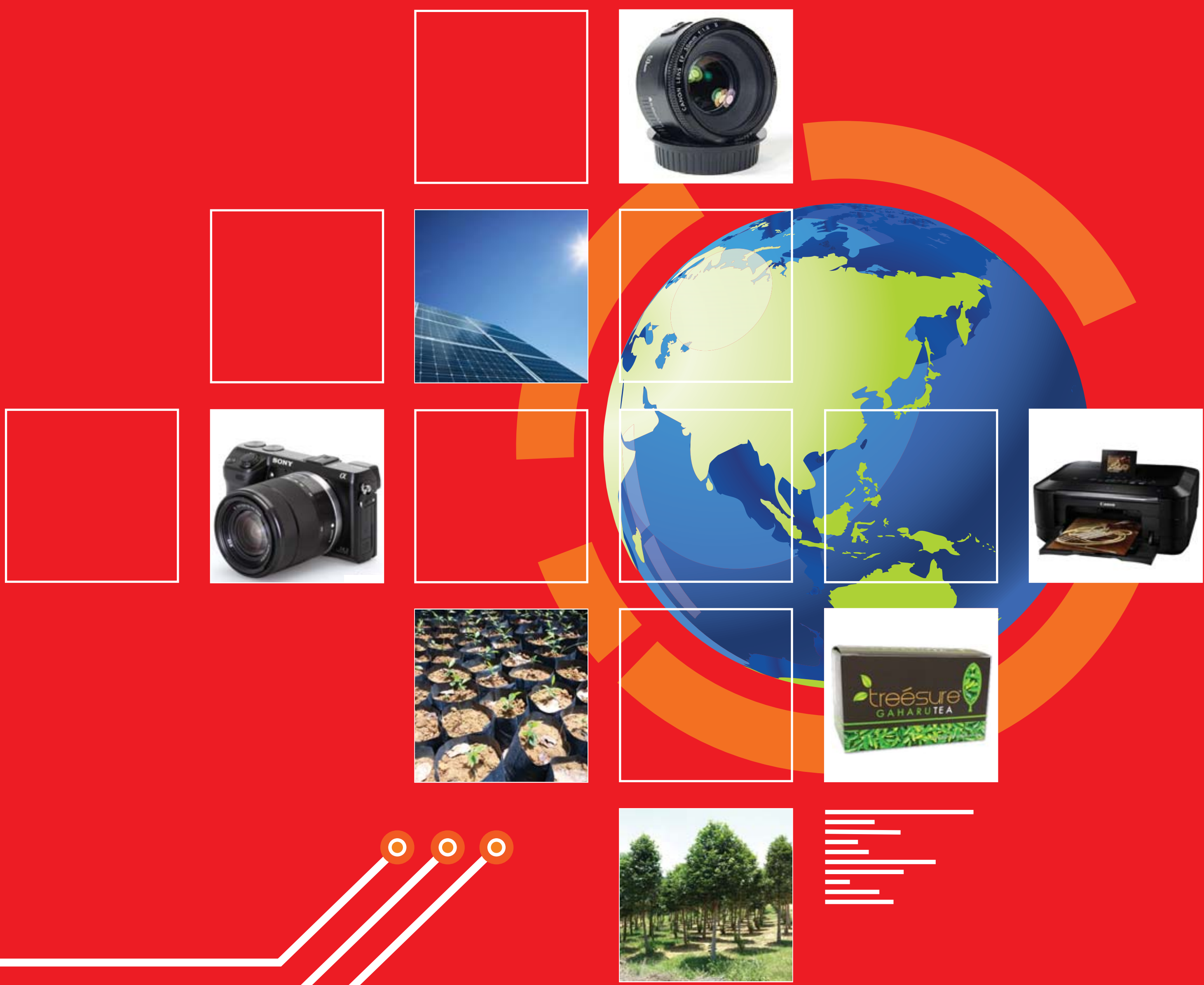
COMPUGATES®

Your Nationwide Distribution Partner



ADDING VALUE TOGETHER

ANNUAL REPORT 2012

COMPUGATES®
Your Nationwide Distribution Partner

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri Datuk Asmat Bin Kamaludin	*Independent Non-Executive Chairman*
Goh Kheng Peow	*Managing Director*
Goh Tai Wai	*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

Unit 621, 6th Floor, Block A,
Kelana Centre Point,
No. 3, Jalan SS7/19,
Kelana Jaya,
47301 Petaling Jaya
Selangor Darul Ehsan
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
Baker Tilly MH Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Wilayah Persekutuan
Tel : 03.2297.1000
Fax : 03.2282.9980

STOCK EXCHANGE LISTING

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

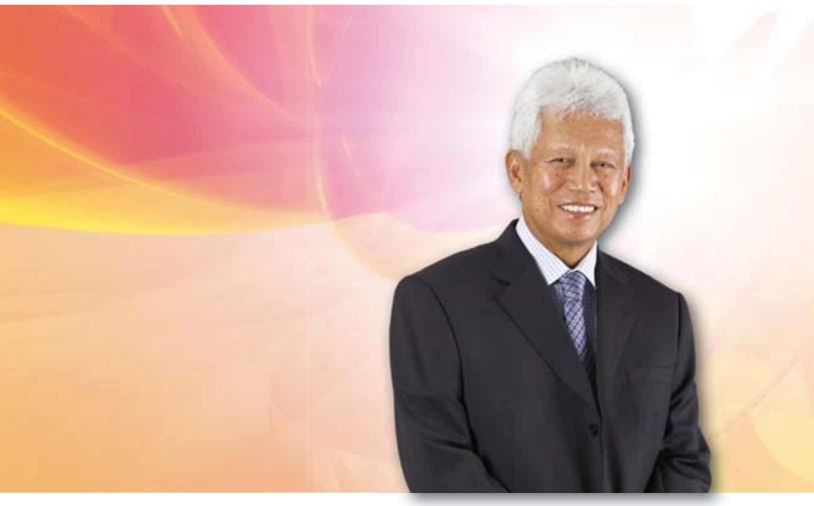
CORPORATE STRUCTURE

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% COMPUGATES MARKETING SDN BHD**
    Trading, marketing & distribution of information technology & communication-based products and gaharu tea
    - **51% CLASSIC DISTRIBUTION SDN BHD**
      Rubber tapping and trading in agricultural products
    - **70% COMPUGATES DEVELOPMENT AND MINING SDN BHD**
      Dormant
    - **51% COMPUGATES SABAH SDN BHD**
      Dealing in solar products and green energy systems
    - **51% COMPUGATES PERAK SDN BHD**
      Dormant
  - **99.9% COMPUGATES (S) PTE LTD**
    Ceased operations
- **100% SELAMA MUDA JAYA SDN BHD**
  Dormant
- **100% COMPUGATES INTERNATIONAL SDN BHD**
  Investment holding and provision of management services
  - **51% COMPUGATES INTERNATIONAL LTD**
    Acting as agents by way of commission for the distribution of telecommunication products and management agent of franchises
    - **80% COMPUGATES INTERNATIONAL LTD (CAMBODIA)**
      Acting as agents by way of commission for distribution of telecommunication products and management agent of franchises
    - **80% COMPUGATES INTERNATIONAL (BD) LTD**
      Investment holding, consultancy and project management services
      - **98% COMPUGATES INTERNATIONAL (BANGLADESH) LTD**
        Exclusive distributor for telecommunication products and services
    - **80% P.T. COMPUGATES INTERNATIONAL (INDONESIA)**
      Trading as main distributor of communication products such as simcards and voucher cards

CHAIRMAN'S STATEMENT



"Adding Value Together"

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 2012.

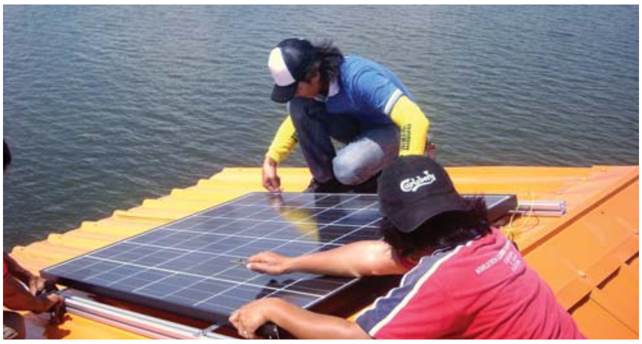
Performance Review

For the financial year ended 2012, the Group registered a revenue of approximately RM524.2 million, with a decrease of 15% or approximately RM93.6 million as compared to the previous financial year of approximately RM617.8 million. The decrease in revenue was mainly due to revenue recognised on net commission basis by Bangladesh subsidiary following the new sales and service agreement entered into by the subsidiary. The loss before taxation of the Group was approximately RM8.1 million for the financial year ended 2012 as compared to the previous financial year of approximately RM23.5 million. 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 previous financial year.

Corporate Development

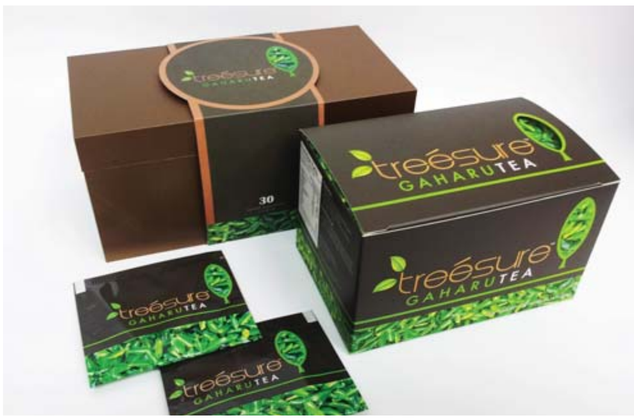
Compugates business strategy leverages its unique ability to bring to its customers and business partners a diverse range of information technology and imaging related products. During the year 2012, to enhance its position as a nationwide distribution partner, the company has expanded aggressively in this direction by securing additional distributorship agreements with Sony (Malaysia) Sdn Bhd to market its imaging products and Brother International (Malaysia) Sdn Bhd to market its IT related products.

