALENTS

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

	THE GROUP		THE COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Short-term deposits with a licensed bank	1,150	4,300	300	4,300
Fixed deposits with licensed banks	16,783	13,671	-	-
Cash and bank balances	4,571	8,001	51	26
	22,504	25,972	351	4,326

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

	THE GROUP	
	At 31.12.2007 RM'000	At 31.12.2006 RM'000
Bangladesh Taka	47	-
Singapore Dollar	2,005	-
United States Dollar	109	100

29. DIRECTORS' REMUNERATION

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

	THE GROUP		THE COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Executive directors:-				
- basic salaries, incentives, allowances, bonus and EPF	806	1,305	-	-
- fee	48	27	48	33
	854	1,332	48	33
Non-executive directors:-				
- fee	313	276	313	276

29. DIRECTORS' REMUNERATION (cont'd)

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

	THE GROUP/THE COMPANY			
	2007		2006	
	Executive Directors	Non-Executive Directors	Executive Directors	Non-Executive Directors
Below RM50,000	1	3	1	2
RM150,001 – RM200,000	-	1	-	1
RM400,001 – RM450,000	-	-	1	-
RM800,001 – RM850,000	1	-	-	-
RM850,001 – RM900,000	-	-	1	-

30. RELATED PARTY DISCLOSURES

(a) Identities of related parties
The Company has a controlling related party relationship with its subsidiaries as disclosed in Note 6 to the financial statements.

(b) In addition to the balances detailed elsewhere in the financial statements, the Group and the Company carried out the following transactions with related parties during the financial year:

		THE GROUP		THE COMPANY	
	NOTE	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Sales to related parties:					
- Beausoft Sdn. Bhd.	(i)	15,416	25,997	-	-
- Southall Sdn. Bhd.	(i)	22,650	274	-	-
Purchases from a related party:					
- Southall Sdn. Bhd.	(i)	-	774	-	-
Commission paid/payable to related parties:					
- ICL	(ii)	2,511	-	-	-
- DTL	(ii)	2,260	-	-	-
Key management personnel compensation:					
- short-term employee benefits		1,442	1,732	-	-

(i) A company in which Goh Kheng Peow and See Thoo Chan, who are the directors of the Company, have substantial financial interests.

(ii) A company in which Dr. Shirazuddin Bin Badruddin, who is a director of a subsidiary, has substantial financial interest.

All the abovementioned transactions are based on terms and conditions not materially different from those obtainable from transactions with unrelated parties.

31. CONTINGENT LIABILITY

	THE COMPANY	
	2007 RM'000	2006 RM'000
Corporate guarantees given to secure banking facilities granted to certain subsidiaries	27,000	27,000

32. 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	
	2007 RM	2006 RM
Bangladesh Taka	0.05	N/A
Singapore Dollar	2.30	2.29
United States Dollar	3.31	3.57

N/A - Not Applicable

33. SEGMENTAL REPORTING

2007	Malaysia RM'000	Singapore RM'000	Bangladesh RM'000	Others RM'000	Total RM'000
REVENUE					
External sales	396,718	12,382	175,148	3,005	587,253
Inter-segment sales	(659)	(17)	-	-	(676)
TOTAL	396,059	12,365	175,148	3,005	586,577
RESULT					
Segment profit	4,365	44	1,349	20,056	25,814
Finance cost					(12)
Profit before taxation					25,802
Income tax expense					(2,363)
Profit after taxation					23,439
OTHER INFORMATION					
Segment assets #	202,360	4,543	8,111	20,581	235,595
Segment liabilities *	19,903	920	6,669	750	28,242
Capital expenditure	212	11	536	20	779
Depreciation	573	38	36	10	657

33. SEGMENTAL REPORTING (cont'd)

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	415,624	25,020	440,644
RESULT			
Segment profit	1,721	256	1,977
Finance costs			(11)
Profit before taxation			1,966
Income tax expense			(1,095)
Profit after taxation			871
OTHER INFORMATION			
Segment assets #	194,747	6,600	201,347
Segment liabilities *	14,280	2,978	17,258
Capital expenditure	1,708	121	1,829
Depreciation	567	47	614

- 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.

34. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

During the financial year,

(a) CIBDL subscribed for 1,960 ordinary shares of Taka 1,000 each in CIBL, as explained in Note 6 to the financial statements;

(b) CIL subscribed for 24,000 ordinary shares of Riels 4,000 each in CILC, as explained in Note 6 to the financial statements; and

(c) On 21 September 2007, the Company completed the share split involving the subdivision of one ordinary share of RM1.00 each in the Company into ten new ordinary shares of RM0.10 each.

35. FAIR VALUES OF FINANCIAL INSTRUMENTS

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 Owing By/(To) Subsidiaries

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

(c) Cash And Cash Equivalents And Short-Term Receivables/Payables

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

(d) Contingent Liability

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 2007	**Note**				
Contingent liability	31	-	-	27,000	*
At 31 December 2006					
Contingent liability	31	-	-	27,000	*

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

List of Properties

Location	Description	Date of Acquisition / Date of Valuation	Gross Floor Area (square feet)	Tenure	Age of Buildings (years)	Net Book Value (RM)
Nos. 3-1 to 3-5 Jalan PJU 1/ 41 Dataran Prima Petaling Jaya Selangor Darul Ehsan	Five (5) Strata shop/office	30 Dec 1999 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	8	1,986,500
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	8	334,783
No. 46 Jalan PJU 1/ 43 Aman Suria Damansara Petaling Jaya Selangor Darul Ehsan	1 unit of 3-storey end terrace shop/office	23 Aug 2002 7 Oct 2004	PT 832: 4,950	Freehold	4	1,353,468
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	4	1,256,787
C-G-03, C-1-03, C-2-03 Jalan SS6/5B Dataran Glomac Pusat Kelana Jaya Selangor Darul Ehsan	3-storey shop office	30 Sep 2004	Land Area (square meter) 186	Freehold	2	1,432,640
F-G-05, F-1-05, F-2-05 Jalan SS6/5B Dataran Glomac Pusat Kelana Jaya Selangor Darul Ehsan	3-storey shop office	17 Sep 2004	Land Area (square meter) 186	Freehold	2	1,345,520
Level No. 07 101-07-09 Menara PERDANA Jalan Gurdwara Penang	1 storey in a 14-storey light industrial building	26 Sep 2006	2,034	Freehold	8	385,342

Analysis of Shareholdings
as at 17 Aril 2008

SHAREHOLDINGS STRUCTURE

Authorised Capital	:	RM350,000,000.00 divided into 3,500,000,000 Ordinary Shares of RM0.10 each
Issued and fully paid up capital	:	RM213,428,902.00 divided into 2,134,289,020 Ordinary Shares of RM0.10 each
Class of shares	:	Ordinary Shares of RM0.10 each

ANALYSIS OF SHAREHOLDINGS OF ORDINARY SHARES OF RM0.10 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

Size of shareholdings	No. of shareholders	%	No. of shareholdings	%
1 - 99	28	0.461	1,173	0.000
100 -1,000	2,183	36.017	1,538,527	0.072
1,001 -10,000	2,072	34.185	9,889,950	0.463
10,001 - 100,000	1,330	21.943	54,690,870	2.562
100,001 - 106,714,450 (less than 5% of issued shares)	447	7.375	1,838,168,490	86.125
106,714,451 (5% and above of issued shares)	1	0.016	230,000,010	10.776
	6,061	100.00	2,134,289,020	100.000

THIRTY LARGEST SHAREHOLDERS FOR ORDINARY SHARES OF RM0.10 EACH

No.	Name	No. of Shares Held	%
1	Goh Kheng Peow	230,000,010	10.776
2	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Kheng Peow	103,682,000	4.857
3	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for See Thoo Chan	94,575,000	4.431
4	M.I.T Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Kheng Peow (MG0050-319)	88,836,000	4.162
5	M.I.T Nominees (Tempatan) Sdn Bhd Pledged Securities Account for See Thoo Chan (MG0058-319)	84,440,000	3.956
6	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Kheng Peow (CEB)	76,000,000	3.560
7	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for See Thoo Chan (CEB)	76,000,000	3.560
8	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Kheng Peow (514011598188)	75,000,000	3.514
9	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Kheng Peow	61,000,000	2.858
10	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Kheng Peow	60,000,000	2.811

Analysis of Shareholdings as at 17 Aril 2008 (cont'd)

THIRTY LARGEST SHAREHOLDERS FOR ORDINARY SHARES OF RM0.10 EACH (cont'd)

