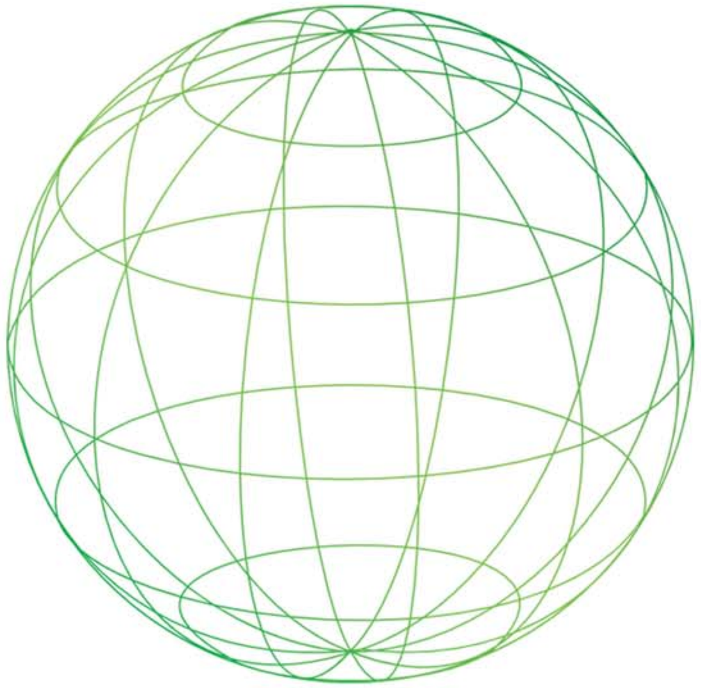

COMPUGATES®

COMPUGATES HOLDINGS BERHAD *(669287-H)*

(Incorporated in Malaysia)

COMPUGATES HOLDINGS BERHAD (669287-H)

Annual Report 2011

COMPUGATES®

Your Nationwide Distribution Partner

"towards a sustainable future"

Annual Report 2011

COMPUGATES®

Your Nationwide Distribution Partner

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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

Baker Tilly Monteiro Heng (AF0117)
Chartered Accountants
Monteiro & Heng Chambers
22 Jalan Tun Sambanthan 3
50470 Kuala Lumpur
Wilayah Persekutuan
Tel : 03.2274.8988
Fax : 03.2260.1708

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 information technology & communication-based products

100% SELAMA MUDA JAYA SDN BHD
Dormant

100% COMPUGATES INTERNATIONAL SDN BHD
Investment holding and provision of management services

100% COMPUGATES MARKETING SDN BHD
Trading, marketing & distribution of information technology & communication-based products and gaharu tea

99.9% COMPUGATES (S) PTE LTD
Ceased operations

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 distribution of telecommunication products and management agent of franchises

80% P.T. COMPUGATES INTERNATIONAL (INDONESIA)
Trading as main distributor of communication products such as simcards and voucher cards

70% COMPUGATES DEVELOPMENT AND MINING SDN BHD
Dormant

98% COMPUGATES INTERNATIONAL (BANGLADESH) LTD
Exclusive distributor for 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 2011.

PERFORMANCE REVIEW

For the financial year ended 2011, the Group recorded a revenue of approximately RM617.8 million, with a decrease of 3% or approximately RM20.1 million as compared to the previous financial year of approximately RM637.9 million. The decrease in revenue was mainly due to lower revenue contribution from the Bangladesh subsidiary, resulting from depreciation of local currency, although this was partially offset by higher revenue contribution from the Cambodian subsidiary. The loss before taxation of the Group was approximately RM23.5 million for the financial year ended 2011. The higher loss before taxation for year of 2011 was mainly due to impairment loss of goodwill on consolidation amounting to RM12 million recorded during the financial year.

CORPORATE DEVELOPMENT

As reported in 2010 Annual Report, Compugates is actively involved in and has procured Green Solar Energy Projects in Sabah. We are pleased to inform that, to date, Compugates Sabah Sdn Bhd ("CSSB") has successfully completed 12 projects and payment worth approximately RM3.3 million were collected. CSSB has also recently submitted numerous proposals to the relevant authorities for consideration and approval. Amongst them is a new project that has been approved by the Board of Trustees of Sabah Parks, involving the supply and installation of a 6kWh Green Solar Hybrid System by CSSB in Pulau Gulisaan, Turtle Island Park. The project has commenced in April 2012. This marks the first foray by Sabah Parks whose principle objective is to preserve and protect the heritage of the most unique animals and plant species by going into green alternative energy. This move has prestigiously endorsed Compugates' expertise and capability in providing green renewable energy solutions.

Apart from Sabah Parks, CSSB is also in advanced negotiations with other government agencies and local authorities in Sabah to provide green energy solutions. CSSB has submitted proposals amounting to RM2,752,704,800. The Company has brought round the clock green energy supply to homes and public facilities in villages in the islands off the East Coast of Sabah as well as to far flung villages in the remote interior region of Sabah.

Compugates is also glad to inform that CSSB had on 4 November 2011 entered into a Distributorship and Licence and Manufacturing Agreement with ETI Tech (M) Sdn Bhd ("ETI"). ETI has agreed to appoint CSSB as its exclusive distributor for the resale of Green Energy Systems in Sabah and provide all technical assistance and support to CSSB for a term of twenty (20) years.

On 6 July 2011, in the state of Perak, Compugates Marketing Sdn Bhd had entered into an Agreement with Mutiara Pertini Sdn Bhd to purchase a timber concession for all timber fell, extracted and removed from the forest compartment at Tanah Kerajaan Mukim Gerik, Daerah Hutan Hulu Perak, Perak, measuring an area of 29 hectares for a consideration of RM400,000.00 only. The acquisition is part of the Group's diversification strategy to generate more revenue for the Group.

Towards conservation and sustainable management of agarwood, we have embarked on the cultivation of agarwood at our Kuala Kangsar plantation. While waiting for the trees to mature, we have put together the leaves and heartwood to produce our own brand of gaharu tea called "Treesure". "Treesure" will be marketed overseas namely in the Middle East region, China, Taiwan and Japan.

In addition to the above, it's been over 3 years since Compugates International Limited first ventured outside of Malaysia into Bangladesh. Revenue contribution from the distribution of prepaid sim packs and mobile top ups for Robi Axiata Limited (formerly known as Aktel) has been growing steadily. However, a lower revenue contribution from Bangladesh subsidiary is seen as a result of the currency depreciation of the Bangladesh Taka against the US dollar during this last one year. In Cambodia, the year saw some exciting developments where the team had expanded to provinces outside the main town of Phnom Penh. Currently we have 7 offices on the outskirts, in Kampong Cham, Kampong Thom, Siam Reap, Pursat, Battambang, Banteay Meanchey and Pailin. In Indonesia the main business is in the distribution of telecommunication products through non traditional channels and it has recorded a growth in sales revenue too. The team in Compugates International Limited together with the local units in Bangladesh, Indonesia and Cambodia has grown to over 200 personnel.

OUTLOOK AND PROSPECTS

The Board expects the trading and distribution business to remain challenging in the future. The Company is confident that it will maintain and demonstrate a positive growth in the Group's performance by diversifying from its core business into distribution and trading of green solar systems, agricultural, property development and mining sectors.

With the strong support from our business partners, principals and the commitment of our staff, we will continue exploring new business opportunities to further enhance the growth and strengthen the position of the Group.

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 Kamaluddin
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 68, 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 The Royal Bank of Scotland Berhad (Formerly known as 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 52, 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 nine (29) 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 39, 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 52, 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 50, 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 pages 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 8 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 ensure 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 6 and 7 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 program. The Board has also delegated specific responsibilities to the Board Committees, who discharged their 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 2011, 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	5/6

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. Board reports are circulated well in advance of the Board meetings 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
Strategic Trade Act Forum: Proactive Deterrence Against Proliferation of Weapons of Mass Destruction
Assessing the Risk and Control Environment – Bursa Malaysia Berhad
Directors' Training – MPI – 'The Holistic Board'
ETP Update
ICCA / MICPA Forum SDCC
Social Benefits and Insurance Schemes in China
Workshop on Agarwood Plantation and Cultivation
Talk on Commercial Production of Tissue Cultured Plants
Briefing on The Biological Aspect and Structure of Agarwood

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 in 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 12 and 13 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 director on an ongoing basis.

For the financial year ended 31 December 2011, 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 had been documented accordingly. 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 Director participates 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 2011 are as follow:

Aggregate remuneration

	Executive Directors (RM)	Non-Executive Directors (RM)	Total (RM)
Basic Salary	1,312,000	-	1,312,000
Bonuses	3,338,667	-	3,338,667
Fees	-	324,000	324,000
Attendance fee	-	-	-
Others	595,200	-	595,200
Total	**5,245,867**	**324,000**	**5,569,867**

Number of Directors whose remuneration fall into the following bands

	Executive Directors (RM)	Non-Executive Directors (RM)
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 endeavors 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 shareholder 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 16 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 14 and 15 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's Report on pages 12 and 13 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 2011.

This statement was approved by the Board of Directors on 25 April 2012.

Audit Committee Report

The Board is pleased to present the Audit Committee Report for the financial year ended 31 December 2011.

1. Composition of Audit Committee and Meetings

The Audit Committee (AC) met five (5) times during the financial year ended 31 December 2011. Composition of the AC and details of the attendance of the members are set out as follows:-

Name	Attendance
Chairman	
Tan Sri Datuk Asmat Bin Kamaludin (Independent Non-Executive Chairman)	5/5
Members	
Goh Tai Wai (Non-Independent Non-Executive Director)	4/5
Mohamed Fauzi Bin Omar (Independent Non-Executive Director)	5/5

The external auditors attended three (3) AC meetings in 2011 to present the auditors' report on the annual audited financial statements for 2010. The AC met twice with the external auditors separately, without the presence of the Executive Director and Management to make enquiries on any non compliance disclosure encountered by the external auditors during their audit.

2. Terms of Reference

The key functions, roles and responsibilities of the AC are as follows:-

(a) To review with the external auditors on:

- the audit plan, its scope and nature;
- the audit report;
- the results of their evaluation of the accounting policies and systems of internal accounting controls within the Group; and
- the assistance given by the officers of the Company to external auditors, including any difficulties or disputes with Management encountered during the audit.

(b) To review the adequacy of the scope, functions, competency, resources and set the standards of the internal audit function.

(c) To provide assurance to the Board of Directors on the effectiveness of the system of internal control and risk management practices of the Group.

(d) To review the internal audit programme, processes the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.

(e) To review with Management:

- audit reports and Management Letter issued by the external auditors and the implementation of audit recommendations;
- interim financial information; and
- the assistance given by the officers of the Company to external auditors.

(f) To monitor related party transactions entered into by the Company or the Group and to determine if such transactions are undertaken on an arm's length basis and normal commercial terms and on terms not more favourable to the related parties than those generally available to the public, and to ensure that the Directors report such transactions annually to shareholders via the annual report, and to review conflicts of interest that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of Management's integrity.

(g) To review the quarterly reports on consolidated results and annual financial statements prior to submission to the Board of Directors, focusing particularly on:

- changes in or implementation of major accounting policy and practices;
- significant and / or unusual matters arising from the audit;
- the going concern assumption;

- compliance with accounting standards and other legal requirements; and
- major areas.

(h) To consider the appointment and / or re-appointment of internal and external auditors, the audit fee and any questions of resignation or dismissal including recommending the nomination of person or persons as auditors.

(i) To verify the allocation of options in accordance with any employees' share scheme of the Company, at the end of each the financial year.

3. Summary of Activities

During the year, the principal activities of the AC were as follows:-

3.1 Financial Reporting

(a) Reviewed the unaudited quarterly results of the Group before recommending to the Board of Directors for their approval and release of the Group's results to Bursa Securities.

(b) Reviewed the annual audited financial statements of the Group for the year 2010 with the external auditors prior to submission to the Board of Directors for their approval.

3.2 External Audit

(a) Reviewed with external auditors on their audit planning memorandum of the Group for the financial year ended 31 December 2011.

(b) Reviewed the results of the annual audit, their audit report and Management Letter, together with Management's responses to the findings of the external auditors.

(c) Reviewed the performance of the external auditors and made recommendations to the Board of Directors on their re-appointment and remuneration, subject to the approval of the Company's shareholders at its general meeting.

3.3 Internal Audit

Reviewed with the outsourced internal auditors, the internal audit report, the audit recommendations made and the Management's response to these recommendations.

3.4 Related Party Transactions

Reviewed the related party transactions entered into by the Group.

4. Internal Audit Function

The Group's internal audit function, which is outsourced to a professional services firm, is an integral part of the assurance mechanism in ensuring that the Group systems of internal control are adequate and effective. The outsourced internal audit function reports directly to the AC.

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's action plans.

All internal auditors' reports are deliberated by the AC and recommendations made to the Board and/or the Management are acted upon.

The cost incurred for the outsourced Internal Audit Function of the Group for the financial year ended 31 December 2011 amounted to RM21,608.40.