Apart from the above, under its diversification plan, Compugates continues to be actively involved in providing green renewable energy solutions to remote villages in the interior regions and islands in the state of Sabah. Amongst some of the projects completed in the year 2012 were the Sabah Park project in Pulau Gulisan, Turtle Island Park, the supply of practical and cost effective green energy solutions to the island homes and jetty in Pulau Berhala and also the pilot project awarded by the JHEANIS Department of Sabah to provide green solar powered energy to 5 mosques in the various districts of Ranau, Tenom and Jambongan.



To date, Compugates Sabah Sdn Bhd ("CSSB") has successfully completed 17 projects and payments worth approximately RM5.08million were collected. CSSB has submitted 41 proposals to the relevant authorities for consideration and approval.

With the cultivation of Agarwood at its plantation in Kuala Kangsar, Compugates, under its marketing arm of CMSB, has forayed into the food and beverages sector by producing its own brand of Treesure Gaharu Tea. For promotions and awareness, the new team has been actively participating in trade missions and fairs to source for channels to distribute and sell Treesure in the local as well as the global market. The market prospects for this sector is promising.



CHAIRMAN'S STATEMENT (cont'd)

In addition to the above, a new Sales and Service Agreement between Compugates International (Bangladesh) Ltd and Robi Axiata Limited (formerly known as TM International (Bangladesh) Limited) was signed on 31 May 2012 for the distribution of Robi Axiata's products and services. Under the new business modality of distribution in this new agreement, the business areas covered are Dhaka Metro and Rural (Outer Dhaka). The Bangladesh currency denomination, Taka (BDT), continues its volatility against the US dollar and hence, the impact will see lower revenue contribution from this subsidiary. In December 2012, the announcement of the strategic merger of Hello Axiata Company Limited ('Hello') and Latelz Company Limited ('Latelz') which operates under the name Smart Mobile brand will create the 2nd largest mobile telecommunication company in Cambodia with five million subscribers. Compugates Cambodia, as one of the distributors will see significant changes in growth. Meanwhile, PT Compugates business model continued with its exclusive distribution in non-traditional channel. The management will continue to look for opportunity to expand and grow the international business unit.

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 of distribution and trading into other sectors such as providing green renewable energy solutions and agricultural related businesses as well as its new foray into the F&B sector.

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

DIRECTORS' PROFILE

TAN SRI DATUK ASMAT BIN KAMALUDIN

(Independent Non-Executive Chairman)

Tan Sri Datuk Asmat Bin Kamaludin, a Malaysian, aged 69, 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), 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. 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 53, 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 thirty (30) 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 40, 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 the Director of Finance 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 twenty (20) years experience ranging from corporate advisory and risk management to financial management and information technology.

DIRECTORS' PROFILE (cont'd)

MOHAMED FAUZI BIN OMAR
(Independent Non-Executive Director)

Mohamed Fauzi Bin Omar, a Malaysian, aged 54, 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 51, 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.

On 19 March 2013, she was appointed as Non-Independent Non-Executive Chairman in Nakamichi Corporation Berhad, a company listed on Main Market of Bursa Malaysia Securities Berhad.

Notes:

1) Family Relationship with Director and/or Substantial Shareholder

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

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

2) Conflict of Interest

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

   Goh Kheng Peow and See Thoo Chan have no direct conflict of interest with the Group other than the recurrent related party transactions of a revenue or trading nature ("RRPTs") which are disclosed in page 84 of this Annual Report.

3) Conviction for Offences

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

4) Attendance of Board Meetings

   Details of the Directors' attendance at Board meetings are set out in the Statement on Corporate Governance in page 9 of this Annual Report.

5) Securities held in the Company and its subsidiaries. Please refer to page 81 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 the Malaysian Code on Corporate Governance ("the Code") and the extent of compliance of the Code during the financial year.

BOARD STRUCTURE, DUTIES & EFFECTIVENESS

Clear Roles & Responsibilities

The Board assumes full responsibility for management oversight, 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 Independent Non-Executive Directors provide a broader view and independent assessment to the Board's decision making process.

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.

The Board has delegated to the Managing Director and his management team the day to day management of the Group. 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.

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 page 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 2012, the Nomination Committee has met once to review the effectiveness of the Board and the contribution of each Director, 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

STATEMENT ON CORPORATE GOVERNANCE
(cont'd)

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

Board Meetings

During the financial year ended 31 December 2012, the Board met five (5) 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	5/5
Goh Kheng Peow	5/5
Goh Tai Wai	5/5
Mohamed Fauzi Bin Omar	5/5
See Thoo Chan	5/5

Access to Information and Advice

All Directors have unrestricted access to all information pertaining to the Group. Notice of meetings, setting out the agenda and accompanied by the relevant Board papers are given to the Directors on a timely manner to enable the Directors to peruse, obtain addition information and/or seek further clarification on the matters to be tabled at a meeting.

The proceedings and resolutions passed at each Board meeting are minuted and kept in the statutory minute book at the registered office of the Company.

In furtherance of their duties, whenever independent professional advice is required by the Directors, external experts may be engaged at the Company's expense. Directors also have direct access to the advice and the services of a qualified and competent Company Secretary of the Group. The Board is advised and updated on the statutory and regulatory requirements pertaining to their duties and responsibilities from time to time.

STRENGTHEN COMPOSITION

Annual Assessment of Directors

The Nomination Committee carries out the evaluation process annually for accessing the effectiveness of the Board as a whole and for accessing the contribution of each individual Director. The Directors complete a questionnaire regarding the effectiveness of the Board and an assessment of their own performance. The assessment and comments by all Directors are summarized and discussed at the Nomination Committee meeting and reported at a Board Meeting.

For the financial year ended 31 December 2012, the Nomination Committee had reviewed the assessment and evaluation results and was satisfied that all the Directors and Board Committees had discharged their responsibilities in a commendable manner and had performed competently and effectively.

STATEMENT ON CORPORATE GOVERNANCE
(cont'd)

STRENGTHEN COMPOSITION (cont'd)

Appointment to the Board and Re-election

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.

The Board currently has one (1) female representation which is below the recommended 30%. The Board aims to appoint additional female representation on the Board as soon as practicable in order to reach at least 30% female representation on the Board.

Remuneration Policies & Procedures

Fair remuneration is critical to attract, retain and motivate directors. The remuneration of Directors shall be the ultimate responsibility of the full Board after considering the recommendation of the Committee. The Executive Directors play no part in determining their own remuneration whilst the Non-Executive Directors abstain from discussion on their own directors' fees.

Details of the remuneration of Directors of the Company during the financial year ended 31 December 2012 are as follow:

Aggregate remuneration

	Executive Directors (RM)	Non-Executive Directors (RM)	Total (RM)
Basic Salary	1,473,000	-	1,473,000
Bonuses	2,736,600	-	2,736,600
Fees	-	324,000	324,000
Attendance fee	-	-	-
Others	631,470	-	631,470
Total	4,841,070	324,000	5,165,070

Number of Directors whose remuneration fall into the following bands

	No. of Executive Directors	No. of Non-Executive Directors
RM 50,000 and below	-	3
RM150,001 to RM200,000	-	1
RM4,500,001 to RM5,000,000	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.

REINFORCE INDEPENDENCE

Assessment of Independent Directors

The Nomination Committee reviews and carries out an evaluation of the performance of the Independent Directors annually and is satisfied that they are able to discharge their responsibilities in an independent manner. The Independent Directors have also declared their independence to the Board at a Board Meeting during the year. None of the current independent board members had served as a director for more than nine (9) years. Should the tenure of an Independent Director exceed nine (9) years, shareholders approval will be sought at a General Meeting or the director concerned will be re-designated as a Non-Independent Director.

STATEMENT ON CORPORATE GOVERNANCE
(cont'd)

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 to 7 of the Annual Report.

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.

FOSTER COMMITMENT

In accordance with the Listing Requirements, each member of the Board must hold not more than five (5) directorships in public listed companies. This ensures that their commitment, resources and time are focused on the affairs of the Group, thereby enabling them to discharge their duties effectively.

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
Enhancing Standards of Disclosure – Bursa Malaysia Berhad
Gaharu 1Malaysia Seminar
"I Start First" Learning and Leadership Training
10th Women's Summit 2012: Break New Ground- Transformation•Synergy•Advancement
Economic Perspectives: Exploring the Australian and Global Economy Beyond 2013
Foreign Currency and Exchange Risks - Managing Business Exposure
Turbulent Times: Key Issues and Risks from a Forensic Accountant's Perspective including Fraud and Corruption, Contractual Disputes and Irregularities
Exploring Uncharted Territory – The DEEPSEA CHALLENGE Project
Your "ERM" Checklist: Getting it Right
Australia's Competitive Future – Securing our Future Prosperity
Wall Street on Trial: The Case of Barclays, Goldman Sachs and other Financial Institutions
Bill Birkett Memorial Lecture: What can Management Accountants Teach Teachers?
On the Couch with Alex Malley - The Oarsome Olympics: A Decade of Success on the Waters
Euro-zone Crisis: What Next for the House of Cards?
Cloud, Virtualisation, BYOD and Your Business
The New Accountant's Licensing Regime
Five Years of Financial Crisis
Export Readiness and Steps to Prepare for Export
Detecting Lies and Deception in the Workplace
The Future of Small Business in Australia
Exposed: Blowing the Whistle on Olympus
Making Money from Property – What to Buy and What to Avoid in the Current Market
Demystifying the Cloud
Overworked and Underloved - A Practical Guide to Life
Leadership Through Turbulent Times: Fostering Successful Business Growth Strategies
The Contiki Story
4th Annual Corporate Governance Summit Kuala Lumpur 2012 - Bringing Asia onto the Board
Leaders Luncheon with YB Dato' Sri Idris Jala - Sustaining Progress in the Face of Economic Uncertainty
Optimising IFRS MFRS Convergence
Financial Institutions Directors' Education Programme (FIDE Training)
38th ASEAN-Japan Business Meeting - Global Challenges : Japan-ASEAN Response

STATEMENT ON CORPORATE GOVERNANCE
(cont'd)

UPHOLD INTEGRITY IN FINANCIAL REPORTING

Financial Reporting

The Board is accountable to ensure that the financial statements are prepared in accordance with the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to present a balanced and fair assessment of the Group's financial position and prospects. Quarterly financial results and annual financial statements are reviewed and deliberated upon by the Audit Committee to ensure the quality of financial reporting before presenting to the Board for its approval. The Audit Committee also reviews the appropriateness of the Company's accounting policies and the changes to these policies.

