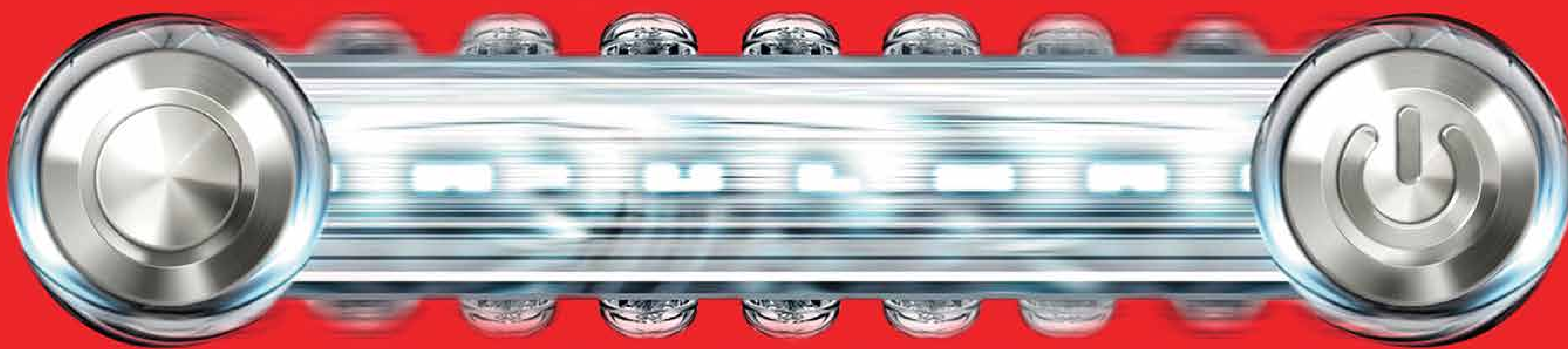
annual report 2015

COMPUGATES®

Your Nationwide Distribution Partner



To Deliver Customer Driven Sustainability

Compugates Holdings Berhad (669287-H)
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47301 Petaling Jaya, Selangor
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www.compugates.com

Compugates Holdings Berhad (669287-H)

annual report 2015

COMPUGATES®

Your Nationwide Distribution Partner

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri 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	*Executive Director*

AUDIT COMMITTEE

Chairman
Tan Sri Asmat Bin Kamaludin

Member
Goh Tai Wai
Mohamed Fauzi Bin Omar

NOMINATION COMMITTEE

Chairman
Tan Sri Asmat Bin Kamaludin

Member
Mohamed Fauzi Bin Omar

REMUNERATION COMMITTEE

Chairman
Tan Sri Asmat Bin Kamaludin

Member
Mohamed Fauzi Bin Omar
Goh Kheng Peow

COMPANY SECRETARIES

Wong Keo Rou *(MAICSA 7021435)*
Jenny Wong Chew Boey *(MAICSA 7006120)*

REGISTERED OFFICE

No. 2-1, Jalan Sri Hartamas 8,
Sri Hartamas,
50480 Kuala Lumpur
Wilayah Persekutuan
Tel : 03.6201.1120
Fax : 03.6201.3121

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8 Jalan Kerinchi
59200 Kuala Lumpur
Wilayah Persekutuan
Tel : 03.2783.9299
Fax : 03.2783.9222

PRINCIPAL BANKERS

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

AUDITORS

SJ Grant Thornton *(AF0737)*
Chartered Accountants
Level 11, Sheraton Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Wilayah Persekutuan
Tel : 03.2692.4022
Fax : 03.2691.5229

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

- **Compugates Sdn Bhd** (100%)
  Trading, marketing & distribution of imaging information technology & communication-based products
  - **Compugates Marketing Sdn Bhd** (100%)
    Trading, marketing & distribution of information technology & communication-based products and Plantation and trading of agricultural related products i.e. gaharu trees and tea.
    - **Classic Distribution Sdn Bhd** (100%)
      Dormant
    - **Compugates Development and Mining Sdn Bhd** (70%)
      Land owner and entered into a joint venture agreement to develop land
    - **Compugates Sabah Sdn Bhd** (51%)
      Dealing in solar products and green energy systems
    - **Compugates Perak Sdn Bhd** (100%)
      Dormant
- **Selama Muda Jaya Sdn Bhd** (100%)
  Dormant
- **Compugates International Sdn Bhd** (100%)
  Investment holding and provision of management services
  - **Compugates International Ltd** (51%)
    Acting as agents by way of commission for distribution of telecommunication products and management agent of franchises
    - **Compugates International Ltd (Cambodia)** (80%)
      Distributor of telecommunication products and management agent of franchises
    - **P.T. Compugates International (Indonesia)** (80%)
      Trading as main distributor of communication products such as simcards and voucher cards
    - **Compugates International (BD) Ltd** (80%)
      Investment holding, consultancy and project management services
      - **Compugates International (Bangladesh) Ltd** (98%)
        Distributor for telecommunication products and services

CHAIRMAN'S STATEMENT

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 2015.

PERFORMANCE REVIEW

For the financial year ended 2015, the Group registered a revenue of approximately RM117.79 million, with a decrease of 8.8% or approximately RM11.35 million as compared to the previous financial year of approximately RM129.14 million. The profit after taxation of the Group was approximately RM0.445 million for the financial year ended 2015. The profit after taxation of the Group in Year 2015 was mainly derived from lower administrative expenses and tax income amounting to approximately RM12.24 million recorded during the financial year.

CORPORATE DEVELOPMENT

As consumers take on a more cautious tone due to the general rise in prices of goods and services after the GST implementation, the greatest challenge in 2015 is consumers' spending. This challenging market environment has impacted our distribution business. To counter this softer period we have to be more aggressive in our sales promotion campaigns and at the same time to continuously look for new business opportunities to diversify the income/revenue of the Group.

During the course of the year, the Company had embarked on the following exercises:-

Proposed Rights Issue With Warrants

On 18 March 2015, the Company had proposed a renounceable right issue of up to 304,898,431 redeemable preference shares ("RPS") together with up to 304,898,431 free detachable warrants ("Warrants") on the basis of one (1) RPS together with one (1) warrant for every seven (7) ordinary shares of RM0.10 each subscribed in the Company ("Proposed Rights Issue With Warrants").

However, on 11 March 2016, Compugates had resolved not to proceed with the Proposed Rights Issue with Warrants which had been announced on 18 March 2015 due to unfavourable market conditions which are not conducive for the implementation.

Proposed Par Value Reduction

The Company had on 22 January 2016 proposed a par value reduction ("PVR") of its paid-up share capital, cancelling 8 sen from each ordinary share's par value of 10 sen, to reduce its accumulated losses and better reflect the present financial position of the Company.

CHAIRMAN'S STATEMENT (cont'd)

The purpose of this PVR is to rationalise its balance sheet as the reduction of its paid-up capital from RM213.43 million to RM42.69 million would give rise to a credit of RM170.74 million which would be used to set-off accumulated losses to allow the Company to attain stronger financial position moving forward. The Company and the Group is expected to enhance its credibility with the bankers, customers, suppliers, investors and other stakeholders and also provide a better financial platform for the Group's future growth moving forward.

In undertaking the Proposed PVR, the Company has also taken into consideration that the Proposed PVR would not result in any change to the share capital, earnings, earning per share, net assets and gearing position of the Group and will not result in any adjustment to the share price of the Company or the number of shares held by the shareholders.

Corporate Structure

On the company structure level we have announced on 6 July 2015, that the wholly-owned sub-subsidiary, Compugates Marketing Sdn Bhd ("CMSB") had acquired the remaining 49% of the entire equity interest in Classic Distribution Sdn Bhd ("CDSB") and Compugates Perak Sdn Bhd ("CPSB"), resulting in CDSB and CPSB becoming a wholly-owned subsidiary of CMSB.

Standing Agarwood Sale and Cutting Agreement

On 24 April 2015, the subsidiary Compugates Marketing Sdn Bhd had entered into a Standing Agarwood Sale and Cutting Agreement to sell its Gaharu trees up to a value of RM 43 million to unlock and realise the investment made five years ago in this segment.

Joint Venture Agreement - Development of 38 acres of Dengkil Land

The Company intends to diversify the business of the Group to enhance the income/revenue by unlocking the value of a 38 acres commercial Land located in Dengkil held by Compugates Development and Mining Sdn Bhd ("CDMSB") through a joint venture with Main Uptown Sdn Bhd ("MUSB"). CDMSB will minimize its risk as the Land will not be charged for this development and all funding for the development will be from the developer, MUSB. The Joint Venture Agreement ("JV Agreement") between CDMSB (the 70% owned-subsidiary) and MUSB, was signed on 18 August 2015.

Compugates sees the potential to unlock the value of the Land valued at RM100 million for a minimum return of RM220 million, with a targeted return of RM330 million or more depending on the GDV upon completion of the Project which Compugates is entitled to 22% as the land owner. This will take place over a period of 10 years once authority approvals have been obtained. By entering into this JV Agreement and working together with MUSB, Compugates sees a very high potential as it will create long term recurring income to the Company.

Logging

Compugates had also diversified its business by exploring into Logging as announced during January and February 2016 over the about 96,000 hectares (approximately 237,220 acres) forested land at East Sepik Province, Papua New Guinea. The Group will carry out proper evaluation and assessments to assist in its final decision whether to enter into a binding commercial enterprise with the parties to ensure it is in the best interest of the Company and minimise the risk of the Group.

International business

As for the international business scene, it remains a challenging year for Bangladesh, Cambodia & Indonesia with increased competition, forex pressures and rising operating expenses.

The subsidiary, Compugates International Ltd had entered into a Joint Venture Agreement to form a company namely Serial Netcom Co. Ltd in Cambodia to carry out distribution and trading businesses of SIM cards and top-up cards in Cambodia for Smart Axiata Co., Ltd and other telecommunications operators as Cambodia is a growing market with vast potentials, not only in Telco but also other distribution business.

CHAIRMAN'S STATEMENT (cont'd)

OUTLOOK AND PROSPECTS

Based on the above, we anticipate another challenging year in the core business of distribution and trading in IT and Imaging products. The Group have taken steps to reduce costs and increase its margins in order for the Group to register favourable results for the coming years.

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 extend my sincere thanks 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 ASMAT BIN KAMALUDIN :: *(Independent Non-Executive Chairman)*

Tan Sri Asmat Bin Kamaludin, a Malaysian, aged 72, 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 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 Senior 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 Asmat Bin Kamaludin had 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. In 2008, Tan Sri Asmat was appointed by MITI to represent Malaysia as Governor on the Governing Board of the Economic Research Institute for Asean and East Asia. He also serves on the board of the Japan Chamber of Trade and Industry in Malaysia Foundation. On 11 November 2014, Tan Sri Asmat was conferred with the prestigious "Order of the Rising Sun, Gold and Silver Star" award by the Government of Japan, in recognition of his contributions in the strengthening of economic relations and the promotion of mutual understanding between Japan and Malaysia.

His other directorships are UMW Holdings Berhad (Chairman), Panasonic Manufacturing Malaysia Berhad (Chairman), Air Asia X Berhad and UMW Oil & Gas Corporation Berhad (Chairman) and he is a director of Permodalan Nasional Berhad, The Royal Bank of Scotland Berhad (Chairman) and YTL Cement Berhad (Vice Chairman).

GOH KHENG PEOW :: *(Managing Director)*

Goh Kheng Peow, a Malaysian, aged 56, 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.

DIRECTORS' PROFILE (cont'd)

GOH TAI WAI :: *(Non-Independent and Non-Executive Director)*

Goh Tai Wai, a Malaysian, aged 43, 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.

In addition, he was appointed as Independent Non-Executive Director in Nakamichi Corporation Berhad on 18 April 2014, a company listed on Main Market of Bursa Malaysia Berhad.

MOHAMED FAUZI BIN OMAR :: *(Independent Non-Executive Director)*

Mohamed Fauzi Bin Omar, a Malaysian, aged 57, 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 as well as in freelance business consultancy and training. MDEC, BioTech Corp., MardiTech, IRDA, UNIMAP, MTIB and TERAJU are some of the clients in the areas of consultancy and business coaching that he has worked on. He is also a panel member of SME Corp.'s Bumiputera in Business; Evaluation Committee for Prototype Research Grant Scheme of Pusat Inovasi Kreatif, UKM and, a board member of Yayasan Pak Rashid (UPM).

DIRECTORS' PROFILE (cont'd)

SEE THOO CHAN :: *(Executive Director)*

See Thoo Chan, a Malaysian, aged 54, was appointed as a Non-Independent Non-Executive Director of our Company on 21 March 2007. She was re-designated as an Executive Director on 3 January 2014.

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.

She was also the Non-Independent Non-Executive Chairman in Nakamichi Corporation Berhad.

Notes:

1) Family Relationship with Director and/or Substantial Shareholder

   Goh Kheng Peow is related to a member of the Board of Directors, namely See Thoo Chan (his spouse), who serves as a Executive Director and a substantial shareholder of the Company.

   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 73 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 16 of this Annual Report.

5) Securities held in the Company and its subsidiaries. Please refer to page 87 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 2012 ("the Code") and the extent of compliance of the Code during the financial year.

PRINCIPLE 1 ESTABLISHMENT OF CLEAR ROLES AND RESPONSIBILITIES

1.1 Clear Functions of the Board and Management

The Group is led by an experienced Board, comprising one (1) Independent Non-Executive Chairman, one (1) Managing Director, one (1) Executive Director, one (1) Independent Non-Executive Director and one (1) Non-Independent Non-Executive Director.

The Board is responsible for the overall corporate governance of the Group, including its strategic direction, establishing goals for management and monitoring the achievement of these goals. The Board is responsible for the overall management of the Group.

The roles of the Chairman, the Managing Director, the Executive Director and the Independent Non-Executive Director is separated and each has a clearly accepted division of responsibilities to ensure a balance of power and authority.

Management is primarily responsible to implement strategic direction set by the Board and to monitor the operations of the Group.

