COMPUGATES HOLDINGS BERHAD (669287-H)
No. 3, Jalan PJU 1/41, Dataran Prima, 47301 Petaling Jaya, Selangor.
Tel: 03.7880.8133 Fax: 03.7880.6133 Website: www.compugates.com

COMPUGATES HOLDINGS BERHAD (669287-H)

Annual Report 2010

COMPUGATES®

Your Nationwide Distribution Partner

Strategic Diversification

Annual Report **2010**

COMPUGATES®

Your Nationwide Distribution Partner

STRATEGIC DIVERSIFICATION

OUR MISSION

To strategically diversify with a vision to improve, innovate and make a difference.

OUR VALUES

What we do, we do best.

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Corporate Information

BOARD OF DIRECTORS

Tan Sri Datuk Asmat Bin Kamaludin	*Independent Non-Executive Chairman*
Goh Kheng Peow	*Managing Director*
Goh Tai Wai	*Non-Independent Non-Executive Director*
Mohamed Fauzi Bin Omar	*Independent Non-Executive Director*
See Thoo Chan	*Non-Independent Non-Executive Director*

AUDIT COMMITTEE
Tan Sri Datuk Asmat Bin Kamaludin - *Chairman*
Goh Tai Wai
Mohamed Fauzi Bin Omar

NOMINATION COMMITTEE
Tan Sri Datuk Asmat Bin Kamaludin - *Chairman*
Mohamed Fauzi Bin Omar

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

COMPANY SECRETARIES
Mah Li Chen (MAICSA 7022751)
Cynthia Gloria Louis (MAICSA 7008306)
Chew Mei Ling (MAICSA 7019175)

REGISTERED OFFICE
No 17-2, Jalan Solaris 3,
Solaris Mont' Kiara,
50480 Kuala Lumpur
Tel : 03.7880.9699
Fax : 03.7880.8699

SHARE REGISTRAR
Tricor Investor Services Sdn Bhd
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : 03.2264.3883
Fax : 03.2282.1886

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

AUDITORS
Crowe 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 Market of the Bursa Malaysia
Securities Berhad
Stock Short Name : COMPUGT
Stock Code : 5037

Corporate Structure

COMPUGATES®

Compugates Holdings Berhad
Investment holding and provision of management services

100%
Compugates Sdn Bhd
Trading, marketing & distribution of imaging, IT & communication-based products

100%
Selama Muda Jaya Sdn Bhd
General construction contractor

100%
Compugates International Sdn Bhd
Investment holding and provision of management services

100%
Compugates Marketing Sdn Bhd
Trading, marketing & distribution of imaging, IT & communication-based products and skin care products

99.99%
Compugates (S) Pte Ltd
Dormant

51%
Compugates International Ltd
Acting as agents by way of commission for the distribution of telecommunication products and management agent of franchises

51%
Classic Distribution Sdn Bhd
Rubber tapping and trading in agricultural products

80%
Compugates International (BD) Ltd
Investment holding, consultancy and project management services

80%
Compugates International Ltd (Cambodia)
Acting as agents by way of commission for the distribution of telecommunication products and management agent of franchises

80%
P.T. Compugates International (Indonesia)
Trading of communication-based products

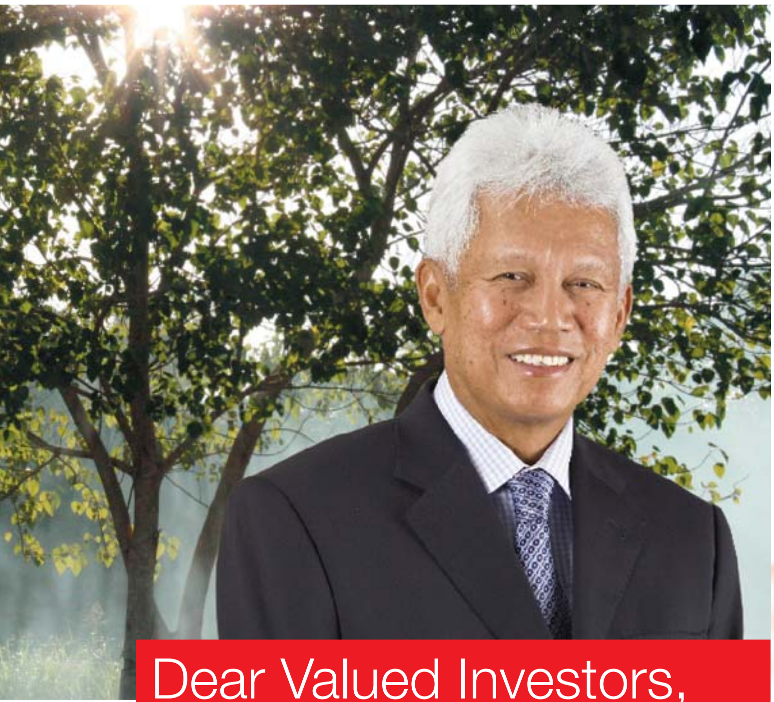
65%
Compugates Development and Mining Sdn Bhd
Investment holding, mining and trading of pharmaceutical products

98%
Compugates International (Bangladesh) Ltd
Exclusive distributor and master franchisee for distribution of telecommunication products and services

51%
Compugates Sabah Sdn Bhd
Dealing in solar products and green energy systems

51 %
Compugates Perak Sdn Bhd
Cultivating and trading of agricultural products and general trading

Chairman's Statement



Dear Valued Investors,

On behalf of the Board of Directors of Compugates Holdings Berhad, I am pleased to present to you the Annual Report and Audited Financial Statements of the Group for the financial year ended 31 December 2010.

Performance Review

For the financial year ended 2010, the Group recorded a revenue of approximately RM637.9 million, a decrease of 13% or approximately RM95.2 million as compared to the previous financial year of approximately RM733.1 million. The decrease in revenue was mainly due to lower revenue contribution from the Malaysian subsidiaries, resulting from the termination of the distributorship by Celcom, although this was partially offset by higher revenue contribution from the Bangladesh subsidiary. The loss before taxation for the Company was RM12.1 million for the year ended 2010 as compared to approximately RM91.8 million for the financial year ended 2009. The lower loss before taxation for financial year ended 2010 was mainly due to impairment loss on goodwill on consolidation amounting to RM92.3 million being recognised in the financial year ended 31 December 2009.

Corporate Development

2010 was an interesting year with a mixture of market sentiments. The global economy recovery continued at varying paces and Malaysia's moderate growth prompted consumers to remain cautious on spending and hence increasing the market competition with lower profit margins. Despite the challenges, Compugates is still one of the major distributors of information technology and imaging products in the country.

We have reported in 2009's Annual Report the incorporation of two (2) local subsidiaries in the state of Sabah and Perak respectively. We are pleased to update that we are actively procuring projects and business opportunities in both states.

In Sabah, Compugates is actively involved in the distribution and installation of the Green Solar System for homes, street lights, jetties and public amenities. To date, we have completed 8 projects worth RM1.7 million since the incorporation of Compugates Sabah Sdn Bhd. All the Solar projects completed in Sabah are in collaboration with Eti Tech (M) Sdn Bhd, a subsidiary of Eti Tech Corporation Berhad and Green Electric Sdn Bhd.

On 25th July 2010, Compugates Sabah signed a distributorship agreement with Smart Green Technology Sdn. Bhd. (SGTSB) and this significant event marks the participation of the Dewan Perniagaan Melayu Malaysia Negeri Sabah (DPMMNS) in the green technology development in the State of Sabah. STGSB is appointed to distribute Green Mobile Power Products and Green Solar Powered Systems made of rechargeable, environmental-friendly Lithium Polymer batteries. These Green Batteries are more efficient compared to the widely used lead acid batteries. Among the advantages of the Green Batteries are they are 100% maintenance free, have a longer life span, and are more efficient, more compact and lightweight making them very cost effective, environmental friendly and a better replacement for the conventional detrimental lead acid batteries.

Worker planting the Gaharu seedling

The Gaharu seedlings at 4 months

The Gaharu plants at 9 months

Green Solar Power Solution at a public amenity in Sandakan, Sabah

Among some of the products for distribution are Nano Mobile Chargers which are available in a variety of models and sizes for recharging mobile phones, PDA's and other hand held electronic gadgets; Energy Rider Notebook Portable Power Pack for recharging laptops and other portable electronics on the go; Green GenSet, a battery-based portable power generator with a 240V AC output rechargeable by AC means or solar weighing at only 2.2 kg; Green GolfCart battery, where a single Green GolfCart battery is able to produce energy equivalent to 4 to 6 lead acid batteries needed to power up a golf cart; Green Standby Power System which provides uninterrupted power supply for home use when there is a power outage and the Green Solar Home System which is an alternative to grid power supply, diesel generators or solar systems powered by lead acid batteries for use in schools and villages in remote areas.

Technicians in the midst of installing the Solar Light System at Sandakan, Sabah

The participation of DPMMNS is in line with the 3rd Pillar of the National Green Technology Policy launched by the Prime Minister, that is, enhancing national economic development through the use of technology. SGTSB is a member of the DPMMNS and is the first local Sabah-based company to engage in the distribution of the Green Technology Product in Sabah. DPMMNS is actively encouraging more of its members to engage in the promotion and the distribution of the Green Technology Products throughout Sabah.

Work in progress at a jetty in Sandakan, Sabah

In the state of Perak, Compugates ventured into the cultivation of Aquilaria trees, a species listed in Appendix II (potentially threatened species) by the Convention on International Trade in Endangered Species of Wild Fauna and Flora. Aquilaria trees, or more widely known as Gaharu or Agarwood by the Indonesians and Malaysians or Chén-xīang (沉香) in Chinese are valuable for their dark resinous heartwood which is formed as a result of an infection by a parasitic mould in the trunk and roots of Aquilaria trees. Gaharu is highly valued for its distinctive fragrance used for incense and perfumes. It is of very high demand in countries such as the Middle East, East Asia and South East Asia. Besides the fragrant wood, Gaharu plant is also prized for its leaves due to its medicinal value. Gaharu leaves are harvested to produce tea leaves to be exported to Japan and China.

Approximately 25,000 seedlings were planted on 54 acres of land in Kuala Kangsar belonging to the Group. The plants are thriving and the Company can expect revenue contributions from the harvest of tea leaves in 2011. The plants can be inoculated from year 5 onwards and harvested a couple of years later.

Installation of Solar Light System

Solar Home System

Compugates Perak Sdn Bhd has also been appointed the sole distributor for Reactorrim, a chemical filled device fixed to rubber trees to increase their yield of rubber in Kelantan and Perak since 2009 and in June 2010, Compugates Perak Sdn Bhd was also appointed as the sole distributor of Reactorrim for the territory of Sabah. Revenue from Reactorrim is still minimal at this point in time as the product is being introduced to the rubber industry gradually. For the time being, Reactorrim has been put on trial use on some of the rubber trees at the company's 200 acres of leased rubber estate in Perak.

In January 2011, Compugates entered into a Sales Agreement with Samsung to distribute digital still cameras and camcorders. With this new contract, the Company expects to increase the revenue generated from its distribution business in year 2011.

A significant portion of the Group's revenue is derived from the overseas business where Compugates had ventured into distributing prepaid sim packs and mobile top-ups for Aktel in Bangladesh since 2006, and the revenue from the Bangladesh operation has been growing steadily ever since. However, the margins for the international distribution business have been squeezed considerably due to stiff competition from other operators and also since the revision of structure in regulations by the Bangladesh Telecommunication Regulatory Commission. The company has also expanded its international operations to Cambodia and Indonesia in 2007 and 2008 respectively. In Cambodia, the company distributes prepaid sim packs and Mobile top-up for Hello whereas the Indonesian subsidiary, PT Compugates International's main business is in the distribution of telecommunication products through non-traditional channels in Jakarta. The business in Cambodia and Indonesia is encouraging and has been expanding gradually. The team from the local business units in Bangladesh, Cambodia and Jakarta has grown to over 200 personnel currently.

From left to right; Green Genset 180w; Green Genset 500w; Green Battery 1Kw; Green Battery 2Kw

Solar Panel

Completed installation of Solar Light System at Sandakan, Sabah

Solar Panel

Outlook and Prospects

The board expects the trading and distribution business to remain challenging in view of the after effects of the global financial crisis and recent natural disasters. Although consumer spending is affected, at a much lesser extent in 2011, we expect competition in the market will intensify in the rush to capitalise on the improved consumer spending and to recapture the market when the economy further improves. Nevertheless, the Company has confidence that we will be able to realize our objective to maintain our position as one of the major distributors of information technology and imaging products in the country.

In 2011, the Company will focus its attention on developing its other businesses in Green Energy and agriculture. With the strong support from our business partners, principals and commitment of our people, we are confident that we will be able to grow Compugates to bring it to the next level.

Appreciation

On behalf of the Board of Directors, I would like to express my appreciation to our valued customers, business associates and suppliers for their continuous support, trust and understanding.

I would also like to take this opportunity to extend my gratitude and appreciation to our fellow Board members, management and staff for their hard work, dedication and commitment to the Group.

Last but not least, to our shareholders, I wish to express my heartfelt appreciation for your confidence in Compugates Holdings Berhad.

Tan Sri Datuk Asmat Bin Kamaludin
(Independent Non-Executive Chairman)

Directors' Profile

TAN SRI DATUK ASMAT BIN KAMALUDIN
(Independent Non-Executive Chairman)

Tan Sri Datuk Asmat Bin Kamaludin, a Malaysian, aged 67, is the Independent Non-Executive Chairman of the Company. He was appointed to our Board on 8 November 2005. He is also the Chairman of the Audit Committee, Nomination Committee and Remuneration Committee of the Company.

Tan Sri Datuk Asmat Bin Kamaludin holds a Bachelor of Arts 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. His other directorships are UMW Holdings Berhad (Chairman), YTL Cement Berhad (Vice-Chairman), Panasonic Manufacturing Malaysia Berhad (Chairman), Symphony House Berhad (Chairman), Scomi Marine Berhad (Chairman), Scomi Group Berhad (Chairman) and Trans-Asia Shipping Corporation Berhad (Chairman) and he is a director of 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 51, is the Managing Director of the Company. He was appointed to the Board of Directors on 8 November 2005. He is also a member of the Remuneration Committee of the Company.

He graduated with honours from the University of Malaya with a Bachelor of Economics (Business Administration) in 1983. He has over twenty eight (28) 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

(Non-Independent and Non-Executive Director)

Goh Tai Wai, a Malaysian, aged 38, was appointed as a Non-Independent Non-Executive Director on 8 November 2005. He was re-designated as an Executive Director on 21 April 2006 and assumed his present position as the Non-Independent and Non-Executive Director on 18 August 2008. He is also an Audit Committee member of the Company.

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 a Director of Ascend Group of Companies, overseeing the financial management, shared service unit operations, 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 financial management and information technology.

MOHAMED FAUZI BIN OMAR

(Independent Non-Executive Director)

Mohamed Fauzi Bin Omar, a Malaysian, aged 51, is the Independent Non-Executive Director of the Company. He was appointed to the Board on 8 November 2005 and is a member of the Nomination Committee, Audit Committee and Remuneration Committee of the Company.