Relationship with Auditors

Through the Audit Committee, the Group has established a transparent and appropriate relationship with the Group's auditors, in seeking professional advice and ensuring compliance with the applicable accounting standards and statutory requirements in Malaysia. The Audit Committee recommends to the Board on the appointment of the external auditors which is subject to the approval of shareholders in a general meeting whilst their remuneration is determined by the Board.

RECOGNISE AND MANAGE RISK

The Board acknowledges its overall responsibilities for maintaining a sound system of internal control and risk management process to safeguard shareholders' investment and Group's assets. The risk management framework and internal audit functions are disclosed under the Statement on Risk Management & Internal Control on pages 15 to 16 of this Annual Report.

ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

The Board recognises the importance of keeping shareholders and investors informed of the Group's business and corporate development. Towards this end, the Board endeavours to make timely disclosure of circulars, quarterly financial results, press release and various announcements on material corporate proposals to Bursa Securities. Market sensitive information such as financial results and other material information about the Group will not be given to any external parties without first making an official announcement to Bursa Malaysia for public release.

Information on the Group's activities is provided in the Annual Report and Financial Statement which are dispatched to shareholders. The Group also encourages all shareholders and investors to access the Annual Report and announcements online, which are made available at the Bursa Malaysia website as well as on its interactive website at www.compugates.com.my. There is continuous effort to ensure that the information on the website remains current, updated and relevant to investors.

STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

The Annual General Meeting ("AGM") is the principal forum for dialogue with shareholders. The Board therefore, encourages shareholders to attend and participate in the AGM to raise questions pertaining to issues in the Annual Report, corporate developments in the Group, the resolutions being proposed and the business of the Group at the AGM.

Where Extraordinary General Meeting is held to obtain shareholders' approval on business or corporate proposals, comprehensive circulars to shareholders are sent within prescribed notice period in accordance with the regulatory and statutory provisions. When possible, the Group takes steps to serve notices for its general meetings earlier than the minimum notice period to encourage shareholders participation at its AGM.

STATEMENT ON COMPLIANCE WITH BEST PRACTICES OF THE CODE

The Group has complied with the best practices of the code throughout the financial year ended 31 December 2012.

This statement was approved by the Board of Directors on 26 April 2013.

AUDIT COMMITTEE REPORT

The Board is pleased to present the Audit Committee Report for the financial year ended 31 December 2012.

1. **Composition of Audit Committee and Meetings**

The Audit Committee (AC) met five (5) times during the financial year ended 31 December 2012. 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)*	5/5
Mohamed Fauzi bin Omar *(Independent Non-Executive Director)*	5/5

The external auditors attended three (3) AC meetings in 2012 to present the auditors' report on the annual audited financial statements for 2011. 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.

AUDIT COMMITTEE REPORT (cont'd)

2. Terms of Reference (cont'd)

(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 2012 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 2012.

(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 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 2012 amounted to RM30,600.

Further details of the internal audit function are set out in the Statement on Risk Management and Internal Control on pages 15 to 16 of the Annual Report.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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 Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("the Guidelines"), the Board of Directors of Compugates Holdings Berhad ("Board") is pleased to include a statement on the state of the Group's system of risk management and internal control in this annual report.

BOARD'S RESPONSIBILITIES

The Board recognizes the importance of good risk management practices and sound internal controls as a platform to good corporate governance. The Board acknowledges its responsibility in maintaining a sound system of risk management and internal control to safeguard shareholders' investments and the Group's assets. However, the Group has yet to set up the risk management framework nor any risk management policy as at the date of this report. So far management has only assess the broad business and operational risk affecting the core trading and service segment only at the regular management meetings. There was no overall assessment of the strategic risk, market risk and so on for the Group. On a positive note, the Board has instructed management to provide the overall risk management framework and risk management policy with emphasis on the agriculture and energy segment. Nonetheless, the Board has received assurance from the Managing Director ("MD") and Chief Financial Officer that the Group's limited risk management and the internal control system are operating adequately and effectively, in all material aspects. However, as there are inherent limitations in any risk management and internal control system, such systems put into effect by Management is only to reduce but not eliminate all risks that may impede the achievement of the Group's business objectives. Therefore, the risk management and internal control system can only provide reasonable and not absolute assurance against material misstatement or loss.

KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

Key elements of the Group's risk management and internal control system that have been established to facilitate the proper conduct of the Group's businesses are described below:

1. **RISK MANAGEMENT FRAMEWORK**

   The Board has been assured by the Managing Director to establish the Group's risk management framework and key management staff and Heads of Department would be delegated with the responsibility to manage identified risks within defined parameters and standards.

   Although monthly Management Meetings are held but there was no specific agenda to identify and discuss key risks and the appropriate mitigating control but instead some broad business and operational risks affecting the core trading and service segment were discussed. Significant risks affecting the Group's strategic and business plans are to be established so that they can be escalated to the Board at their scheduled meetings. Once the risk management practices of the Group are established, they would be used to serve on an on-going basis to identify, evaluate and manage significant risks.

2. **INTERNAL CONTROL SYSTEM**

   - Organisation Structure & Authorisation Procedures

     The Group maintains a formal organizational 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 being carried out to measure the actual performance against budget to identify significant variances and devise remedial action plans.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (cont'd)

2. INTERNAL CONTROL SYSTEM (cont'd)

- Group Policies and Procedures

  Policies and procedures will be documented for regular review and update so as to ensure that they are effective and will continue to support the Group's business activities at all times as the Group continues to grow.

- Human Resource Policy

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

- Information and Communication

  Information critical to the achievement of the Group's business objectives are 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.

- 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.

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 2012, 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.

CONCLUSION

The Board is of the view that the Group's system of internal control 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 control and risk management practices once established 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 control and risk management framework once it is established.

This statement was approved by the Board of Directors on 26 April 2013.

STATEMENT ON DIRECTORS' RESPONSIBILITIES

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

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

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

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Financial Statements Contents

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for financial year ended 31st December 2012.

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	(9,315)	(633)
Attributable to:		
Owners of the Company	(7,734)	(633)
Non-controlling interests	(1,581)	-
	(9,315)	(633)

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 2012.

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.

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 in Malaysia, 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 2012 are as follows:-

	Number of ordinary shares of RM0.10/- each			
	At 1.1.2012	**Bought**	**Sold**	**At 31.12.2012**
Direct interest				
Goh Kheng Peow	480,332,810	51,200,000	-	531,532,810
See Thoo Chan	82,225,000	3,530,000	-	85,755,000
Deemed interest				
Tan Sri Datuk Asmat Bin Kamaludin *	30,000	-		30,000
Goh Kheng Peow *	82,933,000	3,530,000	-	86,463,000
See Thoo Chan *	481,040,810	51,200,000	-	532,240,810

* 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: 26th April 2013

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 25 to 77 are properly drawn up in accordance with the Financial Reporting Standards and the requirements of 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 2012 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 77 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: 26th April 2013

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 25 to 77 and the supplementary information set out on page 77 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.

SUBSCRIBED and)
SOLEMNLY DECLARED)
By Fong Yin Sien)
This 26th day of April 2013)

....
FONG YIN SIEN

Before me,

....
Paul Lee
Lawyer & Notary
34 Macmahon Street
Hurstville N.S.W.
Notary Public
Sydney, Australia

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 2012 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 25 to 77.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with the Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal controls as the directors determine are 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 give a true and fair view of the financial position of the Group and of the Company as at 31st December 2012 and of their financial performance and cash flows for the financial year then ended in accordance with the Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

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

(a) In our opinion, the accounting and other records and the registers required by the Companies Act, 1965 in Malaysia to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the 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 financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

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

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

Other Reporting Responsibilities

The supplementary information set out in page 77 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

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

Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants

M.J. Monteiro
No. 828/05/14(J/PH)
Partner

Kuala Lumpur

Date: 26th April 2013

STATEMENTS OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2012

		GROUP		COMPANY	
		2012	2011	2012	2011
	NOTE	RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	16,098	16,418	103	137
Investment property	5	5,654	5,718	-	-
Plantation expenditure	6	1,217	1,175	-	-
Investment in subsidiaries	7	-	-	38,323	38,323
Other investments	8	3,915	8,518	3,915	8,518
Goodwill on consolidation	9	23,991	23,991	-	-
Deferred tax asset	10	5	8	-	-
		50,880	55,828	42,341	46,978
Current assets					
Inventories	11	16,746	17,775	-	-
Trade receivables	12	16,355	16,428	-	-
Other receivables, deposits and prepayments	13	3,898	3,379	69	93
Amount owing by subsidiaries	14	-	-	7,104	484
Tax refundable		1,367	885	321	340
Short-term deposits with licensed banks	15	4,725	4,047	-	-
Fixed deposits with licensed banks	16	8,432	8,194	-	-
Cash and bank balances		6,174	5,259	67	67
		57,697	55,967	7,561	984
TOTAL ASSETS		108,577	111,795	49,902	47,962