1.2 Board Duties and Responsibilities

The Board's roles and responsibilities are follows:

a. Reviewing and approving the overall strategies and direction of the Group including sustainability of the Group's businesses.

b. Overseeing and evaluating the conduct of the Group's businesses to ensure the businesses is properly managed in conformity with ethical values, integrity, fairness, trust and high performance.

c. Identifying the business risks and establish an appropriate system to reduce and minimize the risks that affects the performance of the Group and the interest of the stakeholders.

d. Ensuring the appropriate succession plan is in place including the appointment, training and fixing compensation of and where appropriate for the Board, Managing Director and the Management of the Group.

e. Developing and implementing an investor relations programme that creates better communication between the Group and shareholders as well as other stakeholders.

f. Reviewing the adequacy and the integrity of the Company's internal control system and information system, including system for compliance with applicable laws, regulations, rules, directives and guidelines.

1.3 Formalised Ethical Standards through Code of Ethics

The Group has in place codes of ethics for Directors and employees based on four elements which are sincerity, integrity, responsibility and corporate responsibility. In the performance of the directors' duties, the Board should at all times observe the following codes:

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

PRINCIPLE 1 - ESTABLISHMENT OF CLEAR ROLES AND RESPONSIBILITIES (cont'd)

1.3 Formalised Ethical Standards through Code of Ethics (cont'd)

a. Should have a clear understanding of the aims and purpose, capabilities and capacity of the Company;

b. Should devote time and effort to attend meetings and to know what is required of the board and each of its directors, and to discharge those functions;

c. Should ensure at all times that the Company is properly managed and effectively controlled;

d. Should stay abreast of the affairs of the Company and be kept informed of the Company's compliance with the relevant legislation and contractual requirements;

e. Should insist on being kept informed on all matters of importance to the Company in order to be effective in corporate management;

f. Should have access to the advice and services of the company secretary, who is responsible to the Board to ensure proper procedures, rules and regulations are complied with;

g. Should at all times exercise his powers for the purposes they were conferred, for the benefit and prosperity of the Company;

h. Should disclose immediately all contractual interests whether directly or indirectly with the Company;

i. Should neither divert to his own advantage any business opportunity that the Company is pursuing, nor may he use confidential information obtained by reason of his office for his own advantage or that of others;

j. Should at all times act with utmost good faith towards the Company in any transaction and to act honestly and responsibly in the exercise of his powers in discharging his duties; and

k. Should be conscious of the interest of shareholders, employees, creditors and customers of the Company;

l. Should at all times promote professionalism and improve the competency of management and employees.

m. Should ensure adequate safety measures and provide proper protection to workers and employees at the workplace.

n. Should ensure the effective use of natural resources, and improve quality of life by promoting corporate social responsibilities.

1.4 Strategies Promoting Sustainability

The Board recognised the importance of Sustainability and its increasing impact to the business. The Board exercises annual reviews on the sustainability of the Company's strategic directions, with due consideration over the progress of the long term and short term plan, changes in business and political environment, level of competition, update in risk factors and any other factors which could affects the sustainability of the Group.

1.5 Access to Information and Advice

All Directors have unrestricted access to all information pertaining to the Group's business and affairs including inter alia, financial results, annual budgets, business reviews against business plans and progress reports on the Group's developments and business strategies, to ensure effective functioning of the Board.

Notice of meetings, setting out the agenda and accompanied by the relevant Board papers are given to the Directors prior to the meetings to enable the Directors to peruse, obtain addition information and/or seek further clarification on the matters to be tabled at a meeting.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

PRINCIPLE 1 - ESTABLISHMENT OF CLEAR ROLES AND RESPONSIBILITIES (cont'd)

1.5 Access to Information and Advice (cont'd)

In furtherance of their duties, whenever independent professional advice is required by the Directors, external experts may be engaged at the Company's expense to provide additional insights and professional views, advice and explanations. Directors also have direct access to the advice and the services of a qualified and competent Company Secretaries of the Group.

1.6. Company Secretaries

The Company Secretary is responsible for advising the Board on issues relating to compliance in laws, rules, procedures and regulations affecting the Group as well as the principles of best corporate governance practices.

The Company Secretary is also responsible for advising the directors of their obligations and adherence to matters pertaining to disclosure of interest in securities, disclosure of any conflict of interest in a transaction involving the Company, prohibitions on dealing in securities and restrictions on disclosure of price-sensitive information.

The duties of the Company Secretary amongst others, attending all Board and Board Committee Meetings, ensuring that the proceedings of Board and Board Committee Meetings and decisions made thereof, are accurately and sufficiently recorded and properly kept for the purposes of meeting statutory obligations as well as obligations arising from Bursa Malaysia Listing Requirements or other regulatory requirements, communicating the decisions of the Board for Management's attention and further action, ensuring all appointment and resignation of directors are in accordance with the relevant legislations and the Board Performance Assessment are properly executed.

1.7 Board Charter

The Board is guided by its Board Charter which provides reference in relation to the roles and responsibilities of the Board and Management. The Board Charter will be reviewed as and when required and update in accordance with the needs of the Company and any new regulations that may have an impact on discharge of the Board's responsibilities to ensure its effectiveness.

The Board Charter is available on the Company's website at http://www.compugates.com.

PRINCIPLE 2 - STRENGTHEN COMPOSITION OF THE BOARD

2.1 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 2015, the Nomination Committee has met twice 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 Asmat Bin Kamaludin (Chairman)	2/2
Mohamed Fauzi Bin Omar	2/2

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

PRINCIPLE 2 - STRENGTHEN COMPOSITION OF THE BOARD (cont'd)

2.2 Recruitment Process and Annual Assessment

The Board believes in a right composition of board members with balance of qualifications, skills, experiences and diversity among its board members.

NC is periodically reviewing and making recommendation to the Board on board composition matters and recommendations, which inclusive in identification and selection of high calibre candidate who will be able to meet the present and future needs of the Company.

The NC is currently headed by Tan Sri Asmat bin Kamaludin, an Independent Non-Executive Director and all of the said committee members are also Independent non-executive in its functionality.

For the year under review, the Board is satisfied with its current mix of qualification, skills, experiences, expertise and strength, in discharge its duties effectively.

The NC is also responsible in undertaking an annual evaluation of Directors, Board committee as well as the board performance as a whole. This evaluation is used as a tool to evaluate the strength, to identify the gaps or areas for improvement which would give rise in the requirement of new recruitments of board members, if necessary.

The Board annual evaluation process is being conducted by cross evaluation among the Board members, of which the criteria of evaluation are predetermined as belows:

a) Board structure
b) Board operation and communication
c) Board roles and responsibilities
d) Undertaking of roles and assignments
e) Mix of roles and knowledge
f) Commitment of members
g) Depth of contribution

During the year under review, the NC had conducted an annual assessment on Directors and Board Committees. The assessments carried out by the NC are properly documented.

The Board has no specific policy on setting targets on female candidates to be appointed to the Board. Currently the Board has one (1) female representation which is below the recommended 30%. With the current composition, the Board feels that its members have the necessary knowledge, experience, diverse range of skills and competence to enable them to discharge their duties and responsibilities effectively.

Nevertheless the Board believes in and provides equal opportunity to candidates who have the skills, experience, core competencies and other qualities regardless of gender. The NC will however continue to take steps to ensure suitable female candidates are sought as part of its recruitment exercise.

2.3 Remuneration Policies

The Remuneration framework for Managing Director and Executive Director have an underlying objective of attracting and retaining Executive Directors needed to run the Group successfully. The remuneration of the Managing Director and Executive Director consists of basic salary, other emoluments and benefits customary to the Group are made available as appropriate. Any salary and bonus review takes into account the performance of the individual and the Group.

The Non-Executive Directors' remuneration comprises annual fees that reflect their expected roles and responsibilities. The Company has obtained approval from the shareholders at the last AGM held on 17 June 2015 to pay the Directors Fees to the Non-Executive Directors for the financial year ended 31 December 2014.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

PRINCIPLE 2 - STRENGTHEN COMPOSITION OF THE BOARD (cont'd)

2.3 Remuneration Policies (cont'd)

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 Asmat Bin Kamaludin (Chairman)	1/1
Mohamed Fauzi Bin Omar	1/1
Goh Kheng Peow	1/1

Details of the remuneration of Directors of the Company during the financial year ended 31 December 2015 are as follow:

Aggregate remuneration

	Executive Directors (RM)	Non-Executive Directors (RM)	Total (RM)
Remuneration and Bonus	1,870,000	-	1,870,000
Bonuses	-	-	-
Fees	-	276,000	276,000
Attendance fee	-	-	-
Defined contribution plan	272,000	-	272,000
Total	2,142,000	276,000	2,418,000

Number of Directors whose remuneration fall into the following bands

	No. of Executive Director	No. of Non-Executive Director
RM 50,000 and below	-	2
RM150,001 to RM200,000	-	1
RM350,001 to RM450,000	1	-
RM550,001 to RM600,000	-	-
RM1,000,001 – RM2,000,000	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.

PRINCIPLE 3 - REINFORCE INDEPENDENCE

3.1 Assessment of Independence Annually

The Board strives on the independency of the Non-Executive Directors, who shall have the ability to exercise their duties and make decisions which are in the best interests of the shareholders, unfettered by any business or other relationship with the Executive Directors, ownership and any other interest in the operation of the Company. The Board conducts annual reviews of the independence of each and every of the Directors, in addition of the responsibility of each Director in making immediate declaration over their interest and independency to the Board at any time during his tenure of service.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

PRINCIPLE 3 - REINFORCE INDEPENDENCE (cont'd)

3.1 Assessment of Independence Annually (cont'd)

The Company currently has two (2) Independent Non-Executive Directors, who fulfill the criteria of "Independence" as prescribed under Rule 1.01 of the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("MMLR").

3.2 Tenure of Independent Directors

Tan Sri Asmat bin Kamaludin and Encik Mohamed Fauzi bin Omar are Independent Non-Executive Directors who have been serving in the Board for more than nine (9) years. The Nomination Committee is satisfied that both Tan Sri Asmat bin Kamaludin and Encik Mohamed Fauzi bin Omar have satisfactorily demonstrated that they are independent from management and free from any business or other relationships which may interfere with the exercise of their independent judgement, in line with the requirements of Chapter 1 of the MMLR of Bursa Securities. The Board considers that their continuing position as Independent Non-Executive Directors will enable them to be objective and clear in directing and reviewing the Group's business strategies and direction.

3.3 Shareholders' Approval for the Re-appointment of Non-Executive Director

The Board has reviewed and is satisfied with the professional skills, contribution and independent judgement of Tan Sri Asmat bin Kamaludin and Encik Mohamed Fauzi bin Omar. Therefore, the Board recommends and proposes their re-appointment as Independent Non-Executive Directors of the Company, to be tabled for shareholders' approval at the forthcoming 11th AGM.

3.4 Separate of Positions of Chairman and Managing Director

The Board is led by an Independent Non-Executive Chairman and supported by one (1) Managing Director, one (1) Executive Director, one (1) Independent Non-Executive Director and one (1) Non-Independent Non-Executive Director.

The Chairman's role includes leading the Board in the oversight of management and is not involved in the day to day management of the Group. Under Compugates's organisation and management structure, the roles and functions of a Chief Executive Officer is carried out and performed by the Managing Director.

The Board is of the opinion that there is no issue with regards to the balance of power and authority on the Board as the roles of the Chairman and the Managing Director are set out and established while the decision making process of the Board is based on collective decisions without any individual exercising any considerable concentration of power or influence and well balanced by the presence of strong elements of independence in the Board.

3.5 Composition of the Board

The Board as at the date of this statement comprises five (5) members:-

a) One (1) Non-Executive Chairman
b) One (1) Managing Director
c) One (1) Executive Director
d) Two (2) Non-Executive Directors

Two (2) Non-Executive Directors are Independent as defined in the Bursa Securities MMLR. The Independent Directors are:-

a) Tan Sri Asmat bin Kamaludin
b) Mohamed Fauzi bin Omar

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

PRINCIPLE 3 - REINFORCE INDEPENDENCE (cont'd)

3.5 Composition of the Board (cont'd)

The Board is of the view that the current size of the Board is appropriate and views that the Board composition has the right mix of skills, experience and strength in qualities that relevant to the business which enable the Board to carry out its responsibilities in an effective and competent manner.

PRINCIPLE 4 – FOSTER COMMITMENT

4.1 Commitment of the Board Members

During the financial year ended 31 December 2015, 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	% Attendance
Tan Sri Asmat Bin Kamaludin (Chairman)	5/5	100
Goh Kheng Peow	5/5	100
Goh Tai Wai	4/5	80
Mohamed Fauzi Bin Omar	5/5	100
See Thoo Chan	5/5	100

The Board is satisfied that all directors including the directors holding multiple board representation are able to and have been devoting sufficient time to discharge their responsibilities adequately.

4.2 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
Annual Report 2014/ Financial Stability and Payment Systems Report 2014 briefing session on 11 March 2015
Predicting Financial Crime – Detection Prevention and Remediation on 1 April 2015
World Halal Summit 2015 (WHS'15) with the theme "ENERGIZING THE HALAL ECOSYSTEM" on April 1 – 4, 2015
Seminar Kelestarian Integriti on 14 April 2015
Lead The Change – Getting Women on Boards on 8 May 2015
Light and Shadow in the Boardroom: Reflections on Board Evaluation and Development on 12 May 2015
Money Laundering and its impact on Investment Companies on 1 June 2015
SC Guidelines on Prevention of Money Laundering and Terrorism Financing for Capital Market Intermediaries on 1 June 2015
Online Retailer & eCommerce Expo on 22 – 23 July 2015
CMDP (Capital Market Director Programme) Module 2 on 5 August 2015
CMDP (Capital Market Director Programme) Module 1 on 10 August 2015

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

PRINCIPLE 4 – FOSTER COMMITMENT (cont'd)

4.2 Training (cont'd)

Training Programs Attended
CMDP (Capital Market Director Programme) Module 3 on 3 October 2015
Sustainability Symposium: Responsible Business. Responsible Investing on 8 October 2015
Talk on the business on 26 October 2015
Financial Communications and Effective Media Management on 28 October 2015
Customised Advocacy on 30 October 2015
CMDP (Capital Market Director Programme) Module 4 on 4 December 2015

PRINCIPLE 5 - UPHOLD INTEGRITY IN FINANCIAL REPORTING

5.1 Compliance with Applicable Financial Reporting Standards

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.

5.2 Assessment of Suitability and Independence of External Auditors

The Audit Committee undertakes an annual assessment of the suitability and independence of the external auditors. Having assessed their performance, the Audit Committee will recommend their decision to the Board, upon which the shareholders' approval will be sought at the AGM.