He holds a Master of Business Administration from Northland Open University Canada and International Management Center of Buckingham from the United Kingdom ("UK"). He is also an Associate of the Chartered Institute of Marketing-UK and holds a Diploma in Science (Biology) with Education from Universiti 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, 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 Malaysians 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 a number of business activities through his privately owned companies.

SEE THOO CHAN

(Non-Independent Non-Executive Director)

See Thoo Chan, a Malaysian, aged 49, 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 also serves as a Non-Independent Non-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 85 and 86 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 10 of this Annual Report.

5) *Securities held in the Company and its subsidiaries. Please refer to page 83 of the Annual Report for details.*

Statement On Corporate Governance

The Board of Directors of Compugates Holdings Berhad ("the Company") ("Board") remains committed to ensuring that the highest standards of corporate governance are practised throughout the Group to protect and enhance shareholders' value and to improve its financial performance. The Board is therefore pleased to provide the following statement, which outlines how the Group has applied the principles laid down in Part 1 of the Malaysian Code on Corporate Governance ("the Code") and the extent of compliance with the best practices set out in Part 2 of the Code during the financial year.

BOARD OF DIRECTORS

Board Composition and Balance

The Board has five (5) members which comprises one (1) Managing Director, two (2) Independent Non-Executive Directors and two (2) Non-Independent Non-Executive Directors. This composition complies with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad that requires at least two (2) directors or one-third (1/3) of the Board, whichever is the higher, to be independent. A brief profile of each Director is presented on pages 8 and 9 of the Annual Report.

The Managing Director is primarily responsible for the implementation of policies and decisions of the Board, overseeing the Group's operations and development of the Group's business strategies.

The Independent Non-Executive Directors provide a broader view and independent assessment to the Board's decision making process.

The Board is satisfied that the current Board composition fairly reflects the investment of the minority shareholders and represents a balanced mixed of skills and experience to discharge the Board's duties and responsibilities.

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

Duties and Responsibilities

The Board assumes full responsibility for the overall performance of the Company and the Group by discharging its stewardship responsibilities through providing strategic leadership, overseeing the conduct of the Company's business, identification and management of principal risks, reviewing the adequacy and integrity of the Company's internal control system and developing an investor relations programme. The Board has also delegated specific responsibilities to the Board Committees, all of which discharge the duties and responsibilities within their specific terms of reference.

The roles of the Chairman and Managing Director are clearly distinct for effective balance of power and authority. To ensure this balance, both positions are held by separate members of the Board. The Chairman is primarily responsible for the Board's effectiveness and conduct and ensuring timely and necessary information is provided to its' members whilst the Managing Director is responsible for the daily running of the Group's operations and implementation of policies and strategies adopted by the Board.

Board Meetings

During the financial year ended 31 December 2010, the Board met six (6) times to deliberate and consider matters pertaining to the Group's financial performance, significant investments, corporate development, strategic issues and business plan. The attendance records of the Directors who held office during the year are as follows:

Name of Directors	No. of Meetings Attended
Tan Sri Datuk Asmat Bin Kamaludin	6/6
Goh Kheng Peow	6/6
Goh Tai Wai	5/6
Mohamed Fauzi Bin Omar	6/6
See Thoo Chan	6/6

Supply of Information

All Board members are supplied with information on a timely manner. The Board meetings are structured with a pre-set agenda which encompasses all aspects of matters under discussion. Information is given to the Board of Directors before the meeting for their deliberation. All meetings of the Board are duly recorded in the board minutes by the Company Secretary. Where required, Senior Management may be invited to attend these meetings to explain and clarify on the matters tabled.

In exercising its duties, the Board has unfettered access to all information on the Group, the advice and services of the Company Secretary and independent professional advice where necessary, at the Company's expense.

Directors' Training

All the Directors have attended and successfully completed the Mandatory Accreditation Programme as prescribed by Bursa Securities.

The Board acknowledges that continuous education is essential for the Directors to further enhance their skills and knowledge. During the financial year under review, the Directors attended the following training programs as part of their continuing education to enhance their knowledge and to keep abreast with new developments in the furtherance of their duties:

Training Programs Attended
The Challenges of Implementing FRS 139
Financial Institutions Directors' Education Programme – Module 4
Competency as the Backbone of Competency
In-House Directors' Training "Implementing Effective Project Strategies: Case Study on the Monorail Project for Mumbai"
Mandatory Accreditation Programme (MAP)
Audit Committee Institute Roundtable discussion titled: Going Forward: Risk & Reform – Implication for Audit Committee Oversight
Directors Training
Financial Industry Conference

Appointment and Re-election of Directors

The Nomination Committee, which comprises entirely of independent directors, is responsible for making recommendations for any new appointments to the Board. In making these recommendations, the Nomination Committee considers the required mix of skills and experience which the Directors should bring to the Board. Any new nomination received is assessed by the Nomination Committee prior to recommending to the full Board for assessment and endorsement.

Board members who are appointed by the Board are subject to retirement at the first Annual General Meeting ("AGM") of the Company subsequent to their appointment. The Company's Articles of Association provide that at least one-third (1/3) of the Directors shall retire by rotation at each AGM and all Directors shall retire from office at least once every three (3) years, but shall be eligible for re-election.

Directors 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.

Board Committees

The Board Committees were established to assist the Board in discharging its responsibilities as set out below with their terms of reference approved by the Board. They are as follows:

Audit Committee

The terms of reference, the number of meetings held during the financial year and the attendance of each member is presented under the Audit Committee Report on pages 14 to 16 of this Annual Report.

Nomination Committee

The Nomination Committee has two (2) members, all of whom are Independent Non-Executive Directors. They are tasked with the responsibility of proposing new nominees to the Board and assessing the effectiveness of the Board and the contribution of individual directors on an ongoing basis.

For the financial year ended 31 December 2010, the Nomination Committee has met once to review the effectiveness of the Board and the contribution of each Director, including independent non-executive directors and this review was deferred to a later date in view that the Company has a small number of directors on its Board. The Nomination Committee also reviewed the structure, size and composition of the Board to ensure the effectiveness of the board in discharging its duties and responsibilities.

The attendance records of the Nomination Committee Members are as follows:

Name of Nomination Committee Members	No. of Meeting Attended
Tan Sri Datuk Asmat Bin Kamaludin (Chairman)	1/1
Mohamed Fauzi Bin Omar	1/1

Remuneration Committee

The Remuneration Committee comprises of three (3) members, with a majority being Independent Non-Executive Directors. They recommend to the Board the remuneration packages of the Executive Directors. Such packages are designed to attract, retain and motivate the Directors, and are reflective of their experience and level of responsibilities. The remuneration of the Executive Directors is reviewed annually.

The Board as a whole determines the remuneration of the Non-Executive Directors. None of the individual Directors participate in determining their individual remuneration.

The Remuneration Committee met once during the year under review and the attendance records of the Remuneration Committee Members are as follows:

Name of Remuneration Committee Members	No. of Meeting Attended
Tan Sri Datuk Asmat Bin Kamaludin	1/1
Mohamed Fauzi Bin Omar	1/1
Goh Kheng Peow	1/1

Details of the remuneration of Directors of the Company during the financial year ended 31 December 2010 are as follow:

Aggregate remuneration

	Executive Directors (RM)	Non-Executive Directors (RM)	Total (RM)
Basic Salary	1,000,000	-	1,000,000
Bonuses	5,433,333	-	5,433,333
Fees	-	324,000	324,000
Attendance fee	-	-	-
Others	965,000	-	965,000
Total	7,398,333	324,000	7,722,333

Number of Directors whose remuneration fall into the following bands

	No. of Executive Directors	No. of Non- Executive Directors
RM 50,000 and below	-	3
RM150,001 to RM200,000	-	1
RM800,001 – RM850,000	1	-

The details of the individual Director's remuneration are not disclosed in this report as the Board considers the above disclosures satisfy the accountability and transparency aspects of the Code.

SHAREHOLDERS

Shareholders and Investor Relations

The Company acknowledges that an effective investor relationship is essential in enhancing value to its shareholders. To that end, the Board provides the Company's shareholders with timely releases of the financial results on a quarterly basis, press releases and announcements on the Group's performance. Whilst the Company endeavours to provide as much information as possible, it is aware of the legal and regulatory framework governing the release of material and price sensitive information.

Annual General Meeting

The principal forum for dialogue with individual shareholders is at the AGM where shareholders would have direct access to the Directors and are provided with sufficient opportunity and time to participate through questions on the prospects, performance of the Group and other matters of concern. Members of the Board as well as the external auditors will be present to answer and provide the appropriate clarifications at the meeting.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is committed to provide a balanced, clear and comprehensive assessment of the Group's financial position and prospects by making sure that the financial statements and quarterly announcements are prepared in accordance to the provisions of the Companies Act, 1965 and applicable approved accounting standards.

The Statement on Directors' Responsibilities in respect of the preparation of the annual audited financial statements is stated in page 19 of this Annual Report.

Internal Control

The Board acknowledges its responsibility for maintaining a sound system of internal controls in the Company and the Group. These controls provide reasonable but not absolute assurance against material misstatement, loss or fraud. Information on the Group's internal control is disclosed in the Statement on Internal Controls set out in pages 17 and 18 in this Annual Report.

Relationship with External Auditors

The Board maintains a transparent and professional relationship with the Group's external auditors. The role of the Board in relation to the external auditors is further explained in the Audit Committee Report on pages 14 to 16 of this Annual Report.

The Audit Committee had also met the external auditors without the presence of the management at least twice a year and whenever deemed necessary.

COMPLIANCE WITH THE CODE

The Group has complied with the best practices of the code throughout the financial year ended 31 December 2010.

This statement was approved by the Board of Directors on 22 April 2011.

Audit Committee Report

The Board is pleased to present the Audit Committee Report for the financial year ended 31 December 2010. The Audit Committee (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
Chairman	
Tan Sri Datuk Asmat bin Kamaludin *(Independent Non-Executive Chairman)*	5/5
Committee Members	
Goh Tai Wai *(Non-Independent Non-Executive Director)*	4/5
Mohamed Fauzi bin Omar *(Independent Non-Executive Director)*	5/5

Details of the members of the AC are contained in the "Directors' Profile" as set out on pages 8 and 9 of this Annual Report.

TERMS OF REFERENCE

The AC is governed by the following terms of reference:

1. Composition

   The AC shall be appointed from amongst the Board and shall comprise no fewer than three (3) members. 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.

   In the event of any vacancy resulting in the number of members is reduced to below three (3), 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:
      o the audit plan, its scope and nature;
      o the audit report;
      o the results of their evaluation of the accounting policies and systems of internal accounting controls within the Group; and
      o 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 control and risk management practices of the Group.
   (d) To review the internal audit programme, processes the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.
   (e) To review with management:
      o audit reports and management letter issued by the external auditors and the implementation of audit recommendations;
      o interim financial information; and
      o 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:
      o changes in or implementation of major accounting policy and practices;
      o significant and / or unusual matters arising from the audit;
      o the going concern assumption;
      o compliance with accounting standards and other legal requirements; and
      o 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 the financial year.

SUMMARY OF ACTIVITIES OF THE 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 2010;
(c) Reviewing the external auditors' report and their audit findings;
(d) 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;
(e) Reviewing the internal audit reports and the results and recommendations arising from the reviews conducted by the outsourced internal audit function;
(f) Reviewing related party transactions and considered conflict of interest situations that may arise within the Group;
(g) 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.

The cost incurred for the outsourced Internal Audit Function of the Group for the financial year ended 31 December 2010 amounted to RM25,000.00.

Further details on internal audit function are set out in the Statement on Internal Controls on pages 17 and 18 of this Annual Report.

Statement On Internal Control

INTRODUCTION

Pursuant to paragraph 15.26 (b) of the Main Market Listing Requirements ("LR") of Bursa Securities and as guided by the Bursa Malaysia's Statement on Internal Control: Guidance for Directors of Public Listed Companies ("the Guidance"), the Board of Directors of Compugates Holdings Berhad ("Board") is pleased to include a statement on the state of the Group's internal controls in the annual report for financial year ended 31 December 2010.

BOARD'S RESPONSIBILITIES

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 system put into effect by Management is only to 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 that includes clear delegation of responsibilities and accountability. It sets out the roles and responsibilities, appropriate authority limits, review and approval procedures to enhance the internal control system of the Group's various business units.

- Periodical and / or Annual Budget

  An annual budget is prepared by management and tabled to the Board for approval. Periodic monitoring is carried out to measure the actual performance against budget to identify significant variances and devise remedial action plans.

- Group Policies and Procedures

  Documented policies and procedures are in place and 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.

2. RISK MANAGEMENT FRAMEWORK

Risk Management is regarded by the Board to be an integral part of the business operations. Key management staff and Heads of Department are delegated with the responsibility to manage identified risks within defined parameters and standards.

Monthly Management Meetings were held to discuss key risks and the appropriate mitigating controls. Significant risks affecting the Group's strategic and business plans are escalated to the Board at their scheduled meetings.

The abovementioned risk management practices of the Group serve as the on-going process used to identify, evaluate and manage significant risks.

3. INTERNAL AUDIT FUNCTION

The Group's internal audit function is outsourced to a professional services firm, to assist the Board and Audit Committee in providing an independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system.

During the financial year ended 31 December 2010, an internal audit was carried out and the findings of the internal audit, including the recommended corrective actions, were presented directly to the Audit Committee.

In addition, follow up review was conducted to ensure that corrective actions have been implemented on a timely manner. Based on the internal audit review conducted, none of the weaknesses noted have resulted in any material losses, contingencies or uncertainties that would require separate disclosure in this annual report.

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 operational and management meetings are held to discuss and review the business plans, budgets, financial and operational performances of the Group. Monthly management accounts containing key financial results, operational performance and comparison of actual performance against budgets are presented to the management team for monitoring and review. The quarterly financial statements are presented to the Board for their review, consideration and approval. The Board also plays an active role in discussing and reviewing the business plans, strategies, performance and risks faced by the Group.

6. 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.

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. 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 22 April 2011.

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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DIRECTORS' REPORT

The directors of Compugates Holdings Berhad have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding and the provision of management services whilst the principal activities of the subsidiaries are set out in Note 5 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
(Loss)/Profit after taxation for the financial year	(12,848)	5,333
Attributable to:-		
Owners of the Company	(11,911)	5,333
Minority interests	(937)	-
	(12,848)	5,333

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) there were no changes in the authorised and issued and paid-up share capital of the Company; and

(b) 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 impairment losses on receivables, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for impairment losses on receivables.