Further details of the internal audit function are set out in the Statement of Internal Control on pages 14 and 15 of the 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 2011.

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 2011, 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 25 April 2012.

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.

COMPUGATES®
Your Nationwide Distribution Partner

Financial Statements Contents

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for financial year ended 31st December 2011.

PRINCIPAL ACTIVITIES

The principal activities of the Company consist of investment holding and the provision of management services. The principal activities of its subsidiaries are disclosed in Note 7 to the financial statements.

There have been no significant changes to the nature of these principal activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Loss for the financial year	(24,478)	(2,516)
Attributable to:		
Owners of the Company	(22,055)	(2,516)
Non-controlling interests	(2,423)	-
	(24,478)	(2,516)

DIVIDENDS

No dividends was paid or declared by the Company since the end of the previous financial year.

The directors do not recommend the payment of any dividends in respect of the financial year ended 31st December 2011.

RESERVES AND PROVISIONS

All material transfers to and from reserves and provisions during the financial year have been disclosed in the financial statements.

BAD AND DOUBTFUL DEBTS

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

At the date of this report, the directors are not aware of any circumstances that would render the amount written off for bad debts, or the amount of the allowance for doubtful debts, in the financial statements of the Group and of the Company inadequate to any substantial extent.

DIRECTORS' REPORT (cont'd)

CURRENT ASSETS

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, other than debts, which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company had been written down to an amount that they might be expected to be realised.

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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 liabilities in respect of the Group and of the Company that has arisen since the end of the financial year, other than as stated in Note 30 to the financial statements.

No contingent liabilities or other liabilities of the Group and of the Company have become enforceable, or are 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 as and 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 that 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 for 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 in which this report is made.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company did not issue any shares or debentures.

DIRECTORS' REPORT (cont'd)

DIRECTORS

The directors in office since the date of the last report are:-

Tan Sri Datuk Asmat Bin Kamaludin
Goh Kheng Peow
See Thoo Chan
Mohamed Fauzi Bin Omar
Goh Tai Wai

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, the interests of those directors who held office at the end of the financial year in shares in the Company and its related corporations during the financial year ended 31st December 2011 are as follows:-

	NUMBER OF ORDINARY SHARES OF RM0.10 EACH			
	AT 1.1.2011	**BOUGHT**	**SOLD**	**AT 31.12.2011**
Direct interest				
Goh Kheng Peow	630,567,210	299,327,800	449,562,200	480,332,810
See Thoo Chan	69,963,100	12,261,900	-	82,225,000
Deemed interest				
Tan Sri Datuk Asmat Bin Kamaludin *	30,000	-	-	30,000
Goh Kheng Peow *	70,671,100	12,261,900	-	82,933,000
See Thoo Chan *	631,275,210	299,327,800	449,562,200	481,040,810

* Deemed interest through spouse's and/or children's shareholdings by virtue of Section 134(12)(C) of the Companies Act, 1965 in Malaysia.

By virtue of their interests in the Company, Goh Kheng Peow and See Thoo Chan are also deemed interested in the shares of all the subsidiaries to the extent the Company has an interest, in accordance with Section 6A of the Companies Act, 1965 in Malaysia.

Other than as stated above, the other directors in office at the end of the financial year did not have any interest in shares in the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit (other than as disclosed in the financial statements) 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.

Neither during nor at the end of the financial year was the Company or any of its related corporations a party to any arrangement, whose object was 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.

DIRECTORS' REPORT (cont'd)

SIGNIFICANT EVENTS

Significant events during and after the financial year are disclosed in Note 32 to the financial statements.

AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng, have expressed their willingness to continue in office.

On behalf of the Board,

GOH KHENG PEOW Director	SEE THOO CHAN Director

Kuala Lumpur

Date: 25th April 2012

STATEMENT BY DIRECTORS

We, **GOH KHENG PEOW** and **SEE THOO CHAN,** being two of the directors of Compugates Holdings Berhad, do hereby state that in the opinion of the directors, the financial statements as set out on pages 26 to 78 are properly drawn up in accordance with the Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Company as at 31st December 2011 and of the results and cash flows of the Group and of the Company for the financial year ended on that date.

The supplementary information set out on page 78 has been prepared in accordance with the 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*, issued by the Malaysian Institute of Accountants.

On behalf of the Board,

GOH KHENG PEOW
Director

SEE THOO CHAN
Director

Kuala Lumpur

Date: 25th April 2012

STATUTORY DECLARATION

I, FONG YIN SIEN, being the officer primarily responsible for the financial management of COMPUGATES HOLDINGS BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 26 to 78 and the supplementary information set out on page 81 are 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.

FONG YIN SIEN

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 25th April 2012.

Before me,

……………………………….
ARSHAD ABDULLAH (NO W550)
Commissioner for Oaths
Kuala Lumpur, Wilayah Persekutuan

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 31st December 2011 of the Group and of the Company, 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 pages 26 to 78.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with the Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal controls 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 judgement, 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 controls relevant to the Company's preparation of financial statements that give a true and fair view 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 controls. 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 the Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Company as of 31st December 2011 and of their financial performances and cash flows for the financial year then ended.

Emphasis of Matter

Without qualifying our opinion, we draw your attention to Note 32(i) to the financial statements which disclose that Compugates International (BD) Ltd ("Compugates BD"), a subsidiary of Compugates Holdings Berhad, had on 9th September 2008 entered into a distributorship agreement (the "Agreement") with TM International (Bangladesh) Limited (now known as Robi Axiata Limited) ("Robi") wherein Compugates BD have been appointed by Robi as distributors to market, distribute and sell Robi products and services in the Republic of Bangladesh. The tenure of the distributorship agreement is for a period of three (3) years from the date of the Agreement. On 9th August 2011, Robi had advised Compugates BD that they do not intend to renew the existing agreement in its present terms and conditions and are currently exploring a new strategic format of distribution of its products and services in Bangladesh. As a result, Robi had proposed to extend the existing agreement for a period of three (3) months to facilitate the parties to discuss the terms and conditions of the new distributorship agreement. Subsequently on 7th December 2011, due to the delays in the discussions in the review of the new distributorship agreement, Robi had proposed to extend the existing agreement for a further period of two (2) months until 29th February 2012. On 26th February 2012, the existing agreement was given another extension of two (2) months until 30th April 2012. On 24th April 2012, an Amendment to the Distributorship Agreement was made to extend further for a period of three (3) months which will be effective from 1st May 2012 until 30th July 2012. As at the date of this report, Compugates BD and Robi have been in discussion for the new modality of distribution and are in negotiation and final stage of agreeing to an agreement.

INDEPENDENT AUDITORS' REPORT (cont'd)

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

Report on Other Legal and Regulatory Requirements

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

(a) In our opinion, the accounting and other records and the registers required by the Companies Act, 1965 in Malaysia to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Companies Act, 1965 in Malaysia.

(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 7 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 consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comments made under Section 174(3) of the Companies Act, 1965 in Malaysia.

Other Reporting Responsibilities

The supplementary information set out on page 78 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 the 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.

Other Matters

The financial statements of the Company for the financial year ended 31st December 2010 were audited by another firm of chartered accountants whose report dated 22nd April 2011 expressed an unmodified opinion on those financial statements.

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 purposes. We do not assume responsibility to any other person for the content of this report.

Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants

M.J. Monteiro
No. 828/05/12(J/PH)
Partner

Kuala Lumpur

Date: 25th April 2012

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

		THE GROUP		THE COMPANY	
		2011	2010	2011	2010
	NOTE	RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	16,418	16,722	137	171
Investment property	5	5,718	5,780	-	-
Plantation expenditure	6	1,175	1,130	-	-
Investment in subsidiaries	7	-	-	38,323	38,323
Other investments	8	8,518	9,834	8,518	9,834
Goodwill on consolidation	9	23,991	35,991	-	-
Deferred tax asset	10	8	6	-	-
		55,828	69,463	46,978	48,328
Current assets					
Inventories	11	17,775	19,153	-	-
Trade receivables	12	16,428	16,428	-	-
Other receivables, deposits and prepayments	13	3,379	5,617	93	64
Amount owing by subsidiaries	14	-	-	484	879
Tax refundable		885	1,278	340	243
Short-term deposits with licensed banks	15	4,047	4,247	-	-
Fixed deposits with licensed banks	16	8,194	10,181	-	-
Cash and bank balances		5,259	4,415	67	65
		55,967	61,319	984	1,251
TOTAL ASSETS		111,795	130,782	47,962	49,579

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

STATEMENTS OF FINANCIAL POSITION (cont'd)

AS AT 31 DECEMBER 2011

		THE GROUP		THE COMPANY	
		2011	2010	2011	2010
	NOTE	RM'000	RM'000	RM'000	RM'000
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	17	213,429	213,429	213,429	213,429
Revaluation reserve	18	883	883	-	-
Foreign currency reserve	19	(228)	(201)	-	-
Other reserves		(2,100)	-	-	-
Accumulated losses		(144,344)	(122,289)	(166,490)	(163,974)
Shareholders' funds		67,640	91,822	46,939	49,455
Non-controlling interests		(1,108)	1,312	-	-
Total equity		66,532	93,134	46,939	49,455
Non-current liabilities					
Deferred tax liabilities	20	596	609	-	-
		596	609	-	-
Current liabilities					
Trade payables	21	21,490	14,149	-	-
Other payables, deposits and accruals	22	12,334	9,916	164	124
Amount owing to shareholders of subsidiaries	23	4,905	5,884	-	-
Amount owing to subsidiaries	14	-	-	859	-
Bankers' acceptances	24	5,359	6,348	-	-
Tax payable		579	742	-	-
		44,667	37,039	1,023	124
Total liabilities		45,263	37,648	1,023	124
TOTAL EQUITY AND LIABILITIES		111,795	130,782	47,962	49,579

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	NOTE	THE GROUP 2011 RM'000	THE GROUP 2010 RM'000	THE COMPANY 2011 RM'000	THE COMPANY 2010 RM'000
Revenue	25	617,773	637,860	1,330	8,330
Cost of sales		(612,431)	(635,453)	-	-
GROSS PROFIT		5,342	2,407	1,330	8,330
Other operating income		11,538	15,545	35	275
Administrative expenses		(22,130)	(23,365)	(806)	(693)
Sales and marketing expenses		(1,376)	(935)	-	-
Other operating expenses		(4,419)	(5,686)	(2,838)	(2,253)
Finance costs	26	(410)	(105)	-	(2)
OPERATING (LOSS)/PROFIT	27	(11,455)	(12,139)	(2,279)	5,657
Impairment loss on goodwill on consolidation		(12,000)	-	-	-
(LOSS)/PROFIT BEFORE TAXATION		(23,455)	(12,139)	(2,279)	5,657
Taxation	28	(1,023)	(709)	(237)	(324)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(24,478)	(12,848)	(2,516)	5,333
Other comprehensive income					
Net gain on fair value changes on available-for-sale financial assets		-	460	-	460
Foreign currency translation reserve		(24)	(326)	-	-
		(24)	134	-	460
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE FINANCIAL YEAR		(24,502)	(12,714)	(2,516)	5,793
(Loss)/profit attributable to:					
Owners of the Company		(22,055)	(11,911)	(2,516)	5,333
Non-controlling interests		(2,423)	(937)	-	-
		(24,478)	(12,848)	(2,516)	5,333
Total comprehensive (loss)/income attributable to:					
Owners of the Company		(22,082)	(11,453)	(2,516)	5,793
Non-controlling interests		(2,420)	(1,261)	-	-
		(24,502)	(12,714)	(2,516)	5,793
Loss per ordinary share (sen)	29				
- Basic		(1.03)	(0.56)		
- Diluted		N/A	N/A		

N/A - 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 2011

	Attributable to Owners of the Company							
	Non-Distributable					Distributable		
	Share Capital	Fair value Reserve	Re-valuation Reserve	Other Reserves	Foreign Currency Reserve	Accu-mulated Losses	Non-Controlling Interests	Total Equity
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1st January 2010	213,429	(460)	883	-	(199)	(110,378)	3,089	106,364
Total comprehensive income/(loss) for the financial year	-	460	-	-	(2)	(11,911)	(1,261)	(12,714)
Dividend by subsidiaries to non-controlling interests	-	-	-	-	-	-	(528)	(528)
Subscription of shares in a subsidiary	-	-	-	-	-	-	12	12
At 31st December 2010	213,429	-	883	-	(201)	(122,289)	1,312	93,134
Total comprehensive loss for the financial year	-	-	-	-	(27)	(22,055)	(2,420)	(24,502)
Premium on acquisition of non-controlling interests	-	-	-	(2,100)	-	-	-	(2,100)
At 31st December 2011	213,429	-	883	(2,100)	(228)	(144,344)	(1,108)	66,532

	Attributable to Owners of the Company			
	Non-Distributable		Distributable	
	Share Capital	Fair Value Reserve	Accumulated Losses	Total Equity
Company	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1st January 2010	213,429	(460)	(169,307)	43,662
Total comprehensive income for the financial year	-	460	5,333	5,793
At 31st December 2010	213,429	-	(163,974)	49,455
Total comprehensive loss for the financial year	-	-	(2,516)	(2,516)
At 31st December 2011	213,429	-	(166,490)	46,939