PRINCIPLE 6 – RECOGNISE AND MANAGE RISKS

6.1 Framework to Manage Risks

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 22 to 23 of this Annual Report.

6.2 Internal Audit Function

The Board has established an internal audit function within the Company. Details of the Group's internal control system are set out in the Statement on Risk Management and Internal Control of this Annual Report.

PRINCIPLE 7 - TIMELY AND HIGH QUALITY DISCLOSURE

7.1 Corporate Disclosure Policy

The Company has in place procedures for compliance with the Listing Requirements of Bursa Securities.

The Company has also put in place an internal control policy on confidentiality to ensure that confidential information is handled properly by Directors, employees and relevant parties to avoid improper use of such information. The Board is mindful that information which is expected to be material must be announced immediately to Bursa Securities.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

PRINCIPLE 7 - TIMELY AND HIGH QUALITY DISCLOSURE (cont'd)

7.2 Leverage on information technology

The Group maintains the following website that allows all shareholders and investors access to information about the Group:-

www.compugates.com.my

PRINCIPLE 8 - STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

8.1 Shareholder Participation at General Meetings

The Annual General Meeting ("AGM") is the principal forum for dialogue with shareholders. The Company values feedback from its shareholders and 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.

At the 10th AGM, a presentation was given by the Managing Director on corporate development to shareholders to provide a better understanding of the Group's operation and development status to maintain their confidence.

Directors, Management and External Auditors were present in person to respond to the shareholders' queries and feedback. There were no substantive resolutions put forth for shareholders' approval at the 10th AGM of the Company held on 17 June 2015. The resolution put forth for shareholders' approval at the 10th AGM were re-appointment/re-election of retiring Directors, payment of Directors' fees and re-appointment of external auditors and authority to issue shares pursuant to Section 132D of the Companies Act, 1965. As such, the abovementioned resolution were voted by a show of hands.

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.

8.2 Encourage Poll Voting

The Company would conduct poll voting if demanded by shareholders at the general meeting.

8.3 Communication and Engagements with Shareholders

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.

COMPLIANCE STATEMENT

The Company is committed to achieving high standards of corporate governance throughout the Group and to the highest level of integrity and ethical standards in all its business dealings.

In this regard, the Board considers that the Group has complied substantially with the principles and recommendations as stipulated in the MCCG 2012 throughout the financial year ended 31 December 2015.

AUDIT COMMITTEE REPORT

The Board is pleased to present the Audit Committee Report for the financial year ended 31 December 2015.

1. Composition of Audit Committee and Meetings

The Audit Committee (AC) met five (5) times during the financial year ended 31 December 2015. Composition of the AC and details of the attendance of the members are set out as follows:-

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

The external auditors attended two (2) AC meetings in 2015 to present the auditors' report on the annual audited financial statements for 2015. The AC met twice with the external auditors separately, without the presence of the Executive Directors and Management.

2. Terms of Reference

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

(a) To review with the external auditors on:

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

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

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

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

(e) To review with management:

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

AUDIT COMMITTEE REPORT (cont'd)

2. Terms of Reference (cont'd)

(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:

- o changes in or implementation of major accounting policy and practices;
- o significant and / or unusual matters arising from the audit;
- o the going concern assumption;
- o compliance with accounting standards and other legal requirements; and
- o major areas.

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

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

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 2015 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 2015.

(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.

AUDIT COMMITTEE REPORT (cont'd)

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 2015 amounted to RM46,066.

Further details of the internal audit function are set out in the Statement on Risk Management and Internal Control on page 23 of the Annual Report.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

INTRODUCTION

Pursuant to paragraph 15.26 (b) of the Main Market Listing Requirements 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.

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 to 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 confirms that there is an ongoing process for identifying, minimizing and managing the significant risks faced by the Group and this process is regularly reviewed by the Board. The Management is responsible for initiating risk awareness and in developing necessary environment for effective risk management.

   The Board relies mostly on the close involvement of the Key Management staff, Head of Division and Managing Director of the Group on their daily operations. There are periodic reviews of operational and financial performance at Management, Audit Committee and Board meetings. The Board and Management ensure that appropriate measures are taken to address any significant risks, if any. It has in place an organizational structure and a defined line of their scope of duties and responsibilities.

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 2015 (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 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.

The internal audit firm prepares audit plans for presentation to the Audit Committee for approval wherein the scope of works encompasses management and operational audit of functions in the Group.

During the financial year ended 31 December 2015, 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 16 April 2016.

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

DIRECTORS' REPORT

The Directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2015.

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 8 to the Financial Statements.

There have been no significant changes in the nature of these principal activities of the Company and its subsidiaries during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit/(loss) for the financial year	445	(585)
Profit/(loss) attributable to:-		
Owners of the Company	1,439	
Non-controlling interests	(994)	
	445	

DIVIDENDS

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

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 financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and 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 financial statements 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 LIABILITIES 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 have 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

In the opinion of the Directors, the financial performance of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unused nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

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 of the Company and its related corporations during the financial year ended 31 December 2015 are as follows:-

	Number of ordinary shares of RM0.10 each			
	At 1.1.2015	**Bought**	**Sold**	**At 31.12.2015**
Direct interests				
Goh Kheng Peow	423,774,910	23,300,000	(2,000,000)	445,074,910
See Thoo Chan	76,670,800	3,000,000	(28,000,000)	51,670,800
Deemed interests				
Tan Sri Datuk Asmat Bin Kamaludin*	30,000	-	-	30,000
Goh Kheng Peow*	84,670,800	3,000,000	(28,000,000)	59,670,800
See Thoo Chan*	431,774,910	23,300,000	(2,000,000)	453,074,910

* Deemed interests 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 of 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 Notes 27 and 31 to 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

The significant events during the financial year and subsequent to the reporting date of the Group and of the Company are disclosed in Notes 35 to the Financial Statements.

AUDITORS

The Auditors, Messrs SJ Grant Thornton, have expressed their willingness to continue in office.

Signed on behalf of the Directors in accordance with a resolution of the Directors,

…………………………………………
GOH KHENG PEOW

…………………………………………..
SEE THOO CHAN

Kuala Lumpur
16 April 2016

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 33 to 83 are drawn up in accordance with 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 position of the Group and of the Company as at 31 December 2015 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out on page 84 has been compiled in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Directors in accordance with a resolution of the Directors,

………………………..…………………..…	………………………..…………………..…
GOH KHENG PEOW	SEE THOO CHAN

Kuala Lumpur
16 April 2016

STATUTORY DECLARATION

I, **YAU POW JACK**, 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 33 to 83 and the financial information set out on page 84 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed at Kuala Lumpur in)
the Federal Territory on 16th day of)
April 2016)

…………………………………
YAU POW JACK

Before me,

Commissioner for Oaths

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 of the Group and of the Company as at 31 December 2015, statements of profit or loss and other 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 33 to 83.

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 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 entity'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 entity'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 of 31 December 2015 and of their financial performance and cash flows for the financial year then ended in accordance with 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 Act to be kept by the Company and its subsidiaries in Malaysia have been properly kept in accordance with the provisions of the Act.

(b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 8 to the Financial Statements.

(c) We are satisfied that the accounts 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 auditors' reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174 (3) of the Act.

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

Other Matters

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

SJ GRANT THORNTON
(NO. AF: 0737)
CHARTERED ACCOUNTANTS

KHO KIM ENG
(NO: 3137/10/16 (J))
CHARTERED ACCOUNTANT

Kuala Lumpur
16 April 2016

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

		Group		Company	
		2015	2014	2015	2014
	NOTE	RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	71,641	73,036	1	32
Investment property	5	-	100,000	-	-
Land held for property development	6	100,000	-	-	-
Plantation expenditure	7	1,600	1,488	-	-
Investment in subsidiaries	8	-	-	38,323	38,323
Other investments	9	-	46	-	46
Deferred tax assets	10	206	187	-	-
Total non-current assets		173,447	174,757	38,324	38,401
Current assets					
Inventories	11	10,477	12,114	-	-
Trade receivables	12	11,677	15,415	-	-
Other receivables	13	3,485	4,007	131	63
Amount due from subsidiaries	14	-	-	8,630	8,105
Tax refundable		475	74	1	1
Short-term deposits with licensed banks	15	4,141	5,075	-	-
Fixed deposits with licensed banks	16	11,945	12,281	-	-
Cash and bank balances		1,895	3,229	52	28
Total current assets		44,095	52,195	8,814	8,197
TOTAL ASSETS		217,542	226,952	47,138	46,598
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	17	213,429	213,429	213,429	213,429
Revaluation reserve	18	34,606	35,177	-	-
Other reserves	19	(1,753)	(3,236)	-	-
Accumulated losses		(123,208)	(123,833)	(168,155)	(167,570)
Shareholders' funds		123,074	121,537	45,274	45,859
Non-controlling interests		32,548	31,832	-	-
Total equity		155,622	153,369	45,274	45,859

STATEMENTS OF FINANCIAL POSITION (cont'd)
AS AT 31 DECEMBER 2015

		Group		Company	
	NOTE	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
LIABILITIES					
Non-current liability					
Deferred tax liabilities	20	15,127	20,025	-	-
Current liabilities					
Trade payables	21	17,029	23,782	-	-
Other payables	22	12,750	12,689	126	116
Amount due to non-controlling interests	23	1,248	903	-	-
Amount due to a subsidiary	14	-	-	1,738	623
Bankers' acceptances (secured)	24	13,199	14,360	-	-
Tax payable		2,567	1,824	-	-
Total current liabilities		46,793	53,558	1,864	739
Total liabilities		61,920	73,583	1,864	739
TOTAL EQUITY AND LIABILITIES		217,542	226,952	47,138	46,598

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

		Group		Company	
		2015	**2014**	**2015**	**2014**
	NOTE	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue	25	117,794	129,145	-	-
Cost of sales		(110,973)	(122,025)	-	-
Gross profit		6,821	7,120	-	-
Other income		4,885	6,295	63	34
Administrative expenses		(11,479)	(19,028)	(616)	(714)
Sales and marketing expenses		(621)	(682)	-	-
Other expenses		(2,941)	(26,617)	(32)	(35)
Finance costs	26	(917)	(979)	-	-
Loss before tax	27	(4,252)	(33,891)	(585)	(715)
Tax income	28	4,697	230	-	-
Profit/ (loss) for the financial year		445	(33,661)	(585)	(715)
Other comprehensive income					
Item that will not be reclassified subsequently to profit or loss:-					
Remeasurement of defined liability		-	21	-	-
Item that is or may be reclassified subsequently to profit or loss:-					
Foreign currency translation reserve		1,808	(362)	-	-
Other comprehensive income/(loss), net of tax		1,808	(341)	-	-
Total comprehensive income/(loss) for the financial year		2,253	(34,002)	(585)	(715)
Profit/(loss) attributable to:					
- Owners of the Company		1,439	(30,756)	(585)	(715)
- Non-controlling interests		(994)	(2,905)	-	-
		445	(33,661)	(585)	(715)
Total comprehensive income/(loss) attributable to:					
- Owners of the Company		2,922	(31,576)	(585)	(715)
- Non-controlling interests		(669)	(2,426)	-	-
		2,253	(34,002)	(585)	(715)
Profit/(loss) per ordinary share (sen)	29				
- Basic		0.07	(1.44)		
- Diluted		*	*		

* no dilutive effect

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Attributable to owners of the Company							
		Non-distributable						
	Share capital RM'000	Revaluation reserve RM'000	Other reserve RM'000	Foreign currency translation reserve RM'000	Accumulated losses RM'000	Total equity RM'000	Non-controlling interests RM'000	Total RM'000
Group								
At 1 January 2014	213,429	37,060	(2,100)	(462)	(94,814)	153,113	34,258	187,371
Other comprehensive (loss)/ income for the financial year	-	(167)	-	(674)	21	(820)	479	(341)
Loss for the financial year	-	-	-	-	(30,756)	(30,756)	(2,905)	(33,661)
Total comprehensive loss for the financial year	-	(167)	-	(674)	(30,735)	(31,576)	(2,426)	(34,002)
Realisation and crystallisation of revaluation surplus	-	(1,716)	-	-	1,716	-	-	-
At 31 December 2014	213,429	35,177	(2,100)	(1,136)	(123,833)	121,537	31,832	153,369
Acquisition of non-controlling interest	-	-	-	-	(1,385)	(1,385)	1,385	-
Other comprehensive income for the financial year	-	-	-	1,483	-	1,483	325	1,808
Profit/(loss) for the financial year	-	-	-	-	1,439	1,439	(994)	445
Total comprehensive income/ (loss) for the financial year	-	-	-	1,483	1,439	2,922	(669)	2,253
Crystallisation of revaluation surplus	-	(571)	-	-	571	-	-	-
At 31 December 2015	213,429	34,606	(2,100)	347	(123,208)	123,074	32,548	155,622

STATEMENTS OF CHANGES IN EQUITY (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Share capital RM'000	Accumulated losses RM'000	Total equity RM'000
Company			
At 1 January 2014	213,429	(166,855)	46,574
Total comprehensive loss for the financial year	-	(715)	(715)
At 31 December 2014	213,429	(167,570)	45,859
Total comprehensive loss for the financial year	-	(585)	(585)
At 31 December 2015	213,429	(168,155)	45,274

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
OPERATING ACTIVITIES				
Loss before tax	(4,252)	(33,891)	(585)	(715)
Adjustments for:				
Bad debts written off	139	95	-	-
Depreciation of property, plant and equipment	1,247	1,397	31	37
Loss/(gain) on disposal of property, plant and equipment	53	(40)	-	-
Gain on disposal of non-current assets held for sale	-	(1,604)	-	-
Gain on disposal of other investment	(105)	-	(29)	-
Impairment loss on trade receivables	613	754	-	-
Impairment loss on other receivables	-	112	-	-
Impairment loss on goodwill on consolidation	-	23,991	-	-
Inventories written down	475	7	-	-
Inventories written off	58	70	-	-
Interest expenses	917	979	-	-
Interest income	(502)	(633)	(34)	(34)
Unrealised gain on foreign exchange	(134)	-	-	-
Write-back of impairment loss on trade receivables	(268)	(428)	-	-
Write-back of impairment loss on inventories	(30)	-	-	-
Operating loss before working capital changes	(1,789)	(9,191)	(617)	(712)
Changes in working capital:				
Inventories	1,743	1,062	-	-
Receivables	4,786	(1,856)	(68)	(1)
Payables	(6,463)	8,007	10	(52)
Cash used in operations	(1,723)	(1,978)	(675)	(765)
Interest paid	(917)	(979)	-	-
Net tax (paid)/refund	(236)	435	-	312
Net cash flows used in operating activities	(2,876)	(2,522)	(675)	(453)

STATEMENTS OF CASH FLOWS (cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(107)	(996)	-	-
Plantation expenditure paid	(112)	(137)	-	-
Placement/(withdrawal) of fixed deposits held as security	336	(984)	-	-
Proceeds from disposal of property, plant and equipment	354	457	-	-
Proceeds from disposal of other investments	295	-	75	-
Proceeds from disposal of non- current assets held for sale	-	4,600	-	-
Interest received	502	633	34	34
Net cash flows from investing activities	1,268	3,573	109	34
FINANCING ACTIVITIES				
(Repayment)/drawndown of bankers' acceptances	(1,161)	1,734	-	-
Advances from non-controlling interests	147	256	-	-
Advances from subsidiaries	-	-	590	439
Net cash flows (used in)/from financing activities	(1,014)	1,990	590	439
CASH AND CASH EQUIVALENTS				
Net changes in cash and cash equivalents	(2,622)	3,041	24	20
At beginning of year	8,304	5,984	28	8
Effect of exchange translation differences	354	(721)	-	-
At end of year	6,036	8,304	52	28
Cash and cash equivalents comprise the following:-				
Cash and bank balances	1,895	3,229	52	28
Deposits placed with licensed banks	16,086	17,356	-	-
	17,981	20,585	52	28
Less: Fixed deposits pledged with licensed banks	(11,945)	(12,281)	-	-
	6,036	8,304	52	28

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 Note 8 to the Financial Statements. There have been no significant changes in the nature of these principal activities of the Company and its subsidiaries during the financial year.