No.	Name	No. of Shares Held	%
11	ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Kheng Peow	59,400,000	2.783
12	OSK Nominees (Tempatan) Sdn Berhad Pledged Securities Account for Goh Kheng Peow	51,125,000	2.395
13	M.I.T Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Low Peng Kai @ Lau Peng Kai (MG0081-319)	41,538,000	1.946
14	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Azam Nusa Sdn Bhd	39,029,300	1.828
15	M & A Nominee (Tempatan) Sdn Bhd Pledged Securities Account for Goh Kheng Peow (M&A)	35,835,000	1.679
16	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Kheng Peow (8026769)	35,000,000	1.639
17	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Goh Kheng Peow (SFC)	33,910,000	1.588
18	Amsec Nominees (Tempatan) Sdn Bhd AmBank (M) Berhad for Goh Kheng Peow (SMART)	33,160,000	1.553
19	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Tian Chuan (8026702)	33,035,000	1.547
20	Malacca Equity Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Kheng Peow	32,324,000	1.514
21	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for See Thoo Chan	30,000,000	1.405
22	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Low Peng Kai @ Lau Peng Kai	29,295,000	1.372
23	Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Kheng Peow (REM 868-MARGIN)	28,000,000	1.311
24	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Juddy Chu Yen Tien	27,500,000	1.288
25	HDM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Kheng Peow (MO2)	27,300,000	1.279
26	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Tian Chuan	26,925,600	1.261
27	ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Asmat Bin Kamaludin	25,000,000	1.171
28	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Kheng Peow	24,921,000	1.167
29	AIBB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Tian Chuan	21,377,000	1.001
30	Kong Kok Keong	21,220,000	0.994
	Total	1,605,427,910	75.220

Analysis of Shareholdings as at 17 Aril 2008 (cont'd)

LIST OF SUBSTANTIAL SHAREHOLDERS

The substantial shareholders of the ordinary shares of RM0.10 each as per the Register of Substantial Shareholders:

Name	Direct No. of Shares Held	Direct %	Indirect No. of Shares Held	Indirect %
Goh Kheng Peow	1,071,493,010	50.20	*330,723,000	15.50
See Thoo Chan	330,015,000	15.46	**1,072,201,010	50.24

Notes:

* Deemed interest by virtue of his relationship with See Thoo Chan and Keane Goh Yan Han, his spouse and son, respectively.

** Deemed interest by virtue of her relationship with Goh Kheng Peow and Keane Goh Yan Han, her spouse and son, respectively.

LIST OF DIRECTORS' SHAREHOLDINGS

The Directors' shareholdings of the ordinary shares of RM0.10 each as per the Register of Directors' Shareholdings:

Name	Direct No. of Shares Held	Direct %	Indirect No. of Shares Held	Indirect %
Tan Sri Datuk Asmat bin Kamaludin	25,000,000	1.17	*30,000	@0.00
Goh Kheng Peow	1,071,493,010	50.20	**330,723,000	15.50
Goh Tai Wai	-	-	***200,000	0.01
Mohamed Fauzi bin Omar	-	-	-	-
Tan Yip Chian	10	@0.00	-	-
See Thoo Chan	330,015,000	15.46	****1,072,201,010	50.24

Notes:

@ Negligible

* Deemed interest by virtue of his relationship with Atasha Binti Asmat, his daugther.

** Deemed interest by virtue of his relationship with See Thoo Chan and Keane Goh Yan Han, his spouse and son, respectively.

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

**** Deemed interest by virtue of her relationship with Goh Kheng Peow and Keane Goh Yan Han, her spouse and son, respectively.

Additional Compliance Information

The following is presented in compliance with the LR of Bursa Securities:-

1) Utilisation of Proceeds raised from Corporate Proposal

As at 31 December 2007, 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 2007 RM'000	Balance Unutilised RM'000
Repayment of bank borrowings	6,500	6,500	-
Working Capital	18,500	18,500	-
	25,000	25,000	-

2) Shares Buy-back

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

3) Options, Warrants or Convertible Securities

There were no options, warrants and other convertible securities exercised during the financial year under review.

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

The Company did not sponsor any ADR or GDR programme during the financial 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) Variation in Results

There were no significant variances in the Company's audited financial results for the financial year ended 31 December 2007 from the unaudited results as previously announced.

7) 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 RM24,900.