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

STATEMENTS OF FINANCIAL POSITION (cont'd)

AS AT 31ST DECEMBER 2012

	NOTE	GROUP 2012 RM'000	GROUP 2011 RM'000	COMPANY 2012 RM'000	COMPANY 2011 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	(54)	(228)	-	-
Other reserves		(2,100)	(2,100)	-	-
Accumulated losses		(152,078)	(144,344)	(167,123)	(166,490)
Shareholders' funds		60,080	67,640	46,306	46,939
Non-controlling interests		(2,583)	(1,108)	-	-
Total equity		57,497	66,532	46,306	46,939
Non-current liabilities					
Deferred tax liabilities	20	583	596	-	-
		583	596	-	-
Current liabilities					
Trade payables	21	17,912	21,490	-	-
Other payables, deposits and accruals	22	16,805	12,334	124	164
Amount owing to shareholders of subsidiaries	23	419	4,905	-	-
Amount owing to a subsidiary	14	-	-	3,472	859
Bankers' acceptances	24	14,400	5,359	-	-
Tax payable		961	579	-	-
		50,497	44,667	3,596	1,023
Total liabilities		51,080	45,263	3,596	1,023
TOTAL EQUITY AND LIABILITIES		108,577	111,795	49,902	47,962

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

STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	NOTE	GROUP 2012 RM'000	GROUP 2011 RM'000	COMPANY 2012 RM'000	COMPANY 2011 RM'000
Revenue	25	524,211	617,773	1,260	1,330
Cost of sales		(515,915)	(612,431)	-	-
GROSS PROFIT		8,296	5,342	1,260	1,330
Other operating income		9,755	11,538	244	35
Administrative expenses		(21,621)	(22,130)	(543)	(806)
Sales and marketing expenses		(1,425)	(1,376)	-	-
Other operating expenses		(2,617)	(4,419)	(1,378)	(2,838)
Finance costs	26	(531)	(410)	-	-
OPERATING LOSS	27	(8,143)	(11,455)	(417)	(2,279)
Impairment loss on goodwill on consolidation		-	(12,000)	-	-
LOSS BEFORE TAXATION		(8,143)	(23,455)	(417)	(2,279)
Taxation	28	(1,172)	(1,023)	(216)	(237)
LOSS FOR THE FINANCIAL YEAR		(9,315)	(24,478)	(633)	(2,516)
Other comprehensive income					
Foreign currency translation reserve		76	(24)	-	-
		76	(24)	-	-
TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL YEAR		(9,239)	(24,502)	(633)	(2,516)
Loss attributable to:					
Owners of the Company		(7,734)	(22,055)	(633)	(2,516)
Non-controlling interests		(1,581)	(2,423)	-	-
		(9,315)	(24,478)	(633)	(2,516)
Total comprehensive loss attributable to:					
Owners of the Company		(7,707)	(22,082)	(633)	(2,516)
Non-controlling interests		(1,532)	(2,420)	-	-
		(9,239)	(24,502)	(633)	(2,516)
Loss per ordinary share (sen)	29				
- Basic		(0.36)	(1.03)		
- Diluted		N/A	N/A		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Attributable to Owners of the Company						
	Non-Distributable				Distributable		
Group	Share Capital RM'000	Revaluation Reserve RM'000	Other Reserves RM'000	Foreign Currency Reserve RM'000	Accumulated Losses RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
At 1st January 2011	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
Total comprehensive loss for the financial year	-	-	-	27	(7,734)	(1,532)	(9,239)
Subscription of share in a subsidiary	-	-	-	147	-	57	204
At 31st December 2012	213,429	883	(2,100)	(54)	(152,078)	(2,583)	57,497

	Non-Distributable	Distributable	
Company	Share Capital RM'000	Accumulated Losses RM'000	Total Equity RM'000
At 1st January 2011	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
Total comprehensive loss for the financial year	-	(633)	(633)
At 31st December 2012	213,429	(167,123)	46,306

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2012

	GROUP		COMPANY	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES:				
Loss before taxation	(8,143)	(23,455)	(417)	(2,279)
Adjustments for:				
Bad debts written off	-	2		-
Dividend income	-	-	(1,260)	(1,330)
Depreciation:-				
- property, plant and equipment	762	830	34	34
- investment property	64	62	-	-
Equipment written off	8	7	-	-
Gain on disposal of equipment	(3)	(4)	-	-
(Gain)/Loss on disposal of available-for-sale investments	(200)	230	(200)	230
Impairment loss on trade receivables	443	679	-	-
Impairment loss on inventories	75	44	-	-
Impairment loss on goodwill on consolidation	-	12,000	-	-
Impairment loss on available-for-sale investments	1,343	2,574	1,343	2,574
Inventories written off	4	-	-	-
Interest expenses	531	410	-	-
Interest income	(357)	(359)	(44)	(35)
Unrealised loss on foreign exchange	1	-	-	-
Write-back of impairment loss on inventories	(93)	(383)	-	-
Write-back of impairment loss on trade receivables	(523)	(468)	-	-
Write-back of impairment loss on other receivables	-	(275)	-	-
Operating Loss Before Working Capital Changes	(6,088)	(8,106)	(544)	(806)
Changes In Working Capital:				
Receivables	(367)	2,300	24	(31)
Inventories	1,043	1,717	-	-
Payables	893	9,759	(40)	40
	(4,519)	5,670	(560)	(797)
Interest paid	(531)	(410)	-	-
Tax (paid)/refund	(1,282)	(808)	118	-
Net Operating Cash Flows	(6,332)	4,452	(442)	(797)

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

STATEMENTS OF CASH FLOWS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2012

	GROUP		COMPANY	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES:				
Effect of changes of stakes in subsidiary	-	(2,100)	-	-
Purchase of property, plant and equipment	(483)	(589)	-	-
Increase in plantation expenditure	(42)	(45)	-	-
Fixed deposit held as security value	(238)	(213)	-	-
Purchase of available-for-sale investments	-	(2,080)	-	(2,080)
Proceeds from disposal of property, plant and equipment	30	23	-	-
Proceeds from disposal of available--for-sale investments	3,460	592	3,460	592
Interest received	357	359	44	35
Dividends received	-	-	998	998
Net Investing Cash Flows	3,084	(4,053)	4,449	(455)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from issuance of shares to minority shareholders	204	-	-	-
Increase/(decrease) in bankers' acceptances	9,041	(989)	-	-
Repayment to shareholders of subsidiaries	(4,486)	(979)	-	-
(Repayment to)/Advances from subsidiaries	-	-	(4,007)	1,254
Net Financing Cash Flows	4,759	(1,968)	(4,007)	1,254
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,511	(1,569)	-	2
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	9,306	10,862	67	65
Effect of foreign exchange rate changes on cash and cash equivalents	82	13	-	-
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	10,899	9,306	67	67
Cash and cash equivalents comprise of the following:-				
Cash and bank balances	6,174	5,259	67	67
Deposits placed with licensed banks	13,157	12,241	-	-
	19,331	17,500	67	67
Less: Fixed deposits pledged with licensed banks	(8,432)	(8,194)	-	-
	10,899	9,306	67	67

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

NOTES TO THE FINANCIAL STATEMENTS

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 Unit 621, 6th Floor, Block A, Kelana Centre Point, No. 3, Jalan SS7/19, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan.

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 26th April 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Group and of the Company have been prepared in accordance with the Financial Reporting Standards ("FRSs") and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements of the Group and of the Company have been prepared under the historical cost basis, except as disclosed in the significant accounting policies in Note 2.3.

The preparation of financial statements in conformity with FRSs 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 Directors to exercise their judgment in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ.

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

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 FRS, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int

The Group and the Company had adopted the following revised FRS, 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 124	Related Party Disclosures

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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 FRS, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int (Continued)

Amendments/Improvements to FRSs

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 7	Financial Instruments: Disclosures
FRS 112	Income Taxes

New IC Int

IC Int 19	Extinguishing Financial Liabilities with Equity Instruments

Amendments to IC Int

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

The adoption of the above revised FRS, amendments/improvements to FRSs, new IC Int and amendments to IC Int do not have any effect on the financial statements of the Group and of the Company except for those as discussed below:-

Revised FRS 124 Related Party Disclosures

The revised FRS 124 simplifies and clarifies the definition of related party and eliminates inconsistencies from the definition. The Revised FRS 124 expands the definition of a related party and would treat two entities as related to each other whenever a person (or a close member of that person's family) or a third party has control or joint control over the entity, or has significant influence over the entity. The revised standard also introduced a partial exemption from disclosures for government-related entities. Prior to this, no disclosure of transactions is required in financial statements of state-controlled entities of transactions with other state-controlled entities. The additional disclosures are intended to draw attention to users that such related party transactions have occurred and to give an indication of their extent. It requires disclosure of related party transactions between government-related entities only if the transactions are individually or collectively significant.

The Group and the Company have adopted the revised FRS124 retrospectively. As this is a disclosure standard, the standard has no impact on the financial position and performance of the Group and the Company.

Amendments to FRS 7 Financial Instruments: Disclosures

These amendments to FRS 7 requires disclosures for all transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset, existing at the reporting date, irrespective of when the related transfer transaction occurred. The additional disclosures will help users of financial statements to evaluate the risk of exposures relating to transfer of financial assets and the effect of those risks on an entity's financial position.