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

DIRECTORS' REPORT (cont'd)

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

The contingent liabilities of the Group and of the Company are disclosed in Note 41 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

DIRECTORS' REPORT (cont'd)

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:-

	NUMBER OF ORDINARY SHARES OF RM0.10 EACH			
	AT 1.1.2010	**BOUGHT**	**SOLD**	**AT 31.12.2010**
DIRECT INTERESTS				
GOH KHENG PEOW	538,141,110 *	124,426,100	(32,000,000)	630,567,210
SEE THOO CHAN	49,572,400	20,390,700	-	69,963,100
DEEMED INTERESTS				
TAN SRI DATUK ASMAT BIN KAMALUDIN ^	30,000	-	-	30,000
GOH KHENG PEOW ^	50,280,400	20,390,700	-	70,671,100
SEE THOO CHAN ^	538,849,110 *	124,426,100	(32,000,000)	631,275,210

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

* Adjustmens were made to the shareholdings held by Goh Kheng Peow via RHB Nominees (Tempatan) Sdn Bhd and MIT Nominees (Tempatan) Sdn Bhd and See Thoo Chan via RHB Nominees (Tempatan) Sdn Bhd and RHB Capital Nominees (Tempatan) Sdn Bhd to reconcile with the shareholdings maintained by the respective nominee companies.

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 in Malaysia.

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

DIRECTORS 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 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 38 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 44 to the financial statements.

DIRECTORS' REPORT (cont'd)

AUDITORS

The auditors, Messrs. Crowe Horwath, have expressed that they do not wish to seek re-appointment at the forthcoming annual general meeting.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 22 APRIL 2011

Goh Kheng Peow

See Thoo Chan

STATEMENT BY DIRECTORS

We, Goh Kheng Peow and See Thoo Chan, being two of the directors of Compugates Holdings Berhad, state that, in the opinion of the directors, the financial statements set out on pages 13 to 97 are drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2010 and of their results and cash flows for the financial year ended on that date.

The supplementary information set out in Note 46, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 22 APRIL 2011

Goh Kheng Peow **See Thoo Chan**

STATEMENT BY DIRECTORS

I, Fong Yin Sien, I/C No. 730111-14-5400, being the officer primarily responsible for the financial management of Compugates Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 11 to 95 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
Fong Yin Sien, I/C No. 730111-14-5400,
at Kuala Lumpur in the Federal Territory
on this 22 April 2011

Fong Yin Sien

Before me
Datin Hajah Raihela Wanchik
No. W - 275

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF COMPUGATES HOLDINGS BERHAD (Incorporated in Malaysia)
Company No : 669287 - H

Report on the Financial Statements

We have audited the financial statements of Compugates Holdings Berhad, which comprise the statements of financial position as at 31 December 2010 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 13 to 97.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give true and fair view in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2010 and of their financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:-

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 5 to the financial statements.

(c) 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 purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

The supplementary information set out in Note 46 on page 96 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF COMPUGATES HOLDINGS BERHAD (Incorporated in Malaysia)
Company No : 669287 - H (cont'd)

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

Poon Yew Hoe
Approval No: 956/04/12 (J)
Chartered Accountant

22 April 2011

Kuala Lumpur

STATEMENTS OF FINANCIAL POSITION

AT 31 DECEMBER 2010

	NOTE	THE GROUP 31.12.2010 RM'000	RESTATED 31.12.2009 RM'000	RESTATED 1.1.2009 RM'000	THE COMPANY 31.12.2010 RM'000	31.12.2009 RM'000
ASSETS						
NON-CURRENT ASSETS						
Investments in subsidiaries	5	-	-	-	38,323	38,323
Property and equipment	6	16,722	22,126	18,479	171	83
Investment property	7	5,780	-	-	-	-
Prepaid land lease payments	8	-	-	-	-	-
Plantation expenditure	9	1,130	-	-	-	-
Other investments	10	9,834	12,033	-	9,834	12,033
Goodwill on consolidation	11	35,991	35,991	114,558	-	-
Deferred tax asset	12	6	3	18	-	-
		69,463	70,153	133,055	48,328	50,439
CURRENT ASSETS						
Inventories	13	19,153	26,034	17,924	-	-
Trade receivables	14	16,428	17,028	23,535	-	-
Other receivables, deposits and prepayments	15	5,617	4,404	47,207	64	66
Amount owing by subsidiaries	16	-	-	-	879	391
Tax refundable		1,278	62	1,628	243	339
Short-term deposits with licensed banks	17	4,247	5,890	-	-	-
Fixed deposits with licensed banks	18	10,181	14,874	9,372	-	-
Cash and bank balances		4,415	6,972	6,695	65	45
		61,319	75,264	106,361	1,251	841
TOTAL ASSETS		130,782	145,417	239,416	49,579	51,280

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

STATEMENTS OF FINANCIAL POSITION

AT 31 DECEMBER 2010 (cont'd)

		THE GROUP			THE COMPANY	
			RESTATED	RESTATED		
	NOTE	31.12.2010 RM'000	31.12.2009 RM'000	1.1.2009 RM'000	31.12.2010 RM'000	31.12.2009 RM'000
EQUITY AND LIABILITIES						
EQUITY						
Share capital	19	213,429	213,429	213,429	213,429	213,429
Revaluation reserve	20	883	883	-	-	-
Exchange fluctuation reserve	21	(201)	(199)	186	-	-
Accumulated losses		(122,289)	(107,352)	(13,497)	(163,974)	(166,281)
SHAREHOLDERS' EQUITY		91,822	106,761	200,118	49,455	47,148
MINORITY INTERESTS		1,312	3,089	11,132	-	-
TOTAL EQUITY		93,134	109,850	211,250	49,455	47,148
NON-CURRENT LIABILITIES						
Hire purchase payables	22	-	-	86	-	-
Deferred tax liability	23	609	649	412	-	-
		609	649	498	-	-
CURRENT LIABILITIES						
Trade payables	24	14,149	29,703	18,561	-	-
Other payables and accruals	25	9,916	3,760	5,858	124	99
Amount owing to a subsidiary	16	-	-	-	-	3,956
Amount owing to shareholders of subsidiaries	26	5,884	141	38	-	-
Amount owing to a director	27	-	200	-	-	-
Provision for taxation		742	1,028	1,025	-	-
Bankers' acceptances	28	6,348	-	2,074	-	-
Hire purchase payables	22	-	86	112	-	77
		37,039	34,918	27,668	124	4,132
TOTAL LIABILITIES		37,648	35,567	28,166	124	4,132
TOTAL EQUITY AND LIABILITIES		130,782	145,417	239,416	49,579	51,280
NET ASSETS PER SHARE (RM)	29	0.04	0.05	0.09		

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

		THE GROUP		THE COMPANY	
		2010	2009	2010	2009
	NOTE	RM'000	RM'000	RM'000	RM'000
REVENUE	30	637,860	733,148	8,330	1,015
COST OF SALES		(635,453)	(726,466)	-	-
GROSS PROFIT		2,407	6,682	8,330	1,015
OTHER INCOME		15,545	10,703	275	67
		17,952	17,385	8,605	1,082
ADMINISTRATIVE EXPENSES		(23,365)	(13,016)	(693)	(727)
SALES AND MARKETING EXPENSES		(935)	(1,221)	-	(11)
OTHER EXPENSES		(5,686)	(2,486)	(2,253)	(82)
FINANCE COSTS		(105)	(142)	(2)	(5)
(LOSS)/PROFIT FROM OPERATIONS		(12,139)	520	5,657	257
IMPAIRMENT LOSS ON INVESTMENTS IN SUBSIDIARIES		-	-	-	(139,777)
IMPAIRMENT LOSS ON GOODWILL ON CONSOLIDATION		-	(92,335)	-	-
(LOSS)/PROFIT BEFORE TAXATION	31	(12,139)	(91,815)	5,657	(139,520)
INCOME TAX EXPENSE	32	(709)	(1,718)	(324)	(134)
(LOSS)/PROFIT AFTER TAXATION		(12,848)	(93,533)	5,333	(139,654)
OTHER COMPREHENSIVE (EXPENSES)/INCOME, NET OF TAX					
- Available-for-sale financial assets:					
- changes in fair value		(1,714)	-	(1,714)	-
- transfer to profit or loss on disposal		59	-	59	-
- transfer to profit or loss on impairment loss		2,115	-	2,115	-
- Foreign currency translation		(326)	(385)	-	-
- Revaluation of property		-	1,137	-	-
- Income tax expense to components of other comprehensive income	33	-	(254)	-	-
		134	498	460	-
TOTAL COMPREHENSIVE (EXPENSES)/INCOME FOR THE FINANCIAL YEAR		(12,714)	(93,035)	5,793	(139,654)

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

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (cont'd)

		THE GROUP		THE COMPANY	
		2010	2009	2010	2009
	NOTE	RM'000	RM'000	RM'000	RM'000
(LOSS)/PROFIT AFTER TAXATION ATTRIBUTABLE TO:-					
Owners of the Company		(11,911)	(93,855)	5,333	(139,654)
Minority interests		(937)	322	-	-
		(12,848)	(93,533)	5,333	(139,654)
TOTAL COMPREHENSIVE (EXPENSES)/INCOME ATTRIBUTABLE TO:-					
Owners of the Company		(11,453)	(93,357)	5,793	(139,654)
Minority interests		(1,261)	322	-	-
		(12,714)	(93,035)	5,793	(139,654)
LOSS PER SHARE (SEN)					
- basic	34	(0.56)	(4.40)		
- diluted	34	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 2010

		< ----- NON-DISTRIBUTABLE ----- >				DISTRIBUTABLE			
	NOTE	SHARE CAPITAL RM'000	FAIR VALUE RESERVE RM'000	REVALUATION RESERVE RM'000	EXCHANGE FLUCTUATION RESERVE RM'000	ACCUMULATED LOSSES RM'000	ATTRIBUTABLE TO THE OWNER OF THE COMPANY RM'000	MINORITY INTERESTS RM'000	TOTAL EQUITY RM'000
THE GROUP									
Balance at 1.1.2009		213,429	-	-	186	(13,497)	200,118	11,132	211,250
Total comprehensive income/(expenses) for the financial year		-	-	883	(385)	(93,855)	(93,357)	322	(93,035)
Dividend by subsidiaries to minority interests		-	-	-	-	-	-	(8,377)	(8,377)
Net effect of changes in subsidiaries' interests		-	-	-	-	-	-	12	12
Balance at 31.12.2009/1.1.2010									
- as previously reported		213,429	-	883	(199)	(107,352)	106,761	3,089	109,850
- effect of adopting FRS 139	3(a)(iii)	-	(460)	-	-	(3,026)	(3,486)	-	(3,486)
- as restated		213,429	(460)	883	(199)	(110,378)	103,275	3,089	106,364
Total comprehensive income/(expenses) for the financial year		-	460	-	(2)	(11,911)	(11,453)	(1,261)	(12,714)
Dividend by subsidiaries to minority interests		-	-	-	-	-	-	(528)	(528)
Subscription of shares in a subsidiary		-	-	-	-	-	-	12	12
Balance at 31.12.2010		213,429	-	883	(201)	(122,289)	91,822	1,312	93,134

		NON-DISTRIBUTABLE		DISTRIBUTABLE	
	NOTE	SHARE CAPITAL RM'000	FAIR VALUE RESERVE RM'000	ACCUMULATED LOSSES RM'000	TOTAL RM'000
THE COMPANY					
Balance at 1.1.2009		213,429	-	(26,627)	186,802
Total comprehensive expenses for the financial year		-	-	(139,654)	(139,654)
Balance at 31.12.2009/1.1.2010					
- as previously reported		213,429	-	(166,281)	47,148
- effect of adopting FRS 139	3(a)(iii)	-	(460)	(3,026)	(3,486)
- as restated		213,429	(460)	(169,307)	43,662
Total comprehensive income for the financial year		-	460	5,333	5,793
Balance at 31.12.2010		213,429	-	(163,974)	49,455

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	NOTE	THE GROUP 2010 RM'000	THE GROUP 2009 RM'000	THE COMPANY 2010 RM'000	THE COMPANY 2009 RM'000
CASH FLOWS (FOR)/FROM OPERATING ACTIVITIES					
(Loss)/Profit before taxation		(12,139)	(91,815)	5,657	(139,520)
Adjustments for:-					
Allowance for inventory obsolescence		100	383	-	-
Bad debts written off		6	1	-	-
Depreciation of investment property		62	-	-	-
Depreciation of property and equipment		833	722	79	82
Equipment written off		38	55	-	-
Impairment loss on investments in subsidiaries		-	-	-	139,777
Impairment loss on goodwill on consolidation		-	92,335	-	-
Impairment loss on available-for-sale investments		2,115	-	2,115	-
Impairment loss on:					
- trade receivables		476	823	-	-
- other receivables		2,000	275	-	-
Interest expense		83	94	2	5
Inventories written down		-	112	-	-
Inventories written off		4	109	-	-
Loss on disposal of interest in a subsidiary		-	7	-	-
Unrealised loss on foreign exchange		2	-	-	-
Dividend income		-	-	(8,330)	(1,015)
Gain on disposal of available-for-sale investments		(21)	(38)	(21)	(38)
Gain on disposal of equipment		(138)	(25)	(133)	-
Interest income		(386)	(432)	(62)	(29)
Write-back of impairment loss on receivables		(459)	(28)	-	-
Write-back of allowance for inventory obsolescence		-	(49)	-	-
Operating (loss)/profit before working capital changes/ **BALANCE CARRIED FORWARD**		(7,424)	2,529	(693)	(738)

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (cont'd)

		THE GROUP		THE COMPANY	
		2010	2009	2010	2009
	NOTE	RM'000	RM'000	RM'000	RM'000
BALANCE BROUGHT FORWARD		(7,424)	2,529	(693)	(738)
Decrease/(Increase) in inventories		6,777	(8,665)	-	-
(Increase)/Decrease in trade and other receivables		(2,638)	48,239	2	(54)
(Decrease)/Increase in trade and other payables		(9,398)	9,042	25	14
CASH (FOR)/FROM OPERATIONS		(12,683)	51,145	(666)	(778)
Income tax (paid)/refunded		(2,254)	(160)	104	(1)
Interest paid		(83)	(94)	(2)	(5)
NET CASH (FOR)/FROM OPERATING ACTIVITIES		(15,020)	50,891	(564)	(784)
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Acquisition of a subsidiary, net of cash acquired	35	-	(16,000)	-	(16,000)
Proceeds from disposal of equipment		410	26	140	-
Purchase of property and equipment		(1,101)	(1,059)	(174)	-
Purchase of investment property		(552)	-	-	-
Increase in plantation expenditure		(1,130)	-	-	-
Proceeds from disposal of available-for-sale investment		411	688	411	688
Purchase of available-for-sale investments		(3,332)	(12,683)	(3,332)	(12,683)
Interest received		386	432	62	29
Dividend received		-	-	7,998	761
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(4,908)	(28,596)	5,105	(27,205)
BALANCE CARRIED FORWARD		(19,928)	22,295	4,541	(27,989)

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (cont'd)

		THE GROUP		THE COMPANY	
		2010	2009	2010	2009
	NOTE	RM'000	RM'000	RM'000	RM'000
BALANCE BROUGHT FORWARD		(19,928)	22,295	4,541	(27,989)
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES					
Proceeds from issuance of shares to minority shareholders		12	-	-	-
Dividends paid to minority interests		(528)	(8,377)	-	-
Increase/(Decrease) in bankers' acceptances		6,348	(2,074)	-	-
Repayment of hire purchase obligations		(86)	(112)	(77)	(73)
Net repayment (to)/from subsidiaries		-	-	(4,444)	28,085
Advances from shareholders of subsidiaries		5,743	103	-	-
(Repayment to)/Advances from a director		(200)	200	-	-
NET CASH FROM/(FOR) FINANCING ACTIVITIES		11,289	(10,260)	(4,521)	28,012
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(8,639)	12,035	20	23
Effects of foreign exchange rate changes on cash and cash equivalents		(254)	(366)	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		27,736	16,067	45	22
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	36	18,843	27,736	65	45

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

1. GENERAL INFORMATION

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

Registered office	:	No. 17-2, Jalan Solaris 3, Solaris Mont' Kiara, 50480 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 22 April 2011.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding and provision of management services whilst the principal activities of the subsidiaries are set out in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group 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 Financial Reporting Standards ("FRS") and the Companies Act 1965 in Malaysia.