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	THE GROUP		THE COMPANY	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES:				
(Loss)/profit before taxation	(23,455)	(12,139)	(2,279)	5,657
Adjustments for:				
Bad debts written off	2	6	-	-
Dividend income	-	-	(1,330)	(8,330)
Depreciation:-				
- property, plant and equipment	830	833	34	79
- investment property	62	62	-	-
Equipment written off	7	38	-	-
Gain on disposal of equipment	(4)	(138)	-	(133)
Loss/(Gain) on disposal of available-for-sale investments	230	(21)	230	(21)
Impairment loss on trade receivables	679	476	-	-
Impairment loss on other receivables	-	2,000	-	-
Impairment loss on inventories	44	100	-	-
Impairment loss on goodwill on consolidation	12,000	-	-	-
Impairment loss on available-for-sale investments	2,574	2,115	2,574	2,115
Inventories written off	-	4	-	-
Interest expenses	410	83	-	2
Interest income	(359)	(386)	(36)	(62)
Unrealised loss on foreign exchange	-	2	-	-
Write-back of impairment loss on inventories	(383)	-	-	-
Write-back of impairment loss on trade receivables	(468)	(459)	-	-
Write-back of impairment loss on other receivables	(275)	-	-	-
Operating Loss Before Working Capital Changes	(8,106)	(7,424)	(807)	(693)
Changes In Working Capital:				
Receivables	2,300	(2,638)	(31)	2
Inventories	1,717	6,777	-	-
Payables	9,759	(9,398)	40	25
	5,670	(12,683)	(798)	(666)
Interest paid	(410)	(83)	-	(2)
Tax (paid)/refund	(808)	(2,254)	-	104
Net Operating Cash Flows	4,452	(15,020)	(798)	(564)

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

STATEMENTS OF CASH FLOWS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	THE GROUP		THE COMPANY	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES:				
Effect of changes of stakes in subsidiary	(2,100)	-	-	-
Purchase of property, plant and equipment	(589)	(1,101)	-	(174)
Purchase of investment property	-	(552)	-	-
Increase in plantation expenditure	(45)	(1,130)	-	-
Fixed deposit held as security value	(213)	(185)	-	-
Purchase of available-for-sale investments	(2,080)	(3,332)	(2,080)	(3,332)
Proceeds from disposal of property, plant and equipment	23	410	-	140
Proceeds from disposal of available--for-sale investments	592	411	592	411
Interest received	359	386	36	62
Dividends received	-	-	998	7,998
Net Investing Cash Flows	(4,053)	(5,093)	(454)	5,105
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from issuance of shares to minority shareholders	-	12	-	-
Dividends paid to non-controlling interests	-	(528)	-	-
(Decrease)/increase in bankers' acceptances	(989)	6,348	-	-
(Repayment to)/Advances from shareholders of subsidiaries	(979)	5,743	-	-
Advances from/(Repayment to) subsidiaries	-	-	1,254	(4,444)
Payments to hire purchase liability	-	(86)	-	(77)
Repayment to a director	-	(200)	-	-
Net Financing Cash Flows	(1,968)	11,289	1,254	(4,521)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,569)	(8,824)	2	20
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	10,862	19,940	65	45
Effect of foreign exchange rate changes on cash and cash equivalents	13	(254)	-	-
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	9,306	10,862	67	65
Cash and cash equivalents comprise of the following:-				
Cash and bank balances	5,259	4,415	67	65
Deposits placed with licensed banks	12,241	14,428	-	-
	17,500	18,843	67	65
Less: Fixed deposits pledged with licensed banks	(8,194)	(7,981)	-	-
	9,306	10,862	67	65

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

1. GENERAL INFORMATION

The principal activities of the Company consist of investment holding and the provision of management services. The principal activities of its subsidiaries are disclosed in Notes 7 to the financial statements. There have been no significant changes in the nature of these principal activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of the Bursa Malaysia Securities Berhad.

The registered office of the Company is located at No. 17-2, Jalan Solaris 3, Solaris Mont Kiara, 50480 Kuala Lumpur.

The principal place of business of the Company is located at No.3, Jalan PJU 1/41, Dataran Prima, 47301 Petaling Jaya, Selangor Darul Ehsan.

The financial statements are expressed in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 25th April 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Company have been prepared in accordance with the Financial Reporting Standards ("FRS") and the provision of the Companies Act, 1965 in Malaysia. The financial statements of the Company have been prepared under the historical cost basis, except as disclosed in the significant accounting policies in Note 2.3 to the financial statements.

The preparation of financial statements in conformity with the FRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. It also requires the directors' best knowledge of the current events and actions, and therefore actual results may differ.

The areas involving a higher degree of judgement of complexity, or areas where assumption and estimates are significant in the financial statements are disclosed in Note 3 to the financial statements.

2.2 New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs")

(a) Adoption of Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int

The Group and the Company had adopted the following revised FRSs, amendments/improvements to FRSs, new IC Int and amendments to IC Int that are mandatory for the current financial year:

<u>Revised FRSs</u>	
FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations
FRS 127	Consolidated and Separate Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (Continued)

(a) Adoption of Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int (Continued)

<u>Amendments/Improvements to FRSs</u>

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 7	Financial Instruments : Disclosures
FRS 101	Presentation of Financial Statements
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments : Presentation
FRS 134	Interim Financial Reporting
FRS 138	Intangible Assets
FRS 139	Financial Instruments: Recognition and Measurement

<u>New IC Int</u>

IC Int 4	Determining Whether an Arrangement contains a Lease
IC Int 12	Service Concession Arrangements
IC Int 16	Hedges of a Net Investment in a Foreign Operation
IC Int 17	Distribution of Non-cash Assets to Owners
IC Int 18	Transfers of Assets from Customers

<u>Amendments to IC Int</u>

IC Int 9	Reassessment of Embedded Derivatives
IC Int 13	Customer Loyalty Programmes

The main effects of the adoption of the above revised FRSs, amendments/improvements to FRSs, new IC Int and amendments to IC Int are summarised below:-

FRS 3 Business Combinations (Revised)

The adoption of the FRS 3 affects the way in which the Group accounts for business combinations. The main changes made in this revised standard were:

- All the acquisition related costs incurred by the acquirer in connection with the business combination shall be recognised as expenses in the profit or loss in the period in which the costs are incurred (rather than included in goodwill);

- All considerations transferred by the acquirer, including contingent considerations, in a business combination shall be measured at fair value as at the acquisition date. Subsequent changes in the fair value of contingent consideration classified as liabilities are recognised in accordance with FRS 139, FRS 137 or other FRSs, as appropriate (rather than by adjusting goodwill);

- An acquirer is no longer permitted to recognise contingencies acquired in a business combination that do not meet the definition of a liability;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (Continued)

(a) Adoption of Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int (Continued)

FRS 3 Business Combinations (Revised)

- For each business combination, the acquirer must measure any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. Previously, only the latter was permitted;

- For a business combination achieved in stages, the equity interests held by the acquirer in the acquiree immediately before achieving control are re-measured at its acquisition-date fair value with any corresponding gain or loss recognised in profit or loss; and

- Goodwill arising from the business combination is measured as the difference between the aggregate fair value of consideration transferred, any non-controlling interest in the acquiree, and the fair value at acquisition date of any previously-held equity interest in the acquiree, and the fair value of identifiable assets acquired and liabilities assumed (including contingent liabilities) at acquisition date.

This revised FRS 3 shall be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July 2010.

The revised FRS 3 was applied by the Group for the acquisition of subsidiaries as disclosed in Note 7 to the financial statements.

FRS 127 Consolidated and Separate Financial Statements (Revised)

The revised FRS 127 requires that any changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When the Group loses control of a subsidiary, any remaining interest retained in the former subsidiary will be measured at fair value and any resulting gain or loss is recognised in profit or loss. Total comprehensive income will be proportionately allocated to the owners of the parent and to the non-controlling interests even if it results in the non-controlling interests having a deficit balance.

The revised FRS 127 shall be applied prospectively to business combinations for which the acquisition date is on or after 1st July 2010. There is no financial impact on the financial statements of the Group for the current financial year resulting from the application of this revised FRS 127.

Amendments to FRS 7 Financial Instruments: Disclosures

Disclosures on fair value and liquidity have been enhanced upon the adoption of this amendment. In particular, financial instruments measured at fair value are disclosed by class in a three-level fair value measurement hierarchy, with specific disclosures related to transfers between levels in the hierarchy and detailed disclosures on level three of the fair value hierarchy. Certain disclosures on liquidity are also modified. The adoption of this amendment resulted in additional disclosures in the financial statements but did not have any financial impact on the Group and the Company.

IC Int 4 Determining Whether an Arrangement Contains a Lease

This IC Int clarifies that when the fulfillment of an arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset, then the arrangement should be accounted for as a lease under FRS 117, even though it does not take the legal form of a lease. This interpretation did not have any financial impact on the Group and the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (Continued)

(b) New and Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int that are issued, not yet effective and have not been adopted early

The Group and Company have not adopted the following new and revised FRSs, amendments/improvements to FRSs, IC Int and amendments to IC Int that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group and the Company:-

		Effective for financial periods beginning on or after
New FRSs		
FRS 9	Financial Instruments	1 January 2015
FRS 10	Consolidated Financial Statements	1 January 2013
FRS 11	Joint Arrangements	1 January 2013
FRS 12	Disclosures of Interests in Other Entities	1 January 2013
FRS 13	Fair Value Measurement	1 January 2013
Revised FRSs		
FRS 119	Employee Benefits	1 January 2013
FRS 124	Related Party Disclosures	1 January 2012
FRS 127	Separate Financial Statements	1 January 2013
FRS 128	Investments in Associates and Joint Ventures	1 January 2013
Amendments/Improvements to FRSs		
FRS 1	First-time Adoption of Financial Reporting Standards	1 January 2012
FRS 7	Financial Instruments: Disclosures	1 January 2012 and 1 January 2013
FRS 101	Presentation of Financial Statements	1 July 2012
FRS 112	Income Taxes	1 January 2012
FRS 132	Financial Instruments: Presentation	1 January 2014
New IC Int		
IC Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to IC Int		
IC Int 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 July 2011

A brief discussion on the above significant new and revised FRSs, amendments/improvements to FRSs, new IC Int and amendments to IC Int are summarised below. Due to the complexity of these new standards, the financial effects of their adoption are currently still being assessed by the Group and the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (Continued)

(b) New and Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int that are issued, not yet effective and have not been adopted early (Continued)

FRS 9 Financial Instruments

FRS 9 specifies how an entity should classify and measure financial assets and financial liabilities.

This standard requires all financial assets to be classified based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial asset. Financial assets are to be initially measured at fair value. Subsequent to initial recognition, depending on the business model under which these assets are acquired, they will be measured at either fair value or at amortised cost.

In respect of the financial liabilities, the requirements are generally similar to of the former FRS 139. However, this standard requires that for financial liabilities designated as at fair value through profit or loss, changes in fair value attributable to the credit risk of that liability are to be presented in other comprehensive income, whereas the remaining amount of the change in fair value will be presented in the profit or loss.

FRS 10 Consolidated Financial Statements and FRS 127 Separate Financial Statements (Revised)

FRS 10 replaces the consolidation part of the former FRS 127 Consolidated and Separate Financial Statements. The revised FRS127 will deal only with accounting for investment in subsidiaries, joint ventures and associates in the separate financial statements of an investor and require the entity to account for such investments either at cost, or in accordance with FRS 9.

FRS 10 brings about convergence between FRS 127 and SIC-12, which interprets the requirements of FRS 10 in relation to special purpose entities. FRS 10 introduces a new single control model to identify a parent-subsidiary relationship by specifying that "an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee'. It provides guidance on situations when control is difficult to assess such as those involving potential voting rights, or in circumstances involving agency relationships, or where the investor has control over specific assets of the entity, or where the investee entity is designed in such a manner where voting rights are not the dominant factor in determining control.

FRS 11 Joint Arrangements

FRS 11 supersedes the former FRS 131 Interests in Joint Ventures. Under FRS 11, an entity accounts for its interest in a jointly controlled entity based on the type of joint arrangement, as determined based on an assessment of its rights and obligations arising from the arrangement. There are two types of joint arrangement namely joint venture or joint operation as specified in this new standard. A joint venture recognises its interest in the joint venture as an investment and account for its using the equity method. The proportionate consolidation method is disallowed in such joint arrangement. A joint operator accounts for the assets, liabilities, revenue and expenses related to its interest directly.