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

The registered office of the Company is located at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur. The principal place of business of the Company is located at No.3, Jalan PJU 1/41, Dataran Prima, 47301 Petaling Jaya, Selangor Darul Ehsan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 16 April 2016.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

The financial statements of the Group and of the Company are prepared under the historical cost convention except for certain land and buildings that are measured at fair value at the end of each reporting year as disclosed in the summary of significant accounting policies.

Historical cost is generally based on the fair value of consideration given in exchange for goods and services.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group and the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial market takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. **BASIS OF PREPARATION (CONT'D)**

2.2 **Basis of measurement (cont'd)**

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to their fair value measurement as a whole:

(a) Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

(b) Level 2 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable

(c) Level 3 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to their fair value measurement as a whole) at the end of each reporting year.

For the purpose of fair value disclosures, the Group and the Company have determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy as explained above.

2.3 **Functional and presentation currency**

The financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency and all values are rounded to the nearest thousand (RM'000), except when otherwise stated.

2.4 **Adoption of new and revised Financial Reporting Standards ("FRSs")**

The Group and the Company have consistently applied the accounting policies set out in Note 3 to all years presented in these financial statements.

At the beginning of the current financial year, the Group and the Company adopted FRSs and amendments to FRSs which are mandatory for the financial periods beginning on or after 1 January 2015.

Initial application of the standards and amendments to standards did not have any material impact to the financial statements.

Annual improvements to FRSs 2010 – 2012 Cycle, including Amendment to FRS 8 Operating Segments

The amendments clarify that:
- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of FRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g. sales and gross margins) used to assess whether the segments are "similar"
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

Annual improvements to FRSs 2010 – 2012 Cycle, including Amendments to FRS 13 Fair Value Measurement

It clarifies the basis for conclusion that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. **BASIS OF PREPARATION (CONT'D)**

2.5 **Standards issued but not yet effective**

The followings are standards and amendments which are not yet effective and have not been early adopted by the Group and the Company:

FRS effective on 1 January 2016:	
FRS 14*#	Regulatory Deferral Accounts
Amendments to FRSs effective on 1 January 2016:	
FRS 10*	Consolidated Financial Statements: Investment Entities – Applying the Consolidation Exception
FRS 11*#	Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations
FRS 12*#	Disclosure of Interest in Other Entities: Investment Entities – Applying the Consolidation Exception
FRS 101	Presentation of Financial Statements: Disclosure Initiative
FRS 116*#	Property, Plant and Equipment : Agriculture - Bearer Plants
FRS 116	Property, Plant and Equipment : Clarification of Acceptable Methods of Depreciation
FRS 127	Separate Financial Statements : Equity Method in Separate Financial Statements
FRS 128*#	Investment in Associates and Joint Ventures: Investment Entities – Applying the Consolidation Exception
FRS 138*#	Intangible Assets: Clarification of Acceptable Methods of Amortisation
FRS 141*#	Agriculture: Bearer Plants
Annual Improvements to FRSs 2012-2014 Cycle issued in November 2014*#	
FRSs effective on 1 January 2018:	
Amendments to FRS 7	Financial Instruments: Disclosures – Mandatory effective date of FRS 9 and Transitional Disclosures
FRS 9	Financial Instruments (International Financial Reporting Standards ("IFRS") 9 issued by International Accounting Standards Board ("IASB") in July 2014)
Amendments to FRSs (deferred effective date to be announced by the MASB):	
FRS 10*	Consolidated Financial Statements: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
FRS 128*#	Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

* Not applicable to the Company's operation
\# Not applicable to the Group's operations

The initial application of the above standards, amendments and interpretation are not expected to have any significant financial impacts to the financial statements, except for:

FRS 9 Financial Instruments

FRS 9 reflects all phases of the financial instruments project and replaces FRS 139 Financial Instruments: Recognition and Measurement and all previous version of FRS 9. The new standard introduces extensive requirements and guidance for classification and measurement of financial assets and financial liabilities which fall under the scope of FRS 9, new "expected credit loss model" under the impairment of financial assets and greater flexibility has been allowed in hedge accounting transactions.

The Group and the Company are currently examining the financial impact of adopting FRS 9.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. **BASIS OF PREPARATION (CONT'D)**

2.5 **Standards issued but not yet effective (cont'd)**

New MASB Approved Accounting Standards

To converge with International Financial Reporting Standards ("IFRSs") in 2012, the Malaysian Accounting Standards Board ("MASB") had on 19 November 2011, issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRSs"), which are mandatory for annual financial periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture and MFRS 15 Revenue from Contracts with Customers for Construction, including its parent, significant investor and venture ("Transitioning Entities").

Transitioning Entities will be allowed to defer adoption of the new MFRSs. Consequently, adoption of the MFRSs by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2018.

The Group falls within the scope of Transitioning Entities and has opted to defer adoption of MFRSs. Accordingly, the Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2018.

In presenting its first MFRS financial statements, the Group and the Company will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening accumulated losses.

The Group and the Company have not completed their quantification of the financial effects of the differences between Financial Reporting Standards ("FRS") and accounting standards under the MFRS Framework and are in the process of assessing the financial effects of the differences. Accordingly, the consolidated financial performance and financial position as disclosed in these financial statements for the financial year ended 31 December 2015 could be different if prepared under the MFRS Framework.

The Group and the Company expect to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2018.

2.6 **Significant accounting estimates and judgements**

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's and of the Company's accounting policies and reported amounts of assets, liabilities, income, expenses and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. **BASIS OF PREPARATION (CONT'D)**

2.6 **Significant accounting estimates and judgements (cont'd)**

2.6.1 **Estimation uncertainty**

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

Useful lives of depreciable assets

Management estimates the useful lives of the property, plant and equipment to be within 2 to 96 years and reviews the useful lives of depreciable assets at each reporting date. At 31 December 2015, management assesses that the useful lives represent the expected utility of the assets to the Group and the Company. The carrying amount of the Group's and the Company's property, plant and equipment at the reporting date are analysed in Note 4 to the Financial Statements. Actual results, however, may vary due to change in the expected levels of usage and technological developments, with resulting the adjustment to the Group's and the Company's assets.

Impairment of non-financial assets

The Directors assess whether the carrying amount of its non-financial assets are impaired at each reporting date. This involves measuring the recoverable amounts based on the fair value less costs to sell or value in use of these assets.

Fair value less costs to sell is determined based on available published third party information or contractual value in agreements entered into by the Group or the Company.

Impairment of loans and receivables

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience of assets with similar credit risk characteristics.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which all the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Income taxes

Significant judgement is involved in determining the Group's and the Company's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company recognise tax liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. **BASIS OF PREPARATION (CONT'D)**

2.6 **Significant accounting estimates and judgements (cont'd)**

2.6.1 **Estimation uncertainty (cont'd)**

Inventories

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, management takes into account the most reliable evidence available at the times the estimates are made.

The Group's businesses are subject to economical and social preference changes which may cause selling prices to change rapidly and the Group's profit to change.

The carrying amount of the Group's inventories at the reporting date is disclosed in Note 11 to the Financial Statements.

Revaluation of property, plant and equipment

The Group and the Company measure their land and buildings at revalued amount with changes in fair value being recognised in other comprehensive income. The Group and the Company engaged independent valuation specialists to determine fair values.

The carrying amount of the land and buildings at the end of the reporting year and the relevant revaluation bases are disclosed in Note 4 to the Financial Statements.

2.6.2 **Significant management judgements**

There were no significant judgements made by management in process of applying the accounting policies of the Group and of the Company which may have significant effect on the amount recognised in the financial statements.

3. **SIGNIFICANT ACCOUNTING POLICIES**

The Group and the Company apply the significant accounting policies, as summarised below consistently throughout all years presented in the financial statements.

3.1 **Consolidation**

3.1.1 **Subsidiaries**

Subsidiaries are entities, including structured entities, controlled by the Group or the Company. Control exists when the Group or the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. Besides, the Group or the Company considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investment in subsidiaries is stated at cost less any impairment losses in the Company's financial position, unless the investment is held for sale or distribution.

Upon the disposal of investment in a subsidiary, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.1 **Consolidation (cont'd)**

3.1.2 **Basis of consolidation**

The Group's financial statements consolidate the audited financial statements of the Company and all of its subsidiaries, which have been prepared in accordance with the Group's accounting policies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. The financial statements of the Company and its subsidiaries are all drawn up to the same reporting date.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full in preparing the consolidated financial statements. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements.

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.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

3.1.3 **Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill in initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.1 **Consolidation (cont'd)**

3.1.4 **Loss of control**

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.

3.1.5 **Non-controlling interests**

Non-controlling interests at the end of the reporting year, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company.

Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if that results in a deficit balance.

3.2 **Foreign currency translation**

The Group's consolidated financial statements are presented in RM, which is also the parent company's functional currency.

3.2.1 **Foreign currency transactions and balances**

Transactions in foreign currencies are initially recorded at the functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the profit or loss with the exception of all monetary items that forms part of a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising in translation of non-monetary items is recognised in line with the gain or loss of the item that gave rise to the translation difference (translation differences on items whose gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss respectively).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.2 Foreign currency translation (cont'd)

3.2.2 Foreign operations

The assets and liabilities of operations denominated in functional currencies other than RM, are translated to RM at exchange rates at the end of the reporting year. The income and expenses of foreign operations are translated to RM at average exchange rates for the financial year.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified to profit or loss as part of the profit or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in foreign currency translation reserve in equity.

3.3 Property, plant and equipment

All property, plant and equipment are measured at cost less accumulated depreciation and impairment loss, if any. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the assets to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. All other repair and maintenance costs are recognised in the profit or loss as incurred.

Land and buildings are measured at fair value less accumulated depreciation after the date of the revaluation. Valuations are performed at a regular interval of at 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.

As at the date of revaluation, accumulated depreciation, if any, is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Any revaluation surplus arising upon appraisal of land and buildings are recognised in other comprehensive income and credited to the 'revaluation reserve' in equity. To the extent that any revaluation decrease or impairment loss has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase recognised in other comprehensive income. Downward revaluation of land and buildings are recognised upon appraisal or impairment testing, with the decrease being charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and any remaining decrease recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.3 **Property, plant and equipment (cont'd)**

The Group and the Company adopt a policy to make an annual transfer of the revaluation surplus to accumulated losses as the asset is used. In such case, the amount of the surplus transferred would be the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Any revaluation surplus remaining in equity on disposal of the asset is transferred directly to accumulated losses.

Freehold land is not depreciated. Depreciation is recognised on the straight line method in order to write off the cost of each other asset over its estimated useful life. Other property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:-

Leasehold land	Over 81 to 96 years
Buildings	2%
Office equipment, furniture and fittings	15% to 33 1/3%
Motor vehicles	20%
Renovation	10%
Site cabin and tools	10% to 50%
Signboard	20%

Property, plant and equipment are written down to recoverable amount if, in the opinion of the Directors, it is less than their carrying value. Recoverable amount is the net selling price of the property, plant and equipment, that is, the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The residual values, useful lives and depreciation method are reviewed at least annually to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on the disposal of property, plant and equipment is determined as difference between the disposal proceeds and the carrying amount of the assets and is recognised in the profit or loss in the financial year in which the asset is derecognised.

3.4 **Investment property**

Investment property is the leasehold land which is held for long-term rental yields or for capital appreciation or both, and is not occupied by the Group.

Investment property is initially measured at cost, including transaction cost. Cost includes expenditures that are directly attributable to the acquisition of the investment property. Subsequent to initial recognition, investment property is measured at fair value and are revalued annually and are included in the statements of financial position at their open market values. Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in profit or loss in the period in which they arise. The fair values are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property and supported by market evidence.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.4 Investment property (cont'd)

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 from the statements of financial position. The difference between the net disposal proceeds and its carrying amount is charged or credited to profit or loss in the financial year of the retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property carried at fair value to inventory, the deemed cost for subsequent accounting is the fair value at the date of change in use.

3.5 Land held for property development

Land held for property development consists of the deemed cost of land held for property development and other related development costs common to the whole project. Land held for property development consist of land on which no development work has been undertaken. Such land is classified as non-current asset and is stated at cost less any accumulated impairment losses.

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

3.6 Plantation expenditure

Plantation expenditure incurred on land clearing, upkeep of immature trees, direct administrative expenses incurred during the pre-maturity period (pre-cropping 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.

3.7 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 Company 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 **Financial instruments**

3.8.1 **Initial recognition and measurement**

Financial assets and financial liabilities are recognised when the Group or the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value. Financial assets and financial liabilities which are measured subsequently are as described below.