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).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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 FRS, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int (Continued)

IC Int 19 Extinguishing Financial Liabilities with Equity Instruments

This Interpretation addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability. It does not address the accounting by the creditor.

IC Int 19 will standardise practice among debtors applying FRSs to a debt for equity swap. This interpretation clarifies that the equity instruments issued shall be measured at their fair value. If the fair value cannot be reliably measured, the equity instruments shall be measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability (or part of a financial liability) extinguished, and the consideration paid, shall be recognised in profit or loss. When only part of the financial liability is extinguished and if part of the consideration paid does relate to a modification of the terms of the remaining part of the liability, the entity shall allocate the consideration paid between the part of the liability extinguished and the part of the liability that remains outstanding. A substantial modification of the terms of an existing financial liability or a part of it shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Amendments to IC Int 14 FRS119-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The amendments to IC Int 14 apply in the limited circumstances when an entity is subject to minimum funding requirement and makes an early payment of contributions to cover those requirements. The amendments permit the entity to treat the benefit of such early payment as an asset.

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

The Group and the Company have not adopted the following new and revised FRSs, amendments/improvements to FRSs, new 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
<u>New FRSs</u>		
FRS 9	Financial Instruments	1 January 2015
FRS 10	Consolidated Financial Statements	1 January 2013
FRS 11	Joint Arrangements	1 January 2013
FRS 12	Disclosure of Interests in Other Entities	1 January 2013
FRS 13	Fair Value Measurement	1 January 2013
<u>Revised FRSs</u>		
FRS 119	Employee Benefits	1 January 2013
FRS 127	Separate Financial Statements	1 January 2013
FRS 128	Investments in Associates and Joint Ventures	1 January 2013

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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, but not yet effective and have not been early adopted (Continued)

		Effective for financial periods beginning on or after
Amendments/Improvements to FRSs		
FRS 1	First-time Adoption of Financial Reporting Standards	1 January 2013
FRS 7	Financial Instruments: Disclosures	1 January 2013
FRS 10	Consolidated Financial Statements	1 January 2013 and 1 January 2014
FRS 11	Joint Arrangements	1 January 2013
FRS 12	Disclosure of Interests in Other Entities	1 January 2013 and 1 January 2014
FRS 101	Presentation of Financial Statements	1 July 2012 and 1 January 2013
FRS 116	Property, Plant and Equipment	1 January 2013
FRS 127	Separate Financial Statements	1 January 2014
FRS 132	Financial Instruments: Presentation	1 January 2013
FRS 134	Interim Financial Reporting	1 January 2013
New IC Int		
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to IC Int		
IC Int 2	Members' Shares in Co-operative Entities & Similar Instruments	1 January 2013

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.

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 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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, but not yet effective and have not been early adopted (Continued)

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 FRS 127 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 IC Int 12 Consolidation-Special Purpose Entities, 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 12 Disclosures of Interests in Other Entities

FRS 12 is a single disclosure standard for interests in subsidiary companies, joint ventures, associated companies 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.

FRS 13 Fair Value Measurements

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.

(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 1 January 2012, the MASB had on 19 November 2011 issue a new MASB approved accounting standards, MFRSs ("MFRSs Framework") for application in the annual periods beginning on or after 1 January 2012.

The MFRSs Framework is mandatory for adoption by all Entities Other Than Private Entities for annual periods beginning on or after 1 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 to financial periods beginning on or after 1 January 2014. 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 1 January 2012.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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)

Accordingly, the Group and the Company which are Transitioning Entities have chosen to defer the adoption of the MFRSs framework to financial year beginning on 1 January 2014. The Group and the Company will prepare their first MFRSs financial statements using the MFRSs framework for the financial year ending 31 December 2014.

As at 31 December 2012, 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.

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 1 January 2014 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 that 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 standard.

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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(a) Basis of Consolidation and Subsidiaries (Continued)

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.

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 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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(l).

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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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(l). 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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 property comprising certain leasehold land is property held for long-term rental yields or for capital appreciation or both, and is 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(f) Investment property (Continued)

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.

(g) Inventories

Inventories comprise goods held for trading and are stated at the lower of cost or 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) 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.

(j) 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(j) 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.

(k) 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(k) Financial Assets (Continued)

(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.

(l) 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(l) Impairment of Assets (Continued)

(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.

(m) 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(m) Financial Liabilities (Continued)

(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.

(n) 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.

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.

(o) 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(o) Revenue Recognition (Continued)

(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) Commission income

When the Group acts in the capacity of an agent in a transaction, the revenue recognised is the net amount of commission made by the Group.

(iv) Interest income

Interest income is recognised on an accrual basis.

(v) Rental income

Rental income is recognised on an accrual basis.

(vi) Dividend income

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

(p) 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(q) 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.

(r) 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.

(s) 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.

(t) 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.

(i) Critical judgements made in applying the Group's accounting policies

(a) Revenue recognition

During the financial year, the Group entered into a new agreement with TM International (Bangladesh) Limited (now known as Robi Axiata Limited) ("Robi"). The Group acts as an agent related to the commission arising from sales of products. The management considered the following factors in distinguishing between an agent and a principal:-

- The Group cannot vary the selling prices set by Robi;
- The Group has no exposure to the significant risk and rewards associated with the sales;
- The Group earned a pre-determined fixed commission or stated percentage of the selling price.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(ii) Key sources of estimation uncertainty

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 2012 were RM16,098,000/- and RM103,000/- respectively (2011: RM16,418,000/- and RM137,000/- 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) Impairment of 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.

(d) 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.

(e) 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.

(f) 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. The Group makes an estimation of 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

4. PROPERTY, PLANT AND EQUIPMENT

Group **2012**	**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**	**Site Cabin and Tools RM'000**	**Signboard RM'000**	**Total RM'000**
Cost and valuation									
At 1st January 2012	2,474	5,521	8,076	2,087	1,276	1,170	105	61	20,770
Additions	-	-	-	142	272	60	9	-	483
Disposals	-	-	-	(34)	(53)	-	-	-	(87)
Write off	-	-	-	(33)	-	(156)	(48)	(1)	(238)
Currency translation differences	-	-	-	(3)	(1)	(2)	-	-	(6)
At 31st December 2012	2,474	5,521	8,076	2,159	1,494	1,072	66	60	20,922
Accumulated Depreciation and Impairment Losses									
At 1st January 2012	-	168	911	1,707	485	975	46	60	4,352
Depreciation for the financial year	-	60	172	167	245	89	28	1	762
Disposal	-	-	-	(30)	(30)	-	-	-	(60)
Write off	-	-	-	(27)	-	(154)	(48)	(1)	(230)
At 31st December 2012	-	228	1,083	1,817	700	910	26	60	4,824
Net Book Value as at 31st December 2012	2,474	5,293	6,993	342	794	162	40	-	16,098
Representing:									
At cost	-	5,293	-	342	794	162	40	-	6,631
At valuation	2,474	-	6,993	-	-	-	-	-	9,467
	2,474	5,293	6,993	342	794	162	40	-	16,098
2011									
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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

4. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company	**Motor Vehicles**
2012	**RM'000**
Cost	
At 1st January 2012	174
Additions	-
Disposals	-
At 31st December 2012	174
Accumulated Depreciation	
At 1st January 2012	37
Depreciation for the financial year	34
Disposals	-
At 31st December 2012	71
Net Book Value at	
31st December 2012	103
2011	
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

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 2012 would as follows:-

	Group	
	2012	**2011**
	RM'000	**RM'000**
Freehold land	692	692
Buildings	2,484	2,538
	3,176	3,230

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

5. INVESTMENT PROPERTY

	Group 2012 RM'000	Group 2011 RM'000
Leasehold land and building, at cost:-		
At 1st January	5,898	5,898
- Addition during the financial year	-	-
At 31st December	5,898	5,898
Accumulated depreciation:-		
At 1st January	180	118
- Depreciation for the financial year	64	62
At 31st December	244	180
	5,654	5,718

The directors estimated the fair value of the investment property based on comparable market values of similar properties to be approximately RM100 million.

6. PLANTATION EXPENDITURE

	Group 2012 RM'000	Group 2011 RM'000
At 1st January	1,175	1,130
Addition during the financial year	42	45
At 31st December	1,217	1,175

7. INVESTMENT IN SUBSIDIARIES

	Company 2012 RM'000	Company 2011 RM'000
Unquoted shares - at cost	178,100	178,100
Less: accumulated impairment	(139,777)	(139,777)
	38,323	38,323

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

7. INVESTMENT IN SUBSIDIARIES (Continued)

The following information relates to the subsidiaries:-

Name of Company	Country of Incorporation	Equity Interest 2012 %	Equity Interest 2011 %	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	70	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	Distribution of telecommunication products and management agent of franchises.
Subsidiaries of Compugates International Limited				
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	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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

7. INVESTMENT IN SUBSIDIARIES (Continued)

The following information relates to the subsidiaries:-

Name of Company	Country of Incorporation	Equity Interest 2012 %	Equity Interest 2011 %	Principal Activities
Subsidiaries of Compugates International (BD) Limited				
Compugates International (Bangladesh) Limited ("CIBL")*	Bangladesh	98	98	Telecommunication products and services.

* Subsidiaries not audited by Messrs Baker Tilly Monteiro Heng.

\+ The independent auditor's report of the subsidiary included an emphasis of matters on non-provision of liabilities for employees' benefits in accordance with Labor Law No. 13/2003 in Indonesia.