FRS 12 Disclosures of Interests in Other Entities

FRS 12 is a single disclosure standard for interests in subsidiaries, joint ventures, associates and unconsolidated structured entities. The disclosure requirements in this FRS are aimed at providing standardised and comparable information that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's interests in other entities, and the effects of those interests on its financial position, financial performance and cash flows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysia Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (Continued)

(b) New and Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int that are issued, not yet effective and have not been adopted early (Continued)

FRS 13 Fair Value Measurement

FRS 13 defines fair value and sets out a framework for measuring fair value, and the disclosure requirements about fair value. This standard is intended to address the inconsistencies in the requirements for measuring fair value across different accounting standards. As defined in this standard, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Amendments to FRS 112 Income Taxes

This amendment to FRS 112 addresses the measurement approach for deferred tax assets and liabilities in respect of investment properties which are measured at fair value. The amendment introduces a rebuttable presumption that the investment property is recovered entirely through sale. In such cases, deferred tax assets or liabilities are provided at tax rates applicable when recovering the property entirely through sale. If this presumption is rebutted, deferred tax assets or liabilities are provided based on tax rates applicable when consuming substantially the economic benefits embodied in the property over a period of time (for example via rental income).

FRS 128 Investments in Associates and Joint Ventures (Revised)

This revised FRS 128 incorporates the requirements for accounting for joint ventures into the same accounting standard as that for accounting for investments in associates, as the equity method was applicable for both investments in joint ventures and associates. However, the revised FRS 128 exempts the investor from applying equity accounting where the investment in the associates or joint venture is held indirectly via venture capital organisations or mutual funds and similar entities. In such cases, the entity shall measure the investment at fair value through profit or loss, in accordance with FRS 9.

(c) MASB Approved Accounting Standards, MFRSs

In conjunction with the planned convergence of FRSs with International Financial Reporting Standards as issued by the International Accounting Standards Board on 1st January 2012, the MASB had on 19th November 2011 issue a new MASB approved accounting standards, MFRSs ("MFRSs Framework") for application in the annual periods beginning on or after 1st January 2012.

The MFRSs Framework is mandatory for adoption by all Entities Other Than Private Entities for annual periods beginning on or after 1st January 2012, with the exception of entities subject to the application of MFRS 141 Agriculture and/or IC Int 15 Agreements for the Construction of Real Estate ("Transitioning Entities"). The Transitioning Entities are given an option to defer adoption of the MFRSs framework for an additional one year. Transitioning Entities also includes those entities that consolidate or equity account or proportionately consolidate another entity that has chosen to continue to apply the FRSs framework for annual periods beginning on or after 1st January 2012.

Accordingly, the Group and the Company which are Transitioning Entities have chosen to defer the adoption of the MFRSs framework for an additional one year. The Group and the Company will prepare its first MFRSs financial statements using the MFRSs framework for the financial year ending 31 December 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (Continued)

(c) MASB Approved Accounting Standards, MFRSs (Continued)

As at 31st December 2011, all FRSs issued under the existing FRSs framework are equivalent to the MFRSs issued under MFRSs framework except for differences in relation to the transitional provisions the adoption of MFRS 141 Agriculture and IC Int 15 Agreements for the Construction of Real Estate as well as differences in effective dates contained in certain of the existing FRSs. As such, except those as discussed below, the main effects arising from the transition to the MFRSs Framework has been discussed in Note 2.2 (b). The effect is based on the Group's and the Company's best estimates at reporting date. The financial effect may change or additional effects may be identified, prior to the completion of the Group's and the Company's first MFRSs based financial statements.

Application of MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards ("MFRS 1")

MFRS 1 requires comparative information to be restated as if the requirements of MFRSs effective for annual periods beginning on or after 1st January 2012 have always been applied, except when MFRS 1 allows certain elective exemptions from such full retrospective application or prohibits retrospective application of some aspects of MFRSs. The Group and the Company are currently assessing the impact of adoption of MFRS 1, including identification of the differences in existing accounting policies as compared to the new MFRSs and the use of optional exemptions as provided for in MFRS 1. As at the date of authorisation of issue of the financial statements, accounting policy decisions or elections have not been finalised. Thus, the impact of adoption of MFRS 1 cannot be determined and estimated reliably until the process is completed.

MFRS 141 Agriculture

MFRS 141 requires a biological asset shall be measured on initial recognition and at the end of each reporting period at its fair value less costs to sell, except where the fair value cannot be measured reliably. MFRS 141 also requires agricultural produce harvested from an entity's biological assets shall be measured at its fair value less costs to sell at the point of harvest. Gains or losses arising on initial recognition of a biological asset and the agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset shall be included in the profit or loss for the period in which it arises. The Group is currently assessing the impact of the adoption of this standard.

IC Int 15 Agreements for the Construction of Real Estate

IC Int 15 establishes the developer will have to evaluate whether control and significant risks and rewards of the ownership of work in progress, can be transferred to the buyer as construction progresses before revenue can be recognised. The Group does not expect any impact on the financial statements arising from the adoption of this IC Interpretation.

2.3 Significant Accounting Policies

(a) Basis of Consolidation and Subsidiaries

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to the end of the financial year. The financial statements of the parent and its subsidiaries are all drawn up to the same reporting date.

Subsidiaries are entities in which the Group has the power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(a) Basis of Consolidation and Subsidiaries (Continued)

An investment in subsidiary, which is eliminated on consolidation, is stated in the Company's separate financial statements at cost less impairment losses, if any. On disposal of such an investment, the difference between the net disposal proceeds and its carrying amount is recognised in the profit or loss.

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to the end of the financial year. The financial statements of the parent and its subsidiaries are all drawn up to the same reporting date.

The financial statements of the subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Acquisitions of subsidiaries are accounted for using the purchase method except for certain business combinations which were accounted using the merger method as subsidiaries that were consolidated prior to 1st January 2006 in accordance with FRS 122_{2004} Business Combinations, the generally accepted accounting principles prevailing at that time. The Group has taken advantage of the exemption provided by FRS 3 to apply this Standard prospectively. Accordingly, business combinations entered into prior to the respective effective dates have not been restated to comply with this Standard.

Under the purchase method of accounting, the cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. The accounting policy on goodwill is set out in Note 2.3(c) to the financial statements.

Any excess of the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Intra-group transactions, balances and resulting unrealised gains on transactions within the Group are eliminated in full on consolidation. Unrealised losses resulting from intra-group transactions are also eliminated on consolidation unless costs cannot be recovered. When necessary, adjustments are made to the financial statements of the subsidiaries to ensure consistency of accounting policies with those adopted by the Group.

Non-controlling interest represents that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Company, directly or indirectly through subsidiary. It is measured at the non-controlling interest holders' share of the fair values of the subsidiary's identifiable assets and liabilities at the acquisition date and the non-controlling interest holders' share of changes in the subsidiary's equity since that date.

Where losses applicable to the minority exceed the non-controlling interest in the equity of a subsidiary, the excess and any further losses applicable to the non-controlling are charged against the Group's interest except to the extent that the non-controlling has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequent reports profits, the Group's interest is allocated all such profit until the non-controlling share of losses previously absorbed by the Group has been recovered.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(a) Basis of Consolidation and Subsidiaries (Continued)

The gain or loss on disposal of a subsidiary is the difference between the net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences and carrying amount of goodwill that relate to the subsidiary and is recognised in the consolidated statement of comprehensive income.

In accordance with FRS 127, Consolidated and Separate Financial Statements (revised), upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Any loss applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(b) Investments

Investments in subsidiaries, associates, jointly controlled entities and other investments are stated at cost less any accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(m).

On disposal of an investment, the difference between the net disposal proceeds and its carrying amount is charged or credited to the profit or loss.

(c) Goodwill on consolidation

(i) Acquisition before 1st January 2011

Goodwill arising on acquisition represents the excess of cost of business combination over the Group's share of the net fair values of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is stated at cost less impairment losses, if any.

Goodwill is not amortised but is reviewed for impairment, annually or more frequently for impairment in value and is written down where it is considered necessary. Gain or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arise.

Negative goodwill represents the excess of the fair value of the Group's share of net assets acquired over the cost of acquisition. Negative goodwill is recognised directly in the profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(c) Goodwill on consolidation (Continued)

(ii) Acquisition on or after 1st January 2011

For acquisitions on or after 1 January 2011, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquire; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquire; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and related to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and or future service.

(d) Property, Plant and Equipment and Depreciation

All property, plant and equipment were initially stated at cost less accumulated depreciation and impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(m). Cost includes expenditure that is directly attributable to the acquisition of the asset. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss as incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(d) Property, Plant and Equipment and Depreciation (Continued)

Freehold lands are not depreciated. All other property, plant and equipment are depreciated on a straight line basis to write off the cost of each asset to its residual value over the estimated useful lives of the assets concerned. The principal annual rates used for this purpose are as follows:-

Leasehold land	Over 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 residual values, useful life and depreciation method are reviewed, and adjusted if appropriate, at each reporting date.

Fully depreciated assets are retained in the accounts until the assets are no longer in use.

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

(e) Revaluation of Assets

Freehold land and buildings are revalued at a regular interval of a least once in every five years with additional valuations in the intervening years where market conditions indicate that the carrying values of the revalued land and buildings materially differ from the market values.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Any surplus or deficit arising from the revaluations will be dealt with in the Revaluation Reserve Account. Any deficit is set-off against the Revaluation Reserve Account only to the extent of the surplus credited from the previous revaluation of the land and buildings and the excess of the deficit is charged to the statement of comprehensive incomes. Upon disposal or retirement of an asset, any revaluation reserve relating to the particular asset is transferred directly to retained profits.

(f) Investment property

Investment properties, comprising certain leasehold land and buildings, are properties held for long-term rental yields or for capital appreciation or both, and are not occupied by the Group.

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 2.3(d) to the financial statements.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be derecognised (eliminated) from the statement of financial position. The difference between the net disposal proceeds and its carrying amount is charged or credited to profit or loss in the financial year of the retirement or disposal.

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, plant and equipment set out in Note 2.3(d) up to the date of change in use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(g) 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.

(h) Borrowing costs

Borrowing costs are charged to the profit or loss as an expense in the period in which they are incurred.

(i) Provisions for Liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

(j) Plantation expenditure

Plantation expenditure incurred on land clearing, upkeep of immature trees, direct administrative expenses incurred during the pre-maturity period (precropping costs) are capitalised as plantation expenditure. Upon maturity, all subsequent maintenance expenditure is charged to the profit or loss and the capitalised pre-cropping cost is amortised on a straight line basis over the expected useful life of the trees.

(k) Foreign Currency Translation

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Group's functional currency and presentation currency.

(ii) Translation and balances

Transactions in foreign currencies are translated to Ringgit Malaysia at exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Ringgit Malaysia at the rate of exchange ruling on that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rates at the date the fair value was determined. Exchange differences arising from the settlement of foreign currency transactions and from the retranslation of foreign currency monetary assets and liabilities are included in the profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(k) Foreign Currency Translation (Continued)

(iii) Foreign entity

Statements of comprehensive income of foreign entities are translated into Ringgit Malaysia at average exchange rates for the financial year and the statements of financial position are translated at exchange rates ruling at the reporting date. Exchange differences arising from the retranslation of the net investment in foreign entities are taken up in exchange translation reserve in shareholders' equity. On disposal of the foreign entity, such translation differences are recognised in the profit or loss as part of the gain or loss on disposal.

(l) Financial Assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

(i) Financial Assets at Fair Value Through Profit or Loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near future.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains and losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(l) Financial Assets (Continued)

(ii) Loans and Receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loan and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

(iii) Held-to-Maturity Investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

(iv) Available-for-Sale Financial Assets

Available-for-sale are financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on available-for-sale equity instrument are recognised in profit or loss when the Group and the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(m) Impairment of Assets

(i) Impairment of Financial Assets

At 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.

(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.

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 cost 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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(n) Financial Liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(i) Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resulted gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

(ii) Other Financial Liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer the settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in the profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid is recognised in the profit or loss.

(o) Income Tax

The tax expense in the profit or loss represents the aggregate amount of current tax and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the period and is measured using the tax rates that have been enacted at the reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(o) Income Tax (Continued)

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credit can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is 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 tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in the profit or loss, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(p) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The full specific recognition criteria must also be met before revenue is recognised.

(i) Sale of goods

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

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(q) Employee benefits

(i) Short term employee benefits

Wages, salaries, social security contribution, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by the employees. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensation absences. Short term non-accumulating compensated absences sick leave, maternity and paternity leave are recognised when absences occur.

(ii) Post-employment benefits

The Group contributes to the Employees' Provident Fund, the national defined contribution plan. The contributions are charged to the profit or loss in the period to which they are related. Once the contributions have been paid, the Group has no further payment obligations.

(r) Cash and Cash Equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash in hand, deposits, bank balances and other short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value. Cash and cash equivalents are stated net of bank overdrafts which are repayable on demand.

(s) Share Capital

Ordinary shares

Ordinary shares are recorded at the nominal value and the consideration in excess of nominal value of shares issued, if any, is accounted for as share premium. Both ordinary shares and share premium are classified as equity.

Dividends on ordinary shares are recognised as liabilities when proposed or declared before the reporting date. A dividend proposed or declared after the reporting date, but before the financial statements are authorised for issue, is not recognised as a liability at the reporting date.

