

COMPUGATES[®]

COMPUGATES HOLDINGS BERHAD
(669287-H)



ANNUAL REPORT
2018

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COMPUGATES®

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Corporate Information

BOARD OF DIRECTORS

TAN SRI DATUK ASMAT BIN KAMALUDIN

*Independent Non-Executive
Chairman*

GOH TAI WAI

*Non-Independent Non-Executive
Director*

MOHAMED FAUZI BIN OMAR

Independent Non-Executive Director

SEE THOO CHAN

Executive Director

AUDIT COMMITTEE

Tan Sri Datuk Asmat Bin Kamaludin
Chairman

Goh Tai Wai
Member

Mohamed Fauzi Bin Omar
Member

NOMINATION COMMITTEE

Tan Sri Datuk Asmat Bin Kamaludin
Chairman

Mohamed Fauzi Bin Omar
Member

Goh Tai Wai
Member

REMUNERATION COMMITTEE

Tan Sri Datuk Asmat Bin Kamaludin
Chairman

Mohamed Fauzi Bin Omar
Member

See Thoo Chan
Member

RISK MANAGEMENT COMMITTEE

Tan Sri Datuk Asmat Bin Kamaludin
Chairman

Mohamed Fauzi Bin Omar
Member

Goh Tai Wai
Member

COMPANY SECRETARIES

Lee Wee Hee
(MAICSA 0773340)

Rebecca Lee Ewe Ai
(MAICSA 0766742)

REGISTERED OFFICE

No. 2-1, Jalan Sri Hartamas 8
Sri Hartamas
50480 Kuala Lumpur
Wilayah Persekutuan (KL)
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

Grant Thornton Malaysia (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

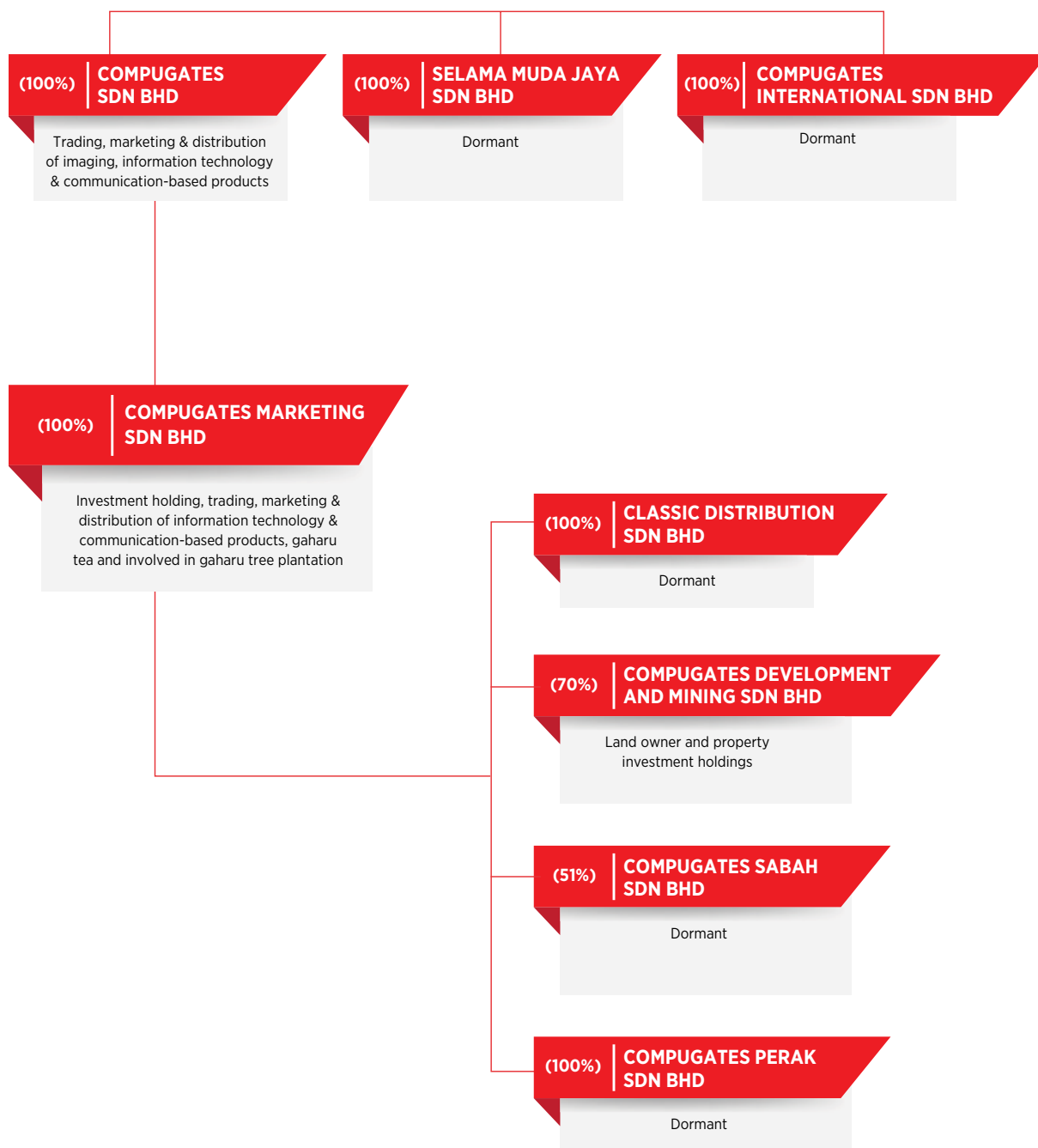
Main Market of the Bursa Malaysia
Securities Berhad
Stock Short Name : COMPUGT
Stock Code : 5037

Corporate Structure

COMPUGATES®

COMPUGATES HOLDINGS BERHAD

Investment holding and provision of management services





On behalf of the Board of Directors of Compugates Holdings Berhad (“CHB”), I am pleased to present to you the Annual Report and Audited Financial Statements of the Group for the financial year ended 31 December 2018.

Chairman's Statement

ECONOMIC REVIEW

The global economy continues to grow at a moderate pace amid a brittle demand and lessened trade flows. There are growing risks to the global growth tilted to the downside, predominantly due to factors related to trade policy uncertainty and weakening financial market sentiments. With the backdrop of a slower global growth, the Malaysian economy is relying heavily on domestic demand to steer growth.

Nevertheless, for 2018, the overall Malaysian economy grew by 4.7% (y-o-y) basis with a total GDP value of RM1.23 trillion, where private consumption grew 8.5% followed by a 4.4% increase in private investment and 4.0% increase in public sector consumption. However, the public sector investment continued to decline for the fourth consecutive quarters by 4.9%.

The economic growth rate of 4.7% for the fourth quarter 2018 (Q42018) has outpaced expectations, in contrast to the prediction of Bloomberg whereby the median GDP growth rate is expected to be 4.5% in Q42018. This marks the economy's first acceleration in growth over the past one year, following

the continued deceleration in GDP growth subsequent to quarter 3 2017 (Q32017) where it registered a growth of 6.2%. In comparison, GDP grew by 5.9% in the corresponding quarter of 2017 (Q42017).

The GDP growth in Q42018 is mainly attributable to the resilient private consumption and the improvement in commodity-related sectors. On the demand side, growth continued to be anchored by the private sector. Where, on the other hand, the supply side is mainly driven by the services and manufacturing sectors.

As for the retail industry, retail sales grew 3.9% due to a slowdown in the fourth quarter. In Q1, retail sales grew by 2.6%; Q2 2.1% and Q3 6.7% and Q4 2.7%. The year-end festival and school holiday did not contribute to the better growth rate as consumers are cautious in spending due to concern of the 'high cost of living'. Despite the three-month tax holiday, it failed to lift the sluggish retail industry. Accordingly, the retail industry performance had lagged behind the GDP growth rate for the sixth consecutive year.

Chairman's Statement (Cont'd)

PERFORMANCE REVIEW

For the financial year ended 2018, the Group registered a revenue of approximately RM19.3 million, a decrease by RM8.8 million or 31.4% as compared to the previous financial year of approximately RM28.1 million. The revenue contraction for financial year ended 2018 was mainly due to the overall weak market sentiment and competition from the digital online platform.

Despite the lower revenue, the group incurred a lower net loss after taxation of approximately RM5.6 million as compared to the preceding Year 2017 of approximately RM 7.4 million, an improvement by 24 %. The lower loss after taxation was attributed mainly by the gain on partial disposal of land held for property development.

CORPORATE DEVELOPMENT

On the corporate front, apart from the Joint Development Project which was inked on 28 November 2017, CHB had yet to implement the private placement exercise of up to 586,929,400 new ordinary shares in CHB representing up to 25% of the issue shares in CHB which was approved via an Extraordinary General Meeting ("EGM") on 17 July 2018.

Bursa Malaysia Securities Bhd has on 29 November 2018 approved the application for extension of time up to 11 June 2019 to complete the Private Placement exercise.

The 25% Private Placement is not expected to have an immediate impact/value creation to the Group or the shareholders of CHB, but as and when the effects of the utilisation of proceeds is realised it is expected to improve the Group's overall financial position.

OUTLOOK AND PROSPECTS

Based on the above, we anticipate another challenging year in the core business of our trading and services segment. The Group is continuously taking steps to ensure operational efficiency and prudent cost management to enable better margins in order for the Group to register favourable results for the coming years.

Amidst this overall moderate economic growth, we remain committed to move forward to ensure long term business sustainability by moving to diversify the income/revenue of the Group into other sectors such as land development and the agricultural related businesses.

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.

Management Discussion & Analysis Statement

The Management of Compugates Holdings Berhad (“the Group”) is pleased to present the management discussion and analysis of the Group’s business, operations and performance during the financial year ended 31 December 2018.

FINANCIAL RESULTS AND PERFORMANCE STATEMENT

2018 was overall a stagnant year for Malaysia distribution industry as a result of the trajectory growth of e-commerce industry which has continuously improved over the decade from a total transacted value per year from RM37.7 billion in 2010 to RM85.8 billion in 2017, with an average growth rate of 12.5% per annum that entails a negative impact towards the Group’s revenue despite the tax haven period subsequent to the general election.