3.8.2 **Financial assets - categorisation and subsequent measurement**

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

(a) financial assets at fair value through profit or loss;
(b) held-to-maturity investments;
(c) loans and receivables; and
(d) available-for-sale financial assets.

All financial assets except for those classified at fair value through profit or loss are subject to review for impairment at least at each reporting date.

A financial asset or a part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expired or the financial asset 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 (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

At the reporting date, the Group and the Company carry only loans and receivables and available-for-sale financial assets on their respective statements of financial position.

<u>Loans and receivables</u>

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less allowance for impairment. Discounting is omitted where the effect of discounting is immaterial. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process. The Group's and the Company's cash and cash equivalents, amount due from subsidiaries, trade and most of the other receivables fall into this category of financial instruments.

Loans and receivables are classified as current assets.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Financial instruments (cont'd)

3.8.2 Financial assets - categorisation and subsequent measurement (cont'd)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Group's and the Company's available-for-sale financial assets include listed equity instruments.

Available-for-sale financial assets are measured at fair value subsequent to the initial recognition. Gains and losses are recognised in other comprehensive income and reported within the available-for-sale reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income.

Dividends are recognised in profit or loss. Dividends on an available-for-sale equity are recognised in profit or loss when the Group's and the Company's right to receive such payment is established.

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

3.8.3 Financial liabilities - categorisation and subsequent measurement

After the initial recognition, financial liabilities are classified as:

(a) financial liabilities at fair value through profit or loss;
(b) other financial liabilities measured at amortised cost using the effective interest method; and
(c) financial guarantee contracts.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expired.

On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

At the reporting date, the Group and the Company carry only other liabilities measured at amortised cost and financial guarantee contracts on their respective statements of financial position.

Other liabilities measured at amortised cost

The Group's and the Company's other financial liabilities include borrowing, amount due to a subsidiary, trade and other payables and amount due to non-controlling interests.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group or the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Financial guarantee contracts

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specific debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Financial instruments (cont'd)

3.8.4 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.8.5 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market process or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

3.9 Impairment of assets

3.9.1 Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment by comparing its carrying amount with its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a cash-generating unit or group of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to those units or group of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised as an expense in profit or loss immediately except for a property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as revaluation increase.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.9 **Impairment of assets (cont'd)**

3.9.2 **Financial assets**

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the assets (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

<u>Financial assets carried at amortised cost</u>

For financial assets carried at amortised cost, the Group and the Company first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group and the Company determine that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continue to be, recognised are not included in a collective assessment of impairment.

If any such evidence exists, the amount of impairment loss 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. The impairment loss is recognised in profit or loss. The carrying amount of the financial asset is reduced through the use of an allowance account. When a receivable becomes uncollectible, it is written off against the allowance account. If in a subsequent year, 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 to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

<u>Available-for-sale financial assets</u>

For available-for-sale financial assets, the Group and the Company assess at each reporting date whether there is objective evidence that an investment or a group of investment is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the profit or loss - is removed from other comprehensive income and recognised in the profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairments are recognised directly in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.10 **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, bank balances, short term demand deposits, bank overdrafts and highly liquid investments which are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the financial position, cash and cash equivalents restricted to be used to settle a liability of 12 months or more after the reporting date are classified as non-current assets.

3.11 **Provisions**

Provisions are recognised when there is a present legal or constructive obligation that can be estimated reliably, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Any reimbursement that the Group or the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. Where the effect of the time of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3.12 **Operating lease**

Leases, where substantially all the risks and rewards of ownership of assets remained with the leasing company are accounted for as operating leases. Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the relevant lease terms. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

3.13 **Equity and reserves**

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Share capital represents the nominal value of shares that have been issued.

Accumulated losses include all current and prior years' accumulated losses.

All transactions with the owner of the Company are recorded separately within equity.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.14 **Revenue recognition**

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. 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.

3.14.1 **Sale of goods**

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

3.14.2 **Services**

Revenue is recognised upon the rendering of services and when the outcome of the transaction can be estimated reliably.

3.14.3 **Commission income**

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

3.14.4 **Interest and rental income**

Interest and rental income are recognised on an accrual basis.

3.15 **Borrowing costs**

Borrowing costs are charged to the profit or loss as expenses in the year in which they incurred.

3.16 **Employee benefits**

3.16.1 **Short-term benefits**

Wages, salaries, bonuses and social security contributions are recognised as expenses in the financial year in which the associated services are rendered by the employees of the Group. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occurred.

3.16.2 **Defined contribution plans**

Defined contribution plans are post-employment benefit plans under which the Group or the Company pays fixed contributions into independent entities of funds and will have no legal or constructive obligation to pay further contribution if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years.

Such contributions are recognised as expenses in profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.17 Tax expenses

Income tax on the profit or loss for the year comprises current tax and deferred tax.

3.17.1 Current tax

Current tax expenses are the expected amount of income taxes payable in respect of the taxable profit for the financial year and are measured using the tax rates that have been enacted or substantively enacted by the reporting date.

3.17.2 Deferred tax

Deferred tax liabilities and assets are provided for under the liability method at the current tax rate that have been enacted or substantively enacted by the reporting date in respect of all temporary differences at the reporting date between the carrying amount of an asset or liability in the statements of financial position and its tax base including unutilised tax losses and unabsorbed capital allowances.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date. If it is no longer probable that sufficient taxable profits will be available to allow the benefit of part or that entire deferred tax assets to be utilised, the carrying amount of the deferred tax assets will be reduced accordingly. When it becomes probable that sufficient future taxable profits will be available, such reductions will be reversed to the extent of the taxable profits.

Deferred tax is recognised in 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.

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 by the reporting date.

3.17.3 Goods and service tax

Goods and services tax ("GST") is a consumption tax based on value-added concept. GST is imposed on goods and services at every production and distribution stage in the supply chain including importation of goods and services, at the applicable tax rate of 6%. Input GST that the Group and the Company paid on purchases of business inputs can be deducted from their respective output GST.

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred in a purchase of assets or services is not recoverable from the authority, in which case the GST is recognised as part of the cost of acquisition of the assets or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the authority is included as part of receivables or payables in the statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.18 Operating segment

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

3.19 Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is not recognised in the statement of financial position and is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

3.20 Related parties

A related party is a person or entity that is related to the Group. A related party transaction is a transfer of resources, services or obligations between the Group and its related party, regardless of whether a price is charged.

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group; or
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) the entity and the Group are members of the same group; or
- (ii) one entity is an associate or joint venture of the other entity; or
- (iii) both entities are joint ventures of the same third party; or
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity; or
- (v) the entity is a post-employment benefit plan for the benefits of employees of either the Group or an entity related to the Group; or
- (vi) the entity is controlled or jointly-controlled by a person identified in (a) above; or
- (vii) a person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity.
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

4. **PROPERTY, PLANT AND EQUIPMENT**

	At valuation			At cost					
	Freehold land RM'000	Long term 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
Group									
Cost or valuation									
At 1 January 2014	1,360	68,000	3,860	2,315	1,357	897	66	60	77,915
Additions	-	-	-	438	418	140	-	-	996
Disposals	-	-	-	(474)	(169)	(18)	-	-	(661)
Write off	-	-	-	(5)	-	-	-	-	(5)
Currency translation differences	-	-	-	48	26	7	-	-	81
At 31 December 2014	1,360	68,000	3,860	2,322	1,632	1,026	66	60	78,326
Additions	-	-	-	105	-	2	-	-	107
Disposals	-	-	-	(206)	(641)	(31)	(1)	-	(879)
Write off	-	-	-	(19)	-	(38)	-	-	(57)
Currency translation differences	-	-	-	148	101	44	-	-	293
At 31 December 2015	1,360	68,000	3,860	2,350	1,092	1,003	65	60	77,790
Accumulated depreciation									
At 1 January 2014	-	570	23	1,831	804	775	45	60	4,108
Depreciation for the year	-	760	112	181	309	23	12	-	1,397
Disposals	-	-	-	(192)	(52)	-	-	-	(244)
Write off	-	-	-	(5)	-	-	-	-	(5)
Currency translation differences	-	-	-	21	13	-	-	-	34
At 31 December 2014	-	1,330	135	1,836	1,074	798	57	60	5,290
Depreciation for the year	-	760	110	149	175	50	3	-	1,247
Disposals	-	-	-	(129)	(336)	(6)	(1)	-	(472)
Write off	-	-	-	(19)	-	(38)	-	-	(57)
Currency translation differences	-	-	-	80	54	7	-	-	141
At 31 December 2015	-	2,090	245	1,917	967	811	59	60	6,149
Net carrying amount									
At 31 December 2015	1,360	65,910	3,615	433	125	192	6	-	71,641
At 31 December 2014	1,360	66,670	3,725	486	558	228	9	-	73,036

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

4. **PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

	Motor vehicles RM'000
Company	
Cost	
At 1 January 2014/ 31 December 2014/ 31 December 2015	174
Accumulated depreciation	
At 1 January 2014	105
Depreciation for the financial year	37
At 31 December 2014	142
Depreciation for the financial year	31
At 31 December 2015	173
Net carrying amount	
At 31 December 2015	1
At 31 December 2014	32

The title deed of long term leasehold land of a subsidiary with net carrying amount of RM58,183,487 (2014: RM58,844,037) has yet to be transferred to the subsidiary.

The land and buildings of the Group were revalued during the financial year 2013 by an independent professional valuer, Messrs Irhamy & Co. The valuations were based on the comparison methods by reference to recent market transactions.

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 the end of the reporting year as follows:-

	Group	
	2015 RM'000	**2014 RM'000**
Freehold land	1,116	1,116
Leasehold land	5,113	5,173
Buildings	1,675	1,716
	7,904	8,005

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Fair value information

Fair value of property, plant and equipment are categorised as follows:-

	Group Level 2 2015 RM'000	Group Level 2 2014 RM'000
Freehold land	1,360	1,360
Leasehold land	65,910	66,670
Buildings	3,615	3,725
	70,885	71,755

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Transfer between level 1 and 2 fair value

There were no transfer between level 1 and 2 during the financial year.

5. INVESTMENT PROPERTY

	Group 2015 RM'000	Group 2014 RM'000
Leasehold land, at fair value:-		
At 1 January	100,000	100,000
Reclassified to land held for property development	(100,000)	-
At 31 December	-	100,000

Fair value information

Fair value of investment property is categorised as follows:-

	Group Level 3 2015 RM'000	Group Level 3 2014 RM'000
Leasehold land	-	100,000

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

5. **INVESTMENT PROPERTY (CONT'D)**

Transfer between level 1 and 2 fair value

There were no transfer between level 1 and 2 during the financial year.

Valuation processes applied by the Group for level 3 fair value

The fair value of investment property as at 31 December 2014 was determined by external independent property valuer, Messrs Irhamy & Co having appropriate recognised professional qualification and recent experience in the location and category of property being valued.

	2015 RM'000	2014 RM'000
Significant unobservable valuation input:-		
Price per square meter	-	700

Significant increase/(decrease) in estimated price per square meter in isolation would result in a significantly higher/(lower) fair value.

6. **LAND HELD FOR PROPERTY DEVELOPMENT**

	Group	
	2015 RM'000	2014 RM'000
Leasehold land, at fair value:-		
At 1 January	-	-
Reclassified from investment property	100,000	-
At 31 December	100,000	-

7. **PLANTATION EXPENDITURE**

	Group	
	2015 RM'000	2014 RM'000
At 1 January	1,488	1,351
Additions during the financial year	112	137
At 31 December	1,600	1,488

8. **INVESTMENT IN SUBSIDIARIES**

	Company	
	2015 RM'000	2014 RM'000
Unquoted shares - at cost	178,100	178,100
Less: Accumulated impairment loss	(139,777)	(139,777)
	38,323	38,323

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

8. INVESTMENT IN SUBSIDIARIES (CONT'D)

The following information relates to the subsidiaries:-

Name of company	Country of incorporation	Equity interest 2015 %	Equity interest 2014 %	Principal activities
Held directly:-				
Compugates Sdn. Bhd.	Malaysia	100	100	Trading, marketing and distribution of imaging information technology and communication based products
Selama Muda Jaya Sdn. Bhd.	Malaysia	100	100	Dormant
Compugates International Sdn. Bhd.	Malaysia	100	100	Investment holding and provision of management services
Subsidiary of Compugates Sdn. Bhd.				
Compugates Marketing Sdn. Bhd.	Malaysia	100	100	Investment holding, trading, marketing and distribution of information technology and communication based products and gaharu tea
Subsidiaries of Compugates Marketing Sdn. Bhd.				
Classic Distribution Sdn. Bhd.	Malaysia	100	51	Dormant
Compugates Development and Mining Sdn. Bhd. ("CDMSB")	Malaysia	70	70	Land owner and entered into a joint venture agreement to develop land
Compugates Perak Sdn. Bhd.	Malaysia	100	51	Dormant
Compugates Sabah Sdn. Bhd. ("CSSB")	Malaysia	51	51	Dealing in solar products and green energy systems
Subsidiary of Compugates International Sdn. Bhd.				
Compugates International Limited *	British Virgin Islands	51	51	Distributor of telecommunication products and management agent of franchises
Subsidiaries of Compugates International Limited				
Compugates International (BD) Limited *	British Virgin Islands	80	80	Investment holding, consultancy and project management services
Compugates International Limited (Cambodia) *	Cambodia	80	80	Distributor of telecommunication products and management agent of franchises
PT Compugates International *	Indonesia	80	80	Trading as main distributor of communication products such as SIM cards and voucher cards
Subsidiary of Compugates International (BD) Limited				
Compugates International (Bangladesh) Limited *	Bangladesh	98	98	Distributor of telecommunication products and services

* Subsidiaries not audited by SJ Grant Thornton

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

8. **INVESTMENT IN SUBSIDIARIES (CONT'D)**

Non-controlling interests in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:-

	CDMSB RM'000	CSSB RM'000	Others individually immaterial subsidiaries RM'000	Total RM'000
Percentage of ownership interest and voting interest	30%	49%		
2015				
Carrying amount of NCI	37,254	(4,486)	(220)	32,548
Loss allocated to NCI	900	(484)	(1,410)	(994)
2014				
Carrying amount of NCI	36,354	(4,002)	(520)	31,832
Loss allocated to NCI	(553)	(447)	(1,905)	(2,905)

The summary of financial information before intra-group elimination for the Group's subsidiaries that have material non-controlling interests is as below:-

	CDMSB		CSSD	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At 31 December				
Non-current assets	158,184	158,844	-	51
Current assets	6	6	578	1,377
Non-current liabilities	(13,061)	(17,926)	-	-
Current liabilities	(20,949)	(19,744)	(9,733)	(9,595)
Net assets/(liabilities)	124,180	121,180	(9,155)	(8,167)
Financial year ended 31 December				
Revenue	-	-	3	1
Profit/(loss) for the financial year	3,000	(1,844)	(988)	(913)
Total comprehensive income/(loss)	3,000	(1,844)	(988)	(913)
Cash flows from/(used in) operating activities	3,797	(1,332)	44	(329)
Cash flows from investing activities	-	-	313	2
Cash flows (used in)/from financing activities	(3,797)	1,332	(350)	330
Net increase in cash and cash equivalents	-	-	7	3

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

8. INVESTMENT IN SUBSIDIARIES (CONT'D)

Goodwill on consolidation

	Group	
	2015 RM'000	**2014 RM'000**
Goodwill	129,452	129,452
Less: Accumulated impairment loss		
At 1 January	(129,452)	(105,461)
Recognised during the financial year	-	(23,991)
At 31 December	(129,452)	(129,452)
	-	-

In prior year, the Directors reassessed the recoverable amounts of goodwill for both trading and plantation cash-generating units and the recoverable amount is lower than the carrying amount. Hence, an impairment loss of RM23,991,000 has been made in the prior financial year.