8. OTHER INVESTMENTS

	Group and Company 2012 RM	Group and Company 2011 RM
Available-for-sale financial assets		
- Equity instruments (quoted in Malaysia)		
At 1st January (at fair value)	8,518	9,834
Additions during the financial year	-	2,080
Impairment loss on available-for-sale investments	(1,343)	(2,574)
Disposal	(3,260)	(822)
At 31st December	3,915	8,518

9. GOODWILL ON CONSOLIDATION

	Group 2012 RM'000	Group 2011 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	(105,461)	(93,461)
Impairment during the financial year	-	(12,000)
At 31st December	(105,461)	(105,461)
	23,991	23,991

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

9. GOODWILL ON CONSOLIDATION (Continued)

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

	Group	
	2012 RM'000	2011 RM'000
Trading	10,224	10,224
Plantation	13,767	13,767
	23,991	23,991

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

	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 years projected cash flow is 1.9%.	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 average budgeted gross margin over the 5 years projected cash flows is 20%
(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 assessment 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	
	2012 RM'000	2011 RM'000
At 1st January	8	6
Recognised in profit or loss (Note 28)	(3)	2
At 31st December	5	8

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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

11. INVENTORIES

	Group 2012 RM'000	Group 2011 RM'000
Inventories held for trading	16,902	17,949
Allowance for inventory obsolescence		
At 1st January	(174)	(513)
Addition during the financial year	(75)	(44)
Write-back during the financial year	93	383
At 31st December	(156)	(174)
	16,746	17,775
Inventories held for trading:-		
- at cost	16,746	17,775

12. TRADE RECEIVABLES

	Group 2012 RM'000	Group 2011 RM'000
Trade receivables	17,342	17,558
Impairment loss on receivables		
At 1st January	(1,130)	(919)
Addition during the financial year	(443)	(679)
Write-back during the financial year	523	468
Write-off during the financial year	63	-
At 31st December	(987)	(1,130)
	16,355	16,428

The Group's normal trade credit terms range from 1 to 60 days (2011: 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

12. TRADE RECEIVABLES (Continued)

Ageing analysis of trade receivables

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

	Group 2012 RM'000	Group 2011 RM'000
Neither past due nor impaired	13,542	15,373
Past due not impaired:-		
- less than 3 months	1,468	620
- 3 to 6 months	1,267	35
- over 6 months	78	400
	2,813	1,055
Impaired	987	1,130
	17,342	17,558

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 RM2,813,000/- (2011:RM1,055,000/-) 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

	GROUP		COMPANY	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Other receivables	3,168	2,845	4	4
Less: Impairment loss on receivables	(2,000)	(2,000)	-	-
	1,168	845	4	4
Deposits	1,054	1,384	54	54
Prepayments	1,676	1,150	11	35
	3,898	3,379	69	93

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

14. AMOUNT OWING BY/(TO) SUBSIDIARIES

	Company	
	2012	2011
	RM'000	RM'000
Amount owing by subsidiaries:-		
Interest bearing	395	379
Non-interest bearing	6,709	105
	7,104	484
Amount owing to subsidiaries:-		
Non-interest bearing	3,472	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 RM395,000/- (2011: RM379,000/-) which bears interest at a rate of 8.89% (2011: 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% (2011: 1.76%) per annum. The short-term deposits have a maturity period of 4 days (2011: 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 3.08% (2011: 2.86%) per annum. The fixed deposits have maturity periods ranging from 1 month to 12 months (2011: 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 RM8,432,000/- (2011: RM8,194,000/-) 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			
	2012	2011	2012	2011
	Unit '000	Unit '000	RM'000	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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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	
	2012 RM'000	2011 RM'000
At 1st January	596	609
Recognised in profit or loss (Note 28)	(13)	(13)
At 31st December	583	596

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 (2011: 60 days).

22. OTHER PAYABLES, DEPOSITS AND ACCRUALS

	GROUP		COMPANY	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Other payables	2,656	1,672	2	-
Deposits	89	106	-	-
Accruals	2,792	2,673	122	164
Staff incentives	11,268	7,883	-	-
	16,805	12,334	124	164

Included in the other payables and accruals of the Group at the end of the reporting period was an amount of approximately RM745,000/- (2011: RM263,000/-) owing to related party. The amount owing is interest-free, unsecured and repayable on demand.

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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

24. BANKERS' ACCEPTANCES

The bankers' acceptances of the Group at the end of the financial year bore a weighted average effective interest rate of 4.62% (2011: 3.21%) 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

	GROUP		COMPANY	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Trading, services and commission	524,211	617,773	-	-
Dividend income	-	-	1,260	1,330
	524,211	617,773	1,260	1,330

26. FINANCE COSTS

	GROUP		COMPANY	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Interest expenses				
- bankers' acceptances	(472)	(372)	-	-
- others	(59)	(38)	-	-
	(531)	(410)	-	-

27. OPERATING LOSS

	GROUP		COMPANY	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Operating loss has been arrived at after charging:-				
Audit fee:-				
- Current year	103	95	32	32
Bad debts written off	-	2	-	-
Depreciation charges:-				
- property, plant and equipment	762	830	34	34
- investment property	64	62		-
Directors' fee	361	384	324	324
Directors' remunerations	4,210	4,924	-	-
Directors' employee provident fund	631	628	-	-
Equipment written off	8	7	-	-
Impairment loss on available-for-sale investments	1,343	2,574	1,343	2,574
Impairment loss on inventories	75	44	-	-
Impairment loss on trade receivables	443	679	-	-
Impairment loss on goodwill on consolidation	-	12,000	-	-
Inventories written off	4	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

27. OPERATING LOSS (Continued)

	GROUP		COMPANY	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Loss on disposal of available-for-sale investments	-	230	-	230
Loss on foreign exchange:-				
- realised	175	-	-	-
- unrealised	1	-	-	-
Rental of office	749	832	-	-
Rental of warehouse:-				
- current year	91	88	-	-
- overprovision in prior year	-	(280)	-	-
Staff costs:-				
- salaries, wages, bonuses and allowances	8,097	7,922	-	-
- employee provident fund	794	982	-	-
- other staff related cost	447	763	-	-
And crediting:-				
Dividend income	-	-	(1,260)	(1,330)
Interest income	(357)	(359)	(44)	(35)
Gain on disposal of available-for-sale investments	(200)	-	(200)	-
Gain on disposal of equipment	(3)	(4)	-	-
Rental income	(467)	(309)	-	-
Sales incentive	(7,645)	(9,139)	-	-
Write-back of impairment loss on trade receivables	(523)	(468)	-	-
Write-back of impairment loss on other receivables	-	(275)	-	-
Write-back of impairment loss on inventories	(93)	(383)	-	-

28. TAXATION

	GROUP		COMPANY	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Malaysian taxation based on the results for the financial year				
Income tax				
- current financial year	1,676	1,199	216	235
- (over)/underaccrual in prior years	(494)	(161)	-	2
	1,182	1,038	216	237
Deferred tax asset (Note 10)				
- current financial year	3	(2)	-	-
Deferred tax liabilities (Note 20)				
- current financial year	(13)	(13)	-	-
	1,172	1,023	216	237

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

28. TAXATION (Continued)

A reconciliation of income tax expense applicable to loss 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:

	GROUP		COMPANY	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Loss before taxation	(8,143)	(23,455)	(417)	(2,279)
Taxation at applicable tax rate of 25%	(2,036)	(5,864)	(104)	(570)
Tax effects arising from				
- non-deductible expenses	3,272	6,763	378	818
- non-taxable income	(4)	(180)	(58)	(13)
- crystallisation of deferred tax liabilities	(13)	(13)	-	-
- (over)/underaccrual in prior years	(494)	(161)	-	2
- deferred tax assets not recognised in the financial statements	447	478	-	-
Tax expense for the financial year	1,172	1,023	216	237

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

	GROUP		COMPANY	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Deductible temporary differences	1,870	1,548	-	-
Unutilised tax losses	5,668	4,202	-	-
	7,538	5,750	-	-
Potential deferred tax assets not recognised at 25%	1,885	1,438	-	-

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 RM7,734,000/- (2011: RM22,055,000/-) and on the number of ordinary shares in issue during the financial year of 2,134,289,020/- (2011: 2,134,289,020/-).

Diluted loss per share

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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30. CONTINGENT LIABILITIES

The contingent liabilities are as follows:-

	THE GROUP		THE COMPANY	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 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	598	317	-	-
	598	317	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	
	2012 RM	2011 RM
Bangladesh Taka	0.0391	0.0412
Singapore Dollar	2.4432	2.4158
United States Dollar	2.9907	3.1284
Indonesian Rupiah	0.0003	0.0004

32. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR

(a) **Distributorship Agreement**

On 9th September 2008, Compugates International (BD) Ltd ("CIBL"), a subsidiary of Compugates Holdings Berhad entered into a distributorship agreement (the "Agreement") with TM International (Bangladesh) Limited (now known as Robi Axiata Limited ("Robi") wherein CIBL has been appointed by Robi as a distributor to market, distribute and sell Robi products and services in the Republic of Bangladesh for a period of 3 years.

Subsequently, Robi had proposed to renew existing agreement on 9th August 2011, 7th December 2011, 26th February 2012 and 24th April 2012.

On 31st May 2012, CIBL and Robi has entered into a new distributorship agreement for a period of 3 years which will be effective from 1st August 2012 until 31st July 2015.

(b) On 3rd April 2013, the Group entered into a sales and purchase agreement for disposal of a 3-storey shop office with cost of RM1,390,000/- for cash consideration of RM3,150,000/-.