Cost incurred directly attributable to the issuance of the shares are accounted for as a deduction from share premium, if any, otherwise it is charged to the profit or loss. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(t) Segmental Information

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. Most segment assets can be directly attributed to the segments on a reasonable basis. Segment assets and liabilities do not include income tax assets and liabilities respectively.

(u) Intersegment Transfers

Segment revenues, expenses and result include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the economic entity at an arm's length transactions. These transfers are eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key assumption concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as stated below:-

(a) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on the straight line basis over their estimated useful lives. Management estimates the useful lives of the property, plant and equipment to be within 10 to 99 years. The carrying amount of property, plant and equipment of the Group and of the Company as at 31st December 2011 were RM16,418,000/- and RM137,000/- respectively (2010: RM16,722,000/- and RM171,000/- respectively). Changes in expected level of usage and technological developments could impact the economic useful lives and residual values of the property, plant and equipment, therefore the future depreciation charges could be revised.

(b) Impairment of property, plant and equipment

The Group assesses impairment of assets whenever the events and changes in circumstances indicate that the carrying amount of an asset may not be recoverable i.e. the carrying amount of the asset is more than the recoverable amount.

Recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flow derived from that asset discounted at an appropriate discount rate. Projected future cash flows are based on Group's estimates calculated based on historical, sector and industry trends, general market and economic conditions, changes in technology and other available information.

(c) Deferred tax assets

Deferred tax assets are recognised for all unutilised tax losses and deductible temporary difference to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total unrecognised deferred tax assets of the Group were RM668,000/- (2010: RM190,000/-).

(d) Allowance for inventories

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

(e) Impairment of receivables

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

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(f) Impairment of investment in subsidiaries and other investments

The Group tests investments in subsidiaries for impairment annually in accordance with its accounting policy. More regular reviews are performed if events indicate that this is necessary. The assessment of the net tangible assets of the subsidiaries affects the result of the impairment test. Costs of investments in subsidiaries which have ceased operations were impaired up to net assets of the subsidiaries. The impairment made on investments in subsidiaries entails an impairment of receivables to be made to the amount owing by these subsidiaries.

(g) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the estimation of the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

(h) 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.

(i) Revaluation of property, plant and equipment

Certain property, plant and equipment 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.

(j) 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.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(k) 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.

(l) 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. An impairment of RM12 million was recognised during the financial year based on the recoverable amounts of the cash generating units, 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 the directors covering a period of 5 years.

(m) Plantation expenditure

The Group assess the carrying amount of its plantation expenditure at each reporting date whether there is an indication that an asset may be impaired. If such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the plantation expenditure's recoverable amount based on the value-in-use calculation using the cash flow projection based on the financial budget approved by the directors covering 5 years period.

4. PROPERTY, PLANT AND EQUIPMENT

Group 2011	Freehold Land RM'000	Leasehold Land RM'000	Buildings RM'000	Office equipment, Furniture and Fittings RM'000	Motor Vehicles RM'000	Renovation RM'000	and Tools RM'000	Site Cabin Signboard RM'000	Total RM'000
Cost and valuation									
At 1st January 2011	2,474	5,521	7,826	2,079	1,224	1,104	61	61	20,350
Additions	-	-	250	112	96	87	44	-	589
Disposals	-	-	-	(71)	(21)	-	-	-	(92)
Write off	-	-	-	(2)	-	(8)	-	-	(10)
Currency translation differences	-	-	-	(31)	(23)	(13)	-	-	(67)
At 31st December 2011	2,474	5,521	8,076	2,087	1,276	1,170	105	61	20,770
Accumulated Depreciation and Impairment Losses									
At 1st January 2011	-	108	739	1,598	256	854	14	59	3,628
Depreciation for the financial year	-	60	172	189	250	126	32	1	830
Disposal	-	-	-	(61)	(12)	-	-	-	(73)
Write off	-	-	-	(1)	-	(2)	-	-	(3)
Currency translation differences	-	-	-	(18)	(9)	(3)	-	-	(30)
At 31st December 2011	-	168	911	1,707	485	975	46	60	4,352
Net Book Value as at 31st December 2011	2,474	5,353	7,165	380	791	195	59	1	16,418
Representing:									
At cost	-	5,353	-	380	791	195	59	1	6,779
At valuation	2,474	-	7,165	-	-	-	-	-	9,639
	2,474	5,353	7,165	380	791	195	59	1	16,418
2010									
Cost and valuation									
At 1st January 2010	2,474	10,867	7,826	2,035	1,419	986	-	60	25,667
Additions	-	-	-	196	660	183	61	1	1,101
Disposals	-	-	-	(82)	(825)	-	-	-	(907)
Write off	-	-	-	(2)	-	(46)	-	-	(48)
Transfer to investment properties (Note 5)	-	(5,346)	-	-	-	-	-	-	(5,346)
Currency translation differences	-	-	-	(68)	(30)	(19)	-	-	(117)
At 31st December 2010	2,474	5,521	7,826	2,079	1,224	1,104	61	61	20,350
Accumulated Depreciation and Impairment Losses									
At 1st January 2010	-	106	572	1,433	584	793	-	53	3,541
Depreciation for the financial year	-	58	167	232	281	75	14	6	833
Disposal	-	-	-	(38)	(597)	-	-	-	(635)
Write off	-	-	-	-	-	(10)	-	-	(10)
Transfer to investment properties (Note 5)	-	(56)	-	-	-	-	-	-	(56)
Currency translation differences	-	-	-	(29)	(12)	(4)	-	-	(45)
At 31st December 2010	-	108	739	1,598	256	854	14	59	3,628
Net Book Value as at 31st December 2010	2,474	5,413	7,087	481	968	250	47	2	16,722
Representing:									
At cost	-	5,413	-	481	968	250	47	2	7,161
At valuation	2,474	-	7,087	-	-	-	-	-	9,561
	2,474	5,413	7,087	481	968	250	47	2	16,722

4. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

2011	**Motor Vehicles RM'000**
Cost	
At 1st January 2011	174
Additions	-
Disposals	-
At 31st December 2011	174
Accumulated Depreciation	
At 1st January 2011	3
Depreciation for the financial year	34
Disposals	-
At 31st December 2011	37
Net Book Value at 31st December 2011	137

2010	
Cost	
At 1st January 2010	414
Additions	174
Disposals	(414)
At 31st December 2010	174
Accumulated Depreciation	
At 1st January 2010	331
Depreciation for the financial year	79
Disposals	(407)
At 31st December 2010	3
Net Book Value at 31st December 2010	171

The land and buildings of the Group were last revalued on 31st December 2009 by an independent professional valuer. The valuations are based on the comparison methods by reference to recent market transactions on an arms' length basis.

Had the revalued land and buildings been carried under the cost model, the net carrying amounts of land and buildings would have been included in the financial statements of the Group as at 31st December 2011 would as follows:-

	Group	
	2011 RM'000	**2010 RM'000**
Freehold land	692	692
Buildings	2,538	2,592
	3,230	3,284

5. INVESTMENT PROPERTY

	Group	
	2011 RM'000	2010 RM'000
Leasehold land and building, at cost:-		
At 1st January	5,898	-
- Transferred from property, plant and equipment (Note 4)	-	5,346
- Addition during the financial year	-	552
At 31st December	5,898	5,898
Accumulated depreciation:-		
At 1st January	118	-
- Transferred from property, plant and equipment (Note 4)	-	56
- Depreciation for the financial year	62	62
At 31st December	180	118
	5,718	5,780

The directors estimated the fair value of the investment property based on comparable market values of similar properties to be approximately RM26million.

6. PLANTATION EXPENDITURE

	Group	
	2011 RM'000	2010 RM'000
At 1st January	1,130	-
Addition during the financial year	45	1,130
	1,175	1,130

7. INVESTMENT IN SUBSIDIARIES

	Company	
	2011 RM'000	2010 RM'000
Unquoted shares - at cost	178,100	178,100
Less: Impairment losses	(139,777)	(139,777)
	38,323	38,323

7. INVESTMENT IN SUBSIDIARIES (Continued)

The following information relates to the subsidiaries:-

Name of Company	Country of Incorporation	Equity Interest 2011 %	Equity Interest 2010 %	Principal Activities
Held directly:-				
Compugates Sdn. Bhd. ("CSB")	Malaysia	100	100	Trading, marketing and distribution of imaging information technology and communication based products.
Selama Muda Jaya Sdn. Bhd. ("SMJSB")	Malaysia	100	100	Dormant.
Compugates International Sdn. Bhd. ("CISB")	Malaysia	100	100	Investment holding and provision of management services.
Subsidiaries of Compugates Sdn. Bhd.				
Compugates (S) Pte. Ltd. ("CSPL")*	Malaysia	99.99	99.99	Ceased operations.
Compugates Marketing Sdn. Bhd. ("CMSB")	Malaysia	100	100	Trading, marketing and distribution of information technology and communication based products and gaharu tea.
Subsidiaries of Compugates Marketing Sdn. Bhd.				
Classic Distribution Sdn. Bhd. ("CDSB")	Malaysia	51	51	Rubber tapping and trading in agricultural products.
Compugates Development and Mining Sdn. Bhd. ("CDMSB") +	Malaysia	70	60	Dormant.
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.
Subsidiaries of Compugates International Sdn. Bhd.				
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 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 main distributor of communication products such as simcards and voucher cards.

7. INVESTMENT IN SUBSIDIARIES (Continued)

Name of Company	Country of Incorporation	Equity Interest 2011 %	Equity Interest 2010 %	Principal Activities
Subsidiaries of Compugates International (BD) Limited				
Compugates International (Bangladesh) Limited ("CIBL") *	Bangladesh	98	98	Exclusive distributor for telecommunication products and services.

* Subsidiaries not audited by Messrs Baker Tilly Monteiro Heng.

\+ On 23rd May 2011, CMSB acquired an additional 5% equity interest in CDMSB from its non-controlling interest for a cash consideration of RM500,000/-. As a result of this acquisition CMSB's equity interest in CDMSB increased from 60% to 65%. On 4th August 2011, CMSB acquired an additional 5% equity interest in CDMSB from its non-controlling interest for a cash consideration of RM1,600,000/-. As a result of this acquisition, CMSB's equity interest in CDMSB increased from 65% to 70%.

8. OTHER INVESTMENTS

	Group and Company 2011 RM	Group and Company 2010 RM
Available-for-sale financial assets		
- Equity instruments (quoted in Malaysia)		
At 1st January (at fair value)	9,834	8,547
Additions during the financial year	2,080	3,332
Net (loss)/gain on fair value changes recognised in other comprehensive income	-	460
Impairment loss on available-for-sale investments	(2,574)	(2,115)
Disposal	(822)	(390)
At 31st December	8,518	9,834

9. GOODWILL ON CONSOLIDATION

	Group 2011 RM'000	Group 2010 RM'000
Cost:-		
At 1st January	129,452	129,452
Addition during the financial year	-	-
At 31st December	129,452	129,452
Accumulated impairment losses:-		
At 1st January	(93,461)	(93,461)
Impairment during the financial year	(12,000)	-
At 31st December	(105,461)	(93,461)
	23,991	35,991

9. GOODWILL ON CONSOLIDATION (Continued)

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

	Group	
	2011	**2010**
	RM'000	**RM'000**
Trading	10,224	22,224
Plantation	13,767	13,767
	23,991	35,991

(b) The Group has assessed the recoverable amounts of goodwill allocated and determined that an additional impairment of RM12 million 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:-

	Trading CGU	Plantation CGU
(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 increase for expected efficiency improvements and cost saving measures. The budgeted gross margin for the 5-year projected cash flow is 3%.	The basis used to determine the value assigned to the budgeted gross margin is the industry average and statistical analysis of gaharu trees' market price trends for the past years. The budgeted gross margin for the 5-year projected cash flow is 70%.
(ii) Growth rate	The growth rate was assumed to be 5% per annum based on the expected projection of the trading segments.	The growth rate was assumed to be 50% per annum based on the expected projection of the plantation segments.
(iii) Discount rate	The discount rate of 7% used are pre-tax and reflect specific risks relating to the relevant segments. The discount rate was estimated based on the average of the weighted average cost of capital.	

The values assigned to the above key assumptions represent management's assessmenet of future trends in the industry and are based on both external sources and internal source of information.

Based on the sensitivity analysis performed, management believes that no reasonable 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.

10. DEFERRED TAX ASSET

	Group	
	2011	**2010**
	RM'000	**RM'000**
At 1st January	6	3
Recognised in profit or loss (Note 28)	2	3
At 31st December	8	6

The deferred tax asset relates to a subsidiary's unutilised tax losses carried forward. Deferred tax assets are recognised by the subsidiary based on the expected probable future taxable profit generated by the subsidiary.