For the FYE 31 December 2018, the Group recorded a revenue of RM19.3 million, a decrease by RM8.8 million or 31.4% compared to a revenue of RM28.1 million for the corresponding financial year in the preceding year. The lower revenue was mainly due to weak market sentiment and stiff competition from online purchases by consumers who tend to bypass intermediaries (namely distributors or middleman) to make their purchases online at the cheapest costs.

The Group incurred a lower operating loss of RM5.2 million during the financial year, which was approximately RM2.4 million or 31.3% compared to an operating loss of RM7.6 million in the preceding financial year. The lower operating loss was mainly attributed by other income of approximately RM2.6 million which comprises a gain on partial disposal of the land held for property development and the compensation income via compulsory land acquisition by approximately RM3.7 million. However, it was offset by a reduction in sales incentive received by the Group of approximately RM0.9 million in the trading segment. And, also a lower reversal of the provision of doubtful debt by approximately RM0.1 million due to more effective credit control.

FINANCIAL AND OPERATING RISKS

In this challenging operating environment, credit risk remains the potential major financial risk faced by the Group’s trading and distribution business. This credit risk is in relation to possible loss arising from unrecoverable receivables. As at 31 December 2018, the Group’s trade receivable turnover days were slightly increased from 14 days in FY2017 to 17 days in FY2018. The slight increase in receivable turn over days is mainly due to a lower revenue of 31.4% in FY2018 (compared to the revenue for FY2017 which has a larger denominator) even though, the majority of credit customer paid within the credit term granted. Therefore, trade receivables balances is slightly reduced by approximately 13.9% from RM1.1 million to RM0.9 million compared to financial year ended 31 December 2017. This is in line with the Group’s strategy to achieve a sustainable business equilibrium via an ironclad credit control and assessment system.

Besides credit risk, the Group is also exposed to liquidity risk whereby as at 31 December 2018 net current liabilities position of the Group amounted to approximately RM8.6 million. Therefore the Group has undertaken a corporate exercise such as a 25% private placement and revamping it’s business model to fill up the gap between current assets and current liabilities.

FUTURE PROSPECTS

Apart from IT distribution which is the Group’s core business, the Group has meanwhile diversified into property investment holding. The Group is also seeking new business projects/venture opportunities as a long term measure to create additional revenue and earnings stream to diversify into areas of growth. However, the Group has not identified any new business opportunities at this juncture.

The Management remains positive over the prospects of the Group and strongly believes that by unlocking the value of the land and agriculture related business, it will be able to turnaround the Company and maximize the interest of stakeholders.

Sustainability Statement

INTRODUCTION

The Board of Directors of Compugates is pleased to present its inaugural Sustainability Statement for the financial year ended 2018. Compugates recognises that its responsibility to its stakeholders is to deliver profitable results and uphold good corporate governance. Sustainability is one of the key component for companies to promote value creation, and demand for increased transparency on listed companies' economic, environmental, social ("EES") and corporate governance practices.

Our strategies are focused not only at maximising shareholders returns but at the same time, contribute to the communities, preserving environment as well as protecting the wellbeing, safety and health of our employees and to the communities where we conduct our business operation.

SCOPE AND REPORTING BOUNDARY

This Sustainability Statement covers our Group's business operations in Malaysia and has been prepared in accordance with the guidelines set out in the Main Market Listing Requirements in relation to the Sustainability Statement in Annual Report of Listed Issuers ("Guidelines") issued by Bursa Malaysia Securities Berhad.

ABOUT US

Compugates was established in 1997 as a private limited company and has been involved with distribution of digital cameras, telecommunication-based and IT related products. Compugates was listed on the Main Board of Bursa Malaysia on 30th December 2005.

The Group has since listing diversified into distribution of Green Energy Products, agriculture and timber concession.

GOVERNANCE STRUCTURE

The Board is accountable for the oversight of management of sustainability matters, and responsible for setting and embedding sustainability-related strategies into the Group's business operations. The Board is supported by the management in overseeing the implementation of sustainability strategy and considers input of all business divisions in sustainability processes.

Going forward, the Group aims to enhance the governance structure to oversee the formulation, implementation and effective management of our sustainability matters in line with the strategies of the Group.

Sustainability Statement (Cont'd)

STAKEHOLDERS ENGAGEMENT AND MATERIALITY ASSESSMENT

Regular engagement with our stakeholders allows us to understand their needs and expectations, identify gaps and enable us to make informed assessments and formulate strategies for execution to bridge such gaps. We define our stakeholders as those impacted by our business activities, who have direct and indirect involvement and whose interest may have positive or negative consequences due to our business activities.

Stakeholder Group	Engagement Method
Customers/Dealers	<ul style="list-style-type: none"> Meetings and Networkings Emails Company Website
Government/ Regulators	<ul style="list-style-type: none"> Events and Seminars Briefings and Trainings Regular Consultation and Meetings
Employees	<ul style="list-style-type: none"> Annual Performance Review Staff Annual Dinner Employee Events Knowledge Sharing Sessions Management Meetings
Suppliers	<ul style="list-style-type: none"> Supplier Reviews Regular Meetings and Correspondence
Shareholders/Investors	<ul style="list-style-type: none"> Annual General Meeting Company Website Annual Report Quarterly Reports Company Announcements
Community	<ul style="list-style-type: none"> Community Outreach Programmes Participation in Local Community Activities Sponsorship

We have identified material topics for reporting based on the significance of our EES and economic impacts and the degree of influence where we see the most potential for creating maximum value for our stakeholders. The identified topics are then discussed and prioritised.

Pillar	Material Sustainability Matters
Economic	<ul style="list-style-type: none"> Economic Performance Managing Our Customers/Dealers Business Conduct
Environmental	<ul style="list-style-type: none"> Sustainable Business Environmental Laws and Regulations Energy Management Recycled Materials
Social	<ul style="list-style-type: none"> Occupational Health and Safety Employee Training and Development Diversity and Equal Opportunity Employee Welfare

Sustainability Statement (Cont'd)

SUSTAINABILITY MATTERS

ECONOMIC

Economic Performance

We are committed to achieving economic sustainability growth for our shareholders. Economic performance is the generation of sustainable financial and economic returns, while creating value for stakeholders to ensure sustainability of our business. Compugates firmly believes that focusing on financial sustainability and positive economic performance is critical to the Group's business continuity.

The Group's financial review and outlook are elaborated in the Management Discussion and Analysis section of this Annual Report.

Managing Our Customers/Dealers

We aim to provide products and services which meet our customers/dealers satisfaction and exceed their expectations. Knowing exactly what customers/dealers expect from us improves our bottom line and strengthens our reputation in the long term. Engaging with our customers/dealers regularly enable us to understand their needs and expectations, identify gaps and enable us to make informed decisions. We encourage our customers/dealers to provide their feedback. The feedback obtained is reviewed and relevant follow-up actions are performed to improve their satisfaction.

In this challenging operating environment, the Group is mindful that an equilibrium needs to be achieved with the appropriate strategies in sustaining our business. In managing our customers/dealers, the Group have implemented policies to ensure that credit sales of products and services are made to dealers/customers with an appropriate credit standing or with an appropriate credit history.

Business Conduct

- **Corporate Governance**

The Board are committed to the best practices in corporate governance to ensure sustainability of the Group's operations.

Compugates are guided by the Malaysian Code on Corporate Governance 2017. The Board believes that good Corporate Governance is an indication of the commitment by the Board to achieve the highest standards of professionalism and business ethics across the Group's activities. The details of our corporate governance practices of the Group are elaborated in the Corporate Governance Overview Statement of this Annual Report.

- **Personal Data Protection Act**

We are committed to ensuring the confidentiality, protection, security and accuracy of Personal Data made available to us. To this end, we have established a PDPA 2010 Notice and Choice, available for viewing at our corporate website.

Sustainability Statement (Cont'd)

SUSTAINABILITY MATTERS (CONT'D)

ENVIRONMENT

Sustainable Business

Businesses that embrace sustainability are able to thrive in the long-term, together with society as a whole. As part of our commitment to build a sustainable future for all, we ensure that the approach adopted across our diversified business supports the protection of the environment while at the same time providing us with positive financial impact.

Our Group, via our subsidiary, is involved in the business of agarwood (gaharu), a rare resinous heartwood traditionally sourced from the wild in the Southeast Asian countries. It is mainly traded in the form of wood chips, or distilled into oil form and can be used in fragrance products. Due to its strong demand in the global market, agarwood has been indiscriminately harvested in the past to meet market demand. As a result, agarwood resources are depleting. It is listed on the International Union for Conservation of Nature as endangered species, and the global trading of agarwood and its by-products are required to obtain permit from the Convention on International Trade in Endangered Species of Wild Fauna and Flora. To this end, by having our own plantation in Kuala Kangsar with the size of 54 acres, we aim to soften the impact of this depleting endangered species, whilst bolstering the supply and growth of agarwood market.

The Group practices organic farming and has obtained the "MYOrganic" status as a commitment to environmental sustainability and good practices. The products sold meets the Malaysian organic scheme requirements for crops under Ministry of Agriculture and Agro-Based Industry Malaysia, and also complied with Malaysian Halal standard.

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.

Environmental Laws and Regulations

In 2018, there was no incidence of non-compliance with laws and regulations resulting in significant fines or sanctions, and we endeavor to maintain this track record.

Energy Management

Compugates is fully aware of its responsibility for nurturing the environment and lessening negative environmental consequences at our workplace and the environment where we operate.

We are committed to preserving the environment by implementing environmental-friendly practices in our operations. We have implemented switching-off centralised air-conditioning during lunch hour for our office for energy savings. We also encourage our employees to adopt an energy-savvy behaviour such as switching off the lights and other electrical equipment during lunch time and when they are not in the office. Besides the above initiatives, we further encourage our employees to suggest energy and resource-saving initiatives.

Recycled Materials

In our office, recycled paper is used for photocopying, while papers, envelope, letterheads, soft and hard cover files are reused and recycled. The usage of emails and electronic communications minimises the use of paper, thus reducing the amount of waste generated. Employees are encouraged to re-use envelopes, papers and boxes, as much as possible.