(c) On 8th April 2013, the Compugates (S) Pte Ltd received a notice from Accounting and Corporate Regulatory Authority that the company is not carrying on business or is not in operation, the name of the company will be struck off from the register, pursuant to Section 344 of the Companies Act in Singapore.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

33. RELATED PARTIES

(a) Identification of Related Parties

A related party is an entity or person that directly or indirectly through one or more intermediary controls, is controlled by, or is under common or joint control with the Company or that has an interest in the Company that gives it significant influence over the Company's financial operating policies. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence for which significant voting power in the Company resides with, directly or indirectly.

The Group and the Company has related party relationship with its holding companies, subsidiaries and associates, Directors and key management personnel.

In addition, the Group also has related party relationship with:-

Related Parties	Relationship
Integra Corp Sdn Bhd	A company in which a director of a subsidiary has interest

(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:

	GROUP		COMPANY	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Subsidiary				
Compugates Sdn. Bhd.				
Dividend income	-	-	1,260	1,330
PT Compugates International				
Interest income	-	-	34	34
Related parties				
Integra Corp Sdn Bhd				
Commission paid	-	1,092	-	-
Project management fee	645	669	-	-

(c) Key Management Personnel Compensation

	GROUP		COMPANY	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Directors				
- Remuneration and bonus	4,530	4,924	-	-
- Fees	361	384	324	324
- Employee Provident Fund	670	628	-	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

33. RELATED PARTIES (Continued)

(c) Key Management Personnel Compensation (Continued)

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

	GROUP		COMPANY	
	2012	2011	2012	2011
Executive directors:				
RM250,001 - RM300,000	-	1	-	-
RM350,001 - RM400,000	1	-	-	-
RM4,000,001 - RM4,500,000	-	1	-	-
RM4,500,001 - RM5,000,000	1	-	-	-
Non-executive directors				
Below RM50,000	4	3	3	3
RM50,001 - RM100,000	-	1	-	-
RM150,001 - RM200,000	1	1	1	1
	7	7	4	4
Other key management personnel				
- Salary, allowance and bonus	547	623	-	-
- Employee Provident Fund	66	75	-	-

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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

34. SEGMENTAL ANALYSIS (Continued)

Group 2012	**Trading and Services RM'000**	**Agriculture and Energy RM'000**	**Elimination RM'000**	**Consolidated RM'000**
Revenue				
External sales	522,605	1,606	-	524,211
Inter-segment sales	1,581	-	(1,581)	-
Total revenue	524,186	1,606	(1,581)	524,211
Results				
Loss before taxation	(7,101)	(1,042)	-	(8,143)
Taxation	(1,172)	-	-	(1,172)
Loss after taxation	(8,273)	(1,042)	-	(9,315)
Loss attributable to:				
Owners of the Company	(7,202)	(532)	-	(7,734)
Non-controlling interests	(1,071)	(510)	-	(1,581)
	(8,273)	(1,042)	-	(9,315)
Other Information				
Depreciation:-				
- property, plant and equipment	(674)	(88)	-	(762)
- investment property	(64)	-	-	(64)
Equipment written off	(7)	(1)	-	(8)
Impairment loss on available-for-sale investments	(1,343)	-	-	(1,343)
Impairment loss on inventories	(75)	-	-	(75)
Impairment loss on trade receivables	(443)	-	-	(443)
Interest income	346	11	-	357
Inventories written off	(4)	-	-	(4)
Unrealised loss on foreign exchange	(1)	-	-	(1)
Write-back of impairment loss on inventories	93	-	-	93
Write-back of impairment loss on trade receivables	523	-	-	523
Assets				
Segment assets	103,522	3,683	-	107,205
Tax refundable	1,367	-	-	1,367
Deferred tax asset	5	-	-	5
Consolidated total assets	104,894	3,683	-	108,577
Liabilities				
Segment liabilities	48,883	653		49,536
Deferred tax liabilities	583	-		583
Tax payable	961	-		961
Consolidated total liabilities	50,427	653	-	51,080

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

34. SEGMENTAL ANALYSIS (Continued)

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
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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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 2012	Loans and receivables RM'000	Available-for-sale RM'000	Financial liabilities at amortised cost RM'000	Total RM'000
Financial assets				
Trade receivables	16,355	-	-	16,355
Other receivables and deposits	2,222	-	-	2,222
Short-term deposits with licensed banks	4,725	-	-	4,725
Fixed deposits with licensed banks	8,432	-	-	8,432
Cash and bank balances	6,174	-	-	6,174
Other investments	-	3,915	-	3,915
	37,908	3,915	-	41,823
Financial liabilities				
Trade payables	-	-	17,912	17,912
Other payables and deposits	-	-	2,745	2,745
Amount owing to shareholders of subsidiaries	-	-	419	419
Bankers' acceptances	-	-	14,400	14,400
	-	-	35,476	35,476
2011				
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 and deposits	-	-	1,778	1,778
Amount owing to shareholders of subsidiaries	-	-	4,905	4,905
Bankers' acceptances	-	-	5,359	5,359
	-	-	33,532	33,532

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

35. FINANCIAL INSTRUMENTS (Continued)

(a) Classification of Financial Instruments (Continued)

Company	Loans and receivables	Available-for-sale	Financial liabilities at amortised cost	Total
2012	RM'000	RM'000	RM'000	RM'000
Financial assets				
Other receivables and deposits	58	-	-	58
Amount owing by subsidiaries	7,104	-	-	7,104
Cash and bank balances	67	-	-	67
Other investments	-	3,915	-	3,915
	7,229	3,915	-	11,144
Financial liabilities				
Other payables	-	-	2	2
Amount owing to subsidiaries	-	-	3,472	3,472
	-	-	3,474	3,474
2011				
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				
Amount owing to subsidiaries	-	-	859	859
	-	-	859	859

(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 Group's financial instruments will fluctuate because of changes in market interest rates.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

35. FINANCIAL INSTRUMENTS (Continued)

(b) Financial Risk Management and Objectives (Continued)

(i) Interest Rate Risk (Continued)

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.

2012	Effective interest rate %	Within 1 year RM'000	1 - 5 years RM'000	> 5 years RM'000	Total RM'000
Group					
Financial Liabilities					
Bankers' acceptances	4.62	14,400	-	-	14,400
2011					
Group					
Financial Liabilities					
Bankers' acceptances	3.21	5,359	-	-	5,359

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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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:

2012	USD RM'000	SGD RM'000	TAKA RM'000	RUPIAH RM'000	RM RM'000	Total RM'000
Group						
Financial assets						
Trade receivables	195	-	450	-	15,710	16,355
Other receivables and deposits	12	-	477	-	1,733	2,222
Short-term deposits with licensed bank	-	-	-	-	4,725	4,725
Fixed deposits with licensed bank	-	-	-	-	8,432	8,432
Cash and bank balances	189	66	3,238	581	2,100	6,174
Other investments	-	-	-	-	3,915	3,915
	396	66	4,165	581	36,615	41,823
Financial liabilities						
Trade payables	602	-	2,150	-	15,160	17,912
Other payables and deposits	744	-	-	-	2,001	2,745
Amount owing to shareholder of subsidiaries	321	-	-	98	-	419
Bankers' acceptances				-	14,400	14,400
	1,667	-	2,150	98	31,561	35,476
Net financial (liabilities) /assets	(1,271)	66	2,015	483	5,054	6,347

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

35. FINANCIAL INSTRUMENTS (Continued)

(b) Financial Risk Management and Objectives (Continued)

(ii) Foreign currency risk (Continued)

2011	USD RM'000	SGD RM'000	TAKA RM'000	RUPIAH RM'000	RM RM'000	Total 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
Other investments	-	-	-	-	8,518	8,518
	726	76	2,194	669	41,010	44,675
Financial liabilities						
Trade payables	398	-	1,353	-	19,739	21,490
Other payables and deposits	628	-	-	-	1,150	1,778
Amount owing to shareholder of subsidiaries	264	-	4,535	106	-	4,905
Bankers' acceptances	-	-	-	-	5,359	5,359
	1,290	-	5,888	106	26,248	33,532
Net financial (liabilities) /assets	(564)	76	(3,694)	563	14,762	11,143

Sensitivity analysis

The following table indicates the approximate change in the Group's loss after tax and accumulated losses in response to reasonable possible changes in the foreign exchange rates to which the Group 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:-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

35. FINANCIAL INSTRUMENTS (Continued)

(b) Financial Risk Management and Objectives (Continued)

(ii) Foreign currency risk (Continued)

	(Increase) / Decrease			
	Strenghten (1%)		Weaken (1%)	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Group's net loss and equity				
United States Dollar (USD)	(13)	(6)	13	6
Singapore Dollar (SGD)	1	1	(1)	(1)
Bangladeshi Taka (TAKA)	20	(37)	(20)	37
Indonesian Rupiah (RUPIAH)	5	6	(5)	(6)

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 Group's 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:

2012	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	17,912	-	-	17,912
Other payables and deposits	2,745	-	-	2,745
Amount owing to shareholders of subsidiaries	419	-	-	419
Bankers' acceptances	14,400	-	-	14,400
	35,476	-	-	35,476

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

35. FINANCIAL INSTRUMENTS (Continued)

(b) Financial Risk Management and Objectives (Continued)

(iii) Liquidity Risk (Continued)

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 and deposits	1,778	-	-	1,778
Amount owing to shareholders of subsidiaries	4,905	-	-	4,905
Bankers' acceptances	5,359	-	-	5,359
	33,532	-	-	33,532
2012				
Company				
Financial liabilities				
Other payables and deposits	2	-	-	2
Amount owing to subsidiaries	3,472	-	-	3,472
	3,474	-	-	3,474
2011				
Financial liabilities				
Amount owing to subsidiaries	859	-	-	859
	859	-	-	859

(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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

35. FINANCIAL INSTRUMENTS (Continued)

(b) Financial Risk Management and Objectives (Continued)

(iv) Credit Risk (Continued)

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.