9. OTHER INVESTMENTS

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Available-for-sale financial assets (at fair value)				
Equity instruments (quoted in Malaysia)				
At 1 January	46	46	46	46
Additions	144	-	-	-
Disposal	(190)	-	(46)	-
At 31 December	-	46	-	46
Market value of quoted investments	-	46	-	46

10. DEFERRED TAX ASSETS

	Group	
	2015 RM'000	**2014 RM'000**
At 1 January	187	106
Recognised in profit or loss (Note 28)	-	81
Translation differences	19	-
At 31 December	206	187

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

11. INVENTORIES

	Group 2015 RM'000	Group 2014 RM'000
At carrying amount:-		
Inventories held for trading	10,477	12,114
Recognised in profit or loss:		
Inventories recognised as cost of sales	110,973	122,025
Inventories written-off	58	70
Write-back of impairment loss on inventories	(30)	-
Inventories written-down	475	7

12. TRADE RECEIVABLES

	Group 2015 RM'000	Group 2014 RM'000
Trade receivables	13,546	16,939
Less: Accumulated impairment loss		
At 1 January	(1,524)	(1,198)
Recognised during the financial year	(613)	(754)
Write-back during the financial year	268	428
At 31 December	(1,869)	(1,524)
	11,677	15,415

The Group's normal trade credit terms range from 1 to 60 days (2014: 1 to 60 days). Other credit terms are assessed and approved on a case-by-case basis.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

13. OTHER RECEIVABLES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Other receivables	708	602	4	4
Less: Accumulated impairment loss				
At 1 January	(112)	-	-	-
Recognised during the financial year	-	(112)	-	-
Written off	112	-	-	-
At 31 December	-	(112)	-	-
	708	490	4	4
Deposits	415	701	124	56
Prepayments	2,321	2,816	3	3
GST receivable	41	-	-	-
	3,485	4,007	131	63

14. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	Company	
	2015 RM'000	2014 RM'000
Amount due from subsidiaries:-		
Interest bearing	455	421
Non-interest bearing	8,175	7,684
	8,630	8,105
Amount due to subsidiaries:-		
Non-interest bearing	1,738	623

The amounts due from/(to) subsidiaries are non-trade in nature, unsecured and repayable on demand except for an amount due from subsidiaries of RM455,000 (2014: RM421,000) which bears interest at a rate of 8.89% (2014: 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 bear a weighted average effective interest rate of 2.28% (2014: 2.20%) per annum. The short-term deposits have a maturity period of 1 to 11 days (2014: 2 days).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

16. FIXED DEPOSITS WITH LICENSED BANKS

The fixed deposits with licensed banks of the Group at the end of the financial year bear a weighted average effective interest rate of 3.19% (2014: 2.90%) per annum. The fixed deposits have maturity periods ranging from 1 month to 12 months (2014: 1 month to 12 months).

The fixed deposits with licensed banks of the Group at the end of the financial year have been pledged to licensed banks as securities for banking facilities granted to the Group.

17. SHARE CAPITAL

	Group and Company	
	2015	2014
	RM'000	RM'000
Authorised:		
3,500,000,000 ordinary shares of RM0.10 each	350,000	350,000
Issued and fully paid:		
2,134,289,020 ordinary shares of RM0.10 each	213,429	213,429

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at the meetings of the Company.

18. REVALUATION RESERVE

	Group	
	2015	2014
	RM'000	RM'000
At 1 January	35,177	37,060
Transferred to non-controlling interests	-	(167)
Crystallisation of revaluation reserve	(571)	(570)
Realisation of revaluation reserve	-	(1,146)
At 31 December	34,606	35,177

The revaluation reserve represents the increase in the fair value of property, plant and equipment.

19. OTHER RESERVES

	Group	
	2015	2014
	RM'000	RM'000
Foreign currency translation reserve	347	(1,136)
Other reserve	(2,100)	(2,100)
	(1,753)	(3,236)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

19. OTHER RESERVES (CONT'D)

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

The other reserve arose from the additional interest acquired from non-controlling interests of Compugates Development and Mining Sdn. Bhd. (already a subsidiary).

20. DEFERRED TAX LIABILITIES

	Group	
	2015 RM'000	2014 RM'000
At 1 January	20,025	20,482
Recognised in profit or loss (Note 28)	(4,898)	(457)
At 31 December	15,127	20,025

The deferred taxation arose from the revaluation of the property, plant and equipment and investment property of the Group.

21. TRADE PAYABLES

The normal trade credit term granted to the Group is 60 days (2014: 60 days).

Included in the trade payables of the Group at the end of the financial year was an amount of approximately RM630,250 (2014: RM329,000) due to a related party. The amount owing is interest-free, unsecured and repayable on demand.

22. OTHER PAYABLES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Other payables	2,674	3,516	-	-
Accruals	1,693	3,054	126	116
Deposit received	5,000	-	-	-
Staff incentives	780	3,363	-	-
Amount due to Directors	2,603	2,756	-	-
	12,750	12,689	126	116

Included in the other payables of the Group at the end of the financial year was an amount of approximately NIL (2014: RM696,000) due to related parties. The amount owing bears interest at rate of Nil (2014: 20%) per annum, non-trade in nature, unsecured, and repayable on demand.

The amount due to Directors is non-trade in nature, unsecured, interest free and repayable on demand.

Deposit represents the deposit received from a third party in relation to the joint venture agreement entered by the Company during the financial year as disclosed in Note 35 to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

23. AMOUNT DUE TO NON-CONTROLLING INTERESTS

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

24. BANKERS' ACCEPTANCES (SECURED)

The bankers' acceptances of the Company bear weighted average effective interest rates of 3.88% to 5.61% (2014: 4.28% to 5.31%) per annum and are secured by way of:-

(i) pledge of fixed deposits of the Group; and
(ii) corporate guarantee of the Company.

25. REVENUE

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Trading and services	117,628	128,990	-	-
Agriculture and energy	166	155	-	-
	117,794	129,145	-	-

26. FINANCE COSTS

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Interest expenses				
- bankers' acceptances	693	635	-	-
- others	224	344	-	-
	917	979	-	-

27. LOSS BEFORE TAX

Loss before tax has been arrived at after charging and crediting:-

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Charging:-				
Auditors' remuneration				
- Company's auditors				
- statutory audit	99	103	38	42
- other services	5	4	5	4
- other external auditors	42	31	-	-
- Company's ex-auditors				
- other services	78	-	78	-
Bad debts written off	139	95	-	-
Depreciation	1,247	1,397	31	37
Directors' fee	276	276	276	276
Directors' remuneration	1,870	4,272	-	-
Directors' employees provident fund	272	651	-	-
Impairment loss on goodwill on consolidation	-	23,991	-	-
Impairment loss on trade receivables	613	754	-	-
Impairment loss on other receivables	-	112	-	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

27. LOSS BEFORE TAX (CONT'D)

Loss before tax has been arrived at after charging and crediting (cont'd):-

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Inventories written down	475	7	-	-
Inventories written off	58	70	-	-
Loss on disposal of property, plant and equipment	53	-	-	-
Rental of office	518	171	-	-
Rental of warehouse	64	54	-	-
Staff costs:				
- salaries, wages, bonuses and allowances	4,496	6,887	-	-
- employees provident fund	310	535	-	-
- other staff related cost	166	(91)	-	-
And crediting:-				
Interest income	(502)	(633)	(34)	(34)
Gain on disposal of other investments	(105)	-	(29)	-
Gain on disposal of property, plant and equipment	-	(40)	-	-
Gain on disposal of non-current assets held for sale	-	(1,604)	-	-
Gain on foreign exchange:				
- realised	(2)	(53)	-	-
- unrealised	(134)	-	-	-
Rental income	-	(58)	-	-
Write-back of impairment loss on trade receivables	(268)	(428)	-	-
Write-back of impairment loss on inventories	(30)	-	-	-

28. TAX INCOME

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Current tax				
- Malaysian tax	-	494	-	-
- Foreign tax	610	759	-	-
- over provision in prior years	(409)	(945)	-	-
	201	308	-	-
Deferred tax				
Reversal of temporary differences	(4,898)	(538)	-	-
	(4,697)	(230)	-	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

28. TAX INCOME (CONT'D)

Malaysia income tax is calculated at the statutory rate of 25% (2014: 25%) of the estimated assessable loss for the financial year. The corporate tax rate will be reduced to 24% for the year of assessment 2016 as announced in Malaysia Budget 2014. Consequently, Malaysian deferred taxation is measured at 24%.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

A reconciliation of tax income applicable to loss before tax at the statutory income tax rate to tax income at the effective income tax rate of the Group and of the Company are as follows:-

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Loss before tax	(4,252)	(33,891)	(585)	(715)
Taxation at applicable tax rate of 25%	(1,063)	(8,473)	(146)	(179)
Tax effects arising from				
- non-deductible expenses	2,669	7,753	146	179
- non-taxable income	(893)	(135)	-	-
- crystallisation of deferred tax liabilities	(181)	(457)	-	-
- deferred tax assets not recognised during the year	518	1,946	-	-
- deferred tax assets not recognised in different tax rate	(15)	81	-	-
- utilisation on deferred tax assets not recognised previously	(606)	-	-	-
- reversal of deferred tax liability due to change in tax rate	(4,717)	-	-	-
- over provision in prior years	(409)	(945)	-	-
Tax income for the financial year	(4,697)	(230)	-	-

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

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Deductible temporary differences	4,017	6,705	-	-
Unutilised tax losses	27,802	25,624	-	-
Unabsorbed capital allowances	2,612	2,467	-	-
	34,431	34,796	-	-

Subject to the agreement of Inland Revenue Board, the Group's unutilised tax losses and unabsorbed capital allowances can be carried forward to offset against future taxable income.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

29. PROFIT/(LOSS) PER ORDINARY SHARE

Basis profit/(loss) per ordinary share

The basic profit/(loss) per ordinary share is calculated based on the Group's profit attributable to owners of the Company of RM1,439,000 (2014: loss of RM30,756,000) and on the number of ordinary shares in issue during the financial year of 2,134,289,020 units (2014: 2,134,289,020 units).

Diluted profit/(loss) per ordinary share

The Group has no dilutive potential ordinary shares. As such, there is no dilutive effect on the profit/(loss) per ordinary share of the Group for the both financial years.

30. CONTINGENT LIABILITIES

	Company	
	2015 RM'000	**2014 RM'000**
Corporate guarantees given by the Company to banks for credit facilities granted to the subsidiaries	1,254	2,079
Corporate guarantees given by the Company to suppliers for trade debts owing by a subsidiary	15,083	19,357
	16,337	21,436

31. RELATED PARTIES

(a) **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	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Subsidiary				
PT Compugates International				
Interest income	-	-	34	34
Related parties				
Integra Corp Sdn Bhd				
Project management fee	273	255	-	-
Zen International Limited				
Interest expense	97	267	-	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31. **RELATED PARTIES (CONT'D)**

(b) **Key management personnel compensation**

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Directors				
- Remuneration and bonus	1,870	4,272	-	-
- Fees	276	276	276	276
- Defined contribution plan	272	651	-	-
	2,418	5,199	276	276
Other key management personnel				
- Salary, allowance and bonus	430	601	-	-
- Defined contribution plan	52	72	-	-
	2,900	5,872	276	276

32. **OPERATING SEGMENT**

Business segment

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.

- Malaysia – home country
- Overseas – consists of Bangladesh, Indonesia, Cambodia and British Virgin Island

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

Management monitors the operating results to its business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on a negotiated basis in a manner similar to transactions with third parties.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

32. **OPERATING SEGMENT (CONT'D)**

Business segment (cont'd)

Group

	Trading and services Malaysia RM'000	Trading and services Overseas RM'000	Agriculture and energy RM'000	Adjustments/ eliminations RM'000	Consolidated RM'000
2015					
Revenue					
External sales	103,493	14,135	166	-	117,794
Inter-segment sales	-	-	9	(9)	-
Total revenue	103,493	14,135	175	(9)	117,794
Results					
Interest income	350	28	1,259	(1,135)	502
Finance cost	(1,795)	(257)	-	1,135	(917)
Depreciation and amortisation	(925)	(214)	(108)	-	(1,247)
Tax income/(expenses)	4,880	(610)	427	-	4,697
Other non-cash expenses (Note (i))	(286)	(219)	(482)	-	(987)
Segment profit/(loss)	(3,304)	(2,344)	(235)	6,328	445
Assets					
Additions to non-current assets (Note (ii))	97	10	112	-	219
Segment assets (Note (iii))	209,498	9,482	26,185	(27,623)	217,542
Liabilities					
Segment liabilities (Note (iii))	66,698	7,750	8,084	(20,612)	61,920
2014					
Revenue					
External sales	117,985	11,005	155	-	129,145
Inter-segment sales	361	-	-	(361)	-
Total revenue	118,346	11,005	155	(361)	129,145
Results					
Interest income	508	8	1,340	(1,223)	633
Finance cost	(1,846)	(356)	-	1,223	(979)
Depreciation and amortisation	(1,147)	(250)	-	-	(1,397)
Impairment of goodwill on consolidation	(10,224)	-	(13,767)	-	(23,991)
Tax income/(expenses)	935	(340)	(365)	-	230
Other non-cash expenses (Note (i))	(303)	(95)	(212)	-	(610)
Segment loss	(18,298)	(3,001)	(14,743)	2,381	(33,661)
Assets					
Additions to non-current assets (Note (ii))	104	892	137	-	1,133
Segment assets (Note (iii))	224,123	12,121	38,162	(47,454)	226,952
Liabilities					
Segment liabilities (Note (iii))	80,487	8,778	8,769	(24,451)	73,583

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

32. **OPERATING SEGMENT (CONT'D)**

Business segment (cont'd)

Notes to the nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements:-

(i) Other non-cash (expenses)/income consist of the following items:-

	Group	
	2015 RM'000	2014 RM'000
Bad debts written off	(139)	(95)
Impairment loss on trade receivables	(613)	(754)
Impairment loss on other receivables	-	(112)
Inventories written down	(475)	(7)
Inventories written off	(58)	(70)
Write-back of impairment loss on inventories	30	-
Write-back of impairment loss on trade receivables	268	428
	(987)	(610)

(ii) Additions to non-current assets consist of:-

	Group	
	2015 RM'000	2014 RM'000
Property, plant and equipment	107	996
Plantation expenditure	112	137
	219	1,133

(iii) Inter-segment assets and liabilities are eliminated on consolidation.