Sustainability Statement (Cont'd)

SUSTAINABILITY MATTERS (CONT'D)

SOCIAL

Occupational Health and Safety

As a responsible and caring employer, Compugates has always given priority towards maintaining a safe and healthy working condition for its employees. Compugates also emphasizes on staff welfare and development. Employees are provided with personal accident and insurance coverage as part of their employment benefits.

There have been no work place incidents for 2018.

Employee Training and Development

We focus on attracting and retaining talent and then helping them to develop their skills to drive our Group's success. We provide continuous support by way of employee training and development and encourage them to take ownership of their personal growth. We believe that learning and training is an important, continuous and life-long process so that employees are equipped with the competencies needed to meet current and future business needs. This includes workshops, seminars, conferences, in-house company training and on-the-job training. During the year, Compugates has provided several trainings to upgrade the skills and knowledge for its employees and Directors as follows:

Date	Training Programmes Attended
2018.01.23 - 2018.01.25	Distributor Meeting – 2018 Direction, Objectives & Marketing Plans
2018.01.24	SAGE EIS Workshop
2018.03.01 & 2018.03.15	CG Briefing
2018.03.04 - 2018.03.07	Distributor – Reseller Campaign Seminar (Phuket)
2018.03.12	Malaysia Japan SME Forum
2018.03.28	Pocket Talk Leap Market (SME Corp)
2018.03.29	Japan Halal Opportunities Seminar
2018.05.02	Biz Planning Session (US Mac)
2018.06.09	EMAS ERP system training
2018.07.05	Sustainability Engagement Series for Directors/CEOs
2018.07.25 & 2018.07.26	Online Retailer Expo
2018.09.06	Alibaba Cross – Border Ecommerce MasterClass
2018.10.23	Reaching Shareholders Through Digital Channels
2018.12.03 & 2018.12.04	Distributor Brainstorming

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.

Sustainability Statement (Cont'd)

SUSTAINABILITY MATTERS (CONT'D)

SOCIAL (CONT'D)

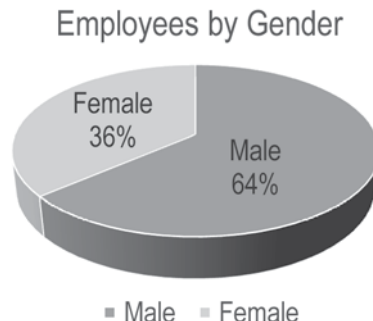
Diversity and Equal Opportunity

The Group places importance on hiring the right candidate for the right job. As the Group moves forward, it will continue to focus on attracting quality talent who best fit its job requirements and complement its work culture. The Group firmly believes that by aligning its recruitment strategies, the Group will continue to attract the best talent to further enhance Compugates values and achievements.

Compugates is committed to recognising and utilising the contribution of diverse skills and talent from its directors, officers and employees as a means 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 gender. It fosters an environment where the ability to contribute and access to 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 gender equality of employees. It will focus on getting the participation of women 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.



Employee Welfare

Our work environment are aimed at providing a fair performance-based work culture that is diverse, inclusive and collaborative. We also encourage our people to reach their fullest potential and provide them with a fulfilling and meaningful career. We have structured attractive remuneration packages to ensure employees are justly rewarded and to ensure that we remain competitive to attract strong talent.

Compugates endeavors to the best of its ability to encourage long term career for its employees. As a token of appreciation for long serving employees, service awards for 5 years and 10 years' service are presented annually.

Employee wellbeing has important implications for productivity and work relationships. Compugates has established a Recreation Club managed by representatives voted annually to organize team building, sports activities, trips, events celebration, gatherings and dinners to promote warm working relationships and interactions among the employees.

Sustainability Endeavour

The journey towards sustainability is an on-going effort. We recognise that we still have room for improvement, both in terms of initiatives undertaken and our reporting structure. We will continue to keep abreast of developments in our industry, actively and regularly engage our stakeholders, and seek to further embed sustainable practices within our businesses so as to improve our overall sustainability performance.

Directors' Profile

TAN SRI DATUK ASMAT BIN KAMALUDIN

Malaysian, Aged 75, Male
(Independent Non-Executive Chairman)

Tan Sri Datuk Asmat Bin Kamaludin, a Malaysian, aged 75, 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, Remuneration Committee and Risk Management Committee of the Company.

Tan Sri Datuk Asmat Bin Kamaludin holds a Bachelor of Arts Degree in Economics from the University of Malaya and he also holds a Diploma in European Economic Integration from the University of Amsterdam. He has vast experience in various capacities in the public service, his last position being the Secretary General of the Ministry of International Trade and Industry (MITI), a position held from 1992 to 2001. He has served as the 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 Datuk 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 Datuk Asmat was appointed by MITI to represent Malaysia as Governor on the Governing Board of the Economic Research Institute for Asean and East Asia, a position he held for 6 years. He also serves on the board of the Japan Chamber of Trade and Industry in Malaysia Foundation. On 11 November 2014, Tan Sri Datuk 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.

Tan Sri Datuk Asmat's other directorships are Panasonic Manufacturing Malaysia Berhad (Chairman), YTL Cement Berhad (Vice Chairman) and Air Asia X Berhad.

GOH TAI WAI

Malaysian, Aged 46, Male
(Non-Independent and Non-Executive Director)

Goh Tai Wai, a Malaysian, aged 46, 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, Nomination Committee and Risk Management 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 has more than twenty five (25) years experience ranging from general management, corporate advisory and risk management to financial management and information technology.

Directors' Profile (Cont'd)

MOHAMED FAUZI BIN OMAR

Malaysian, Aged 60, Male
(Independent Non-Executive Director)

Mohamed Fauzi Bin Omar, a Malaysian, aged 60, 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, Remuneration Committee and Risk Management 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 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. 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 member of the board of trustees of Yayasan Pak Rashid, University Putra Malaysia.

SEE THOO CHAN

Malaysian, Aged 57, Female
(Executive Director)

See Thoo Chan, a Malaysian, aged 57, 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 is also the Non-Independent Non-Executive Chairman in Nakamichi Corporation Berhad since 19 March 2013.

Directors' Profile (Cont'd)

Notes:

1) Family Relationship with any Director and/or Major Shareholder

Goh Kheng Peow is See Thoo Chan's spouse. He serves as Chief Executive Officer and is a major shareholder of the Company.

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

2) Conflict of Interest

None of the Directors has any conflict of interest with the Group.

3) Conviction for Offences

Other than traffic offences, if any, the Directors have not been convicted of any offences within the past five (5) years and have not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year 2018 except for See Thoo Chan and Goh Tai Wai.

Bursa Malaysia Securities Berhad ("Bursa Securities") had on 4 August 2017 publicly reprimanded See Thoo Chan and Goh Tai Wai, who are Directors of Nakamichi Corporation Berhad for breaches of Bursa Securities' Main Market Listing Requirements. In addition, they were fined a total of RM347,200.

4) Attendance of Board Meetings

Details of the Directors' attendance at Board meetings are set out in the Corporate Governance Overview Statement in page 26 of this Annual Report.

Key Management Profile

GOH KHENG PEOW

Chief Executive Officer

Age : 59
Gender : Male
Nationality : Malaysian

Date of appointment to present position

16 June 2017

Working experience

Goh Kheng Peow 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.

Qualification

Bachelor's Degree with Honours in Economics (Business Administration) from University of Malaya

Details of interest in the securities of the Company as at 19 April 2019

Direct interest : 275,250,010 Ordinary Shares
Indirect interest : 61,833,300 Ordinary Shares

Any directorship in public companies and listed issuers

No

Any family relationship with any director and/or major shareholder of the Company

Goh Kheng Peow is the spouse of See Thoo Chan, who is the Executive Director and a major shareholder of the Company

Any conflict of interests with the Company

No

Other than traffic offences, are there any convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year

No

Key Management Profile (Cont'd)

SEE THOO CHAN

Executive Director

Age : 57
Gender : Female
Nationality : Malaysian

As expressed on page 14 of the Directors' Profile

KEANE GOH YAN HAN

Group General Manager – Compugates Group of Companies

Age : 31
Gender : Male
Nationality : Malaysian

Date of appointment to present position

1 December 2017

Working experience

Keane Goh Yan Han joined Compugates Marketing Sdn Bhd as a Consultant in 2012 and oversees the plantation and land development projects. Prior to that, he was attached to Southall Sdn Bhd, a company dealing in IT and consumer technology products as a Sales Manager.

Qualification

Bachelor's Degree in Commerce with Double Majors in Marketing and Finance from University of Technology

Any directorship in public companies and listed issuers

No

Any family relationship with any director and/or major shareholder of the Company

Keane Goh is the son of See Thoo Chan and Goh Kheng Peow, the Executive Director and Chief Executive Officer respectively and major shareholders of the Company.

Any conflict of interests with the Company

No

Other than traffic offences, are there any convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year

No

Key Management Profile (Cont'd)

YAU POW JACK

General Manager – Head of Finance and Strategic Planning

Age : 30
Gender : Male
Nationality : Malaysia

Date of appointment to current position

1 June 2016

Working experience

Yau Pow Jack was appointed as the Manager in Finance before his promotion to the current position. Prior to that, he was a finance analyst for one of the world's largest pharmaceutical firms and subsequently moved on to work for Deloitte Malaysia for several years gaining experience in audit and transaction services.

Qualification

Certified Public Accountant (Australia), Malaysia Institute of Accountants (MIA), Help University
Masters in Accounting & Finance, University of East London (Hons) Accounting & Finance

Any directorship in public companies and listed issuers

No

Any family relationship with any director and/or major shareholder of the Company

No

Any conflict of interests with the Company

No

Other than traffic offences, are there any convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year

No

Corporate Governance Overview Statement

The Board of Directors (“Board”) of Compugates Holdings Berhad (“CHB” or “the Company”) presents this statement to provide shareholders and investors with an overview of the corporate governance (“CG”) practices of the Company under the leadership of the Board during the financial year 2018. This overview takes guidance from the key CG principles as set out in the Malaysian Code on Corporate Governance (“MCCG”).