11. INVENTORIES

	Group 2011 RM'000	Group 2010 RM'000
Inventories held for trading	17,949	19,666
Allowance for inventory obsolescence		
At 1st January	(513)	(413)
Addition during the financial year	(44)	(100)
Write-back during the financial year	383	-
At 31st December	(174)	(513)
	17,775	19,153
Inventories held for trading:-		
- at cost	17,775	19,116
- at net realisable value	-	37
	17,775	19,153

12. TRADE RECEIVABLES

	Group 2011 RM'000	Group 2010 RM'000
Trade receivables	17,558	17,347
Impairment loss on receivables		
At 1st January	(919)	(902)
Addition during the financial year	(679)	(476)
Write-back during the financial year	468	459
At 31st December	(1,130)	(919)
	16,428	16,428

The Group's normal trade credit terms range from 1 to 60 days (2010: 1 to 60 days). Other credit terms are assessed and approved on a case-by-case basis.

In determining the extent of impairment loss on receivables, the directors have given due consideration to all information available to assess the likelihood of bad debts arising. Although uncertainty generally exists with regard to the recovery of debts, the directors are of the opinion that sufficient impairment has been made and the amounts receivable net of the impairment loss on receivables are expected to be substantially recovered.

12. TRADE RECEIVABLES (Continued)

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:-

	Group	
	2011 RM'000	**2010 RM'000**
Neither past due nor impaired	15,373	11,267
Past due not impaired:-		
- less than 3 months	620	3,821
- 3 to 6 months	35	917
- over 6 months	400	423
	1,055	5,161
Impaired	1,130	919
	17,558	17,347

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

Receivables that are past due not impaired

At the reporting date, the Group has trade receivables amounting to RM1,055,000/- (2010:RM5,161,000/-) that are past due not impaired.

Trade receivables that were past due not impaired relates to customers that have good track records with the Group. Based on past experience and no adverse information to date, the directors of the Group are of the opinion that no allowance for impairment is necessary in respect of these balances as there has not been a significant change in the credit quality and the balances are still considered fully recoverable.

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	THE GROUP		THE COMPANY	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Other receivables	2,845	5,654	4	4
Less: Impairment loss on receivables	(2,000)	(2,275)	-	-
	845	3,379	4	4
Deposits	1,384	646	54	54
Prepayments	1,150	1,592	35	6
	3,379	5,617	93	64

14. AMOUNT OWING BY/(TO) SUBSIDIARIES

	Company	
	2011 RM'000	2010 RM'000
Amount owing by subsidiaries:-		
Interest bearing	379	379
Non-interest bearing	105	500
	484	879
Amount owing to subsidiaries:-		
Non-interest bearing	859	-

The amounts owing by/(to) are non-trade in nature, unsecured, interest free and are repayable on demand except for an amount by subsidiaries of RM379,000/- (2010: RM379,000/-) which bears interest at a rate of 8.89% (2010: 8.89%) per annum.

15. SHORT-TERM DEPOSITS WITH LICENSED BANKS

The short term deposits with licensed banks of the Group at the end of the financial year bore a weighted average effective interest rate of 1.76% (2010: 1.64%) per annum. The short-term deposits have a maturity period of 4 days (2010: 4 days).

16. FIXED DEPOSITS WITH LICENSED BANKS

The fixed deposits with licensed bank of the Group at the end of the financial year bore a weighted average effective interest rate of 2.86% (2010: 1.64%) per annum. The fixed deposits have maturity periods ranging from 1 month to 12 months (2010: 1 month to 12 months).

Included in fixed deposits with licensed banks of the Group at the end of the financial year was an amount of RM8,194,000/- (2010: RM7,981,000/-) which have been pledged to licensed banks as security for banking facilities granted to the Group.

17. SHARE CAPITAL

	Group and Company			
	Number of Shares			
	2011 Unit '000	2010 Unit '000	2011 RM'000	2010 RM'000
Authorised:				
3,500,000,000 ordinary shares of RM0.10/- each				
At the beginning/end of the financial year	3,500,000	3,500,000	350,000	350,000
Issued and fully paid:				
2,134,289,020 ordinary shares of RM0.10/- each				
At the beginning/end of the financial year	2,134,289	2,134,289	213,429	213,429

18. REVALUATION RESERVE

The revaluation reserve represents the increase in the fair value of properties of the Group.

19. FOREIGN CURRENCY RESERVE

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

20. DEFERRED TAX LIABILITIES

	Group	
	2011 RM'000	2010 RM'000
At 1st January	609	649
Recognised in profit or loss (Note 28)	(13)	(40)
At 31st December	596	609

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

21. TRADE PAYABLES

The normal trade credit term granted to the Group is 60 days (2010: 60 days).

22. OTHER PAYABLES, DEPOSITS AND ACCRUALS

	THE GROUP		THE COMPANY	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Other payables	1,672	2,887	-	2
Deposits	106	106	-	-
Accruals	2,673	1,952	164	122
Staff incentives	7,883	4,971	-	-
	12,334	9,916	164	124

Included in the other payables and accruals of the Group at the end of the reporting period was an amount of approximately RM263,000/- (2010: RM95,000/-) owing to related party. The amount owing is interest-free, unsecured and repayable on demand. The amount owing is to be settled in cash.

23. AMOUNT OWING TO SHAREHOLDERS OF SUBSIDIARIES

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

24. BANKERS' ACCEPTANCES

The bankers' acceptances of the Group at the end of the financial year bore a weighted average effective interest rate of 3.21% (2010: 2.94%) per annum and are secured by way of:-

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

(ii) a corporate guarantee of the Company.

25. REVENUE

	THE GROUP		THE COMPANY	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Trading	617,382	637,003	-	-
Services	391	857	-	-
Dividend income	-	-	1,330	8,330
	617,773	637,860	1,330	8,330

26. FINANCE COSTS

	THE GROUP		THE COMPANY	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Interest expenses				
- bankers' acceptances	372	66	-	-
- bank charges	-	22	-	-
- director loans	7	-	-	-
- hire purchases	-	2	-	2
- others	31	15	-	-
	410	105	-	2

27. OPERATING (LOSS)/PROFIT

	THE GROUP		THE COMPANY	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Operating (loss)/profit has been arrived at after charging:-				
Audit fee:-				
- Current year	95	96	32	35
- Overprovision in prior year	-	(2)	-	-
Bad debts written off	2	6	-	-
Depreciation charges:-				
- property, plant and equipment	830	833	33	79
- investment property	62	62	-	-

27. OPERATING (LOSS)/PROFIT (Continued)

	THE GROUP		THE COMPANY	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Directors' fee	384	324	324	324
Directors' remuneration	4,924	6,433	-	-
Directors' employee provident fund	628	965	-	-
Equipment written off	7	38	-	-
Impairment loss on available-for-sale investments	2,574	2,115	2,574	2,115
Impairment loss on inventories	44	100	-	-
Impairment loss on trade receivables	679	476	-	-
Impairment loss on other receivables	-	2,000	-	-
Impairment loss on goodwill on consolidation	12,000	-	-	-
Inventories written off	-	4	-	-
Loss on disposal of available-for-sale investments	230	-	230	-
Loss on foreign exchange:-				
- realised	-	93	-	-
- unrealised	-	2	-	-
Rental of office	832	578	-	-
Rental of warehouse:-			-	-
- current year	88	459	-	-
- overprovision in prior year	(280)	-	-	-
Staff costs:-				
- salaries, wages, bonuses and allowances	7,922	7,139	-	-
- employee provident fund	982	779	-	-
- other staff related cost	763	1,017	-	-
And crediting:-				
Dividend income	-	-	(1,330)	(8,330)
Interest income	(359)	(386)	(36)	(62)
Gain on disposal of available-for-sale investments	-	(21)	-	(21)
Gain on disposal of equipment	(4)	(138)	-	(133)
Rental income	(309)	(287)	-	-
Sales incentive	(9,139)	(13,331)	-	-
Write-back of impairment loss on trade receivables	(468)	(459)	-	-
Write-back of impairment loss on other receivables	(275)	-	-	-
Write-back of impairment loss on inventories	(383)	-	-	-

28. TAXATION

	THE GROUP		THE COMPANY	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Malaysian taxation based on the result for the financial year				
Income tax				
- current financial year	1,199	1,952	235	320
- (over)/underaccrual in prior years	(161)	(1,200)	2	4
	1,038	752	237	324
Deferred tax asset (Note 10)				
- current financial year	(2)	(3)	-	-
Deferred tax liabilities (Note 20)				
- current financial year	(13)	(40)	-	-
	1,023	709	237	324

The income tax is calculated at statutory rate of 25% of the estimated assessable profit for the financial year.

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

	THE GROUP		THE COMPANY	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
(Loss)/Profit before taxation	(23,455)	(12,139)	(2,279)	5,657
Taxation at applicable tax rate of 25%	(5,864)	(3,035)	(570)	1,414
Tax effects arising from				
- non-deductible expenses	6,763	5,125	818	703
- non-taxable income	(180)	(300)	(13)	(1,797)
- crystallisation of deferred tax liabilities	(13)	(40)	-	-
- (over)/underaccrual in prior years	(161)	(1,200)	2	4
- effects of changes in tax rate	-	(21)	-	-
- deferred tax assets not recognised in the financial statements	478	180	-	-
Tax expense for the financial year	1,023	709	237	324

Deferred tax assets have not been recognised for the following items:-

	THE GROUP		THE COMPANY	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Deductible temporary differences	74	131	-	-
Unutilised tax losses	2,598	628	-	-
	2,672	759	-	-
Potential deferred tax assets not recognised at 25%	668	190	-	-

29. LOSS PER ORDINARY SHARE

Basis loss per share

The basic loss per share is calculated based on the Group's loss attributable to owners of the Company of RM22,055,000/- (2010: RM11,911,000/-) and on the number of ordinary shares in issue during the financial year of 2,134,289,020/- (2010: 2,134,289,020/-).

Diluted loss per share

As at 31st December 2011, the Group has no dilutive potential ordinary shares. As such, there is no dilutive effect on the earnings per share of the Group for the current financial year.

30. CONTINGENT LIABILITIES

The contingent liabilities are as follows:-

	THE GROUP		THE COMPANY	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Unsecured:-				
Corporate guarantees given by the Company to bank for credit facilities granted to the subsidiaries	-	-	27,000	27,000
Corporate guarantees given by the Company to a supplier for credit facility granted to a subsidiary	-	-	25,000	25,000
Bank guarantee given to a supplier	317	154	-	-
	317	154	52,000	52,000

31. 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 financial year are as follows:-

	Group and Company	
	2011 RM	**2010 RM**
Bangladesh Taka	0.0412	0.0400
Singapore Dollar	2.4158	2.3900
United States Dollar	3.1284	3.0800
Indonesian Rupiah	0.0004	0.0003

32. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR

(i) Compugates International (BD) Ltd ("Compugates BD"), a subsidiary of Compugates Holdings Berhad, had on 9th September 2008 entered into a distributorship agreement (the "Agreement") with TM International (Bangladesh) Limited (now known as Robi Axiata Limited) ("Robi") wherein Compugates BD have been appointed by Robi as distributors to market, distribute and sell Robi products and services in the Republic of Bangladesh. The tenure of the distributorship agreement is for a period of three (3) years from the date of the Agreement. On 9th August 2011, Robi had advised Compugates BD that they do not intend to renew the existing agreement in its present terms and conditions and are currently exploring a new strategic format of distribution of its products and services in Bangladesh. As a result, Robi had proposed to extend the existing agreement for a period of three (3) months to facilitate the parties to discuss the terms and conditions of the new distributorship agreement. Subsequently on 7th December 2011, due to the delays in the discussions in the review of the new distributorship agreement, Robi had proposed to extend the existing agreement for a further period of two (2) months until 29th February 2012. On 26th February 2012, the existing agreement was given another extension of two (2) months until 30th April 2012. On 24th April 2012, an Amendment to the Distributorship Agreement was made to extend further for a period of three (3) months which will be effective from 1st May 2012 until 30th July 2012. As at the date of the authorisation of this financial statements, Compugates BD and Robi have been in discussion for the new modality of distribution and are in negotiation and final stage of agreeing to an agreement.

(ii) On 23rd May 2011, CMSB acquired an additional 5% equity interest in CDMSB from its non-controlling interest for a cash consideration of RM500,000/-. As a result of this acquisition CMSB's equity interest in CDMSB increased from 60% to 65%. On 4th August 2011, CMSB acquired an additional 5% equity interest in CDMSB from its non-controlling interest for a cash consideration of RM1,600,000/-. As a result of this acquisition, CMSB's equity interest in CDMSB increased from 65% to 70%.

33. RELATED PARTIES TRANSACTIONS

(a) Identification of Related Parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

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

(b) Significant Related Party Transactions

In the normal course of business, the Company undertakes transactions with some of its related parties listed above. Set out below are the significant related party transactions for the financial year (in addition to related party disclosures mentioned elsewhere in the financial statements). The related party transactions described below were carried out on terms and conditions mutually agreed between the respective parties.