8) Profit Guarantee

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

9) Material Contract Involving Directors and Substantial Shareholders Entered During The Financial Year Ended 31 December 2007

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.

10) 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.

11) Corporate Social Responsibility

Compugates Group strongly believes that a good corporate has to deliver sustainable value to the society at large.

The Compugates en.tre.pre.neur Program is designed for individuals who are preparing to start their own businesses, or change agents who are managing the innovative process.

This program is part of Compugates' Corporate Responsibility exercise and is designed to equip today's youth and fledgling businesses so that they may positively contribute to nation building. The Compugates en.tre.pre.neur Program is also an exercise that will discover the rare gems that are within Malaysia.

12) Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs")

At the Second Annual General Meeting held on 25 May 2007, the Company had obtained a mandate from its shareholders to allow Compugates Group to enter into RRPTs. The aggregate value of the RRPTs 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	Aggregate Value As At 31 December 07 (RM'000)	Relationship
Southall Sdn Bhd ("SSB")	- Purchases of cellular phones and accessories, mobile phone prepaid cards and telecommunication products; and	Nil	- 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.
	- Sales of cellular phones and accessories, mobile phone prepaid cards and telecommunication products.	22,660	- Related to See Thoo Chan, the Director and Major Shareholder of Company, who is also a Director and Major Shareholder of SSB.
Beausoft Sdn Bhd ("BSB")	- Purchases of cellular phones and accessories, mobile phone prepaid cards and telecommunication products; and	Nil	- 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.
	- Sales of cellular phones and accessories, mobile phone prepaid cards and telecommunication products.	15,416	- Related to See Thoo Chan, the Director and Major Shareholder of the Company, who is also a Director and Major Shareholder of BSB.

The Company will be seeking renewal of the mandate from its shareholders to enter into proposed RRPTs with the aforesaid related parties at the forthcoming Annual General Meeting of the Company. Details of the RRPTs are set out in the Circular to Shareholders dated 16 May 2008, which is dispatched together with this Annual Report.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Third Annual General Meeting of **Compugates Holdings Berhad** will be held at Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan on Monday, 9 June 2008 at 10.00 a.m., for the purpose of considering the following businesses:

AGENDA

Ordinary Business

1. To lay the Audited Financial Statements for the financial year ended 31 December 2007 together with the Reports of the Directors and the Auditors thereon.

2. To approve the payment of Directors' fees of RM361,000.00 for the financial year ended 31 December 2007.
Ordinary Resolution 1

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) Goh Kheng Peow, retiring pursuant to Article 125 of the Articles of Association; and — Ordinary Resolution 2

   (ii) Mohamed Fauzi Bin Omar, retiring pursuant to Article 125 of the Articles of Association. — Ordinary Resolution 3

4. To re-appoint Messrs Horwath as Auditors of the Company and to authorise the Directors to fix their remuneration.
Ordinary Resolution 4

Special Business

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

5. Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs") with Deens Telecom Ltd and Integra Communications Ltd ("Proposed Shareholders' Mandate")

   "THAT, subject always to the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), approval be and is hereby given to the Company and/or its subsidiaries to enter into RRPTs with Deens Telecom Ltd and Integra Communications Ltd as detailed in 2.4 of the Circular to Shareholders dated 16 May 2008, subject to the following:

   (i) The RRPTs 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 RRPTs 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 RRPTs made and the related parties involved;

   (iii) THAT the authority conferred by this resolution shall commence immediately upon the passing of this resolution and shall continue to be in force until:

      (a) the conclusion of the next Annual General Meeting ("AGM") of the Company following the AGM at which the Proposed Shareholders' Mandate for the RRPTs is approved, at which time it will lapse, unless by a resolution passed at the AGM, the mandate is again renewed;

      (b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

5. Proposed Shareholders' Mandate for RRPTs Deens Telecom Ltd and Integra Communications Ltd (cont'd)

(c) revoked or varied by resolution passed by shareholders in general meeting;

whichever is the earlier.