(a) During the current financial year, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments):-

FRSs and IC Interpretations (including the Consequential Amendments)

FRS 4 Insurance Contracts

FRS 7 Financial Instruments: Disclosures

FRS 8 Operating Segments

FRS 101 (Revised) Presentation of Financial Statements

FRS 123 (Revised) Borrowing Costs

FRS 139 Financial Instruments: Recognition and Measurement

Amendments to FRS 1 and FRS 127: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

Amendments to FRS 2: Vesting Conditions and Cancellations

Amendments to FRS 7, FRS 139 and IC Interpretation 9

Amendments to FRS 101 and FRS 132: Puttable Financial Instruments and Obligations Arising on Liquidation

3. BASIS OF PREPARATION (CONT'D)

(a) During the current financial year, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments) (cont'd):-

FRSs and IC Interpretations (including the Consequential Amendments)

Amendments to FRS 132: Classification of Rights Issues and the Transitional Provision in Relation to Compound Instruments

IC Interpretation 9 Reassessment of Embedded Derivatives

IC Interpretation 10 Interim Financial Reporting and Impairment

IC Interpretation 11: FRS 2 - Group and Treasury Share Transactions

IC Interpretation 13 Customer Loyalty Programmes

IC Interpretation 14: FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Annual Improvements to FRSs (2009)

(a) The adoption of the above accounting standards and interpretations (including the consequential amendments) did not have any material impact on the Group's financial statements, other than the following:-

(i) FRS 7 requires additional disclosures about the financial instruments of the Group. Prior to 1 January 2010, information about financial statements was disclosed in accordance with the requirements of FRS 132 Financial Instruments: Disclosures and Presentation. FRS 7 requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Group has applied FRS 7 prospectively in accordance with the transitional provisions. Accordingly, the new disclosures have not been applied to the comparatives and are included throughout the financial statements for the current financial year.

(ii) FRS 101 (Revised) introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present this statement as one single statement.

The revised standard also separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented in the statement of comprehensive income as other comprehensive income.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the statement.

FRS 101 (Revised) also requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. This new disclosure is made in Note 43(b) to the financial statements.

Comparative information has been re-presented so that it is in conformity with the requirements of this revised standard.

3. BASIS OF PREPARATION (CONT'D)

(a) (iii) The adoption of FRS 139 (including the consequential amendments) has resulted in several changes to accounting policies relating to recognition and measurements of financial instruments.

The financial impact to the financial statements is summarised as follows:-

	NOTE	THE GROUP/ THE COMPANY AT 1.1.2010 RM'000
Accumulated losses		
Impairment loss on non-current quoted shares	(aa)	(3,026)
Fair value reserve		
Fair value of non-current quoted shares	(bb)	(460)

(aa) Prior to 1 January 2010, investments in non-current quoted shares were stated at cost less allowance for diminution in value which is other than temporary. With the adoption of FRS 139, these quoted investments are designated as available-for-sale financial assets and an impairment loss on available-for-sale equity investments is recognised when there has been a significant or prolonged decline in the fair value below their cost. The Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

(bb) Prior to 1 January 2010, investments in non-current quoted shares were stated at cost less allowance for diminution in value which is other than temporary. With the adoption of FRS 139, these quoted investments are designated as available-for-sale financial assets and are measured at their fair values at the end of each reporting period. The adjustment to the previous carrying amounts is recognised to the fair value reserve.

All these financial impacts are recognised as an adjustment to the opening balance of retained profits or another appropriate reserve upon the adoption of FRS 139. Comparatives are not adjusted/represented by virtue of the exemption given in this standard.

(iv) The Company has previously asserted explicitly that it regards financial guarantee contracts of banking facilities granted to its subsidiaries as insurance contracts and will apply FRS 4 to such financial guarantee contracts. Accordingly, the adoption of FRS 139 did not have any financial impact on the financial statements in respect of the financial guarantee contracts issued by the Company to its subsidiaries. These financial guarantee contracts issued are disclosed as contingent liabilities under Note 41 to the financial statements.

(v) The Group has adopted the amendments made to FRS 117 - Leases pursuant to the Annual Improvements to FRSs (2009). The Group has reassessed and determined that the leasehold land of the Group is in substance a finance lease and has been reclassified as property and equipment. This change in accounting policy has been made retrospectively in accordance with the transitional provisions of the amendments.

(b) The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:-

FRSs and IC Interpretations (including the Consequential Amendments)	Effective date
FRS 1 (Revised) First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3 (Revised) Business Combinations	1 July 2010
FRS 124 (Revised) Related Party Disclosures	1 January 2010
FRS 127 (Revised) Consolidated and Separate Financial Statements	1 July 2010

3. BASIS OF PREPARATION (CONT'D)

(b)

FRSs and IC Interpretations (including the Consequential Amendments)	**Effective date**
Amendments to FRS 1 (Revised): Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011
Amendments to FRS 1: Additional Exemptions for First-time Adopters	1 January 2011
Amendments to FRS 2: Scope of FRS 2 and FRS 3 (Revised)	1 July 2010
Amendments to FRS 2: Group Cash-settled Share-based Payment Transactions	1 January 2011
Amendments to FRS 5: Plan to Sell the Controlling Interest in a Subsidiary	1 July 2010
Amendments to FRS 7: Improving Disclosures about Financial Instruments	1 January 2011
Amendments to FRS 138: Consequential Amendments Arising from FRS 3 (Revised)	1 July 2010
Amendments to IC Interpretation 14: Prepayments of a Minimum Funding Requirement	1 July 2011
Amendments to FRS 138: Consequential Amendments Arising from FRS 3 (Revised)	1 July 2010
Amendments to IC Interpretation 9: Scope of IC Interpretation 9 and FRS 3 (Revised)	1 July 2010
IC Interpretation 4 Determining Whether An Arrangement Contains a Lease	1 January 2011
IC Interprétation 12 Service Concession Arrangements	1 July 2010
IC Interpretation 15 Agreements for the Construction of Real Estate	1 January 2012
IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17 Distributions of Non-cash Assets to Owners	1 July 2010
IC Interpretation 18 Transfers of Assets from Customers	1 January 2011
IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
Annual Improvements to FRSs (2010)	1 January 2011

The above accounting standards and interpretations (including the consequential amendments) are not relevant to the Group's operations except as follows:-

(i) FRS 3 (Revised) introduces significant changes to the accounting for business combinations, both at the acquisition date and post acquisition, and requires greater use of fair values. In addition, all transaction costs, other than share and debt issue costs, will be expensed as incurred. This revised standard will be applied prospectively and therefore there will not have any financial impact on the financial statements of the Group for the current financial year but may impact the accounting for future transactions or arrangements.

(ii) FRS 127 (Revised) requires accounting for changes in ownership interests by the group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The revised standard also requires all losses attributable to the minority interest to be absorbed by the minority interest instead of by the parent. The Group will apply the major changes of FRS 127 (Revised) prospectively and therefore there will be no financial impact on the financial statements of the Group for the current financial year but may impact the accounting of its future transactions or arrangements.

4. 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 Non-financial Assets

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

(iv) Allowance for 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.

(v) Classification Between Investment Properties and Owner Occupied Properties

The Group determines whether a property qualifies as an investment property, and has developed a criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independent of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(vi) Impairment of Trade and Other Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loan and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgment to evaluate the adequacy of the allowance for impairment loss. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

(vii) Revaluation of Properties

Certain properties of the Group are reported at valuation which is 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.

(viii) Impairment of Available-for-sale Financial Assets

The Group reviews its available-for-sale financial assets at the end of each reporting period to assess whether they are impaired. The Group also records impairment loss on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant' or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

(ix) Classification of Leasehold Land

The classification of leasehold land as a finance lease or an operating lease requires the use of judgement in determining the extent to which risks and rewards incidental to its ownership lie. Despite the fact that there will be no transfer of ownership by the end of the lease term and that the lease term does not constitute the major part of the indefinite economic life of the land, management considered that the present value of the minimum lease payments approximated to the fair value of the land at the inception of the lease. Accordingly, management judged that the Group has acquired substantially all the risks and rewards incidental to the ownership of the land through a finance lease.

(x) Impairment of Goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires management to estimate the expected future cash flows of the cash-generating unit to which goodwill is allocated and to apply a suitable discount rate in order to determine the present value of those cash flows. The future cash flows are most sensitive to budgeted gross margins, growth rates estimated and discount rate used. If the expectation is different from the estimation, such difference will impact the carrying value of goodwill.

(xi) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December 2010.

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

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

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

Minority interests in the consolidated statement of financial position 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 within equity in the consolidated statement of financial position, separately from the Company's shareholders' equity, and are separately disclosed in the consolidated statement of comprehensive income. Transactions with minority interests are accounted for as transactions with owners. Gain or loss on disposal to minority interests is recognised directly in equity.

(c) Functional and Foreign Currencies

(i) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

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

(ii) Transactions and Balances

Transactions in foreign currencies 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 end of the reporting period 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 recognised in profit or loss.

(iii) Foreign Operations

Assets and liabilities of foreign operations are translated to RM at the rates of exchange ruling at the end of the reporting period. Revenues and expenses of foreign operations are translated at exchange rates ruling at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity under translation reserve. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is reclassified from equity to profit or loss.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial Instruments

Financial instruments are recognised in the statement of financial position 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 a financial instrument 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.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial instruments recognised in the statement of financial position are disclosed in the individual policy statement associated with each item.

(i) Financial Assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate.

- *Financial Assets at Fair Value Through Profit or Loss*

  Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

  Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Company's right to receive payment is established.

- *Held-to-maturity Investments*

  Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with revenue recognised on an effective yield basis.

- *Loans and Receivables Financial Assets*

  Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

- *Available-for-sale Financial Assets*

  Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial Instruments (Cont'd)

(i) Financial Assets (Cont'd)

- *Available-for-sale Financial Assets (Cont'd)*

  After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

  Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

  Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

(ii) Financial Liabilities

All financial liabilities are initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges

(iii) Equity Instruments

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

(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 assets, liabilities and contingent liabilities 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, and is written down for impairment where it is considered necessary. The impairment value of goodwill is recognised immediately in profit or loss. 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 statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period 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 recognised in profit of loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Freehold land is stated at cost or valuation less impairment losses recognised after the date of revaluation. Freehold land is not depreciated. Buildings are stated at revalued amount less accumulated depreciation and impairment losses recognised after the date of the revaluation.

Freehold land and buildings are revalued periodically, at least once in every 5 years. Surpluses arising from the revaluation are recognised in other comprehensive income and accumulated in equity under the revaluation reserve. Deficits arising from the revaluation, to the extent that they are not supported by any previous revaluation surpluses, are recognised in profit or loss.

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:-

Leasehold land	99 years
Buildings	2%
Motor vehicles	20%
Office equipment, furniture and fittings	15% to 33 1/3%
Renovation	10% to 50%
Site cabin and tools	10% to 50%
Signboard	20%

The depreciation method, useful life and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period 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.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

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

In the previous financial year, leasehold land that normally had an indefinite economic life and title was not expected to pass to the lessee by the end of the lease term was treated as an operating lease. The payment made on entering into or acquiring a leasehold land that was accounted for as an operating lease represents prepaid lease payments.

During the financial year, the Group adopted the amendments made to FRS 117 - Leases in relation to the classification of lease of land. The Group's leasehold land which in substance is a finance lease has been reclassified as property and equipment and measured as such retrospectively.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Investment Properties

Investment properties are property held either to earn rental income or for capital appreciation or for both. Investment properties are stated at cost less accumulated depreciation and impairment losses, if any, consistent with the accounting policy for property, plant and equipment as stated in Note 4(g) to the financial statements.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

On the derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount is charged to the income statement.

Upon the disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement; any amount in revaluation reserve relating to that investment property is transferred to retained earnings.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property and equipment set out in Note 4(g) up to the date of change in use.

(i) Plantation Expenditure

Plantation expenditure is not amortised and is stated at cost less impairment losses, if any.

Expenditure incurred on newly planted areas up to maturity of the trees are capitalised in the statement of financial position. Replanting expenditure is recognised in profit or loss as and when incurred.

(j) Impairment

(i) Impairment of Financial Assets

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the fair value reserve. In addition, the cumulative loss recognised in other comprehensive income and accumulated in equity under fair value reserve, is reclassified from equity to profit or loss.

(ii) Impairment of Non-Financial Assets

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Impairment (Cont'd)

(ii) Impairment of Non-Financial Assets (Cont'd)

The carrying values of assets, other than those to which FRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period 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' fair value less costs to sell and their value-in-use, which is measured by reference to discounted future cash flow.

An impairment loss is recognised in profit or loss 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 profit or loss immediately, unless the asset is carried at its revalued amount. A reversal of an impairment loss on a revalued asset is credited to other comprehensive income. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the statements of comprehensive income, a reversal of that impairment loss is recognised as income in the statements of comprehensive income.

(k) Assets under Hire Purchase

Assets acquired under hire purchase are capitalised in the financial statements and are depreciated in accordance with the policy set out in Note 4(g) above. Each hire purchase payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. Finance charges are recognised in profit or loss over the period of the respective hire purchase agreements.

(l) 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. The Group writes down its obsolete or slow moving inventories based on assessment of the condition and the future demand for the inventories. These inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recovered.

(m) Income Taxes

Income tax for the year comprises 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 substantively enacted at the end of the reporting period.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Income Taxes (Cont'd)

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 profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period 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.

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 substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from a business combination 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.

(n) 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.

(o) Borrowing Costs

All borrowing costs are recognised in profit or loss as expenses in the period in which they are incurred.

(p) Revaluation Reserve

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

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

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

(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 Group'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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(s) Related Parties

A party is related to an entity if:-

(i) directly, or indirectly through one or more intermediaries the party:-
- controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
- has an interest in the entity that gives it significant influence over the entity; or
- has joint control over the entity;

(ii) the party is an associate of the entity;
(iii) the party is a joint venture in which the entity is a venturer;
(iv) the party is a member of the key management personnel of the entity or its parent;
(v) the party is a close member of the family of any individual referred to in (i) or (iv);
(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
(vii) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

Close members of the family of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(t) Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

(u) 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) Services

Revenue is recognised upon the rendering of services and when the outcome of the transaction can be estimated reliably. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Revenue Recognition (Cont'd)

(iii) Interest Income

Interest income is recognised on an accrual basis.