Geographical information

Revenue and non-current assets by geographical location are as follows:-

	Group			
	Revenue		Non-current assets	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Malaysia	103,659	118,140	172,637	173,554
Bangladesh	3,671	5,314	590	999
Indonesia	7,053	3,235	213	195
Cambodia	3,411	2,456	7	9
	117,794	129,145	173,447	174,757

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

32. **OPERATING SEGMENT (CONT'D)**

Geographical information (cont'd)

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position:-

	Group	
	2015	**2014**
	RM'000	**RM'000**
Property, plant and equipment	71,641	73,036
Investment property	-	100,000
Land held for property development	100,000	-
Plantation expenditure	1,600	1,488
Other investments	-	46
Deferred tax assets	206	187
	173,447	174,757

33. **FINANCIAL INSTRUMENTS**

(a) **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) **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's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group'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 does not expect any counterparty fail to meet its obligations.

The areas where the Group are exposed to credit risk are as follows:-

Receivables

The net carrying amount of receivables is considered a reasonable approximate of fair value.

With a credit policy in place to ensure the credit risk is monitored on an ongoing basis, the management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses aging analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than credit terms granted are deemed to have higher credit risk and are monitored individually.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

33. **FINANCIAL INSTRUMENTS (CONT'D)**

(a) **Financial risk management and objectives (cont'd)**

(i) **Credit risk (cont'd)**

The areas where the Group are exposed to credit risk are as follows (cont'd):-

Receivables (cont'd)

The ageing analysis of trade receivables are as follows:-

	Gross RM	Individually impaired RM	Net RM
2015			
Not past due	6,674	-	6,674
Past due 1-60 days	3,515	-	3,515
Past due 61-120 days	554	(52)	502
Past due more than 120 days	2,803	(1,817)	986
	13,546	(1,869)	11,677
2014			
Not past due	13,468	-	13,468
Past due 1-60 days	1,407	-	1,407
Past due 61-120 days	188	-	188
Past due more than 120 days	1,876	(1,524)	352
	16,939	(1,524)	15,415

Trade and other receivables that are neither past due nor impaired are creditworthy receivables with good payment records with the Group. None of the Group's trade and other receivables that are neither past due nor impaired have been renegotiated during the financial year.

Trade receivables of RM5,003,000 (2014: RM1,947,000) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default and the Directors expect they are recoverable.

The Group has no significant concentration of credit risk that may arise from exposure to a single debtor or to group of debtors.

Intercompany balances

The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

The Company provides unsecured loans and advances to subsidiaries and monitors their results regularly. As at the end of the reporting year, there was no indication that the loans and advances to the subsidiaries are not recoverable.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

33. **FINANCIAL INSTRUMENTS (CONT'D)**

(a) **Financial risk management and objectives (cont'd)**

(i) **Credit risk (cont'd)**

The areas where the Group are exposed to credit risk are as follows (cont'd):-

Cash and cash equivalents

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Financial guarantee

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to subsidiaries and creditors for credit terms granted to subsidiaries.

The Company monitors on an ongoing basis the repayments made by the subsidiaries and their financial performance.

The maximum exposure to credit risk amounts to RM16,337,000 (2014: RM21,436,000) representing the outstanding credit facilities of the subsidiaries guaranteed by the Company less fixed deposits pledged with licensed banks at the reporting date. At the reporting date, there was no indication that the subsidiaries would default on its repayment.

The financial guarantee has not been recognised as the fair value on initial recognition was immaterial since the financial guarantee provided by the Company did not contribute towards credit enhancement of the subsidiaries' borrowing in view of the securities pledged by the subsidiaries and it is unlikely the subsidiaries will default within the guarantee period.

(ii) **Interest rate risk**

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

The Group's exposure to interest rate risk arises primarily from interest-bearing financial assets and liabilities. The Group's policy is to obtain the most favorable interest rate available. Any surplus funds of the Group and the Company 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 as at the reporting date:-

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Fixed rate instruments				
Financial assets				
Amount due from subsidiaries	-	-	455	421
Short-term deposits with licensed banks	4,141	5,075	-	-
Fixed deposits with licensed banks	11,945	12,281	-	-
Financial liability				
Bankers' acceptances	13,199	14,360	-	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

33. **FINANCIAL INSTRUMENTS (CONT'D)**

(a) **Financial risk management and objectives (cont'd)**

(ii) **Interest rate risk (cont'd)**

The Group and the Company do not account for fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting year would not affect the profit or loss.

(iii) **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 is exposed to foreign currency risk on financial instruments that are denominated in a currency other than the respective functional currencies of Group entities. The currency giving rise to this risk is primarily United States Dollar ("USD").

Exposure to foreign currency

The Group's exposure to foreign currency risk, based on carrying amounts as at the end of the reporting year is as follows:-

	Group	
	2015	**2014**
	RM'000	**RM'000**
USD		
Financial assets		
Trade receivables	719	681
Other receivables	35	10
Cash and bank balances	64	80
	818	771
Financial liabilities		
Trade payables	490	1,025
Other payables	1,465	124
Amount due to non-controlling interests	1,154	702
	3,109	1,851

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

33. **FINANCIAL INSTRUMENTS (CONT'D)**

(a) **Financial risk management and objectives (cont'd)**

(iii) **Foreign currency risk (cont'd)**

Sensitivity analysis

The following table indicates the approximate change in the Group's profit/(loss) after tax 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.

		Group	
		2015 Increase/ (decrease) profit RM'000	**2014 Increase/ (decrease) loss RM'000**
USD/RM	- strengthened 1%	(23)	11
	- weakened 1%	23	(11)

Exposures to foreign exchange rates vary during the financial year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposures to foreign currency risk.

(iv) **Liquidity risk**

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's liquidity is primarily dependent on its ability to maintain adequate cash inflow from operations to meet its debt obligations as and when they fall due and on its ability to obtain external financing for its committed future capital expenditures.

The liquidity risk arises principally from its payables and short-term borrowing. The maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted cash flows is less than 1 year.

(b) **Fair values**

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

There were no unrecognised financial instruments as at the end of the financial year.

34. **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 investors, creditors 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 return capital to shareholders, issue new shares or sell assets to reduce debts.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

34. **CAPITAL MANAGEMENT (CONT'D)**

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

The Group is not subject to any externally imposed capital requirements.

35. **SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO REPORTING DATE**

(a) **Corporate Proposals**

On 18 March 2015, the Company had announced the followings:-

(i) Proposed renounceable rights issue of up to 304,898,431 Redeemable Preference Shares ("RPS") together with up to 304,898,431 free detachable warrants ("Warrants") on the basis of one RPS together with one warrant for every seven ordinary shares of RM0.10 each subscribed in the Company ("Proposed Rights Issue with Warrants");
(ii) Proposed increase in the authorised share capital ("Proposed IASC"); and
(iii) Proposed amendments to the Memorandum and Articles of Association ("Proposed M&A Amendments").

The above mentioned proposals are subject to approvals from Bursa Malaysia Securities Berhad, Bank Negara Malaysia, shareholders and other relevant authorities' approvals.

On 14 May 2015, the Company announced that Bank Negara Malaysia ("BNM") had vide its letter dated 8 May 2015 (received on 14 May 2015) approved the issuance of up to 137,400,000 RPS amounting up to RM13.74 million to non-resident shareholders of the Company.

On 18 May 2015, the Company submitted an application to Bursa Malaysia Securities Berhad for an extension of time up to 18 July 2015 for the submission of the listing application in relation to the Proposed Rights Issue with Warrants.

On 28 May 2015, Bursa Malaysia Securities Berhad approved the Company's application for an extension of time up to 18 July 2015 to submit its draft circular pursuant to the Proposed Right Issue with Warrants.

On 16 July 2015, the Company announced that it was reviewing the Proposals in light of potential new business opportunities and had decided for the time-being, to defer the Proposals.

On 11 March 2016, the Company resolved not to proceed with the Proposed Rights Issue with Warrants due to unfavorable market conditions. As a result, the Board had also resolved not to proceed with the Proposed IASC and Proposed M&A Amendments.

(b) **Standing Agarwood Sale and Cutting Agreement**

On 24 April 2015, Compugates Marketing Sdn. Bhd. ("CMSB"), an indirect wholly-owned subsidiary of the Company entered into an Standing Agarwood Sale and Cutting Agreement ("SASC Agreement") with Westwood Marketing Sdn. Bhd. ("WMSB") where WMSB had agreed to purchase the standing agarwood trees for a total consideration of RM43,884,000 inclusive of 6% GST during 1 year term from the date of the SASC Agreement. However, the above transaction has not completed yet as at the date of this report.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

35. **SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO REPORTING DATE (CONT'D)**

(c) **Proposed Joint Venture**

(i) On 12 August 2015, the Company announced that its sub-subsidiary, Compugates International Limited (Cambodia) ("CILC") had entered into a Joint Venture Agreement ("JV Agreement") with Hydra & Thermal Pte. Ltd. and Tan Teck Kee for the purposes of incorporating a company in Cambodia to be known as Serial Netcom Co. Ltd ("SNCL") for the distribution and trading businesses of SIM cards and top-up cards in Cambodia for Smart Axiata Co., Ltd and other telecommunications operators upon other terms and conditions as may be agreed in the said JV Agreement. SNCL has been incorpated at beginning of March 2016.

(ii) On 19 August 2015, the Company announced that its 70% owned indirect subsidiary, Compugates Development And Mining Sdn Bhd ("CDMSB"), had on 18 August 2015 entered into a Joint Venture Agreement with Main Uptown Sdn. Bhd. ("MUSB") for the proposed joint development on the parcel of leasehold land identified as H.S.(D) 13828, PT 26800, Mukim of Dengkil, District of Sepang, Selangor Darul Ehsan into a mixed development ("Proposed Joint Venture"), comprising service apartment or small office/home office/virtual office/flexible office, or other accommodations of the same nature or characteristic. RM5,000,000 of deposit was received by CDMSB during the financial year as disclosed in Note 22 to the Financial Statements. However, the development has not started as at the date of this report.

(d) **Proposed Par Value Reduction**

On 22 January 2016, the Company had proposed par value reduction of the Company's existing issued and paid-up share capital from RM213,428,902 comprising 2,134,289,020 ordinary shares of RM0.10 each to RM42,685,780 comprising 2,134,289,020 ordinary shares of RM0.02 each via the cancellation of RM0.08 from the par value of each existing ordinary share of RM0.10 in the Company pursuant to Section 64 of the Companies Act, 1965. The proposal has not completed as at the date of this report.

(e) **Memorandum of Understanding**

On 25 January 2016, Compugates Perak Sdn Bhd ("CPSB"), the indirect wholly-owned subsidiary, had entered into a Memorandum of Understanding ("MOU") with Marrienberg Hills Resources Development Limited ("MHRD") to engage CPSB as a logger over the whole land described as Portion 146C, Milinch Marrienberg, Fourmil Angoram, East Sepik Province, Papua New Guinea.