Significant related party transactions other than those disclosed elsewhere in the financial statements are as follows:

	THE GROUP		THE COMPANY	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Sale of goods to a related party	2	237	-	-
Dividends received from subsidiaries	-	-	1,330	8,330
Purchase of goods from a related party	11	8	-	-
Commission paid/payable to a related party	1,092	3,360	-	-
Interest received/receivable from subsidiaries	-	-	34	34
Project management fee paid/payable to a related party	669	760	-	-

33. RELATED PARTIES TRANSACTIONS (Continued)

(c) Key Management Personnel Compensation

	THE GROUP		THE COMPANY	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Directors				
- Remuneration and bonus	4,924	6,433	-	-
- Fees	384	324	324	324
- Employee Provident Fund	628	965	-	-

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	
	2011	**2010**	**2011**	**2010**
Executive directors:				
RM300,001 - RM350,000	1	-	-	-
RM5,000,001 - RM5,500,000	1	-	-	-
RM7,000,001 - RM7,500,000	-	1	-	-
Non-executive directors				
Below RM50,000	3	3	3	3
RM50,001 - RM100,000	1	-	-	-
RM150,001 - RM200,000	1	1	1	1
	7	5	4	4
Other key management personnel				
- Salary, allowance and bonus	623	1,919	-	-
- Fees	-	57	-	-
- Employee Provident Fund	75	185	-	-

34. SEGMENTAL ANALYSIS

For management purpose, 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 service segment – involved in the trading, marketing, distributing of imaging, technology, communication based products, and provision of management services.

(ii) Agriculture and energy segment – involved in trading and cultivation of agricultural and energy products.

The Group and the Company is not exposed to concentration risks that may arise from exposure to a single customer or to group of customers.

34. SEGMENTAL ANALYSIS (Continued)

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

Group 2011	Trading and Services RM'000	Agriculture and Energy RM'000	Elimination RM'000	Consolidated RM'000
Revenue				
External sales	615,378	2,395	-	617,773
Inter-segment sales	1,776	10	(1,786)	-
Total revenue	617,154	2,405	(1,786)	617,773
Results				
Loss from operations	(10,727)	(728)	-	(11,455)
Impairment loss on goodwill on consolidation	(12,000)	-	-	(12,000)
Loss before taxation	(22,727)	(728)	-	(23,455)
Taxation	(1,023)	-	-	(1,023)
Loss after taxation	(23,750)	(728)	-	(24,478)
Loss attributable to:				
Owners of the Company	(21,824)	(231)	-	(22,055)
Non-controlling interests	(1,926)	(497)	-	(2,423)
	(23,750)	(728)	-	(24,478)
Other Information				
Bad debt written off	(2)	-	-	(2)
Depreciation:-				
- property, plant and equipment	(727)	(103)	-	(830)
- investment property	(62)	-	-	(62)
Equipment written off	(7)	-	-	(7)
Impairment loss on inventories	(44)	-	-	(44)
Impairment loss on trade receivables	(679)	-	-	(679)
Impairment loss on available-for-sale investments	(2,574)	-	-	(2,574)
Interest income	315	44	-	359
Write-back of impairment loss on inventories	383	-	-	383
Write-back of impairment loss on trade receivables	468	-	-	468
Write-back of impairment loss on other receivables	275	-	-	275
Consolidated Statement of Financial Position				
Assets				
Segment assets	108,030	2,872	-	110,902
Tax refundable	885	-	-	885
Deferred tax asset	8	-	-	8
Consolidated total assets	108,923	2,872	-	111,795
Liabilities				
Segment liabilities	43,293	795	-	44,088
Deferred tax liabilities	596	-	-	596
Tax payable	579	-	-	579
Consolidated total liabilities	44,468	795	-	45,263

34. SEGMENTAL ANALYSIS (Continued)

Group 2010	Trading and Services RM'000	Agriculture and Energy RM'000	Elimination RM'000	Consolidated RM'000
Revenue				
External sales	636,835	1,025	-	637,860
Inter-segment sales	10,043	1	(10,044)	-
Total revenue	646,878	1,026	(10,044)	637,860
Results				
Loss from operations/loss before taxation	(11,336)	(803)	-	(12,139)
Taxation	(708)	(1)	-	(709)
Loss after taxation	(12,044)	(804)	-	(12,848)
Loss attributable to:				
Owners of the Company	(11,155)	(756)	-	(11,911)
Non-controlling interests	(889)	(48)	-	(937)
	(12,044)	(804)	-	(12,848)
Other Information				
Bad debt written off	(6)	-	-	(6)
Depreciation:-				
- property, plant and equipment	(778)	(55)	-	(833)
- investment property	(62)	-	-	(62)
Equipment written off	(38)	-	-	(38)
Impairment loss on inventories	(100)	-	-	(100)
Impairment loss on trade receivables	(476)	-	-	(476)
Impairment loss on other receivables	(2,000)	-	-	(2,000)
Impairment loss on available-for-sale investments	(2,115)	-	-	(2,115)
Interest income	349	37	-	386
Inventories written off	(4)	-	-	(4)
Unrealised loss on foreign exchange	(2)	-	-	(2)
Write-back of impairment loss on trade receivables	459	-	-	459
Consolidated Statement of Financial Position				
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
Liabilities				
Segment liabilities	35,766	531	-	36,297
Deferred tax liabilities	609	-	-	609
Tax payable	742	-	-	742
Consolidated total liabilities	37,117	531	-	37,648

35. FINANCIAL INSTRUMENTS

(a) Classification of Financial Instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The significant accounting policies in Note 2.3 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised. The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

Group 2011	Loans and receivables RM'000	Available-for-sale RM'000	Financial liabilities at amortised cost RM'000	Total RM'000
Financial assets				
Trade receivables	16,428	-	-	16,428
Other receivables and deposits	2,229	-	-	2,229
Short-term deposits with licensed banks	4,047	-	-	4,047
Fixed deposits with licensed banks	8,194	-	-	8,194
Cash and bank balances	5,259	-	-	5,259
Other investments	-	8,518	-	8,518
	36,157	8,518	-	44,675
Financial liabilities				
Trade payables	-	-	21,490	21,490
Other payables, deposits and accruals	-	-	12,334	12,334
Amount owing to shareholders of subsidiaries	-	-	4,905	4,905
Bankers' acceptances	-	-	5,359	5,359
	-	-	44,088	44,088

Group 2010	Loans and receivables RM'000	Available-for-sale RM'000	Financial liabilities at amortised cost RM'000	Total RM'000
Financial assets				
Trade receivables	16,428	-	-	16,428
Other receivables and deposits	4,025	-	-	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	4,415	-	-	4,415
Other investments	-	9,834	-	9,834
	39,296	9,834	-	49,130
Financial liabilities				
Trade payables	-	-	14,149	14,149
Other payables, deposits and accruals	-	-	9,916	9,916
Amount owing to shareholders of subsidiaries	-	-	5,884	5,884
Bankers' acceptances	-	-	6,348	6,348
	-	-	36,297	36,297

35. FINANCIAL INSTRUMENTS (Continued)

(a) Classification of Financial Instruments (Continued)

Company 2011	Loans and receivables RM'000	Available-for-sale RM'000	Financial liabilities at amortised cost RM'000	Total RM'000
Financial assets				
Other receivables and deposits	58	-	-	58
Amount owing by subsidiaries	484	-	-	484
Cash and bank balances	67	-	-	67
Other investments	-	8,518	-	8,518
	609	8,518	-	9,127
Financial liabilities				
Other payables, deposits and accruals	-	-	164	164
Amount owing to subsidiaries	-	-	859	859
	-	-	1,023	1,023

Company 2010	Loans and receivables RM'000	Available-for-sale RM'000	Financial liabilities at amortised cost RM'000	Total RM'000
Financial assets				
Other receivables and deposits	58	-	-	58
Amount owing by subsidiaries	879	-	-	879
Cash and bank balances	65	-	-	65
Other investments	-	9,834	-	9,834
	1,002	9,834	-	10,836
Financial liabilities				
Other payables, deposits and accruals	-	-	124	124

(b) Financial Risk Management and Objectives

The Group seeks to manage effectively the various risks namely interest rate, foreign currency, liquidity and credit risks, in which the Group is exposed to in its daily operations.

(i) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises primarily from interest-bearing financial assets and liabilities. The Group's policy is to obtain the most favorable interest rate available. Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income.

The following table details the interest rate profile of the Group and of the Company's borrowings at the reporting date.

35. FINANCIAL INSTRUMENTS (Continued)

(b) Financial Risk Management and Objectives (Continued)

(i) Interest Rate Risk (Continued)

2011	Effective interest rate %	Within 1 year RM'000	1 - 5 years RM'000	> 5 years RM'000	Total RM'000
Group					
Financial Assets					
Short-term deposits with licensed banks	1.76	4,047	-	-	4,047
Fixed deposits with licensed banks	2.86	8,194	-	-	8,194
Financial Liabilities					
Bankers' acceptances	3.21	5,359	-	-	5,359
2010					
Group					
Financial Assets					
Short-term deposits with licensed banks	1.64	4,247	-	-	4,247
Fixed deposits with licensed banks	1.64	10,181	-	-	10,181
Financial Liabilities					
Bankers' acceptances	2.94	6,348	-	-	6,348

Sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and financial liabilities and therefore change in interest rate at the end of the reporting period would not affect the Group's net gain and equity.

(ii) Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group operates internationally and is exposed to various currencies, mainly United States Dollar, Bangladesh Taka, Indonesia Rupiah and Singapore Dollar foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

35. FINANCIAL INSTRUMENTS (Continued)

(b) Financial Risk Management and Objectives (Continued)

(ii) Foreign currency risk (Continued)

Exposure to foreign currency

The following table details the Group's exposure at the reporting date to currency risk arising from recognised financial assets and liabilities denominated in a currency other than the functional currency of the Group and of the Company. For presentation purposes, the amounts of the exposure are shown in Ringgit Malaysia, translated using the spot rate at year end date:

	USD	SGD	TAKA	RUPIAH	RM	Total
2011	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Group						
Financial assets						
Trade receivables	323	-	124	229	15,752	16,428
Other receivables and deposits	16	-	391	-	1,822	2,229
Short-term deposits with licensed bank	-	-	-	-	4,047	4,047
Fixed deposits with licensed bank	-	-	-	-	8,194	8,194
Cash and bank balances	387	76	1,679	440	2,677	5,259
	726	76	2,194	669	32,492	36,157
Financial liabilities						
Trade payables	398	-	1,353	-	19,739	21,490
Other payables, deposits and accruals	628	5	102	90	11,509	12,334
Amount owing to shareholder of subsidiaries	264	-	4,535	106	-	4,905
Bankers' acceptances	-	-	-	-	5,359	5,359
	1,290	5	5,990	196	36,607	44,088
Net financial (liabilities)/assets	(564)	71	(3,796)	473	(4,115)	(7,931)
2010						
Group						
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 bank	-	-	-	-	4,247	4,247
Fixed deposits with licensed bank	-	-	-	-	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, deposits and accruals	271	10	83	48	9,504	9,916
Amount owing to shareholder 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

35. FINANCIAL INSTRUMENTS (Continued)

(b) Financial Risk Management and Objectives (Continued)

(ii) Foreign currency risk (Continued)

Sensitivity analysis

The following table indicates the approximate change in the Company's loss after tax and accumulated losses in response to reasonable possible changes in the foreign exchange rates to which the Company has significant exposure at the reporting date, assuming all other variable risk variables remained constant. Other components of the equity would not be affected by changes in the foreign exchange rate:-

	(Increase) / Decrease			
	Strenghten (10%)		Weaken (10%)	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Group's net loss and equity				
United States Dollar (USD)	(56)	(102)	56	102
Singapore Dolar (SGD)	(7)	(8)	7	8
Bangladeshi Taka (TAKA)	(380)	(623)	380	623
Indonesian Rupiah (RUPIAH)	(47)	(63)	47	63

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Groups to foreign currency risk at the reporting date.

(iii) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

Maturity analysis

The maturity profile of the Group's and the Company's financial liabilities based on undiscounted contractual repayment at the reporting date are as follows:

2011	On demand or within 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000	Total RM'000
Group				
Financial liabilities				
Trade payables	21,490	-	-	21,490
Other payables, deposits and accruals	12,334	-	-	12,334
Amount owing to shareholders of subsidiaries	4,905	-	-	4,905
Bankers' acceptances	5,359	-	-	5,359
	44,088	-	-	44,088

35. FINANCIAL INSTRUMENTS (Continued)

(b) Financial Risk Management and Objectives (Continued)

(iii) Liquidity Risk

2010	On demand or within 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000	Total RM'000
Group				
Financial liabilities				
Trade payables	14,149	-	-	14,149
Other payables, deposits and accruals	9,916	-	-	9,916
Amount owing to shareholders of subsidiaries	5,884	-	-	5,884
Bankers' acceptances	6,348	-	-	6,348
	36,297	-	-	36,297
2011				
Company				
Financial liabilities				
Other payables, deposits and accruals	164	-	-	164
Amount owing to subsidiaries	859	-	-	859
	1,023	-	-	1,023
2010				
Financial liabilities				
Other payables, deposits and accruals	124	-	-	124

(iv) Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group and the Company's exposure to credit risk arise primarily from trade and other receivables. Trade and other receivables presented in the statements of financial position are net of allowances for impairment losses, estimated by management based on prior experience and the current economic environment.