(iv) Rental Income

Rental income is recognised on an accrual basis.

(v) Dividend Income

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

5. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY 2010 RM'000	THE COMPANY 2009 RM'000
Unquoted shares, at cost:		
- in Malaysia	178,100	178,100
Accumulated impairment losses:-		
At 1 January	(139,777)	-
Addition during the financial year	-	(139,777)
At 31 December	(139,777)	(139,777)
	38,323	38,323

The details of the subsidiaries are as follows:-

Name of Company	Country of Incorporation	Effective Equity Interest 2010 %	Effective Equity Interest 2009 %	Principal Activities
Compugates Sdn. Bhd. ("CSB")	Malaysia	100%	100%	Trading, marketing and distribution of information technology and communication-based products.
Compugates (S) Pte. Ltd. #* ("CSPL")	Republic of Singapore	99.99%	99.99%	Ceased operations.
Compugates Marketing Sdn. Bhd. # ("CMSB")	Malaysia	100%	100%	Trading, marketing and distribution of imaging, information technology and communication-based products.
Classic Distribution Sdn. Bhd. ^ ("CDSB")	Malaysia	51%	51%	Rubber tapping and trading in agricultural products.

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of Company	Country of Incorporation	Effective Equity Interest 2010 %	2009 %	Principal Activities
Compugates Development and Mining Sdn. Bhd. ^ ("CDMSB")	Malaysia	60%	60%	Dormant.
Compugates International Sdn. Bhd. ("CISB")	Malaysia	100%	100%	Investment holding and provision of management services.
Compugates Perak Sdn. Bhd. ^ ("CPSB")	Malaysia	51%	51%	Cultivating and trading of agricultural products and general trading.
Compugates Sabah Sdn. Bhd. ^ ("CSSB")	Malaysia	51%	51%	Dealing in solar products and green energy systems.
Selama Muda Jaya Sdn. Bhd. ("SMJSB")	Malaysia	100%	100%	Dormant.
Compugates International Limited ^^* ("CIL")	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")	The British Virgin Islands	80%	80%	Investment holding, consultancy and project management services.
Compugates International (Bangladesh) Limited ^^^* ("CIBL")	Bangladesh	98%	98%	Exclusive distributor for telecommunication products and services.
Compugates International Limited (Cambodia) ^^* ("CILC")	Cambodia	80%	80%	Acting as agents by way of commission for the distribution of telecommunication products and management agent of franchises.
PT Compugates International ^^* ("PTCI")	Indonesia	80%	80%	Trading as a main distributor of communication products such as simcards and voucher cards.

\# Held through CSB.
^ Held through CMSB.
^^ Held through CISB.
^^^ Held through CIBDL
* These subsidiaries were audited by other firms of chartered accountants.

During the financial year:-

(i) on 15 March 2010, CMSB disposed of 2 ordinary shares of RM1 each in CSSB, representing 2% of the equity interest in CSSB for a cash consideration of RM2. With the aforesaid disposal, CMSB's equity interest in CSSB was reduced from 51% to 49%. CSSB ceased to be the subsidiary of CMSB and became an associate of CMSB; and

(ii) on 19 May 2010, CMSB re-acquired 2% of the equity interest in CSSB for a cash consideration of RM500, resulting in CMSB's equity interest in CSSB increasing from 49% to 51%. Consequently, CSSB became a subsidiary of CMSB.

6. PROPERTY AND EQUIPMENT

THE GROUP	AS PREVIOUSLY REPORTED AT 1.1.2010 RM'000	EFFECTS OF FRS 117 RM'000	AS RESTATED AT 1.1.2010 RM'000	TRANSFER TO INVESTMENT PROPERTY (NOTE 7) RM'000	ADDITIONS RM'000	DISPOSALS RM'000	WRITTEN OFF RM'000	DEPRE-CIATION CHARGE RM'000	FLUC-TUATION ON FOREIGN EXCHANGE RM'000	AT 31.12.2010 RM'000
NET BOOK VALUE										
Leasehold land	-	10,761	10,761	(5,290)	-	-	-	(58)	-	5,413
Freehold land	2,474	-	2,474	-	-	-	-	-	-	2,474
Buildings	7,254	-	7,254	-	-	-	-	(167)	-	7,087
Motor vehicles	835	-	835	-	660	(228)	-	(281)	(18)	968
Office equipment, furniture and fittings	602	-	602	-	196	(44)	(2)	(232)	(39)	481
Renovation	193	-	193	-	183	-	(36)	(75)	(15)	250
Site cabin and tools	-	-	-	-	61	-	-	(14)	-	47
Signboard	7	-	7	-	1	-	-	(6)	-	2
	11,365	10,761	22,126	(5,290)	1,101	(272)	(38)	(833)	(72)	16,722

THE GROUP	AS PREVIOUSLY REPORTED AT 1.1.2009 RM'000	EFFECTS OF FRS 117 RM'000	AS RESTATED AT 1.1.2009 RM'000	ACQUISITION OF A SUBSIDIARY RM'000	ADDITIONS RM'000	DISPOSALS RM'000	WRITTEN OFF RM'000	REVALUATION SURPLUS RM'000	FLUC-TUATION ON FOREIGN EXCHANGE RM'000	DEPRE-CIATION CHARGE RM'000	AT 31.12.2009 RM'000
NET BOOK VALUE											
Leasehold land	-	9,322	9,322	1,458	87	-	-	-	-	(106)	10,761
Freehold land	1,563	-	1,563	790	-	-	-	121	-	-	2,474
Buildings	6,389	-	6,389	-	-	-	-	1,016	-	(151)	7,254
Motor vehicles	387	-	387	-	634	-	-	-	-	(186)	835
Office equipment, furniture and fittings	604	-	604	-	256	(1)	-	-	(11)	(246)	602
Renovation	201	-	201	-	82	-	(55)	-	(8)	(27)	193
Signboard	13	-	13	-	-	-	-	-	-	(6)	7
	9,157	9,322	18,479	2,248	1,059	(1)	(55)	1,137	(19)	(722)	22,126

6. PROPERTY AND EQUIPMENT (CONT'D)

THE GROUP	AT COST RM'000	AT VALUATION RM'000	ACCUMULATED DEPRECIATION RM'000	NET BOOK VALUE RM'000
AT 31.12.2010				
Leasehold land	5,521	-	(108)	5,413
Freehold land	1,364	1,110	-	2,474
Buildings	2,689	5,137	(739)	7,087
Motor vehicles	1,224	-	(256)	968
Office equipment, furniture and fittings	2,079	-	(1,598)	481
Renovation	1,104	-	(854)	250
Site cabin and tools	61	-	(14)	47
Signboard	61	-	(59)	2
	14,103	6,247	(3,628)	16,722

	RESTATED AT COST RM'000	AT VALUATION RM'000	RESTATED ACCUMULATED DEPRECIATION RM'000	RESTATED NET BOOK VALUE RM'000
AT 31.12.2009				
Leasehold land	10,867	-	(106)	10,761
Freehold land	1,364	1,110	-	2,474
Buildings	2,689	5,137	(572)	7,254
Motor vehicles	1,419	-	(584)	835
Office equipment, furniture and fittings	2,035	-	(1,433)	602
Renovation	986	-	(793)	193
Signboard	60	-	(53)	7
	19,420	6,247	(3,541)	22,126

THE COMPANY	AT 1.1.2010 RM'000	ADDITION RM'000	DISPOSAL RM'000	DEPRECIATION CHARGE RM'000	AT 31.12.2010 RM'000
NET BOOK VALUE					
Motor vehicle	83	174	(7)	(79)	171

THE COMPANY	AT 1.1.2009 RM'000	DEPRECIATION CHARGE RM'000	AT 31.12.2009 RM'000
NET BOOK VALUE			
Motor vehicle	165	(82)	83

6. PROPERTY AND EQUIPMENT (CONT'D)

THE COMPANY	AT COST RM'000	ACCUMULATED DEPRECIATION RM'000	NET BOOK VALUE RM'000
AT 31.12.2010			
Motor vehicle	174	(3)	171
AT 31.12.2009			
Motor vehicle	414	(331)	83

(a) Included in the property and equipment of the Group and the Company at the end of the previous reporting period were motor vehicles with a total net book value of RM94,000 and RM83,000 respectively which were acquired under hire purchase terms.

(b) In the financial year ended 2004, the Group's freehold land and buildings were first revalued by an independent professional valuer, Mr. Paul Khong, a registered valuer with Regroup Associates Sdn. Bhd. based on the open market value based on the comparison method of valuation supported by the investment method. The valuation was updated by the same professional valuer using the same basis of valuation during the financial year ended 31 December 2009 and the surpluses which arose from the revaluations, net of deferred taxation, have been credited to other comprehensive income and accumulated in equity under the revaluation reserve.

(c) If the freehold land and buildings were measured using the cost model, the carrying amounts would be as follows:-

	THE GROUP	
	2010 RM'000	2009 RM'000
Freehold land	692	692
Buildings	2,592	2,646
	3,284	3,338

7. INVESTMENT PROPERTY

	THE GROUP	
	2010 RM'000	2009 RM'000
Leasehold land and building, at cost:-		
At 1 January	-	-
Transferred from property and equipment (Note 6)	5,346	-
Addition during the financial year	552	-
	5,898	-
Accumulated depreciation	(118)	-
At 31 December	5,780	-
Accumulated depreciation:-		
At 1 January	-	-
Transferred from property and equipment (Note 6)	(56)	-
Charge during the financial year	(62)	-
At 31 December	(118)	-

The directors estimated the fair value of the investment property based on comparable market value of similar properties to be approximately RM26 million.

8. PREPAID LAND LEASE PAYMENTS

	THE GROUP	
	2010 RM'000	2009 RM'000
Leasehold land, at cost:		
- as previously stated	5,521	10,867
- effects of FRS 117	(5,521)	(10,867)
- as restated	-	-
Accumulated amortisation:-		
- as previously stated	(108)	(106)
- effects of FRS 117	108	106
- as restated	-	-
	-	-

The Group has adopted the amendments made to FRS 117 - Leases during the financial year. The Group has reassessed and determined that the leasehold land of the Group is in substance a finance lease and has been reclassified as property and equipment. This change in accounting policy has been made retrospectively in accordance with the transitional provisions of the amendments.

9. PLANTATION EXPENDITURE

	THE GROUP	
	2010 RM'000	2009 RM'000
At 1 January	-	-
Addition during the financial year	1,130	-
At 31 December	1,130	-

10. OTHER INVESTMENTS

	THE GROUP/THE COMPANY	
	2010 RM'000	2009 RM'000
Quoted shares in Malaysia	9,834	12,033
Represented by:-		
At cost	-	12,033
At fair value	9,834	-
	9,834	12,033
Market value of quoted shares	9,834	8,548

Upon adoption of FRS 139 during the financial year, the Group designated its investments in quoted shares that were previously measured using the cost model as available-for-sale financial assets and are measured at fair value.

11. GOODWILL ON CONSOLIDATION

	THE GROUP 2010 RM'000	2009 RM'000
At cost:-		
At 1 January	129,452	115,684
Arising from the acquisition of SMJSB	-	13,768
At 31 December	129,452	129,452
Accumulated impairment losses	(93,461)	(93,461)
	35,991	35,991
Accumulated impairment losses:-		
At 1 January	(93,461)	(1,126)
Addition during the financial year	-	(92,335)
At 31 December	(93,461)	(93,461)

(a) The carrying amounts of goodwill allocated to each cash-generating unit are as follows:-

	THE GROUP 2010 RM'000	2009 RM'000
Trading	22,224	22,224
Plantation	13,767	13,767
	35,991	35,991

(b) The Group has assessed the recoverable amounts of goodwill allocated and determined that no additional impairment is required. The recoverable amounts of the cash-generating units are determined using the value-in-use approach, and this is derived from the present value of the future cash flows from the operating segments computed based on the projections of financial budgets approved by management covering a period of 5 years. The key assumptions used in the determination of the recoverable amounts are as follows:-

	GROSS MARGIN		GROWTH RATE		DISCOUNT RATE	
	2010	2009	2010	2009	2010	2009
Trading	2.1%	0.1%	5.0%	5%	7%	6%
Plantation	44.0%	N/A	50.0%	N/A	7%	N/A

N/A - Not applicable.

(i) Budgeted gross margin: The basis used to determine the value assigned to the budgeted gross margin is the average gross margin achieved in the year immediately before the budgeted period increased for expected efficiency improvements and cost saving measures.

(ii) Growth rate: The growth rates used are based on the expected projection of the trading and plantation segments.

(iii) Discount rate: The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

The management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the goodwill to be materially higher than its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (cont'd)

12. DEFERRED TAX ASSET

	THE GROUP 2010 RM'000	THE GROUP 2009 RM'000
At 1 January	3	18
Recognised in profit or loss (Note 32)	3	(15)
At 31 December	6	3

The deferred tax asset relates to a subsidiary's unutilised tax losses carried forward.

13. INVENTORIES

	THE GROUP 2010 RM'000	THE GROUP 2009 RM'000
Inventories held for trading	19,666	26,447
Allowance for inventory obsolescence:-		
At 1 January	(413)	(77)
Addition during the financial year	(100)	(383)
Write-back during the financial year	-	49
Fluctuation on foreign exchange	-	(2)
At 31 December	(513)	(413)
	19,153	26,034
Inventories held for trading:		
- at cost	19,116	25,997
- at net realisable value	37	37
	19,153	26,034

14. TRADE RECEIVABLES

	THE GROUP 2010 RM'000	THE GROUP 2009 RM'000
Trade receivables	17,347	17,930
Allowance for impairment losses	(919)	(902)
	16,428	17,028
Allowance for impairment losses:-		
At 1 January	(902)	(109)
Addition during the financial year	(476)	(823)
Written off during the financial year	-	1
Writeback during the financial year	459	28
Fluctuation on foreign exchange	-	1
At 31 December	(919)	(902)

The Group's normal trade credit terms range from 1 to 60 days. Other credit terms are assessed and approved on a case-by-case basis.

15. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	THE GROUP		THE COMPANY	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Other receivables, deposits and prepayments	7,892	4,679	64	66
Allowance for impairment losses:-				
At 1 January	(275)	-	-	-
Addition during the financial year	(2,000)	(275)	-	-
At 31 December	(2,275)	(275)	-	-
	5,617	4,404	64	66

16. AMOUNTS OWING BY/(TO) SUBSIDIARIES

	THE COMPANY	
	2010	**2009**
	RM'000	**RM'000**
Amount owing by:-		
Interest bearing	379	379
Non-interest bearing	500	12
	879	391
Amount owing to:-		
Non-interest bearing	-	(3,956)

The amounts owing are non-trade in nature, unsecured and represent payments made on behalf. The interest bearing portion bore an effective interest rate of 8.89% (2009 - 8.89%) per annum. The amounts owing are repayable on demand and are to be settled in cash.