On 5 February 2016, CPSB had entered into a MOU with another landowner, namely Lower Sepik Holdings Limited ("LSHL") to engage CPSB as a logger over the whole land described as Lower Sepik Forest Area within the Angoram District, East Sepik Province, Papua New Guinea.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

SUPPLEMENTARY INFORMATION - DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

On 25 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 20 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 31 December 2015 and 2014, into realised and unrealised losses, pursuant to the directive, is as follows:-

	Group		**Company**	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Total accumulated losses:				
- Realised	(185,232)	(174,900)	(168,155)	(167,570)
- Unrealised	94,686	89,667	-	-
	(90,546)	(85,233)	(168,155)	(167,570)
Less: Consolidation adjustments	(32,662)	(38,600)	-	-
Total accumulated losses as per statements of financial position	(123,208)	(123,833)	(168,155)	(167,570)

The determination of realised and unrealised losses is compiled 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 20 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)	Carrying Amount (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 25 Nov 2013	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	16	2,704,295
No. 31-2 Jalan PJU 1/ 39 Dataran Prima Petaling Jaya Selangor Darul Ehsan	One (1) Strata shop / office	9 Aug 2002 25 Nov 2013	No. 31-2: 1,735	Freehold	16	501,382
Level No. 07 101-07-09 Menara PERDANA Jalan Gurdwara Penang	1 storey in a 14-storey light industrial building	26 Sep 2006 26 Apr 2013	2,034	Freehold	16	469,269
Level No. 07 101-07-02 Menara PERDANA Jalan Gurdwara Penang	1 storey in a 14-storey light industrial building	24 Jan 2011 26 Apr 2013	1,098	Freehold	16	301,538
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 Apr 2013	62 acres	Leasehold for a term of 99 years expiring on 1 February 2104	-	58,183,487
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 18 Apr 2015	1,668,297	Leasehold for a term of 99 years expiring on 21 May 2103	-	100,000,000
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 Apr 2013	Land Area (square meter) 47,720	Freehold	-	1,000,000
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 Apr 2013	Land Area (square meter) 88,999	Leasehold for a term of 99 years expiring on 24 Jan 2093	-	7,727,835

ANALYSIS OF SHAREHOLDINGS

AS AT 6 APRIL 2016

SHARE CAPITAL

Authorised Share Capital	:	RM350,000,000 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	:	One (1) per ordinary share

SHAREHOLDING DISTRIBUTION SCHEDULE (AS PER THE RECORD OF DEPOSITORS)

No. of Shareholders	Size of Shareholdings	No. of Shares Held	% of Shares
44	Less than 100	1,646	*
2,022	100 to 1,000	1,380,227	0.06
1,901	1,001 to 10,000	10,208,087	0.48
2,956	10,001 to 100,000	157,332,410	7.37
1,634	100,001 to less than 5% of issued shares	1,965,366,650	92.09
-	5% and above of the issued shares		
8,557	**TOTAL**	**2,134,289,020**	**100.00**

*Less than0.01%

LIST OF 30 LARGEST SECURITIES ACCOUNT HOLDERS (AS PER THE RECORD OF DEPOSITORS)

	Name of Shareholders	No .of Shares Held	Percentage (%)
1.	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Goh Kheng Peow*	94,500,000	4.43
2.	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Goh Kheng Peow*	75,000,000	3.51
3.	Yap Yoke Lan	61,386,000	2.88
4.	Gan Siew Liat	60,500,000	2.83
5.	KAF Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Goh Kheng Peow*	58,000,000	2.72
6.	Maybank Securities Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Goh Kheng Peow (REM 868-MARGIN)*	57,000,000	2.67
7.	Alliancegroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Goh Kheng Peow (8026769)*	55,000,000	2.58
8.	RHB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for See Thoo Chan*	47,642,600	2.23
9.	Alliancegroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Wee Tiew Toon(8048870)*	46,889,900	2.20
10.	RHB Capital Nominees (Tempatan) Sdn Bhd *Thong Weng Kin*	46,300,000	2.17
11.	Malacca Equity Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Goh Kheng Peow*	44,690,000	2.09
12.	Thong Weng Kin	40,150,100	1.88
13.	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Goh Kheng Peow*	38,465,500	1.80
14.	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Wong Lay Leng (CEB)*	30,500,000	1.43
15.	HSBC Nominees (Asing) Sdn Bhd *Exempt AN for BSI SA (BSIBK SG-NR)*	30,100,000	1.41

ANALYSIS OF SHAREHOLDINGS (cont'd)

AS AT 6 APRIL 2016

LIST OF 30 LARGEST SECURITIES ACCOUNT HOLDERS (AS PER THE RECORD OF DEPOSITORS)

	Name of Shareholders	No .of Shares Held	Percentage (%)
16.	Chin Mong Kong	24,500,000	1.15
17	Kong Choke Lei	22,000,000	1.03
18.	M&A Nominee (Tempatan) Sdn Bhd *Pledged Securities Account for Wee Tiew Toon (M&A)*	20,715,500	0.97
19.	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Dorothy Ng Siew May*	20,312,000	0.95
20.	Low Sau Peng	20,000,000	0.94
21.	Amsec Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Low Peng Kai @ Lau Peng Kai*	17,000,000	0.80
22.	Phan Siew Loon	16,820,000	0.79
23.	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Goh Kheng Peow (CEB)*	15,608,110	0.73
24.	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Yee Eng King*	15,000,000	0.70
25.	Thong Chee Hoe	14,947,000	0.70
26.	Lim Ting Chai	14,300,000	0.67
27.	Tham Fay @ Tham Weng Sung	13,330,000	0.62
28.	Bagan Persona Sdn Bhd	11,883,700	0.56
29.	Lim Kang Pow	11,756,500	0.55
30.	Public Invest Nominees (Tempatan) Sdn Bhd *Exempt AN For Phillip Securities Pte Ltd (Clients)*	11,660,000	0.55
	TOTAL	1,035,956,910	48.54

SUBSTANTIAL SHAREHOLDERS (AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS)

		NO. OF SHARES HELD			
NAME OF SHAREHOLDERS		**DIRECT**	**%**	**INDIRECT**	**%**
1.	Goh Kheng Peow	445,074,910	20.85	59,670,800 #	2.80
2.	See Thoo Chan	51,670,800	2.42	453,074,910 ^	21.23

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' SHAREHOLDINGS (AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS)

		NO. OF SHARES HELD			
NAME OF SHAREHOLDERS		**DIRECT**	**%**	**INDIRECT**	**%**
1.	Tan Sri Datuk Asmat bin Kamaludin	-	-	30,000 *	**
2.	Goh Kheng Peow	445,074,910	20.85	59,670,800 #	2.80
3.	See Thoo Chan	51,670,800	2.42	453,074,910 ^	21.23
4.	Goh Tai Wai	-	-	-	-
5.	Mohamed Fauzi bin Omar	-	-	-	-

* 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 2015.

2) Shares Buy-back

There were no shares buy-back or cancellation or resale of treasury shares during the financial year ended 31 December 2015.

3) Option, Warrants or Convertible Securities

There were no options, warrants and other convertible securities exercised during the financial year ended 31 December 2015.

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 2015.

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 2015.

6) Variation in Results

There was no significant variances of 10% or more between the Company's audited financial results for the financial year ended 31 December 2015 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 2015 were RM82,300.

8) Profit Guarantee

There were no profit guarantees given by the Company or its subsidiaries during the financial year ended 31 December 2015.

9) Material Contracts involving Directors and Substantial Shareholders entered during the financial year ended 31 December 2015

There were no material contracts entered into by the company or its subsidiaries involving Directors and Substantial Shareholders during the financial year ended 31 December 2015.

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

RRPTs entered by the Company and the Group are disclosed under Note to the Financial Statement on page 73.

STATEMENT ON 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.

Dynamic and High Performance Workforce

The Company places great importance on hiring the right candidate for the right job. As the Company go forward, it will continue to focus on attracting quality talent who best fit our job requirements and complement its work culture. The Company firmly believe that by aligning its recruitment strategies, the Company will continue to attract the best talent to further enhance the Company's values and achievements.

The Company is committed in recognising and utilising the contribution of diverse skills and talent from its directors, officers and employees as a mean of enhancing the Group's performance. Diversity may result from wide range of factors which include age, gender, ethnicity or cultural background.

The Board is actively managing its workforce diversity to ensure equal employment opportunity regardless of genders. It foster the environment where the ability to contribute and access employment opportunities is based on performance, skills and merits. These will include equal opportunity in respect to employment and employment conditions such as hiring, training for professional development and promotion for career advancement.

As at the reporting date, the Board has not set a gender diversity target, however, it is moving towards a more gender equality of employees. It will focus on getting the participation of woman and those of different ethnicity on its Board and within senior management and the person selected must be able to contribute positively to the development of the Group.

At the Group, our male to female ratios shows a healthy distribution of 46:26. Our total staff strength in 2015 stood at 72 as compared to 99 in December 2014.

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.

Apart from the above, Compugates had also designed relevant programs aimed at grooming new talents to speed up the mastery of management techniques and real-world skills in a specific area of expertise and across functions, this fast-track program will swiftly propel high-performing young talents to key positions and impactful roles in future.

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.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Eleventh (11th) Annual General Meeting of **COMPUGATES HOLDINGS BERHAD** will be held at Greens III, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan on **Monday, 30 May 2016** at **10.00 a.m**. for the following purposes:-

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2015 together with the Reports of the Directors and Auditors thereon. **(Please refer to the Explanatory Notes)**
2. To approve the payment of Directors' fees of RM276,000 for the financial year ended 31 December 2015. **(Ordinary Resolution 1)**
3. To re-elect Mr Goh Kheng Peow who retires pursuant to Article 125 of the Company's Articles of Association. **(Ordinary Resolution 2)**
4. To consider and if thought fit, to pass the following ordinary resolution in accordance with Section 129(6) of the Companies Act, 1965:- **(Ordinary Resolution 3)**

   "**THAT** pursuant to Section 129(6) of the Companies Act, 1965, Tan Sri Asmat bin Kamaludin who is over the age of 70 years and retires pursuant to Section 129(2) of the Companies Act, 1965, be and is hereby re-appointed as a Director of the Company."
5. To re-appoint Messrs SJ Grant Thornton as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 4)**

AS SPECIAL BUSINESS

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

6. **Proposed Retention of Independent Directors**

   (i) "**THAT** Tan Sri Asmat bin Kamaludin be retained and remain as Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance 2012." **(Ordinary Resolution 5)**

   (ii) "**THAT** Encik Mohamed Fauzi bin Omar be retained and remain as Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance 2012." **(Ordinary Resolution 6)**

7. **Authority to Issue and Allot Shares Pursuant To Section 132D of The Companies Act, 1965** **(Ordinary Resolution 7)**

   "**THAT** subject to Section 132D of the Companies Act, 1965 and approvals of the relevant government/regulatory authorities, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time to such persons 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 pursuant to this Resolution does not exceed ten percentum (10%) of the total issued and paid up share capital of the Company for the time being and the Directors be and also empowered to obtain approval for the listing and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad; and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

8. To transact any other business for which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.

By Order of the Board
COMPUGATES HOLDINGS BERHAD

WONG KEO ROU (MAICSA 7021435)
JENNY WONG CHEW BOEY (MAICSA 7006120)
Company Secretaries
Kuala Lumpur

29 April 2016

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

Notes:-

1. Every member entitled to attend and vote at a 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. A proxy shall be entitled to vote on a show of hands on any question at General Meeting and shall have the same rights as the member to speak at the General Meeting.
2. A member may appoint up to two (2) proxies to attend and vote at the meeting. If a member appoints more than one (1) proxy, the appointments shall be invalid unless he/she specifies the proportion of his holding to be represented by each proxy.
3. Where a Member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account known as omnibus account, there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds and there shall be no restriction as to the qualification of the proxy.
4. The instrument appointing a proxy shall be in writing, executed by or on behalf of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the common seal or under the hand of an officer or attorney duly authorised.
5. The instrument appointing a proxy must be deposited with the Registered Office at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur, Wilayah Persekutuan (KL) not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.
6. In respect of deposited securities, only Members whose names appear in the Record of Depositors on 23 May 2016 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this 11th Annual General Meeting.

Explanatory Notes

1. Item 1 of the Agenda

To receive the Audited Financial Statements for the financial year ended 31 December 2015 together with the Reports of the Directors and Auditors thereon

This item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require shareholders' approval for the Audited Financial Statements. Henceforth, this item is not put forward for voting.

2. Proposed Retention of Independent Directors

The proposed Ordinary Resolutions 5 and 6, if passed will allow Tan Sri Asmat bin Kamaludin and Encik Mohamed Fauzi bin Omar to be retained and continue to act as Independent Directors to fulfil the requirement of Paragraph 3.04 of Bursa Securities Main Market Listing Requirements and in line with the Recommendation 3.3 of the Malaysian Code of Corporate Governance 2012. Both Tan Sri Asmat bin Kamaludin and Encik Mohamed Fauzi bin Omar were appointed as Independent Directors since 8 November 2005 and have been serving in the Board for more than nine (9) years. They have met the independence criteria and definition of an Independent Directors as set out in Paragraph 1.01 of Bursa Securities Main Market Listing Requirements. Therefore, the Board considers them to be independent and believes that they should be retained as Independent Non-Executive Directors.

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

The proposed Ordinary Resolution 7, if passed, will empower the Directors of the Company to issue and allot shares in the Company from time to time and for such purposes as the Directors consider would be in the best interest of the Company ("Renewed Mandate"). This Renewed Mandate will, unless revoked or varied by the Company in general meeting, expire at the conclusion of the next Annual General Meeting of the Company.

As at the date of this Notice, no shares had been issued and allotted since the general mandate granted to the Directors at the last Annual General Meeting held on 17 June 2015 and this general mandate will lapse at the conclusion of the 11th Annual General Meeting of the Company.

The Renewed Mandate will provide flexibility to the Company to raise funds, including but not limited to placing of shares, for purpose of funding future investment projects and/or working capital and/or acquisitions.

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COMPUGATES®

COMPUGATES HOLDINGS BERHAD (669287-H)

(Incorporated in Malaysia)

Number of shares held	CDS Account No.

Form of Proxy

I/We ……………………………………………………………………………………… (NRIC No./Co. No……….......................……………..)

(FULL NAME IN BLOCK LETTERS)

of ………………………………………………………………………………..………………...………..

(ADDRESS)

being a member/members of **COMPUGATES HOLDINGS BERHAD (669287-H)**, hereby appoint

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

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 11th Annual General Meeting of the Company to be held on Monday, 30 May 2016 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/person 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 RESOLUTION	FOR	AGAINST
1.	Payment of Directors' Fees		
2.	Re-election of Goh Kheng Peow		
3.	Re-appointment of Tan Sri Asmat bin Kamaludin		
4.	Re-appointment of Auditors		
5.	Retention of Tan Sri Asmat bin Kamaludin as Independent Director		
6.	Retention of Mohamed Fauzi bin Omar as Independent Director		
7.	Authority to issue shares pursuant to Section 132D of the Companies Act, 1965		

* Delete of not applicable.

Dated this ………… day of ………………………….. 2016.

……………………………………….

Signature(s) of member(s)

Notes:-

1. Every member entitled to attend and vote at a 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. A proxy shall be entitled to vote on a show of hands on any question at General Meeting and shall have the same rights as the member to speak at the General Meeting.
2. A member may appoint up to two (2) proxies to attend and vote at the meeting. If a member appoints more than one (1) proxy, the appointments shall be invalid unless he/she specifies the proportion of his holding to be represented by each proxy.
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4. The instrument appointing a proxy shall be in writing, executed by or on behalf of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the common seal or under the hand of an officer or attorney duly authorised.
5. The instrument appointing a proxy must be deposited with the Registered Office at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Kuala Lumpur, Wilayah Persekutuan (KL) not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.
6. In respect of deposited securities, only Members whose names appear in the Record of Depositors on 23 May 2016 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this 11th Annual General Meeting.

FOLD THIS FLAP FOR SEALING

FOLD HERE

AFFIX
60 CENTS
STAMP

The Company Secretary
COMPUGATES HOLDINGS BERHAD
(669287-H)
No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas
50480 Kuala Lumpur
Wilayah Persekutuan (KL)

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