The Group and the Company's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group and the Company are trades only with recognised and creditworthy third parties. It is the Group and the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

The exposure to credit risk is monitored by the management on an ongoing basis and the management do not expect any counterparty to fail to meet its obligations.

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the reporting period represent the Group and the Company's maximum exposure to credit risk in relation to financial assets. No financial assets carry a significant exposure to credit risk other than those disclosed in the notes to the financial statements.

The Group and the Company have no significant concentration of credit risk, that may arise from exposure to a single debtor or to group of debtors.

35. FINANCIAL INSTRUMENTS (Continued)

(c) Fair Values

The fair values of financial assets and financial liabilities of the Group and of the Company approximate their carrying amounts on the statements of financial position.

There were no unrecognised financial instruments as at 31st December 2011.

The nominal/notional amount and net fair value of contingent liabilities (as disclosed in Note 30 to the financial statements) are not recognised in the statements of financial position as at 31st December 2011 as it is not practicable to make a reliable estimate due to uncertainties of timing, costs and eventual outcome.

36. CAPITAL RISK MANAGEMENT

The primary objective of the Group's capital risk management is to ensure that it maintains a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group manages its capital structure by monitoring the capital and net debt on an ongoing basis. To maintain the capital structure, the group may adjust the dividend payment to shareholders.

There were no changes in the Group's approach to capital risk management during the financial year.

	Group	
	2011	**2010**
	RM'000	**RM'000**
Trade payables	21,490	14,149
Other payables, deposits and accruals	12,334	9,916
Amount owing to shareholders of subsidiaries	4,905	5,884
Bankers' acceptances	5,359	6,348
Less:-		
Short-term deposits with licensed banks	(4,047)	(4,247)
Fixed deposits with licensed banks	(8,194)	(10,181)
Cash and bank balances	(5,259)	(4,415)
Net debt	26,588	17,454
Total equity	66,532	93,134
Capital and net debts	93,120	110,588
Gearing ratio	29%	16%

The Group is also required to comply with the disclosure and necessary capital requirements as prescribed in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

SUPPLEMENTARY INFORMATION - DISCLOSURE OF REALISED AND UNREALISED PROFITS/LOSSES

On 25th March 2010, Bursa Malaysia Securities Berhad (Bursa Malaysia) issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of the Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the retained profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20th December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

The breakdown of the accumulated losses of the Group and of the Company as at 31st December 2011, into realised and unrealised losses, pursuant to the directive, is as follows:

	THE GROUP		THE COMPANY	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total accumulated losses:				
- Realised	(156,902)	(142,864)	(166,490)	(163,974)
- Unrealised	101	89	-	-
	(156,801)	(142,775)	(166,490)	(163,974)
Less: Consolidation adjustments	12,457	20,486	-	-
Total accumulated losses as per statements of financial position	(144,344)	(122,289)	(166,490)	(163,974)

The determination of realised and unrealised losses is complied based on Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits and Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20th December 2010.

The disclosure of realised and unrealised losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

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	2,193,554
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	349,606
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	1,676,316
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	1,436,842
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	1,337,920
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	1,256,560
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	353,886
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	245,000
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	-	3,934,816

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	-	5,716,328
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	-	1,418,767

ANALYSIS OF SHAREHOLDINGS
AS AT 23 APRIL 2012

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	39	0.410	1,543	0.000
100 -1,000	2,118	22.241	1,464,027	0.069
1,001 -10,000	2,183	22.923	11,860,490	0.556
10,001 - 100,000	3,680	38.643	189,237,480	8.866
100,001 - 106,714,450 (less than 5% of issued shares)	1,503	15.783	1,931,725,480	90.509
106,714,451 and above (5% and above of issued shares)	0	0.000	0	0.000
	9,523	100.000	2,134,289,020	100.000

LIST OF THIRTY LARGEST SHAREHOLDERS AS AT 23 APRIL 2012

No.	Name	No. of Shares Held	%
1	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Kheng Peow	75,000,000	3.514
2	Low Gay Teong	70,000,000	3.280
3	A.A. Anthony Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Kheng Peow	58,123,900	2.723
4	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Kheng Peow	57,000,000	2.670
5	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for See Thoo Chan	51,642,600	2.420
6	KAF Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Kheng Peow	51,000,000	2.390
7	Gan Siew Liat	50,500,000	2.366
8	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Kheng Peow	50,000,000	2.343
9	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Tian Chuan	42,925,600	2.011
10	M.I.T Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Kheng Peow	41,465,500	1.943
11	Yap Yoke Lan	37,352,000	1.750
12	Malacca Equity Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Kheng Peow	37,324,000	1.749

ANALYSIS OF SHAREHOLDINGS (cont'd)
AS AT 23 APRIL 2012

LIST OF THIRTY LARGEST SHAREHOLDERS AS AT 23 APRIL 2012 (cont'd)

No.	Name	No. of Shares Held	%
13	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Goh Kheng Peow	32,627,700	1.529
14	Kong Choke Lei	31,000,000	1.452
15	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wee Tiew Toon	29,318,500	1.374
16	OSK Nominees (Tempatan) Sdn Berhad Pledged Securities Account for Goh Kheng Peow	28,745,400	1.347
17	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Kheng Peow	24,711,300	1.158
18	Chin Mong Kong	24,000,000	1.124
19	AIBB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Tian Chuan	21,377,000	1.002
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	0.953
22	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Kheng Peow	20,000,000	0.937
23	Wee Biau Kuan @ Wee Kui Kee	19,970,200	0.936
24	Thong Chee Hoe	19,448,100	0.911
25	Thong Weng Kin	18,650,100	0.874
26	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Cara Kaya Sdn Bhd	16,500,000	0.773
27	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Lay Leng	16,500,000	0.773
28	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Juddy Chu Yen Tien	16,000,000	0.750
29	Kenanga Nominees (Tempatan) Sdn Bhd Exempt An For Phillip Securities Pte Ltd	15,160,000	0.710
30	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Juddy Chu Yen Tien	15,143,000	0.709
Total		1,012,402,310	47.435

ANALYSIS OF SHAREHOLDINGS (cont'd)
AS AT 23 APRIL 2012

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

(According to the Register of Substantial Shareholders as at 23 April 2012)

		Direct		Indirect	
No.	**Name**	**No. of Shares Held**	**%**	**No. of Shares Held**	**%**
1	Goh Kheng Peow	497,332,810	23.30	86,463,000*	4.05
2	See Thoo Chan	85,755,000	4.02	498,040,810^	23.34

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 23 April 2012)

	Direct		Indirect	
Name	**No. of Shares Held**	**%**	**No. of Shares Held**	**%**
Tan Sri Datuk Asmat Bin Kamaludin	-	-	30,000@	@@
Goh Kheng Peow	497,332,810	23.30	86,463,000*	4.05
See Thoo Chan	85,755,000	4.02	498,040,810^	23.34
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 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 2011.

2) Shares Buy-back

There were no shares buy-back or cancellation or resale of treasury shares during the financial year ended 31 December 2011.

3) Option, Warrants or Convertible Securities

There were no options, warrants and other convertible securities exercised during the financial year ended 31 December 2011.

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 2011.

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 2011.

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 2011 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 2011 were RM12,000.

8) Profit Guarantee

There were no profit guarantees given by the Company or its subsidiaries during the financial year ended 31 December 2011.

9) Material Contract involving Directors and Substantial Shareholders entered during the financial year ended 31 December 2011

There were no material contracts entered into by the company or its subsidiaries during the financial year ended 31 December 2011

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.

<u>The Workplace</u>

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 award 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.

Compugates has established a Recreation Club and managed by representatives voted annually to organize trainings, sports activities, trips, events celebration, gatherings and dinners to promote a warm working relationships and interactions among the employees.

<u>The Community and Environment</u>

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. Compugates has been appointed and since then actively involved with the distribution and installation of Green Solar Power Systems in the rural areas of Sabah to provide environmental-friendly lighting and electricity solutions for numerous villages, jetties and even street lightings, religious and community centers.

Since year 2010, Compugates has also ventured into cultivation of Gaharu in the state of Perak. With the advancement of bio-technology today, we have successfully planted seedlings from proven and high quality resinous Aquilaria trees that can be induced to produce gaharu within 6 to 10 years. 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.

With these efforts, Compugates hopes to make a difference and have a positive impact on the environment and at the same time educate the community on the advantages of contributing to green environment.

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 Sixth Annual General Meeting held on 17 June 2011, 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 2011 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 31.12.11 (RM'000)	Relationship
Southall Sdn Bhd ("SSB")	- Sales of telecommunication products and IT products.	2	- 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.	10	- 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.	1,092	- Related to Dr Shirazuddin Bin Badruddin, the Director and Major Shareholder of Compugates International (BD) Limited ("CIBDL") and Compugates International (Bangladesh) Limited ("CIBL"), who is also a Director and Major Shareholder of ICL.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Seventh 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, 22nd June 2012 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 2011 together with the Reports of the Directors and the Auditors thereon.

2. To approve the payment of Directors' fees of RM324,000 for the financial year ended 31 December 2011.
   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) Tan Sri Datuk Asmat Bin Kamaludin; and — Ordinary Resolution 2
   (ii) Goh Tai Wai — Ordinary Resolution 3

4. To re-appoint Messrs Baker Tilly Monteiro Heng as Auditors of the Company and to authorize the Directors to fix their remuneration. Ordinary Resolution 4

Special Business

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

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 Recurrent Related Party Transactions (RRPTs) with the Related Party(ies) as detailed in Section 2.4 of the Circular to Shareholders dated 31 May 2012, subject to the following:

   (i) The RRPTs are in the ordinary course of business which are necessary for the day to day operations which are not more favourable than those general available to the public and are made on arm's length basis and on normal commercial terms not to the detriment of shareholders;

   (ii) Disclosure is made in the annual report on the RRPTs conducted to the shareholders' mandate during the year, in the manner required under the Listing Requirements of Bursa Securities and based on the type of RRPTs made and the related parties involved;

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

   (a) the conclusion of the next AGM of the Company following the AGM at which the Proposed 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.

NOTICE OF ANNUAL GENERAL MEETING
(cont'd)

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)**

   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 31 May 2012

NOTICE OF ANNUAL GENERAL MEETING
(cont'd)

Notes:

1. For purpose of determining a member who shall be entitled to attend the Annual General Meeting, the Company shall be requesting Bursa Depository, in accordance with Article 78 of the Company's Articles of Association and Section 34(1) of the SICDA, to issue a General Meeting Record of Depositors as at 15 June 2012. Only a depositor whose name appears on the General Meeting Record of Depositors as at 15 June 2012 shall be entitled to attend, speak and vote at the said Meeting or appoint a proxy(ies) on his/her behalf.

2. 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.

3. 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.

4. 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.

5. The instrument appointing a proxy must be deposited with the Share Registrar at Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Wilayah Persekutuan at least forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

6. 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 31 May 2012 which is dispatched together with this Annual Report.

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

   The Directors did not issue any new share pursuant to the existing mandate.

   The proposed Ordinary Resolution 6, if passed, will give a renewed mandate to the Directors of the Company, from the date of the Seventh AGM, to allot and issue ordinary shares up to an aggregate amount of not exceeding 10% of the issued share capital of the Company for the time being from the unissued capital of the Company pursuant to Section 132D of the Companies Act, 1965 and that such an authority, unless revoked or varied at a general meeting, will expire at the next AGM.

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

STATEMENT ACCOMPANYING NOTICE OF AGM

1. Directors who are standing for re-election at the Seventh AGM of the Company are:-

   (i) Tan Sri Datuk Asmat Bin Kamaludin; and
   (ii) Goh Tai Wai

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

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COMPUGATES®

COMPUGATES HOLDINGS BERHAD (669287-H)

(Incorporated in Malaysia)

Number of shares held	CDS Account No.

Form of Proxy

I/We ………

of ………

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

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

Or failing him/her, *THE CHAIRMAN OF THE MEETING, as my/our proxy/proxies, to vote for me/us on my/our behalf at the Seventh Annual General Meeting of the Company to be held on Friday, 22 June 2012 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 Tan Sri Datuk Asmat Bin Kamaludin as Director		
3.	Re-election of Goh Tai Wai as Director		
4.	Appointment of Auditors		
5.	Special Business 1 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		
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 ………………………………….. 2012

Notes:

1. For purpose of determining a member who shall be entitled to attend the Annual General Meeting, the Company shall be requesting Bursa Depository, in accordance with Article 78 of the Company's Articles of Association and Section 34(1) of the SICDA, to issue a General Meeting Record of Depositors as at 15 June 2012. Only a depositor whose name appears on the General Meeting Record of Depositors as at 15 June 2012 shall be entitled to attend, speak and vote at the said Meeting or appoint a proxy(ies) on his/her behalf.
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FOLD THIS FLAP FOR SEALING

FOLD HERE

Affix stamp

The Company Secretary

COMPUGATES HOLDINGS BERHAD (669287-H)
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Wilayah Persekutuan

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