The Board is therefore pleased to provide the following statement in compliance with Bursa Malaysia Securities Berhad Main Market Listing Requirements and it is to be read together with the CG Report 2018 of the Company (“CG Report”) which is available on the Company’s website: www.compugates.com

The CG Report provides the details on how the Company has applied the principles laid down in the MCCG during the financial year 2018.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

1.0 Board Responsibilities

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

The roles of the Chairman, the Executive Director and the Independent / Non-Independent Non-Executive Directors are separate and each has a clearly accepted division of responsibilities to ensure a balance of power and authority.

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

The Board’s roles and responsibilities are:

- a. reviewing and approving the overall strategies, policies and directions including sustainability of the Group’s businesses;
- b. overseeing and evaluating the conduct of the Group’s businesses to ensure the businesses are properly managed and conform 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; and
- f. reviewing the adequacy and the integrity of the Company’s internal control systems and management information systems including system for compliance with applicable laws, regulations, rules, directives and guidelines.

The Board also assumes various functions and responsibilities that are required of them by regulatory authorities as specified in guidelines and directives issued from time to time.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

2.0. Composition of the Board

The Board as at the date of this statement comprises four (4) members:-

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

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

- a) Tan Sri Datuk Asmat Bin Kamaludin
- b) Mohamed Fauzi Bin Omar

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 relevant to the Group's business to enable them to carry out their responsibilities in an effective and competent manner.

In discharging its fiduciary duties, the existing Board Committees assist in the effective performance of the Board. The Board delegates specific responsibilities to four (4) Committees namely:

- a. The Nomination Committee ("NC");
- b. The Audit Committee ("AC");
- c. The Remuneration Committee ("RC"); and
- d. The Risk Management Committee ("RMC").

The Board Committees are guided and operate within clearly defined terms of reference. All these Committees are mainly led by Independent Non-Executive Chairman or Independent Non-Executive Director of the Board.

The written Terms of Reference ("TOR") of NC and AC dealing with their authorities and duties are made available on the Group's website www.compugates.com.my.

2.1. 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>.

2.2. Code of Ethics for Directors

The Group has in place a Code of Ethics for Directors and employees based on four elements which are sincerity, integrity, corporate and fiduciary responsibilities. In discharging their duties, the Board should at all times observe the codes as defined in the Code of Ethics.

The Code of Ethics is available on the Company's website at <http://www.compugates.com>.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

2.3. Whistleblowing Policy

The Board is committed to promote and maintain high standard of integrity, openness and accountability in the conduct of its businesses and operations. It aspires to conduct its affairs in an ethical, responsible and transparent manner.

Compugates provides avenue for all employees and members of the public to disclose any improper conduct in accordance with the procedures as provided for under this policy to provide protection for employees and members of the public who report such allegation. This is also to provide protection for the whistleblower from reprisal as a direct consequence of making a disclosure and to safeguard such person's confidentiality. To this end, we have established a Whistleblowing Policy, available for viewing at our corporate website.

2.4. Succession Plan

The Board, through the Nomination Committee, is responsible for ensuring that there is an effective and orderly succession plan within the Group. The Terms of Reference of the Nomination Committee provides that it is responsible for formulating the nomination, selection and succession policies for the Members of the Board, Board Committees Members and the Group's key management personnel from time to time. In this regard, the Nomination Committee is responsible for reviewing candidate(s) for key management position to ensure the candidate(s) appointed to these positions are of sufficient competence. The factors considered include the suitability of the shortlisted candidate(s) based on their profiles, professional achievements and personality assessments.

The Succession Plan is available on the Company's website at <http://www.compugates.com>.

2.5. Strategies Promoting Sustainability

The Board recognised the importance of sustainability and its increasing impact to the Group's businesses. 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 plans, changes in business and political environment, levels of competition, updates in risk factors and any other factors which could affect the sustainability of the Group.

2.6. 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 development 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 additional information and/or seek further clarification on the matters to be tabled at a meeting.

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 qualified and competent Company Secretaries of the Group.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

2.7. Company Secretaries

The Company Secretaries are 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 Secretaries are also responsible for advising the Board 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 Secretaries amongst others include 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.

2.8. Nomination Committee

The Nomination Committee ("NC") has three (3) members, all of whom are Non-Executive Directors, and a majority of whom are independent. 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 2018, the NC met twice to review the effectiveness of the Board and the contributions of each Director, and this review had been documented accordingly. The NC 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 NC Members are as follows:

Name of NC Members	Attendance
Tan Sri Datuk Asmat Bin Kamaludin (Chairman)	2/2
Mohamed Fauzi Bin Omar	2/2
Goh Tai Wai	2/2

2.9. Recruitment Process and Annual Assessment

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

NC periodically reviews and makes recommendations to the Board on board composition matters inclusive of identifying and selecting high calibre candidates who will be able to meet the present and future needs of the Group.

The NC is currently headed by Tan Sri Datuk Asmat Bin Kamaludin, Independent Non-Executive Director and the said committee members are Encik Mohamed Fauzi Bin Omar, Independent Non-Executive Director and Mr Goh Tai Wai, Non-Independent Non-Executive Director.

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

The NC is also responsible in undertaking an annual evaluation of Directors, Board Committees as well as the board performance as a whole. This evaluation is used as a tool to evaluate the strength, identify the gaps or areas for improvement which necessitate the recruitment of new board members.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

2.9. Recruitment Process and Annual Assessment (Cont'd)

The Board annual evaluation process is conducted through cross evaluation among the Board members whereby the criteria of evaluation is predetermined as follows:

- a) Board Structure
- b) Board operations 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 contributions

During the year under review, the NC 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 opportunities 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.

2.10. Separation of positions of Chairman and Chief Executive Officer

To ensure the balance of authority, increased accountability and a greater capacity for independent decision making, the roles of the Chairman, the Chief Executive Officer are distinct and separate with a clear division of responsibilities between them.

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.

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 Chief Executive Officer 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.

3.0 Remuneration

The Remuneration framework for the Executive Director encompasses the underlying objective of attracting and retaining Executive Directors needed to run the Group successfully. The remuneration of the Executive Director consists of basic salary, other emoluments and benefits customary to the Group. 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 obtained approval from the shareholders at the last AGM held on 24 May 2018 in respect of payment of Directors' Fees to the Non-Executive Directors for the financial year ended 31 December 2018.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

3.0 Remuneration (Cont'd)

The Remuneration Committee ("RC") met twice during the year under review and the attendance records of the RC Members are as follows:

Name of RC Members	Attendance
Tan Sri Datuk Asmat Bin Kamaludin (Chairman)	2/2
Mohamed Fauzi Bin Omar	2/2
See Thoo Chan	2/2

Details of the remuneration of Directors of the Company during the financial year ended 31 December 2018 are as follow:

Name	Directors' remuneration received from:								
	COMPANY				SUBSIDIARIES				GROUP
	Fees	Salary	Others	Total	Fees	Salary	Others	Total	
	RM'000				RM'000				RM'000
<u>Executive Director:</u>									
Madam See Thoo Chan	-	-	-	-	-	452	47	499	499
Total Executive Director's Remuneration	-	-	-	-	-	452	47	499	499
<u>Non-Executive Directors:</u>									
Tan Sri Datuk Asmat Bin Kamaludin	180	-	-	180	-	-	-	-	180
Mr Goh Tai Wai	48	-	-	48	-	-	-	-	48
Encik Mohamed Fauzi Bin Omar	48	-	-	48	-	-	-	-	48
Total Non-Executive Directors' Remuneration	276	-	-	276	-	-	-	-	276
Total Directors' Remuneration	276	-	-	276	-	452	47	499	775

The Board takes cognizance of the MCCG recommendations to disclose the top five senior management's remuneration. However, the Board is of the view that the Group has a very small top management team and the next level of management would be the Head of Departments. Such disclosure will place the Company in a vulnerable position to competitors as well as to take into consideration internal harmony and confidentiality concerns. As such, remuneration paid to all employees shall be kept confidential and should not be disclosed for any reason, other than as required for appropriate financial reporting purposes.

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 in the best interests of the shareholders, unfettered by any business or other relationships with the Executive Directors, ownership and any other interest in the operations of the Company. The Board conducts annual reviews of the independence of each and every Director, their responsibilities in making immediate declarations over their interests and independency to the Board at any time during his tenure of service.

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

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

3.2. Tenure of Independent Directors

Tan Sri Datuk Asmat Bin Kamaludin and Encik Mohamed Fauzi Bin Omar have served more than nine (9) years as Independent Directors. The Board through its NC had conducted an assessment of the independence of all its Independent Directors and is satisfied that the Independent Directors have fulfilled the criteria under the definition of Independent Director as stated in the Listing Requirements of Bursa Securities and are able to provide objective and independent judgment in deliberation of the Board's agenda. Based on the Board's assessment, the Board is recommending to put forward a resolution at the forthcoming Annual General Meeting to retain both Tan Sri Datuk Asmat Bin Kamaludin and Encik Mohamed Fauzi Bin Omar as Independent Directors notwithstanding that their tenure as Independent Directors has exceeded the nine (9) years limit as recommended under the MCGG. The Board's and NC's justification to retain Tan Sri Datuk Asmat Bin Kamaludin and Encik Mohamed Fauzi Bin Omar is premised on the following:-

- Both Tan Sri Datuk Asmat and Encik Mohamed Fauzi continue to fulfil the criteria and definition of an Independent Director as set out under Paragraph 1.01 of Bursa Securities' Listing Requirements;
- During their tenure in office, both Tan Sri Datuk Asmat and Encik Mohamed Fauzi have not developed, established or maintained any significant personal or social relationship whether direct or indirect with the Executive Director, major shareholders or management of the Company (including their family members) other than normal engagements and interactions on a professional level consistent and expected of them to carry out their respective duties. Tan Sri Datuk Asmat is the Chairman of the Board, AC, NC, RC and Risk Management Committee whilst Encik Mohamed Fauzi is a member of the Board, AC, NC, RC and Risk Management Committee;
- During their tenure in office, both Tan Sri Datuk Asmat and Encik Mohamed Fauzi have never transacted or entered into any transactions with, nor provided any services to the Company and its subsidiaries, the Executive Director, major shareholders or management of the Company (including their family members) within the scope and meaning as set forth under Paragraph 5 of Practice Note 13 of the Listing Requirements;
- During their tenure in office as Independent Non-Executive Directors in the Company, both Tan Sri Datuk Asmat and Encik Mohamed Fauzi have not been offered or granted any options by the Company. Other than directors' fees paid which had been the norm and been duly disclosed in the annual report, no other incentives or benefits of whatsoever nature had been paid to them by the Company;
- During their tenure in office, both Tan Sri Datuk Asmat and Encik Mohamed Fauzi have demonstrated consistently their integrity, commitment and contributed effectively to the Board's decision-making process; and
- During their tenure in office, both Tan Sri Datuk Asmat and Encik Mohamed Fauzi have gained significant and detailed understanding and insights into the business operations, and industry sectors in which the Group operates in. This includes an understanding of the peculiarities, strengths and weaknesses of the industry sectors thereby enabling them to offer a different perspective during the decision-making process which a fresh appointee or a director holding office for a short length of time would not be able to offer.