17. SHORT-TERM DEPOSITS WITH LICENSED BANKS

The short-term deposits with licensed banks of the Group at the end of the reporting period bore a weighted average effective interest rate of 1.64% (2009 - 1.03%) per annum. The short-term deposits have a maturity period of 4 days (2009 - 4 days).

18. FIXED DEPOSITS WITH LICENSED BANKS

The fixed deposits with licensed banks of the Group at the end of the reporting period bore a weighted average effective interest rate of 1.64% (2009 - 2.37%) per annum. The fixed deposits have maturity periods ranging from 1 month to 12 months (2009 - 1 month to 12 months).

Included in fixed deposits with licensed banks of the Group at the end of the reporting period was an amount of RM7,981,000 (2009 - RM7,796,000) which have been pledged to licensed banks as security for banking facilities granted to the Group.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (cont'd)

19. SHARE CAPITAL

	THE COMPANY			
	2010	2009	2010	2009
	NUMBER OF SHARES			
	'000	'000	RM'000	RM'000
ORDINARY SHARES OF RM0.10 EACH				
AUTHORISED	3,500,000	3,500,000	350,000	350,000
ISSUED AND FULLY PAID-UP	2,134,289	2,134,289	213,429	213,429

20. REVALUATION RESERVE

	THE GROUP	
	2010	2009
	RM'000	RM'000
Revaluation surplus	883	1,137
Deferred tax liability (Note 23)	-	(254)
At 31 December	883	883

The revaluation reserve represents the increase in the fair value of properties of the Group (net of deferred tax, where applicable).

21. 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.

22. HIRE PURCHASE PAYABLES

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Minimum hire purchase payments:				
- not later than one year	-	88	-	79
- later than one year but not later than five years	-	-	-	-
	-	88	-	79
Less: Future finance charges	-	(2)	-	(2)
Present value of hire purchase payables	-	86	-	77
Non-current portion:				
- later than one year but not later than five years	-	-	-	-
Current portion:				
- not later than one year	-	86	-	77
	-	86	-	77

The hire purchase payables of the Group and of the Company bore a weighted average effective interest rate of 5.25% per annum at the end of the previous reporting period.

23. DEFERRED TAX LIABILITY

	THE GROUP	
	2010	2009
	RM'000	RM'000
At 1 January	649	412
Arising from surplus on revaluation (Note 20)	-	254
Recognised in profit or loss (Note 32)	(40)	(17)
At 31 December	609	649

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

24. TRADE PAYABLES

The normal trade credit term granted to the Group is 60 days.

Included in the trade payables at the end of the reporting period was an amount of approximately Nil (2009 - RM6,847,000) owing to related parties.

25. OTHER PAYABLES AND ACCRUALS

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Other payables	2,993	2,086	2	-
Accruals	1,952	862	122	99
Staff incentives	4,971	812	-	-
	9,916	3,760	124	99

Included in the other payables and accruals of the Group at the end of the reporting period was an amount of approximately RM95,000 (2009 - RM11,000) owing to related parties. The amount owing is interest-free, unsecured and repayable on demand. The amount owing is to be settled in cash.

26. AMOUNT OWING TO SHAREHOLDERS OF SUBSIDIARIES

The amount owing is non-trade in nature, unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash.

27. AMOUNT OWING TO A DIRECTOR

The amount owing in the previous financial year was unsecured, interest-free and repayable on demand. The amount owing was settled in cash.

28. BANKERS' ACCEPTANCES

The bankers' acceptances of the Group at the end of the reporting period bore a weighted average effective interest rate of 2.94% per annum and are secured by:-

(i) a pledge of certain fixed deposits of the Group; and

(ii) a corporate guarantee of the Company.

29. NET ASSETS PER SHARE

The net assets per share is calculated based on the net assets value at end of the reporting period of RM91,822,000 (2009 - RM106,761,000) divided by the number of ordinary shares in issue at the end of the reporting period of 2,134,289,020 (2009 - 2,134,289,020).

30. REVENUE

	THE GROUP		THE COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Trading	637,003	731,348	-	-
Services	857	1,800	-	-
Dividend income	-	-	8,330	1,015
	637,860	733,148	8,330	1,015

31. (LOSS)/PROFIT BEFORE TAXATION

	THE GROUP		THE COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
(Loss)/Profit before taxation is arrived at after charging/ (crediting):-				
Allowance for inventory obsolescence	100	383	-	-
Audit fee:				
- current year	96	87	35	17
- overprovision in the previous financial year	(2)	-	-	-
Bad debts written off	6	1	-	-
Depreciation expense:				
- investment property	62	-	-	-
- property and equipment	833	722	79	82
Directors' fee	324	372	324	372
Directors' non-fee emoluments	7,398	1,270	-	-
Equipment written off	38	55	-	-
Impairment loss on:		-	-	-
- trade receivables	476	823	-	-
- other receivables	2,000	275	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (cont'd)

31. (LOSS)/PROFIT BEFORE TAXATION (CONT'D)

	THE GROUP		THE COMPANY	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Impairment loss on available-for-sale investments	2,115	-	2,115	-
Impairment loss on investments in subsidiaries	-	-	-	139,777
Impairment loss on goodwill on consolidation	-	92,335	-	-
Inventories written off	4	109	-	-
Inventories written down	-	112	-	-
Interest expense:				
- hire purchase	2	8	2	5
- bankers' acceptances	66	45	-	-
- others	15	41	-	-
Loss on disposal of interest in a subsidiary	-	7	-	-
Loss/(Gain) on foreign exchange:				
- realised	93	(4)	-	-
- unrealised	2	-	-	-
Rental expense:				
- office	578	459	-	-
- warehouse	459	200	-	-
Staff costs:				
- salaries, wages, bonuses and allowances	7,139	4,464	-	-
- defined contribution plan	779	541	-	-
- other benefits	1,017	986	-	-
Staff retrenchment costs	-	125	-	-
Dividend income	-	-	(8,330)	(1,015)
Gain on disposal of available-for-sale investments	(21)	(38)	(21)	(38)
Gain on disposal of equipment	(138)	(25)	(133)	-
Interest income:				
- subsidiaries	-	-	(34)	(29)
- others	(386)	(432)	(28)	-
Rental income	(287)	(251)	-	-
Sales incentives	(13,331)	(9,692)	-	-
Write-back of impairment loss on trade receivables	(459)	(28)	-	-
Write-back of allowance for inventory obsolescence	-	(49)	-	-

32. INCOME TAX EXPENSE

	THE GROUP		THE COMPANY	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Current tax expense:				
- for the financial year	1,952	1,662	320	140
- (over)/underprovision in the previous financial year	(1,200)	58	4	(6)
	752	1,720	324	134
Deferred tax asset (Note 12):				
- for the financial year	(3)	15	-	-
Deferred tax liability (Note 23):				
- for the financial year	(40)	(17)	-	-
	709	1,718	324	134

32. INCOME TAX EXPENSE (CONT'D)

A reconciliation of income tax expense applicable to the (loss)/profit 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	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
(Loss)/Profit before taxation	(12,139)	(91,815)	5,657	(139,520)
Tax at the statutory tax rate of 25%	(3,035)	(22,954)	1,414	(34,880)
Tax effects of:				
Non-deductible expenses	4,791	23,928	703	35,036
Non-taxable gain	(300)	(92)	(1,797)	(17)
Tax exemption	-	(22)	-	-
Crystallisation of deferred tax liablities	(40)	(17)	-	-
Deferred tax assets not recognised during the financial year	185	412	-	1
Utilisation of previously unrecognised deferred tax assets	(5)	-	-	-
(Over)/Underprovision in the previous financial year	(866)	58	4	(6)
Differential in tax rates	(21)	151	-	-
Others	-	254	-	-
Income tax expense for the financial year	709	1,718	324	134

33. INCOME TAX EXPENSE ON COMPONENTS OF OTHER COMPREHENSIVE INCOME

	THE GROUP	
	2010 RM'000	2009 RM'000
Deferred tax on the revaluation surplus of property	-	254

34. LOSS PER SHARE

The basic loss per share is arrived at by dividing the Group's loss attributable to equity holders of RM11,911,000 (2009 - RM93,855,000) by the number of ordinary shares in issue during the financial year of 2,134,289,020 (2009 - 2,134,289,020).

The diluted loss per share was not applicable as there were no dilutive potential ordinary shares outstanding at the end of the reporting period.

35. ACQUISITION OF A SUBSIDIARY

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

	THE GROUP	
	2010 RM'000	2009 RM'000
Property and equipment	-	790
Prepaid land lease payments	-	1,458
Other payables and accruals	-	(2)
Provision for taxation	-	(9)
Fair value of net assets acquired	-	2,237
Minority interest	-	(5)
Goodwill on consolidation	-	13,768
Total purchase consideration	-	16,000
Less: Cash and cash equivalents of subsidiary acquired	-	#
Net cash outflow from acquisition of a subsidiary	-	16,000

 # - Amount less than RM1,000

The effects of the acquisition of the subsidiary on the financial results of the Group at the end of the previous financial year were as follows:-

	THE GROUP	
	2010 RM'000	2009 RM'000
Other income	-	2
Administrative expenses	-	(14)
Other expenses	-	(6)
Loss before taxation	-	(18)
Income tax expense	-	7
Loss after taxation	-	(11)

36. CASH AND CASH EQUIVALENTS

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

	THE GROUP		THE COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Short-term deposits with licensed banks (Note 17)	4,247	5,890	-	-
Fixed deposits with licensed banks (Note 18)	10,181	14,874	-	-
Cash and bank balances	4,415	6,972	65	45
	18,843	27,736	65	45

37. DIRECTORS' REMUNERATION

(a) The aggregate amounts of emoluments received and receivable by directors of the Group and the Company during the financial year are as follows:-

	THE GROUP		THE COMPANY	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Executive directors:				
- non-fee emoluments	1,000	660	-	-
- incentives	5,433	444	-	-
- contribution to Employees' Provident Fund ("EPF")	965	166	-	-
	7,398	1,270	-	-
Non-executive directors:				
- fee	324	372	324	372
	7,722	1,642	324	372

(b) Details of directors' emoluments of the Group and the Company received/receivable for the financial year in bands of RM50,000 are as follows:-

	THE GROUP/THE COMPANY	
	2010	**2009**
Executive directors:-		
RM800,001 - RM850,000	-	1
RM7,000,001 - RM7,500,000	1	-
Non-executive directors:-		
Below RM50,000	3	4
RM150,000 - RM200,000	1	1
	5	6

38. RELATED PARTY DISCLOSURES

(a) Identities of related parties

The Group has related party relationships with its directors, key management personnel and entities within the same group of companies.

38. RELATED PARTY DISCLOSURES (CONT'D)

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

	THE GROUP		THE COMPANY	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Sale of goods to a related party	237	1,510	-	-
Dividend received from subsidiaries	-	-	8,330	1,015
Purchase of goods from a related party	8	-	-	-
Commission paid/ payable to related parties	3,360	2,837	-	-
Interest received/ receivable from subsidiaries	-	-	34	29
Interest paid/payable to a related party	-	29	-	-
Project management fee paid/payable to related parties	760	935	-	-

(c) Key management personnel compensation

	THE GROUP		THE COMPANY	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Directors' of the Company:				
- fees	324	372	324	372
- remuneration	6,433	1,104	-	-
- contribution to EPF	965	166	-	-
	7,722	1,642	324	372
Other key management personal:				
- fees	57	-	-	-
- salary and other short-term employee benefit	1,919	492	-	-
- contribution to EPF	185	59	-	-
	2,161	551	-	-
Total	9,883	2,193	324	372

39. OPERATING SEGMENTS

For management purposes, the Group is organised into business units based on their products and services provided.

The Group is organised into 2 main business segments as follows:-

(i) Trading and services segment - involved in the trading, marketing, distributing of imaging, information technology, communication based products, and provision of management services.

(ii) Agriculture and energy segment - involved in trading and cultivating of agricultural and energy products.

39. OPERATING SEGMENTS (CONT'D)

The management assess the performance of the operating segments based on operating profit or loss which is measured differently from those disclosed in the consolidated financial statements.

Transfer prices between operating segments are at arm's length basis in a manner similar to transactions with third parties.

BUSINESS SEGMENTS

	TRADING AND SERVICES RM'000	AGRICULTURE AND ENERGY RM'000	GROUP RM'000
2010			
Revenue			
External revenue	636,835	1,025	637,860
Inter-segment revenue	10,043	1	10,044
	646,878	1,026	647,904
Adjustments and eliminations			(10,044)
Consolidated revenue			637,860
Results			
Segment results	(6,458)	(785)	(7,243)
Interest income	349	37	386
Write-back of impairment loss on trade receivables	459	-	459
Allowance for inventory obsolescence	(100)	-	(100)
Bad debts written off	(6)	-	(6)
Depreciation of investment property	(62)	-	(62)
Depreciation of property and equipment	(778)	(55)	(833)
Equipment written off	(38)	-	(38)
Impairment loss on:			
- trade receivables	(476)	-	(476)
- other receivables	(2,000)	-	(2,000)
Impairment loss on available-for-sale investments	(2,115)	-	(2,115)
Inventories written off	(4)	-	(4)
Unrealised loss on foreign exchange	(2)	-	(2)
	(11,231)	(803)	(12,034)
Finance costs	(105)	-	(105)
Income tax expense	(708)	(1)	(709)
Consolidated loss after taxation	(12,044)	(804)	(12,848)
Assets			
Segment assets	126,338	3,160	129,498
Tax refundable	1,278	-	1,278
Deferred tax asset	6	-	6
Consolidated total assets	127,622	3,160	130,782

39. OPERATING SEGMENTS (CONT'D)

BUSINESS SEGMENTS (CONT'D)

	TRADING AND SERVICES RM'000	AGRICULTURE AND ENERGY RM'000	GROUP RM'000
2010			
Liabilities			
Segment liabilities	35,766	531	36,297
Deferred taxation	609	-	609
Provision for taxation	742	-	742
Consolidated total liabilities	37,117	531	37,648
Other segment items			
Additions to non-current assets other than financial instruments:			
- property and equipment	16,499	223	16,722
- investment properties	5,780	-	5,780
	22,279	223	22,502

No segmental analysis by business segment was prepared in the previous financial year as the Group operates predominantly in one industry.

GEOGRAPHICAL INFORMATION

	REVENUE		NON-CURRENT ASSETS	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Malaysia	132,452	282,919	68,790	69,299
Singapore	-	390	-	-
Bangladesh	488,098	427,145	612	758
The British Virgin Islands	855	1,800	9	16
Cambodia	9,473	6,592	22	25
Indonesia	6,982	14,302	30	55
	637,860	733,148	69,463	70,153

40. CAPITAL COMMITMENT

	THE GROUP	
	2010 RM'000	2009 RM'000
Approved but not contracted for:-		
Purchase of property and equipment	225	-

41. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Unsecured:-				
Corporate guarantees given to secure banking facilities granted to certain subsidiaries	27,000	27,000	27,000	27,000
Corporate guarantees given to secure credit facility granted by suppliers	25,000	20,000	25,000	20,000
Bank guarantee given to a supplier	154	342	-	-
	52,154	47,342	52,000	47,000

42. 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 end of the reporting period are as follows:-

	THE GROUP/THE COMPANY	
	2010 RM	2009 RM
Bangladeshi Taka	0.04	0.05
Singapore Dollar	2.39	2.44
United States Dollar	3.08	3.42
Indonesian Rupiah	**	*

*** - Amount equals RM0.0003*
** - Amount equals RM0.0004*

43. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Financial Risk Management Policies

The Group's policies in respect of the major areas of treasury activity are as follows:-

(i) Market Risk

(i) Foreign Currency Risk

The Company does not have any transactions or balances denominated in foreign currencies and hence is not exposed to foreign currency risk.