THAT the aggregate value of the transactions conducted pursuant to the Proposed Shareholders' Mandate during a financial year will be disclosed in accordance with the Listing Requirements of Bursa Securities in the annual report of the Company for the said financial year;

AND 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 5

6. Proposed Renewal of Shareholders' Mandate for RRPTs with Southall Sdn Bhd and Beausoft Sdn Bhd ("Proposed Renewal of Shareholders' Mandate")

"THAT, subject always to the Listing Requirements of Bursa Securities, approval be and is hereby given to the Company and/or its subsidiaries to enter into RRPTs with Southall Sdn Bhd and Beausoft Sdn Bhd as detailed in 2.4 of the Circular to Shareholders dated 16 May 2008, subject to the following:

(i) The RRPTs 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 RRPTs 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 RRPTs made and the related parties involved;

(iii) THAT the authority conferred by this resolution shall commence immediately upon the passing of this resolution and shall continue to be in force until:

(a) the conclusion of the next AGM of the Company following the AGM at which the Proposed Renewal of Shareholders' Mandate for RRPTs is approved, at which time it will lapse, unless by a resolution passed at the AGM, the mandate is again renewed;

(b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

(c) revoked or varied by resolution passed by shareholders in general meeting;

whichever is the earlier.

THAT the aggregate value of the transactions conducted pursuant to the Proposed Renewal of Shareholders' Mandate during a financial year will be disclosed in accordance with the Listing Requirements of Bursa Securities in the annual report of the Company for the said financial year;

AND 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 6

7. Authority to Issue and Allot Shares Pursuant to Section 132D of the Act

"THAT pursuant to Section 132D of the Act, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time until the conclusion of the next AGM and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued does not exceed ten percent (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 Act, the Articles of Association of the Company and approval from Bursa Securities and other relevant bodies where such approval is necessary."

Ordinary Resolution 7

BY ORDER OF THE BOARD

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

Kuala Lumpur
Dated this 16 May 2008

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 Shareholders' Mandate for RRPTs with Deens Telecom Ltd and Integra Communications Ltd

   The proposed Ordinary Resolution 5 if passed, will empower the Company and its subsidiaries ("CHB Group") to enter into RRPTs 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 Shareholders' Mandate for RRPTs is set out in the Circular to Shareholders dated 16 May 2008 which is dispatched together with this Annual Report.

5. Explanatory Notes on Special Business (cont'd)

(b) Proposed Renewal of Shareholders' Mandate for RRPTs with Southall Sdn Bhd and Beausoft Sdn Bhd

The proposed Ordinary Resolution 6 if passed, will empower the CHB Group to enter into RRPTs 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 RRPTs is set out in the Circular to Shareholders dated 16 May 2008 which is dispatched together with this Annual Report.

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

The proposed Ordinary Resolution 7, if passed, will give flexibility to the Directors of the Company to issue shares and allot up to a maximum of ten percent (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 AGM of the Company.

STATEMENT ACCOMPANYING NOTICE OF AGM

1. Further details of the Directors standing for re-election are set out in the Directors' Profile appearing on pages 6 to 7 of this Annual Report.

COMPUGATES®

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

Form of Proxy

I/We ………..……

of ……….................………….....…………

being a member(s) of **COMPUGATES HOLDINGS BERHAD** (669287-H) hereby appoints

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

Or failing him/her, *THE CHAIRMAN OF THE MEETING, as my/our proxy/proxies, to vote for me/us on my/our behalf at the Third Annual General Meeting of the Company to be held on Monday, 9 June 2008 at 10.00 a.m. at Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan and at any adjournment thereof.

* *If you wish to appoint other person/persons to be your proxy/proxies, kindly delete the words "Or failing him/her, *THE CHAIRMAN OF THE MEETING" and insert the name/names of the person/persons desired.*

Mark either box if you wish to direct the proxy how to vote. If no mark is made the proxy may vote on the resolution or abstain from voting as the proxy thinks fit. If you appoint two (2) proxies and wish them to vote differently this should be specified.

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

	Ordinary Resolutions	For	Against
1.	Approval of Directors' Fees		
2.	Re-election of Goh Kheng Peow as Director		
3.	Re-election of Mohamed Fauzi Bin Omar as Director		
4.	Re-appointment of Messrs Horwath as Auditors		
5.	Special Business 1 Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
6.	Special Business 2 Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
7.	Special Business 3 Authority to Issue and Allot Shares Pursuant to Section 132D of the Companies Act, 1965		

* *Delete if not applicable.*

……………..……..……….………...........……
Signature/Common Seal of Shareholder

Signed this ………….. day of ……………………….. 2008

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.

FOLD THIS FLAP FOR SEALING

FOLD HERE

Affix
stamp

The Company Secretary

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

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