Both Tan Sri Datuk Asmat's and Encik Mohamed Fauzi's tenure in office as Independent Directors have passed nine (9) years and exceeded twelve (12) years. The Board has opted not to adopt the two-tier voting process recommended under MCGG to retain Independent Directors who have served for a cumulative period of twelve (12) years or more. As the two-tier voting process is a recommendation and not mandatory under the Main Market Listing Requirements, the Board will seek shareholders' approval to retain Independent Directors to serve the Company by way of an Ordinary Resolution passed in accordance with the Company's existing constitution and the provisions of the Companies Act 2016.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

3.3. Commitment of the Board Members

During the financial year ended 31 December 2018, 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	Attendance	% Attendance
Tan Sri Datuk Asmat Bin Kamaludin (Chairman)	5/5	100
Goh Tai Wai	5/5	100
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.

3.4. Training

All the Directors have attended and successfully completed the Mandatory Accreditation Programme 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 / seminars / workshops as part of their continuing education to enhance their knowledge and to keep abreast with new developments in the furtherance of their duties:

TRAINING PROGRAMMES ATTENDED
2018.03.01 & 2018.03.15 – CG Briefing
2018.03.04 – 2018.03.07 – Canon Seminar (Phuket)
2018.03.12 – Malaysia Japan SME Forum
2018.03.28 – Pocket Talk Leap Market (SME Corp)
2018.03.29 – Japan Halal Opportunities Seminar
2018.05.02 – Biz Planning Session (US Mac)
2018.07.05 – Sustainability Engagement Series for Directors/CEOs
2018.07.25 & 2018.07.26 – Online Retailer Expo

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

1.0. Audit Committee

The Audit Committee ("AC") of the Company comprises two Independent Non-Executive Directors and one Non-Independent Non-Executive Director. The AC is chaired by an Independent Non-Executive Director, Tan Sri Datuk Asmat Bin Kamaludin.

In the annual assessment of the External Auditors, the AC is guided by the factors as prescribed under Paragraph 15.21 of the MMLR.

2.0 Risk Management Committee

The Risk Management Committee ("RMC") has three (3) members, all of whom are Non-Executive Directors, and a majority of whom are independent. The purpose of the Risk Management Committee is to assist the Board of Directors in the effective discharge of its primary responsibilities of identifying principal risks and implementing appropriate systems and risk assessment processes to manage such risks, in line with the Malaysian Code on Corporate Governance issued by Securities Commission and Bursa Malaysia Securities Berhad's Main Market Listing Requirements.

3.0. Risk Management and Internal Control Framework

The Board is committed to ensuring that the Group has a sound system of risk management and internal control to safeguard shareholders' investments and the Group's assets.

The Group has an ongoing framework for identifying evaluating and managing key risks in the context of its business objectives. These processes are embedded within the Group's overall business operations and are guided by operational manuals, policies and procedures and are regularly reviewed by the Board.

The risk management framework and internal audit functions are disclosed under the Statement of Risk Management & Internal Control on page 32 of this Annual Report.

4.0. Compliance with Applicable Financial Reporting Standards

The Board is accountable to ensure that the financial statements are prepared in accordance with the Companies Act, 2016 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.

5.0. Assessment of Suitability and Independence of External Auditors

The Audit Committee undertakes an annual assessment of the suitability and independence of the external auditors. Upon assessment of their performance, the Audit Committee will recommend their decision on whether to retain or discontinue their services to the Board after which shareholders' approval will be sought at the AGM.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

1.0 Communication with Stakeholders

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 are continuous efforts to ensure that the information on the website remains current, updated and relevant to investors.

2.0 Conduct of 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 13th AGM, a presentation was given by the Chief Executive Officer 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 13th AGM of the Company held on 24 May 2018. The resolutions put forth for shareholders' approval at the 13th AGM were payment of Directors' fees, re-election of retiring Director, re-appointment of external auditors, retention of Independent Directors and authority to issue and allot shares pursuant to Sections 75 & 76 of the Companies Act, 2016. All the resolutions were put to vote by way of poll.

3.0 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

This CG Overview Statement was approved by the Board on 18 April 2019.

Audit Committee Report

The Board is pleased to present the Audit Committee Report for the financial year ended 31 December 2018.

1. COMPOSITION OF AUDIT COMMITTEE AND MEETINGS

The Audit Committee ("AC") met five (5) times during the financial year ended 31 December 2018. The composition of the AC and details of the attendance of the members are set out as follows:-

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

The external auditors attended three (3) AC meetings in 2018 to present the auditors' report on the annual audited financial statements for the year 2018. The AC met thrice with the external auditors separately, without the presence of the Executive Director and Management.

2. SUMMARY OF ACTIVITIES

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

2.1 Financial Reporting

- (a) Reviewed the unaudited quarterly results of the Group before recommending to the Board for approval and release of the Group's results to Bursa Malaysia Securities Berhad.
- (b) Reviewed the annual audited financial statements of the Group for the year 2018 with the external auditors prior to submission to the Board for approval.

2.2 External Audit

- (a) Reviewed with external auditors on their audit planning memorandum of the Group for the financial year ended 31 December 2018.
- (b) Reviewed the results of the annual audit and their audit report, including all the key audit matters raised.
- (c) Reviewed the performance of the external auditors and made recommendations to the Board on their re-appointment and remuneration, subject to the approval of the Company's shareholders at its general meeting.

2.3 Internal Audit

The Group has outsourced the internal audit function to an independent professional service provider which reports directly to the AC. AC reviewed with the outsourced internal auditors quarterly in 2018, the internal audit report, the audit recommendations made and the Management's response to these recommendations.

2.4 Related Party Transactions

Reviewed the related party transactions entered into by the Group.

Audit Committee Report (Cont'd)

3. 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 2018 amounted to RM37,730.00.

Further details of the internal audit function are set out in the Statement on Risk Management and Internal Control on page 32 of the Annual Report.

Statement On Risk Management And Internal Control

for the financial year ended 31 December 2018

INTRODUCTION

Pursuant to paragraph 15.26 (b) of the Main Market Listing Requirements (“MMLR”) 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 Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) that the Group’s limited risk management and the internal control system are operating adequately and effectively, in all material aspects. However, as there are inherent limitations in any risk management and internal control system, such systems put into effect by Management is only to reduce but not eliminate all risks that may impede the achievement of the Group’s business objectives. Therefore, the risk management and internal control system can only provide reasonable and not absolute assurance against material misstatement or loss.

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

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

1. Risk Management Framework

The Board 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 CEO 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 organisational 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 2018

(Cont'd)

KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (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 AC in providing an independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system.

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

During the financial year ended 31 December 2018, two internal audit were conducted and the findings of the internal audit, including the recommended corrective actions, were presented directly to the AC and adopted by the management.

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 18 April 2019.

Statement On Directors' Responsibilities

Directors are required by the Companies Act, 2016 to ensure that the financial statements for each financial year which have been prepared in accordance with the applicable approved accounting standards and the requirements of the Companies Act, 2016, which give a true and fair view of the state of affairs of the Company at the end of the financial year and of the results and cash flows of the Company for the financial year.

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

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

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Directors' Report

The Directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company consist of investment holding. The principal activities of its subsidiaries are disclosed in Note 7 to the Financial Statements.

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

RESULTS

	Group RM'000	Company RM'000
Net loss for the financial year	5,637	6,708
Loss attributable to:-		
Owners of the Company	5,992	
Non-controlling interests	(355)	
	5,637	

DIVIDENDS

No dividend was proposed, declared or paid 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 satisfied themselves that adequate allowance had been made for doubtful debts and that all known bad debts had been written off.

At the date of this report, the Directors are not aware of any circumstances which would render the amounts 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 which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company had been written down to an amount which 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 would render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:-

- (i) any charge on the assets of the Group and of the Company which have 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 which have arisen since the end of the financial year other than those disclosed in the financial statements.

In the opinion of the Directors, 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 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 which 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 operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature. No item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company had not issued any new shares or debentures.

Directors' Report (Cont'd)

DIRECTORS

The Directors who held office during the financial year and up to the date of this report are:-

Compugates Holdings Berhad
Tan Sri Datuk Asmat Bin Kamaludin
See Thoo Chan
Mohamed Fauzi Bin Omar
Goh Tai Wai

The name of the Directors of the Group and the Company's subsidiaries in office during the financial year and up to the date of this report are as follows:-

Datin Sabariah Binti Dahlan
Goh Kheng Peow
See Thoo Chan

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the interests of the Directors who held office at the end of the financial year in the shares of the Company and its related corporations during the financial year ended 31 December 2018 are as follows:-

	At 1.1.2018	Number of ordinary shares		At 31.12.2018
		Bought	Sold	
Direct interests				
See Thoo Chan	61,833,300	-	-	61,833,300
Deemed interests				
Tan Sri Datuk Asmat Bin Kamaludin*	30,000	-	-	30,000
See Thoo Chan*	226,048,710	59,745,000	-	285,793,710

* Deemed interests through spouse's and/or child's shareholdings by virtue of Section 221(9) of the Companies Act, 2016 in Malaysia

By virtue of her interests (direct and deemed) in the Company, See Thoo Chan is also deemed interested in the shares of all the subsidiaries to the extent that the Company has an interest under Section 8 of the Companies Act, 2016 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 the 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 any benefit (other than as disclosed in Note 23 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.