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Ringgit Malaysia. The currencies giving rise to this risk are primarily United States Dollar and Bangladeshi Taka. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

43. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

THE GROUP	UNITED STATES DOLLAR RM'000	SINGAPORE DOLLAR RM'000	BANGLADESHI TAKA RM'000	INDONESIAN RUPIAH RM'000	RINGGIT MALAYSIA RM'000	Total RM'000
2010						
Financial assets						
Trade receivables	961	-	203	221	15,043	16,428
Other receivables and deposits	19	-	101	-	3,905	4,025
Short-term deposits with licensed banks	-	-	-	-	4,247	4,247
Fixed deposits with licensed banks	-	-	-	-	10,181	10,181
Cash and bank balances	650	86	1,419	565	1,695	4,415
	1,630	86	1,723	786	35,071	39,296
Financial liabilities						
Trade payables	150	-	2,274	-	11,725	14,149
Other payables and accruals	271	10	83	48	9,504	9,916
Amount owing to shareholders of subsidiaries	186	-	5,594	104	-	5,884
Bankers' acceptances	-	-	-	-	6,348	6,348
	607	10	7,951	152	27,577	36,297
Net financial assets/ (liabilities)	1,023	76	(6,228)	634	7,494	2,999
Less: Net financial (liabilities)/assets denominated in the respective entities' functional currencies	(991)	(76)	6,228	(634)	(7,494)	(2,967)
Currency exposure	32	-	-	-	-	32

43. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

THE GROUP	UNITED STATES DOLLAR RM'000	SINGAPORE DOLLAR RM'000	BANGLADESHI TAKA RM'000	INDONESIAN RUPIAH RM'000	RINGGIT MALAYSIA RM'000	Total RM'000
2009						
Financial assets						
Trade receivables	2,356	-	3,624	264	10,784	17,028
Other receivables and deposits	11	-	6	-	3,132	3,149
Short-term deposits with licensed banks	-	-	-	-	5,890	5,890
Fixed deposits with licensed banks	-	-	-	-	14,874	14,874
Cash and bank balances	842	93	4,028	220	1,789	6,972
	3,209	93	7,658	484	36,469	47,913
Financial liabilities						
Trade payables	346	-	12,530	-	16,827	29,703
Other payables and accruals	240	14	180	17	3,309	3,760
Amount owing to shareholders of subsidiaries	32	-	-	109	-	141
Amount owing to a director	-	-	-	-	200	200
Hire purchase payables	-	-	-	-	86	86
	618	14	12,710	126	20,422	33,890
Net financial assets/ (liabilities)	2,591	79	(5,052)	358	16,047	14,023
Less: Net financial (liabilities)/assets denominated in the respective entities' functional currencies	(2,553)	(79)	5,052	(358)	(16,047)	(13,985)
Currency exposure	38	-	-	-	-	38

43. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign currency risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:-

	THE GROUP 2010 INCREASE/ (DECREASE) RM'000	THE COMPANY 2010 INCREASE/ (DECREASE) RM'000
Effects on profit after taxation		
United States Dollar:		
- strengthened by 5%	1	-
- weakened by 5%	(1)	-
Effects on equity		
United States Dollar:		
- strengthened by 5%	1	-
- weakened by 5%	(1)	-

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities. The Group's policy is to obtain the most favourable interest rates available. Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income.

Information relating to the Group's exposure to the interest rate risk of the financial liabilities is disclosed in Note 43(a)(iii) to the financial statements.

Interest rate risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the interest rates as at the end of the reporting period, with all other variables held constant:-

	THE GROUP 2010 INCREASE/ (DECREASE) RM'000	THE COMPANY 2010 INCREASE/ (DECREASE) RM'000
Effects on profit after taxation		
Increase of 25 Basis points (bp)	21	-
Decrease of 25 bp	(21)	-
Effects on equity		
Increase of 25 bp	21	-
Decrease of 25 bp	(21)	-

43. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Market Risk (Cont'd)

(iii) Equity Price Risk

The Group's principal exposure to equity price risk arises mainly from changes in quoted investment prices. The Group manages its exposure to price risks by maintaining a portfolio of equities with different risk profiles.

Equity price risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the prices of the quoted investments as at the end of the reporting period, with all other variables held constant:-

	THE GROUP/ THE COMPANY 2010 INCREASE/ (DECREASE) RM'000
Effects on loss after taxation	
Increase of 5%	-
Decrease of 5%	-
Effects on equity	
Increase of 5%	492
Decrease of 5%	(492)

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including quoted investments and cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

<u>Credit risk concentration profile</u>

The Group does not have any major concentration of credit risk related to any individual customer or counterparty.

<u>Exposure to credit risk</u>

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the reporting period.

43. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(ii) Credit Risk (Cont'd)

Exposure to credit risk (Cont'd)

The exposure of credit risk for trade receivables by geographical region is as follows:-

	THE GROUP	
	2010 RM'000	2009 RM'000
British Virgin Islands	961	2,355
Bangladesh	203	3,624
Indonesia	221	264
Malaysia	15,043	10,785
	16,428	17,028

Ageing analysis

The ageing analysis of the Group's trade receivables as at 31 December 2010 is as follows:-

THE GROUP	GROSS AMOUNT RM'000	INDIVIDUAL IMPAIRMENT RM'000	COLLECTIVE IMPAIRMENT RM'000	CARRYING VALUE RM'000
2010				
Not past due	11,267	-	-	11,267
Past due:				
- less than 3 months	3,821	-	-	3,821
- 3 to 6 months	943	(26)	-	917
- over 6 months	1,316	(893)	-	423
	17,347	(919)	-	16,428

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral.

The collective impairment allowance is determined based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

Trade receivables that are past due but not impaired

The Group believes that no impairment allowance is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of default.

43. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(ii) Credit Risk (Cont'd)

Exposure to credit risk (Cont'd)

Trade receivables that are neither past due nor impaired

A significant portion of trade receivables that are neither past due nor impaired are regular customers that have been transacting with the Group. The Groups uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 180 days, which are deemed to have higher credit risk, are monitored individually.

(iii) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

THE GROUP	WEIGHTED AVERAGE EFFECTIVE RATE %	CARRYING AMOUNT RM'000	CONTRACTUAL UNDISCOUNTED CASH FLOWS RM'000	WITHIN 1 YEAR RM'000	1 – 5 YEARS RM'000	OVER 5 YEARS RM'000
2010						
Trade payables	-	14,149	14,149	14,149	-	-
Other payables and accruals	-	9,916	9,916	9,916	-	-
Amount owing to shareholders of subsidiaries	-	5,884	5,884	5,884	-	-
Bankers' acceptances	2.94	6,348	6,348	6,348	-	-
		36,297	36,297	36,297	-	-
2009						
Trade payables	-	29,703	29,703	29,703	-	-
Other payables and accruals	-	3,760	3,760	3,760	-	-
Amount owing to a director	-	200	200	200	-	-
Amount owing to a shareholder of a subsidiary	-	141	141	141	-	-
Hire purchase payables	5.25	86	88	88	-	-
		33,890	33,892	33,892	-	-

43. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(iii) Liquidity Risk (Cont'd)

THE COMPANY	WEIGHTED AVERAGE EFFECTIVE RATE %	CARRYING AMOUNT RM'000	CONTRACTUAL UNDISCOUNTED CASH FLOWS RM'000	WITHIN 1 YEAR RM'000	1 – 5 YEARS RM'000	OVER 5 YEARS RM'000
2010						
Other payables and accruals	-	124	124	124	-	-
2009						
Other payables and accruals	-	99	99	99	-	-
Amount owing to a subsidiary	-	3,956	3,956	3,956	-	-
Hire purchase payables	5.25	77	79	79	-	-
		4,132	4,134	4,134	-	-

(b) Capital Risk Management

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders value.

The Group manages its capital based on debt-to-equity ratio. The Group's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents.

The debt-to-equity ratio of the Group as at the end of the reporting period was as follows:-

	THE GROUP 2010 RM'000	THE GROUP 2009 RM'000
Hire purchase payables	-	86
Bankers' acceptances	6,348	-
Trade payables	14,149	29,703
Other payables and accruals	9,916	3,760
Amount owing to shareholders of subsidiaries	5,884	141
Amount owing to directors	-	200
	36,297	33,890
Less: Short-term deposits with licensed banks	(4,247)	(5,890)
Less: Fixed deposits with licensed banks	(10,181)	(14,874)
Less: Cash and bank balances	(4,415)	(6,972)
Net debt	17,454	6,154
Total equity	93,134	109,850
Debt-to-equity ratio	0.19	0.06

43. FINANCIAL INSTRUMENTS (CONT'D)

(b) Capital Risk Management (Cont'd)

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity (total equity attributable to owners of the Company) equal to or not less than the 25% of the issued and paid-up share capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

(c) Classification of Financial Instruments

	THE GROUP 2010 RM'000	THE COMPANY 2010 RM'000
Financial assets		
Available-for-sale financial assets		
Other investments, at fair value	9,834	9,834
Loans and receivables financial assets		
Trade receivables	16,428	-
Other receivables and deposits	4,025	58
Amount owing by subsidiaries	-	879
Short-term deposits with licensed banks	4,247	-
Fixed deposits with licensed banks	10,181	-
Cash and bank balances	4,415	65
	39,296	1,002
Financial liabilities		
Other financial liabilities		
Bankers' acceptances	6,348	-
Trade payables	14,149	-
Other payables and accruals	9,916	124
Amount owing to shareholders of subsidiaries	5,884	-
	36,297	124

(d) Fair Value of Financial Instruments

The carrying amounts of financial assets and financial liabilities reported in the financial statements approximated their values.

The following summarised the methods used in determining the fair value of financial instruments:-

(i) The financial assets and financial liabilities maturing within the next 12 months approximated their fair values due to the relatively short-term maturity of the financial instruments.

(ii) The fair value of quoted investments is estimated based on their quoted market prices as at the end of the reporting period.

(iii) The fair value of hire purchase payables is determined by discounting the relevant cash flows using current interest rates for similar instruments as at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (cont'd)

44. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

During the financial year:-

(i) on 15 March 2010, CMSB disposed of 2 ordinary shares of RM1 each in CSSB, representing 2% of the equity interest in CSSB for a cash consideration of RM2. With the aforesaid disposal, CMSB's equity interest in CSSB was reduced from 51% to 49%. CSSB ceased to be the subsidiary of CMSB and became an associate of CMSB; and

(ii) on 19 May 2010, CMSB re-acquired 2% of the equity interest in CSSB for a cash consideration of RM500, resulting in CMSB's equity interest in CSSB increasing from 49% to 51%. Consequently, CSSB became a subsidiary of CMSB.

45. COMPARATIVE FIGURES

The following figures have been reclassified to conform with the adoption of the amendments to FRS 117 - Leases as disclosed in Note 3(a)(v) to the financial statements:-

THE GROUP	**AS RESTATED RM'000**	**AS PREVIOUSLY REPORTED RM'000**
Statements of Financial Position (Extract):-		
Property and equipment	22,126	11,365
Prepaid land lease payments	-	10,761
Statements of Cash Flows (Extract):-		
Amortisation of prepaid land lease payments	-	106
Depreciation of property and equipment	722	616

46. SUPPLEMENTARY INFORMATION – DISCLOSURE OF REALISED AND UNREALISED PROFITS/LOSSES

The breakdown of the accumulated losses of the Group and of the Company as at the end of the reporting period into realised and unrealised profits/(losses) are presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, as follows:-

	THE GROUP 2010 RM'000	**THE COMPANY 2010 RM'000**
Total accumulated losses:		
- realised	(142,864)	(163,974)
- unrealised	89	-
	(142,775)	(163,974)
Less: Consolidation adjustments	20,486	-
At 31 December	(122,289)	(163,974)

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	11	2,239,174
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	11	358,346
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	7	1,707,895
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	7	1,463,910
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	5	1,361,600
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	5	1,278,800
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	11	361,750
Level No. 07 101-07-02 Menara PERDANA Jalan Gurdwara Penang	1 storey in a 14-storey light industrial building	24 Jan 2011	1,098	Freehold	11	* N/A
H.S(D) 15896 PT 32544 (Plot A) Mukim of Dengkil District of Sepang State of Selangor Darul Ehsan	A parcel of vacant agricultural land	25 Sep 2008	62 acres	Leasehold for a term of 99 years expiring on 1 February 2104	-	3,977,547

LIST OF PROPERTIES (cont'd)

Location	Description	Date of Acquisition / Date of Valuation	Gross Floor Area (square feet)	Tenure	Age of Buildings (years)	Net Book Value (RM)
H.S(D) 13828 PT 26800 (Plot E-Studio) Mukim of Dengkil District of Sepang State of Selangor Darul Ehsan	A parcel of commercial development land	25 Sep 2008	1,668,297	Leasehold for a term of 99 years expiring on 21 May 2103	-	5,779,530
H.S(D) 9651 PT 2263 Mukim of Kota Lama Kiri District of Kuala Kangsar State of Perak Darul Ridzuan	A parcel of vacant agriculture land	29 Sep 2009	Land Area (square meter) 47,720	Freehold	-	789,792
H.S(D) 1464 to 1744 PT 952 to 1232 Mukim of Kota Lama Kiri District of Kuala Kangsar State of Perak Darul Ridzuan	281 pieces of Commercial development Land	29 Sep 2009	Land Area (square meter) 88,999	Leasehold for a term of 99 years expiring on 24 Jan 2093	-	1,436,265

* Property was purchased after year end at RM 250,000.00

ANALYSIS OF SHAREHOLDINGS
AS AT 28 APRIL 2011

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
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	37	0.357	1,483	0.000
100 -1,000	2,150	20.776	1,494,727	0.070
1,001 -10,000	2,268	21.917	12,225,590	0.572
10,001 - 100,000	4,087	39.495	217,265,160	10.179
100,001 - 106,714,450 (less than 5% of issued shares)	1,806	17.452	1,903,302,060	89.177
106,714,451 (5% and above of issued shares)	0	0.000	0	0.000
	10,348	100.000	2,134,289,020	100.000