(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 2012.

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 2012 as it is not practicable to make a reliable estimate due to uncertainties of timing, costs and eventual outcome.

36. CAPITAL MANAGEMENT

The primary objective of the Group's capital 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	
	2012	**2011**
	RM'000	**RM'000**
Trade payables	17,912	21,490
Other payables, deposits and accruals	16,805	12,334
Amount owing to shareholders of subsidiaries	419	4,905
Bankers' acceptances	14,400	5,359
Less:-		
Short-term deposits with licensed banks	(4,725)	(4,047)
Fixed deposits with licensed banks	(8,432)	(8,194)
Cash and bank balances	(6,174)	(5,259)
Net debt	30,205	26,588
Total equity	57,497	66,532
Capital and net debts	87,702	93,120
Gearing ratio	34%	29%

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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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 2012, into realised and unrealised losses, pursuant to the directive, is as follows:

	GROUP		COMPANY	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Total accumulated losses:				
- Realised	(167,602)	(156,902)	(167,123)	(166,490)
- Unrealised	(73)	101	-	-
	(167,675)	(156,801)	(167,123)	(166,490)
Less: Consolidation adjustments	15,597	12,457	-	-
Total accumulated losses as per statements of financial position	(152,078)	(144,344)	(167,123)	(166,490)

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 Dec1999 7 Oct 2004	No. 3-1: 1,542 No. 3-2: 1,735 No. 3-3: 1,735 No. 3-4: 1,735 No. 3-5: 1,735 ------------------ 8,482 ------------------	Freehold	13	2,147,934
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	13	340,866
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	9	1,644,737
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	9	1,409,774
Level No. 07 101-07-09 Menara PERDANA Jalan Gurdwara Penang	1 storey in a 14-storey light industrial building	26 Sep 2006 26 April 2013	2,034	Freehold	13	346,022
Level No. 07 101-07-02 Menara PERDANA Jalan Gurdwara Penang	1 storey in a 14-storey light industrial building	24 Jan 2011 26 April 2013	1,098	Freehold	13	240,000
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 26 April 2013	62 acres	Leasehold for a term of 99 years expiring on 1 February 2104	-	3,892,085
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 26 April 2013	1,668,297	Leasehold for a term of 99 years expiring on 21 May 2103	-	5,654,454
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 26 April 2013	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 26 April 2013	Land Area (square meter) 88,999	Leasehold for a term of 99 years expiring on 24 Jan 2093	-	1,401,269

ANALYSIS OF SHAREHOLDINGS

AS AT 30 APRIL 2013

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	43	0.511	1,603	0.000
100 -1,000	2,075	24.664	1,425,227	0.066
1,001 -10,000	2,012	23.915	10,703,390	0.502
10,001 - 100,000	3,020	35.897	155,069,050	7.266
100,001 - 106,714,450 (less than 5% of issued shares)	1,263	15.013	1,967,089,750	92.166
106,714,451 and above (5% and above of issued shares)	0	0.000	0	0.000
	8,413	100.000	2,134,289,020	100.000

LIST OF THIRTY LARGEST SHAREHOLDERS AS AT 30 APRIL 2013

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	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Kheng Peow	62,465,500	2.926
3	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Kheng Peow	62,000,000	2.904
4	Gan Siew Liat	60,500,000	2.834
5	Low Gay Teong	60,000,000	2.811
6	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Kheng Peow	57,000,000	2.670
7	Yap Yoke Lan	52,156,000	2.443
8	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Kheng Peow	52,000,000	2.436
9	See Thoo Chan	51,706,300	2.422
10	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for See Thoo Chan	51,642,600	2.419
11	KAF Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Kheng Peow	51,000,000	2.389
12	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Kheng Peow	50,000,000	2.342

ANALYSIS OF SHAREHOLDINGS (cont'd)

AS AT 30 APRIL 2013

LIST OF THIRTY LARGEST SHAREHOLDERS AS AT 30 APRIL 2013 (cont'd)

No.	Name	No. of Shares Held	%
13	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Kheng Peow	40,945,400	1.918
14	Malacca Equity Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Kheng Peow	37,324,000	1.748
15	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Goh Kheng Peow	32,627,700	1.528
16	Kong Choke Lei	31,000,000	1.452
17	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wee Tiew Toon	25,284,700	1.184
18	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Kheng Peow	24,711,300	1.157
19	Chin Mong Kong	24,500,000	1.147
20	HSBC Nominees (Asing) Sdn Bhd Exempt An For BSI SA	23,300,000	1.091
21	AIBB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Tian Chuan	21,377,000	1.001
22	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Lay Leng	20,000,000	0.937
23	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Tian Chuan	19,799,200	0.927
24	A.A. Anthony Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Mazlan Bin Ali	19,100,000	0.894
25	Thong Chee Hoe	18,948,100	0.887
26	Thong Weng Kin	18,650,100	0.873
27	M&A Nominee (Tempatan) Sdn Bhd Pledged Securities Account for Wee Tiew Toon	14,750,000	0.691
28	Wee Tiew Toon	14,410,200	0.675
29	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lau Yim Pheng	14,000,000	0.655
30	Wong Yoke Kuen	14,000,000	0.655
Total		1,100,198,100	51.530

ANALYSIS OF SHAREHOLDINGS (cont'd)

AS AT 30 APRIL 2013

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

(According to the Register of Substantial Shareholders as at 30 April 2013)

		Direct		Indirect	
No.	Name	No. of Shares Held	%	No. of Shares Held	%
1	Goh Kheng Peow	545,408,910	25.56	124,586,900*	5.84
2	See Thoo Chan	113,348,900	5.62	550,146,910^	25.78

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 30 April 2013)

	Direct		Indirect	
Name	No. of Shares Held	%	No. of Shares Held	%
Tan Sri Datuk Asmat bin Kamaludin	-	-	30,000@	@@
Goh Kheng Peow	545,408,910	25.56	124,586,900*	5.84
See Thoo Chan	113,348,900	5.62	550,146,910^	25.78
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 2012.

2) Shares Buy-back

There were no shares buy-back or cancellation or resale of treasury shares during the financial year ended 31 December 2012.

3) Option, Warrants or Convertible Securities

There were no options, warrants and other convertible securities exercised during the financial year ended 31 December 2012.

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 2012.

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 2012.

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 2012 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 2012 were RM20,500

8) Profit Guarantee

There were no profit guarantees given by the Company or its subsidiaries during the financial year ended 31 December 2012.

9) Material Contract involving Directors and Substantial Shareholders entered during the financial year ended 31 December 2012

There were no material contracts entered into by the company or its subsidiaries during the financial year ended 31 December 2012.

ADDITIONAL COMPLIANCE INFORMATION
(cont'd)

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.

11) Corporate Responsibility

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

The Workplace

Compugates endeavors to its best ability to encourage long term career for employees. As a token of appreciation for long serving employees, an award for 5 years and 10 years service 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.

The Community and Environment

Compugates realizes that it can contribute to the preservation of the environment by encouraging their consumers to opt for more environmentally sound habits through the products it distributes. 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.

ADDITIONAL COMPLIANCE INFORMATION
(cont'd)

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

At the Seventh Annual General Meeting held on 22 June 2012, 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 2012 between the Company and/or its subsidiary companies with the related parties are set out below:

Name of Related Party	Nature of Transaction	Aggregate Value As At 31.12.12 (RM'000)	Relationship
Southall Sdn Bhd ("SSB")	- Sales of telecommunication products and IT products.	0.6	- 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.	5	- Related to See Thoo Chan, the Director and Major Shareholder of the Company, who is also a Director and Major Shareholder of SSB.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Eighth 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, 21st June 2013 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 2012 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 2012.
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) Goh Kheng Peow; and — Ordinary Resolution 2
   (ii) Mohamed Fauzi bin Omar — 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/ special resolutions:-

5. **Ordinary Resolution**
   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 5

6. **Special Resolution**
   Proposed Amendments to the Articles of Association

   "THAT the Articles of Association of the Company be and are hereby amended in the form and manner as set out in Appendix I."
   Special Resolution 1

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

Petaling Jaya
Dated this 28 May 2013

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

Notes:

1. For purposes 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 14 June 2013. Only a depositor whose name appears on the General Meeting Record of Depositors as at 14 June 2013 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) 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 5, if passed, will give a renewed mandate to the Directors of the Company, from the date of the Eighth 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.

    (b) Proposed Amendments to the Articles of Association

    The Special Resolution if passed, will enable the Company to streamline the Articles to be aligned with the recent amendments to the Main Market Listing Requirements.

STATEMENT ACCOMPANYING NOTICE OF AGM

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

    (i) Goh Kheng Peow; and
    (ii) Mohamed Fauzi bin Omar

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

COMPUGATES®

COMPUGATES HOLDINGS BERHAD (669287-H)

(Incorporated in Malaysia)

Form of Proxy

Number of shares held	CDS Account No.

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 Eighth Annual General Meeting of the Company to be held on Friday, 21 June 2013 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 Goh Kheng Peow as Director		
3.	Re-election of Mohamed Fauzi bin Omar as Director		
4.	Appointment of Auditors		
5.	Ordinary Resolution Authority to Issue and Allot Shares Pursuant to Section 132D of the Companies Act, 1965		
6.	Special Resolution Proposed Amendments to the Articles of Association		

* *Delete if not applicable.*

……………………………………………………

Signature/Common Seal of Shareholder

Signed this ………….. day of ………………………………….. 2013

Notes:

1. For purposes 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 14 June 2013. Only a depositor whose name appears on the General Meeting Record of Depositors as at 14 June 2013 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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47301 Petaling Jaya, Selangor.
Tel : 03-78808133
Fax : 03-78806133
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