During and at the end of the financial year, no arrangement subsisted to which the Company or any of its related corporations is a party, with the object or objects of enabling 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)

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

There was no indemnity given to or insurance effected for the Directors and Officers of the Company during the financial year.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE REPORTING DATE

Significant events during the financial year and subsequent to the reporting date are disclosed in Note 30 to the Financial Statements.

AUDITORS

The details of Auditors' remuneration is set out in Note 23 to the Financial Statements.

There was no indemnity given to or insurance effected for the Auditors of the Company.

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

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

TAN SRI DATUK ASMAT BIN KAMALUDIN

SEE THOO CHAN

Kuala Lumpur
18 April 2019

Statement By Directors

In the opinion of the Directors, the financial statements set out on pages 44 to 89 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 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 2018 and of their financial performance and cash flows for the financial year then ended.

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

TAN SRI DATUK ASMAT BIN KAMALUDIN

SEE THOO CHAN

Kuala Lumpur
18 April 2019

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 44 to 89 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)
18 April 2019)

YAU POW JACK
(MIA NO: 42038)
CHARTERED ACCOUNTANT

Before me,

Commissioner for Oaths

Independent Auditors' Report

to the members of Compugates Holdings Berhad

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Compugates Holdings Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the 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 notes to the financial statements, including a summary of significant accounting policies as set out on pages 44 to 89.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 30 to the Financial Statements which describes the uncertainty related to the outcome of the originating summons filed by the Company against a third party. Our opinion is not qualified in respect of this matter.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of property, plant and equipment

As at 31 December 2018, the carrying amounts of property, plant and equipment of the Group amounted to RM15.4 million, of which freehold land and buildings were revalued during the current financial year.

We focused on this area as the valuation process involved significant management judgement in determining the appropriate valuation methodologies to be used and the underlying assumptions to be applied. The valuations were carried out by an independent professional valuer who was engaged by the Group.

Independent Auditors' Report to the members of Compugates Holdings Berhad (Cont'd)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Our Response

We analysed the valuation reports and inquired the valuer on his valuation approaches used and the key assumptions made for the freehold land and buildings revalued during the year.

We have evaluated the valuer's competence, capability and objectivity by verifying the valuer's qualification and experience. We read his terms of engagement with the Group to determine whether there were any matters that might have affected his objectivity or may have imposed scope limitations upon his work. We found no evidence to suggest that the objectivity of the valuer in the performance of the valuations was compromised.

Based on the procedures performed, we did not identify any material exceptions.

There is no key audit matter to be communicated in respect of the audit of the financial statements of the Company.

Information other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report the fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditors' Report

to the members of Compugates Holdings Berhad
(Cont'd)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matter that was of most significance in the audit of the financial statements of the Group and of the Company for the current year and is therefore the key audit matter. We describe this matter in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent Auditors' Report to the members of Compugates Holdings Berhad (Cont'd)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Other Matters

1. As stated in Note 2.4 to the Financial Statements, the Group and the Company adopted Malaysian Financial Reporting Standards on 1 January 2018 with a transition date of 1 January 2017. These standards were applied retrospectively by the Directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2017 and 1 January 2017, statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the financial year ended 31 December 2017 and related disclosures. We were not engaged to report on the MFRS transition comparative information, and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and the Company for the financial year ended 31 December 2018, have in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2018 do not contain misstatements that materially affect the financial position as at 31 December 2018, financial performance and cash flows for the financial year then ended.
2. This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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

Kuala Lumpur
18 April 2019

KHO KIM ENG
(NO: 03137/10/2020 J)
CHARTERED ACCOUNTANT

Statements Of Financial Position

as at 31 December 2018

	Note	31.12.2018 RM'000	Group 31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	Company 31.12.2017 RM'000	1.1.2017 RM'000
ASSETS							
Non-current assets							
Property, plant and equipment	4	15,408	62,008	70,109	1	1	1
Land held for property development	5	142,049	100,000	100,000	-	-	-
Plantation expenditure	6	1,903	1,806	1,699	-	-	-
Investment in subsidiaries	7	-	-	-	6,606	8,300	38,223
Other receivables	8	-	-	837	-	-	-
Total non-current assets		159,360	163,814	172,645	6,607	8,301	38,224
Current assets							
Inventories	9	1,382	274	4,621	-	-	-
Trade receivables	10	911	1,058	5,787	-	-	-
Other receivables	8	10,349	2,970	1,937	66	95	62
Amount due from subsidiaries	11	-	-	-	21	2,754	373
Tax recoverable		385	433	528	1	2	1
Short-term deposits with licensed banks	12	-	-	553	-	-	-
Fixed deposits with licensed banks	13	-	-	1,000	-	-	-
Cash and bank balances		625	186	533	2	1	36
Total current assets		13,652	4,921	14,959	90	2,852	472
Total assets		173,012	168,735	187,604	6,697	11,153	38,696

Statements Of Financial Position

as at 31 December 2018
(Cont'd)

	Note	31.12.2018 RM'000	Group 31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	Company 31.12.2017 RM'000	1.1.2017 RM'000
EQUITY AND LIABILITIES EQUITY							
Equity attributable to owners of the Company:							
Share capital	14	47,595	47,595	42,686	47,595	47,595	42,686
Revaluation reserve	15	31,531	29,962	34,035	-	-	-
Other reserve	16	(2,100)	(2,100)	(2,100)	-	-	-
Retained earnings/(Accumulated losses)		30,393	35,877	41,884	(43,309)	(36,601)	(6,905)
		107,419	111,334	116,505	4,286	10,994	35,781
Non-controlling interests	7	29,585	29,230	31,804	-	-	-
Total equity		137,004	140,564	148,309	4,286	10,994	35,781
LIABILITIES							
Non-current liabilities							
Deferred tax liabilities	17	13,498	13,095	14,947	-	-	-
Other payables	18	302	-	-	302	-	-
Total non-current liabilities		13,800	13,095	14,947	302	-	-
Current liabilities							
Trade payables	19	1,982	1,966	14,216	-	-	-
Other payables	18	19,663	11,237	10,132	2,109	159	163
Amount due to a subsidiary	11	-	-	-	-	-	2,752
Borrowings	20	-	1,873	-	-	-	-
Tax payable		563	-	-	-	-	-
Total current liabilities		22,208	15,076	24,348	2,109	159	2,915
Total liabilities		36,008	28,171	39,295	2,411	159	2,915
Total equity and liabilities		173,012	168,735	187,604	6,697	11,153	38,696

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

Statements Of Profit Or Loss And Other Comprehensive Income

for the financial year ended 31 December 2018

	Note	Group 2018 RM'000	2017 RM'000	Company 2018 RM'000	2017 RM'000
Revenue	21	19,262	28,077	-	-
Cost of sales		(19,018)	(27,626)	-	-
Gross profit		244	451	-	-
Other income		4,433	1,821	-	-
Administrative expenses		(8,540)	(8,168)	(643)	(607)
Sales and marketing expenses		(143)	(292)	-	-
Impairment (loss)/gain on financial assets		(14)	55	(4,371)	800
Other expenses		(1,026)	(1,393)	(1,694)	(29,923)
Finance income		4	60	132	34
Finance costs	22	(192)	(148)	(132)	-
Loss before tax	23	(5,234)	(7,614)	(6,708)	(29,696)
Tax (expense)/income	24	(403)	198	-	-
Net loss for the financial year		(5,637)	(7,416)	(6,708)	(29,696)
Other comprehensive income/(loss) Item that will not be reclassified subsequently to profit or loss:- Increase/(decrease) in revaluation		2,077	(5,238)	-	-
Other comprehensive income/ (loss), net of tax		2,077	(5,238)	-	-
Total comprehensive loss for the financial year		(3,560)	(12,654)	(6,708)	(29,696)
Net loss attributable to:					
- Owners of the Company		(5,992)	(6,634)	(6,708)	(29,696)
- Non-controlling interests		355	(782)	-	-
		(5,637)	(7,416)	(6,708)	(29,696)
Total comprehensive loss attributable to:					
- Owners of the Company		(3,915)	(10,080)	(6,708)	(29,696)
- Non-controlling interests		355	(2,574)	-	-
		(3,560)	(12,654)	(6,708)	(29,696)
Loss per share (sen)	25				
Basic loss per share (sen)		(0.26)	(0.31)		
Diluted loss per share (sen)		*	*		

* no dilutive effect

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

Statements Of Changes In Equity

for the financial year ended 31 December 2018

	Attributable to owners of the Company				
	Non-distributable				
	Share capital RM'000	Revaluation reserve RM'000	Other reserve RM'000	Retained earnings RM'000	Total equity RM'000
				Non-controlling interests RM'000	Total RM'000
GROUP					
At 1 January 2017	42,686	34,035	(2,100)	41,884	116,505
Other comprehensive loss for the financial year	-	(3,446)	-	-	(3,446)
Net loss for the financial year	-	-	-	(6,634)	(6,634)
Total comprehensive loss for the financial year	-	(3,446)	-	(6,634)	(10,080)
Crystallisation of revaluation surplus	-	(627)	-	627	-
Transaction with owners:					
Issuance of new shares	4,909	-	-	-	4,909
At 31 December 2017	47,595	29,962	(2,100)	35,877	111,334
Other comprehensive income for the financial year	-	2,077	-	-	2,077
Net loss for the financial year	-	-	-	(5,992)	(5,992)
Total comprehensive loss for the financial year	-	2,077	-	(5,992)	(3,915)
Crystallisation of revaluation surplus	-	(508)	-	508	-
At 31 December 2018	47,595	31,531	(2,100)	30,393	107,419
				29,585	137,004

Statements Of Changes In Equity

for the financial year ended 31 December 2018
(Cont'd)

	Share capital RM'000	Accumulated losses RM'000	Total RM'000
Company			
At 1 January 2017	42,686	(6,905)	35,781
Transaction with owners:			
Issuance of new shares	4,909	-	4,909
Total comprehensive loss for the financial year	-	(29,696)	(29,696)
At 31 December 2017	47,595	(36,601)	10,994
Total comprehensive loss fo the financial year	-	(6,708)	(6,708)
At 31 December 2018	47,595	(43,309)	4,286