LIST OF THIRTY LARGEST SHAREHOLDERS AS AT 28 APRIL 2011

No.	Name	No. of Shares Held	%
1	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Kheng Peow	75,000,000	3.514
2	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Kheng Peow	62,700,000	2.937
3	Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Kheng Peow	57,000,000	2.670
4	A.A. Anthony Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Kheng Peow	56,645,700	2.654
5	M.I.T Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Kheng Peow	56,065,500	2.626
6	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for See Thoo Chan	51,642,600	2.419
7	KAF Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Kheng Peow	51,000,000	2.389
8	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Kheng Peow	50,000,000	2.342
9	HSBC Nominees (Asing) Sdn Bhd Exempt an for BSI SA (BSI BK SG-NR)	45,997,000	2.155
10	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Kheng Peow	43,161,300	2.022
11	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Tian Chuan	42,925,600	2.011

ANALYSIS OF SHAREHOLDINGS
AS AT 28 APRIL 2011 (cont'd)

LIST OF THIRTY LARGEST SHAREHOLDERS AS AT 28 APRIL 2011 (cont'd)

No.	Name	No. of Shares Held	%
12	Malacca Equity Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Kheng Peow	37,324,000	1.748
13	Wong Lay Leng	30,900,000	1.447
14	Low Gay Teong	25,372,700	1.188
15	Innosabah Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Antara Reka Sdn Bhd	24,130,600	1.130
16	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Goh Kheng Peow	23,357,100	1.094
17	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Cara Kaya Sdn Bhd	21,500,000	1.007
18	AIBB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Tian Chuan	21,377,000	1.001
19	Yap Yoke Lan	20,823,000	0.975
20	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for See Thoo Chan	20,582,400	0.964
21	Goh Kheng Peow	20,335,010	0.952
22	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wee Tiew Toon	19,357,100	0.906
23	Kong Choke Lei	16,000,000	0.749
24	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Juddy Chu Yen Tien	15,143,000	0.709
25	Goh Kheng Peow	14,500,000	0.679
26	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Juddy Chu Yen Tien	14,100,000	0.660
27	Gan Siew Liat	12,000,000	0.562
28	Loi Tek Eiu	11,200,000	0.524
29	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Yoke Kuen	10,800,000	0.506
30	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Goh Tian Chuan	10,000,000	0.468
	Total	960,939,610	45.023

ANALYSIS OF SHAREHOLDINGS
AS AT 28 APRIL 2011 (cont'd)

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

(According to the Register of Substantial Shareholders as at 28 April 2011)

		Direct		Indirect	
No.	**Name**	**No. of Shares Held**	**%**	**No. of Shares Held**	**%**
1	Goh Kheng Peow	559,883,510	25.23	82,933,000*	3.89
2	See Thoo Chan	82,225,000	3.85	560,591,510^	26.27

Notes:

* Deemed interest by virtue of his relationship with See Thoo Chan, his spouse and Keane Goh Yan Han, his son
^ Deemed interest by virtue of her relationship with Goh Kheng Peow, her spouse and Keane Goh Yan Han, her son

DIRECTORS' DIRECT AND INDIRECT INTEREST

(According to the Register of Directors' Shareholdings as at 28 April 2011)

	Direct		Indirect	
Name	**No. of Shares Held**	**%**	**No. of Shares Held**	**%**
Tan Sri Datuk Asmat bin Kamaludin	-	-	30,000@	@@
Goh Kheng Peow	559,883,510	25.23	82,933,000*	3.89
See Thoo Chan	82,225,000	3.85	560,591,510^	26.27
Goh Tai Wai	-	-	-	-
Mohamed Fauzi bin Omar	-	-	-	-

Notes:

@ Deemed interest by virtue of his relationship with Atasha Binti Asmat, his daughter, pursuant to Section 134(12)(C) of the Companies Act, 1965
@@ Negligible
* Deemed interest by virtue of his relationship with See Thoo Chan, his spouse and Keane Goh Yan Han, his son
^ Deemed interest by virtue of her relationship with Goh Kheng Peow, her spouse and Keane Goh Yan Han, her son

ADDITIONAL COMPLIANCE INFORMATION

The following is presented in compliance with the Main Market Listing Requirements of Bursa Securities:

1) Utilisation of Proceeds raised from Corporate Proposal

There were no proceeds raised from corporate proposal during the financial year ended 31 December 2010.

2) Shares Buy-back

There were no shares buy-back or cancellation or resale of treasury shares during the financial year ended 31 December 2010.

3) Option, Warrants or Convertible Securities

There were no options, warrants and other convertible securities exercised during the financial year ended 31 December 2010.

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

The Company did not sponsor any ADR or GDR programme during the financial year ended 31 December 2010.

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 ended 31 December 2010.

6) Variation in Results

There were no significant variances of 10% or more between the Company's audited financial results for the financial year ended 31 December 2010 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 ended 31 December 2010 were RM19,700.

8) Profit Guarantee

There were no profit guarantees given by the Company or its subsidiaries during the financial year ended 31 December 2010.

9) Material Contract involving Directors and Substantial Shareholders entered during the financial year ended 31 December 2010

There were no material contracts entered into by the company or its subsidiaries during the financial year ended 31 December 2010.

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 (5) years. The net increase arising from revaluation of the property, if adjusted, is credited to a revaluation reserve. On the other hand, a net decrease, to the extent that it is not supported by any previous revaluation is charged to income statements. Revaluation surplus relating to disposed property during the year is transferred from the revaluation reserve to the retained earnings.

ADDITIONAL COMPLIANCE INFORMATION (cont'd)

11) Corporate Responsibility

Compugates takes its Corporate Responsibility seriously and recognizes the importance for a business to have a sound social responsibility commitment and to be sensitive to the social environment we are operating in. Consistent with Bursa Malaysia CSR framework practice, Compugates activities focus on caring at the Workplace, Community and Environment.

The Workplace

Compugates endeavors to its best ability to encourage long term career for employees. As a token of appreciation for long serving employees, an award for 5 years and 10 years service is presented annually. As a responsible and caring employer, Compugates has always given priority towards maintaining a safe and healthy working condition for our employees. The Company also emphasizes on staff welfare and development. Staffs are provided with personal accident and insurance coverage as part of their employment benefits.

The Compugates Recreation Club is established and managed by representatives voted during the Annual General Meeting to organize trainings, sports activities, trips, gatherings and dinners to promote a warm working relationships and interactions among the employees.

The Community and Environment

Compugates realizes that it can contribute to the preservation of the environment by encouraging their consumers to opt for more environmentally sound habits through the products it distributes. In 2009, Compugates was appointed to distribute and install Green Solar Power Systems in the State of Sabah and Perak. Since then, the company has been actively involved with projects in rural areas of Sabah – to distribute and install the Green Solar Home Systems for the villagers, providing environmental-friendly lighting and electricity solutions for numerous villages, jetties and even street lightings, religious and community centers.

With these environmental friendly products, Compugates hopes to make a difference and have a positive impact on the environment whilst and at the same time educating the community on the advantages of using the bio-degradable rechargeable lithium-based batteries to replace the lead acid batteries which are deemed harmful to the environment. With the installation of these green solar systems, remote areas have access to electricity which will significantly benefit the community.

In year 2010, Compugates has also ventured into agriculture in the state of Perak. The company has invested in planting of Gaharu, a highly sought after resin formed in the trunks of the Aquilaria trees when it is infected by a parasitic mold. The Gaharu seedlings are planted in a 54 acre piece of land owned by Selama Muda Jaya Sdn Bhd, a wholly-owned subsidiary of the Group. Aquilaria is an endangered species listed under Appendix II (potentially threatened species) by the Convention on International Trade in Endangered Species of Wild Fauna and Flora. Compugates hopes to be a part of the cause to protect the endangered species by cultivating it for sale and reduce harvesting of wild Gaharu by unscrupulous poachers.

Moving forward, Compugates will continue its CR efforts by looking into other ways to preserve the environment and create an ideal working environment for the employees.

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

At the Fifth Annual General Meeting held on 16 June 2010, the Company had obtained a mandate from its shareholders to allow the Compugates Group to enter into RRPTs. The aggregate value of the RRPTs conducted for the year ended 31 December 2010 between the Company and/or its subsidiary companies with the related parties are set out below:

ADDITIONAL COMPLIANCE INFORMATION (cont'd)

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

Name of Related Party	Nature of Transaction	Aggregate Value As At 31.12.10 (RM'000)	Relationship
Southall Sdn Bhd ("SSB")	- Sales of telecommunication products and IT products.	237	- 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.
	- Purchases of electronic products and IT products.	8	- Related to See Thoo Chan, the Director and Major Shareholder of the Company, who is also a Director and Major Shareholder of SSB.
Integra Communications Ltd ("ICL")	- Commission payable arising from the distribution of sim packs, voucher reload, electronic reload and other communication based products.	1,833	- Related to Dr Shirazuddin Bin Badruddin, the Director and Major Shareholder of Compugates International (BD) Limited ("CIBDL") and Compugates International (Bangladesh) Limited ("CIBDL Bangladesh"), who is also a Director and Major Shareholder of ICL.
Deens Telecom Ltd ("DTL")	- Commission payable arising from the provision of Back End Services such as collation and reconciliation of registration forms and preparation and management of complete data base of customers.	1,527	- Related to Dr Shirazuddin Bin Badruddin, the Director and Major Shareholder of CIBDL and CIBDL Bangladesh, who is also a Director and Major Shareholder of DTL.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Sixth Annual General Meeting of **Compugates Holdings Berhad** will be held at Greens III, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan on Friday, 17th June 2011 at 10.00 a.m., for the purpose of considering the following businesses:

A G E N D A

Ordinary Business

1. To lay the Audited Financial Statements for the financial year ended 31 December 2010 together with the Reports of the Directors and the Auditors thereon.

2. To approve the payment of Directors' fees of RM372,000 for the financial year ended 31 December 2010.
Ordinary Resolution 1

3. To re-elect the following Directors who retire pursuant to Article 125 of the Company's Articles of Association, and being eligible, offer themselves for re-election:

   (i) See Thoo Chan; and — Ordinary Resolution 2

   (ii) Mohamed Fauzi bin Omar — Ordinary Resolution 3

4. To appoint Messrs Baker Tilly Monterio Heng as Auditors of the Company for the ensuing year and to authorize the Directors to fix their remuneration.

   A Notice of Nomination pursuant to Section 172(11) of the Companies Act, 1965, a copy of which is annexed hereto and marked "Annexure A", has been received by the Company nominating Messrs Baker Tilly Monterio Heng for appointment as auditors of the Company in place of the retiring auditors, Messrs Crowe Horwath and of the intention to move the following motion to be passed as an Ordinary Resolution:-

   "THAT Messrs Baker Tilly Monterio Heng be and are hereby appointed Auditors of the Company in place of the retiring auditors, Messrs Crowe Horwath to hold office until the conclusion of the next Annual General Meeting AND THAT authority be and is hereby given for the Directors to determine their remuneration." — Ordinary Resolution 4

Special Business

To consider and if thought fit, pass the following ordinary/special resolution(s):-

5. **Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed 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 the Related Party(ies) as detailed in Section 2.4 of the Circular to Shareholders dated 25 May 2011, 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;

5. **Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate") (Cont'd)**

(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 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 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. **Authority to Issue and Allot Shares Pursuant to Section 132D of the Companies Act, 1965**

"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 6

7. To transact any other ordinary business for which due notice shall have been given.

BY ORDER OF THE BOARD

MAH LI CHEN (MAICSA 7022751)
CYNTHIA GLORIA LOUIS (MAICSA 7008306)
CHEW MEI LING (MAICSA 7019175)
Company Secretaries

Kuala Lumpur
Dated this 23 May 2011

NOTICE OF ANNUAL GENERAL MEETING
(cont'd)

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 but his/her attendance will automatically revoke the proxy's authority. 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 with the Registered Office at No 17-2, Jalan Solaris 3, Solaris Mont' Kiara, 50480 Kuala Lumpur, Wilayah Persekutuan 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

   The proposed Ordinary Resolution 5 if passed, will empower the Compugates Group to enter into RRPTs which are necessary for the Compugates 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 is set out in the Circular to Shareholders dated 25 May 2011 which is dispatched together with this Annual Report.

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

   The proposed Ordinary Resolution 6, if passed, will give a renewed mandate to the Directors of the Company, from the date of the Sixth Annual General Meeting (AGM), to allot and issue ordinary shares from the unissued capital of the Company pursuant to Section 132D of the Companies Act, 1965.

   As at the date of the Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors on 16 June 2010 which will lapse at the conclusion of the forthcoming AGM.

   The proposed Ordinary Resolution 6, if passed, will empower the Directors to issue shares up to an aggregate amount not exceeding 10% of the issued shares capital of the Company for the time being, for such purpose as the Directors consider would be in the interests of the Company.

   The authority will provide full flexibility to the Company for any possible fund raising activities, including but not limited to placement of shares, funding future investment project(s), working capital and/or acquisitions.

   This authority unless revoked or varied at a general meeting will expire at the next AGM.

STATEMENT ACCOMPANYING NOTICE OF AGM

1. Directors who are standing for re-election at the Sixth Annual General Meeting of the Company are:-

   (i) See Thoo Chan; and
   (ii) Mohamed Fauzi bin Omar

2. Further details of the Directors standing for re-election are set out in the Directors' Profile appearing on pages 8 and 9 of this Annual Report.

Annexure A

Goh Kheng Peow
No. 80 Jalan SS23/9,
47301 Petaling Jaya,
Selangor Darul Ehsan.

13 May 2011

The Board of Directors
Compugates Holdings Berhad
No. 17-2, Jalan Solaris 3
Solaris Mont' Kiara
50480 Kuala Lumpur

Dear Sirs

RE : NOTICE OF NOMINATION OF MESSRS BAKER TILLY MONTERIO HENG AS AUDITORS

I, Goh Kheng Peow, being a member of COMPUGATES HOLDINGS BHD hereby gives notice pursuant to Section 172(11) of the Companies Act, 1965 of my intention to nominate Messrs Baker Tilly Monterio Heng for appointment as Auditors of the Company in place of the retiring Auditors, Messrs Crowe Horwath and of my intention to move the following motion to be passed as an Ordinary Resolution at the Annual General Meeting of COMPUGATES HOLDINGS BERHAD:-

"THAT Messrs Baker Tilly Monterio Heng be and are hereby appointed Auditors of the Company in place of the retiring auditors Messrs Crowe Horwath to hold office until the conclusion of the next Annual General Meeting AND THAT authority be and is hereby given for the Directors to determine their remuneration."

Yours faithfully

Goh Kheng Peow

COMPUGATES®

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

Number of shares held

Form of Proxy

I/We ………..……

of …….................…………....…………

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

Name and CDS Account No.	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 Sixth Annual General Meeting of the Company to be held on Friday, 17 June 2011 at 10.00 a.m. at Greens III, 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 See Thoo Chan as Director		
3.	Re-election of Mohamed Fauzi bin Omar as Director		
4.	Appointment of Auditors		
5.	Special Business 1 Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
6.	Special Business 2 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 ……………………….. 2011

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 but his/her attendance will automatically revoke the proxy's authority. 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 No 17-2, Jalan Solaris 3, Solaris Mont' Kiara, 50480 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)
No 17-2, Jalan Solaris 3
Solaris Mont' Kiara
50480 Kuala Lumpur

FOLD HERE