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

Statements Of Cash Flows

for the financial year ended 31 December 2018

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
OPERATING ACTIVITIES				
Loss before tax	(5,234)	(7,614)	(6,708)	(29,696)
Adjustments for:				
Amortisation of unwinding interest	(102)	(146)	-	-
Bad debts written off	107	17	-	-
Depreciation of property, plant and equipment	826	926	-	-
Gain from disposal of property, plant and equipment	(2)	(315)	-	-
Gain from disposal of land held for property development	(3,026)	-	-	-
Impairment loss on trade receivables	1	46	-	-
Impairment loss on other receivables	29	-	29	-
Impairment loss on investment in subsidiaries	-	-	1,694	29,923
Impairment loss on amount due from a subsidiary	-	-	5,542	-
Impairment loss on amount due from a subsidiary no longer required	-	-	(1,200)	(800)
Inventories written down	-	375	-	-
Inventories written off	89	-	-	-
Interest expenses	192	148	132	-
Interest income	(4)	(60)	(132)	(34)
Property, plant and equipment written off	5	-	-	-
Unrealised (gain)/loss on foreign exchange	(1)	3	-	-
Write-back of impairment loss on trade receivables	(12)	(101)	-	-
Write-back of impairment loss on other receivables	(4)	-	-	-
Write-back of inventories written down	(89)	(17)	-	-
Operating loss before working capital changes	(7,225)	(6,738)	(643)	(607)
Changes in working capital:				
Inventories	(1,108)	3,989	-	-
Receivables	2,146	4,717	-	(33)
Payables	8,744	(11,145)	2,252	(4)
Cash generated from/(used in) operations	2,557	(9,177)	1,609	(644)
Interest paid	(192)	(148)	(132)	-
Net tax refunded/(paid)	48	95	1	(1)
Net cash flows from/(used in) operating activities	2,413	(9,230)	1,478	(645)

Statements Of Cash Flows

for the financial year ended 31 December 2018
(Cont'd)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
INVESTING ACTIVITIES				
Interest received	4	60	132	34
Purchase of property, plant and equipment	(18)	(6)	-	-
Plantation expenditure paid	(97)	(107)	-	-
Proceeds from disposal of property, plant and equipment	9	604	-	-
Withdrawal of fixed deposits held as securities	-	1,000	-	-
Net cash flows (used in)/from investing activities	(102)	1,551	132	34
FINANCING ACTIVITIES				
Advances to subsidiaries	-	-	(1,609)	(4,333)
Issuance of new shares	-	4,909	-	4,909
Drawdowns of borrowing	-	11,024	-	-
Repayments of borrowing	(936)	(10,088)	-	-
Net cash flows (used in)/from financing activities	(936)	5,845	(1,609)	576
CASH AND CASH EQUIVALENTS				
Net changes in cash and cash equivalents	1,375	(1,834)	1	(35)
At beginning of year	(751)	1,086	1	36
Effect of exchange translation differences	1	(3)	-	-
At end of year	625	(751)	2	1
Cash and cash equivalents comprise the following:-				
Cash and bank balances	625	186	2	1
Bank overdraft (Note 20)	-	(937)	-	-
	625	(751)	2	1

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

Notes To The Financial Statements

31 December 2018

1. GENERAL INFORMATION

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 principal activity of the Company consists of investment holding. The principal activities of its subsidiaries are disclosed in Note 7 to the Financial Statements. There have been no significant changes in the nature of the principal activities of the Company and its subsidiaries during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 18 April 2019.

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 Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 2016 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.

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

Notes To The Financial Statements

31 December 2018
(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: (Cont'd)

- (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 First time adoption of MFRSs

In the previous financial years, the financial statements of the Group and the Company were prepared in accordance with Financial Reporting Standards ("FRS") issued by Malaysian Accounting Standards Board ("MASB").

This is the Group's and the Company's first financial statements prepared in accordance with MFRSs and MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards has been applied.

The accounting policies set out in Note 3 have been applied in preparing the financial statements of the Group and the Company for the financial year ended 31 December 2018, the comparative information presented in these financial statements for the financial year ended 31 December 2017 and the opening statement of financial position at 1 January 2017 (the Group's and the Company's date of transition to MFRS Framework).

The transition from FRS to MFRS Framework has had no material effect on the equity, total comprehensive income and cash flows generated by the Group and the Company.

2.5 Standards issued but not yet effective

The Group and the Company have not applied early the following MFRS that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Group and the Company:-

MFRS, Amendments to MFRSs and IC Interpretation effective 1 January 2019:

MFRS 16*	Leases
IC Interpretation 23*	Uncertainty Over Income Tax Treatments
Amendments to MFRS 9*#	Prepayment Features with Negative Compensation
Amendments to MFRS 119*#	Employee Benefits
Amendments to MFRS 128*#	Long-term Interests in Associates and Joint Ventures
Annual Improvements to MFRS standards 2015-2018 Cycle*#	

Notes To The Financial Statements

31 December 2018
(Cont'd)

2. BASIS OF PREPARATION (CONT'D)

2.5 Standards issued but not yet effective

The Group and the Company have not applied early the following MFRS that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Group and the Company:- (Cont'd)

Amendments to MFRSs and Amendments to References to the Conceptual Framework on MFRS Standards effective 1 January 2020:-

Amendments to MFRS 3	Business Combinations
Amendments to MFRS 101	Presentation of Financial Statements
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
Amendments to References to the Conceptual Framework on MFRS Standards (MFRS 2*#, 3, 6*#, 14*#, 101, 108, 134*#, 137, 138*# and IC Interpretation 12*#, 19*#, 20*, 22*#, 132*#)	

MFRS effective 1 January 2021:

MFRS 17*#	Insurance Contracts
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Amendments to MFRSs (deferred effective date to be announced by the MASB):

MFRS 10* and MFRS 128*#	Consolidated Financial Statements and Investment in Associate and Joint Venture: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
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* Not applicable to the Company's operation

Not applicable to the Group's operations

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

MFRS 16 Leases

MFRS 16 replaces MFRS 117 Leases. MFRS 16 eliminates the distinction between finance and operating leases for lessees. As off-balance sheet will no longer be allowed except for some limited practical exemptions, all leases will be brought onto the statements of financial position by recognising a "right-of-use" asset and a lease liability. In other words, for a lessee that material operating leases, the assets and the liabilities reported on the statements of financial position are expected to increased substantially.

MFRS 16 also:

- Changes the definition of a lease;
- Sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and option periods;
- Changes the account for sale and leaseback arrangements;
- Largely retains MFRS 117's approach to lessor accounting; and
- Introduces new disclosure requirements.

The Group plans to adopt the new standard on the required effective date. The initial application of the above standard is not expected to have any material financial impact to the financial statements.

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. Estimates and underlying assumptions 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

31 December 2018
(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 3 to 91 years and reviews the useful lives of depreciable assets at the end of each reporting date. At 31 December 2018, management assesses that the useful lives represents the expected utility of the assets to the Group and the Company. The carrying amounts 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, which resulting the adjustment to the Group's and the Company's assets.

Impairment of non-financial assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future operating results. The actual results may vary, and may cause significant adjustments to the Group's and the Company's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

Provision for expected credit losses (ECL) of trade receivables

The Group uses a provision matrix to calculate ECL for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with the forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the trading sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

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

31 December 2018
(Cont'd)

2. BASIS OF PREPARATION (CONT'D)

2.6 Significant accounting estimates and judgements (Cont'd)

2.6.1 Estimation uncertainty

Deferred tax assets

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

Inventories

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

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

The carrying amount of the Group's inventories at the reporting date is disclosed in Note 9 to the Financial Statements.

Revaluation of property, plant and equipment

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

The carrying amounts of the land and buildings at the reporting date 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 the 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.

Notes To The Financial Statements

31 December 2018
(Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Consolidation (Cont'd)

3.1.1 Subsidiaries (Cont'd)

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 amounts is included in profit or loss.

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 is 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.

Notes To The Financial Statements

31 December 2018
(Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (Cont'd)

3.1.3 Business combinations and goodwill (Cont'd)

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.

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 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.

Notes To The Financial Statements

31 December 2018
(Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Foreign currency transactions and balances (Cont'd)

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).

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.

Freehold land is measured at fair value and impairment loss recognised after the date of the revaluation. Buildings are measured at fair value less accumulated depreciation and impairment losses recognised 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.

The Group adopts 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 retained earnings.

Freehold land is not depreciated. Depreciation is recognised on the straight line method in order to write off the cost of each 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 91 years
Buildings	2%
Office equipment, furniture and fittings	15% to 33 1/3%
Motor vehicles	20%
Renovation	10%
Site cabin and tools	10%
Signboard	20%

Notes To The Financial Statements

31 December 2018
(Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Property, plant and equipment (Cont'd)

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 amounts of the assets and is recognised in the profit or loss in the financial year in which the asset is derecognised.

3.4 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 loss.

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.

3.5 Plantation expenditure

The Group's biological asset comprises plantation expenditure. The Group recognises a biological asset in its financial statements when, and only when the Group gains control over the asset as a result of past events, it is possible that the future economic benefits associated with the asset will flow to the Group and when the fair value or cost of the asset can be measured reliably.

If the fair value less costs to sell of a biological asset could not be measured reliably, plantation expenditure recognised at its cost less any accumulated impairment losses. Inability to measure fair value reliably is presumed only on the initial recognition of a biological asset for which market-determined prices or values are not available and for which alternative estimates of fair value are determined to be clearly unreliable. Once the fair value of such a biological asset becomes reliably measurable, the Group measures it at its fair value less costs to sell.

Plantation expenditure incurred on land clearing, upkeep of immature trees, direct administrative expenses incurred during the pre-maturity period (precropping costs) are capitalised as plantation expenditure.

Biological asset is derecognised when either it is disposed of or subsequent to the point of harvest, in which MFRS 102 Inventories or another applicable standard is applied thereafter.

3.6 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 any estimated costs necessary to make the sale.

Notes To The Financial Statements

31 December 2018
(Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Inventories (Cont'd)

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.

3.7 Financial instruments

3.7.1 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 are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

3.7.2 Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with MFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs.

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- (a) amortised cost;
- (b) fair value through profit or loss (FVTPL); and
- (c) fair value through other comprehensive income (FVOCI).

In the years presented, the Group and the Company do not have any financial assets categorised as FVOCI and FVTPL.

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

3.7.3 Financial assets - subsequent measurement

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

Notes To The Financial Statements

31 December 2018
(Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial instruments (Cont'd)

3.7.3 Financial assets - subsequent measurement (Cont'd)

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's and the Company's trade and other receivables, amount due from subsidiaries, cash and bank balances fall into this category of financial instruments.

3.7.4 Financial assets - impairment

MFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces MFRS 139's 'incurred loss model'. Instruments within the scope of the new requirements included financial assets measured at amortised cost.

Recognition of credit losses is no longer dependent on the Group or the Company first identifying a credit loss event. Instead the Group and the Company consider a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables

The Group and the Company make use of a simplified approach in accounting for trade and other receivables and record the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group and the Company use the historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group and the Company assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics and they have been grouped based on the days past due.

Notes To The Financial Statements

31 December 2018
(Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial instruments (Cont'd)

3.7.4 Financial assets – impairment (Cont'd)

Accounting policies applied until 31 December 2017

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets 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 asset (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.

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 there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

3.7.5 Financial liabilities - classification and measurement

As the accounting for financial liabilities remains largely the same under MFRS 9 as compared to MFRS 139, the Group's and the Company's financial liabilities were not impacted by the adoption of MFRS 9. However, for completeness, the accounting policy is disclosed below.

The Group's and the Company's financial liabilities include amount due to a subsidiary, borrowings, trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group and the Company designated a financial liability at fair value through profit or loss.

Notes To The Financial Statements

31 December 2018
(Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial instruments (Cont'd)

3.7.5 Financial liabilities - classification and measurement (Cont'd)

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

3.7.6 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 Impairment of non-financial assets

At the end of each reporting date, the Group and the Company review the carrying amounts of its non-financial assets to determine whether there is any indication of impairment by comparing their 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.

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.

3.9 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances 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.

Notes To The Financial Statements

31 December 2018
(Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 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.

3.11 Operating leases

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.

3.12 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.

The revaluation reserve comprises surplus arising from the revaluation of property, plant and equipment.

Retained earnings/(accumulated losses) include all current year's loss and prior years' retained earnings/(accumulated losses).

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

3.13 Contract from customers

3.13.1 Sale of goods

Revenue from sale of goods are recognised at a point in time when control of the goods are transferred to the customer.

3.13.2 Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

3.14 Borrowing costs

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

Notes To The Financial Statements

31 December 2018
(Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 Employees benefits

3.15.1 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.

3.15.2 Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group 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").

3.16 Tax expenses

3.16.1 Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the financial year and are measured using the tax rates that have been enacted or substantively enacted by the reporting date, and any adjustment to tax payable in respect of previous years.

3.16.2 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 unabsorbed tax losses and unutilised capital allowances.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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.

Notes To The Financial Statements

31 December 2018
(Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Tax expenses (Cont'd)

3.16.3 Goods and services 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% until 31 May 2018. Input GST that the Company paid on purchases of business inputs can be deducted from 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 tax authority is included as part of receivable or payable in the statements of financial position.

The Malaysia Government has zero rated the GST effective from 1 June 2018. This means the GST rate on supplying at goods or services or on the importation of goods has been revised from 6% to 0%.

The GST will be replaced with the Sales and Services Tax effective from 1 September 2018. The rate for sales tax is fixed at 5% to 10% while the rate for service tax is fixed at 6%.

3.16.4 Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- When the sales tax incurred on a purchase of assets or services, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When payables are stated with the amount of sales tax included

The amount of sales tax payable to the tax authority is included as part of payables in the statements of financial position.

3.17 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.

3.18 Earnings per share

The Group presents basic earnings per share data for its ordinary shares ("EPS").

Basis EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

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 statements 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.

Notes To The Financial Statements

31 December 2018

(Cont'd)

4. PROPERTY, PLANT AND EQUIPMENT

Group	At valuation			At cost				
	Freehold land and buildings RM'000	Long term leasehold land RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Renovation RM'000	Site cabin and tools RM'000	Signboard RM'000	Total RM'000
Cost or valuation								
At 1 January 2017	5,220	68,000	1,605	779	830	64	60	76,558
Additions	-	-	6	-	-	-	-	6
Disposals	(320)	-	(3)	-	-	-	-	(323)
Decrease in revaluation	-	(10,500)	-	-	-	-	-	(10,500)
Written off	-	-	(23)	-	-	-	-	(23)
At 31 December 2017	4,900	57,500	1,585	779	830	64	60	65,718
Additions	-	-	18	-	-	-	-	18
Transferred to land held for property development (Note 5)	-	(49,000)	-	-	-	-	-	(49,000)
Disposals	-	-	-	(93)	-	-	-	(93)
Increase in revaluation	2,100	-	-	-	-	-	-	2,100
Written off	-	-	(28)	-	-	(2)	-	(30)
At 31 December 2018	7,000	8,500	1,575	686	830	62	60	18,713
Accumulated depreciation								
At 1 January 2017	357	2,848	1,533	762	830	59	60	6,449
Depreciation for the year	110	760	44	10	-	2	-	926
Disposals	(31)	-	(3)	-	-	-	-	(34)
Decrease in revaluation	-	(3,608)	-	-	-	-	-	(3,608)
Written off	-	-	(23)	-	-	-	-	(23)

Notes To The Financial Statements

31 December 2018

(Cont'd)

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

Group (Cont'd)	At valuation			At cost				
	Freehold land and buildings RM'000	Long term leasehold land 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
At 31 December 2017	436	-	1,551	772	830	61	60	3,710
Depreciation for the year	104	692	28	-	-	2	-	826
Transferred to land held for property development (Note 5)	-	(580)	-	-	-	-	-	(580)
Disposals	-	-	-	(86)	-	-	-	(86)
Increase in revaluation	(540)	-	-	-	-	-	-	(540)
Written off	-	-	(23)	-	-	(2)	-	(25)
At 31 December 2018	-	112	1,556	686	830	61	60	3,305
Net carrying amount								
At 31 December 2018	7,000	8,388	19	-	-	1	-	15,408
At 31 December 2017	4,464	57,500	34	7	-	3	-	62,008
At 1 January 2017	4,863	65,152	72	17	-	5	-	70,109

Notes To The Financial Statements

31 December 2018
(Cont'd)

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

Company	Motor vehicles RM'000
Cost	
At 1 January 2017/ 31 December 2017/ 31 December 2018	174
Accumulated depreciation	
At 1 January 2017/ 31 December 2017/ 31 December 2018	173
Net carrying amount	
At 1 January 2017/31 December 2017/31 December 2018	1

The title deed of long term leasehold land of a subsidiary with net carrying amount Nil (31.12.2017: RM56,862,387; 1.1.2017:RM57,522,937) has yet to be transferred to the subsidiary.

The freehold land and buildings of the Group were revalued during the financial year 2018 by an independent professional valuer, Messrs Irhamy & Co. The valuations were based on the comparison method by reference to recent market transactions.

The leasehold land of the Group were revalued during the financial year 2017 by an independent professional valuer, Messrs IVPS Property Consultant Sdn. Bhd. The valuation was based on the comparison method 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:-

	31.12.2018 RM'000	Group 31.12.2017 RM'000	1.1.2017 RM'000
Freehold land and buildings	2,457	2,493	2,750
Leasehold land	1,296	4,992	5,052
	3,753	7,485	7,802

Fair value information

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

	31.12.2018 RM'000	Level 2 Group 31.12.2017 RM'000	1.1.2017 RM'000
Freehold land and buildings	7,000	4,464	4,863
Leasehold land	8,388	57,500	65,152
	15,388	61,964	70,015

Notes To The Financial Statements

31 December 2018
(Cont'd)

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

The net carrying amount of assets pledged as securities for bank facilities are:-

	31.12.2018 RM'000	Group 31.12.2017 RM'000	1.1.2017 RM'000
Freehold land and building	4,000	2,545	2,625

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.

There were no transfer between the fair value hierarchy during the financial year.

5. LAND HELD FOR PROPERTY DEVELOPMENT

	Group RM'000
Leasehold land, at deemed cost	
At 1 January 2017/31 December 2017	100,000
Disposal	(6,371)
Transferred from property, plant and equipment (Note 4)	48,420
At 31 December 2018	142,049

6. PLANTATION EXPENDITURE

	31.12.2018 RM'000	Group 31.12.2017 RM'000	1.1.2017 RM'000
At 1 January	1,806	1,699	1,600
Additions	97	107	99
At 31 December	1,903	1,806	1,699

Included in plantation expenditure incurred during the financial year are:-

	2018 RM'000	Group 2017 RM'000
Depreciation	1	1
Staff salaries	68	71
Defined contribution plan	9	9
Other related staff costs	1	1

Notes To The Financial Statements

31 December 2018
(Cont'd)

7. INVESTMENT IN SUBSIDIARIES

	31.12.2018 RM'000	Group 31.12.2017 RM'000	1.1.2017 RM'000
Unquoted shares – at cost	178,100	178,100	178,100
Less: Accumulated impairment loss			
At 1 January	(169,800)	(139,877)	(139,777)
Recognised	(1,694)	(29,923)	(100)
At 31 December	(171,494)	(169,800)	(139,877)
	6,606	8,300	38,223

Investment in subsidiaries that are impaired at reporting date related to those subsidiaries that are having net assets lower than cost of investment.

The following information relates to the subsidiaries:-

Name of company	Country of incorporation	Equity interest			Principal activities
		31.12.2018 %	31.12.2017 %	1.1.2017 %	
Held directly:-					
Compugates Sdn. Bhd.	Malaysia	100	100	100	Trading, marketing and distribution of imaging, information technology and communication -based products
Selama Muda Jaya Sdn. Bhd.	Malaysia	100	100	100	Dormant
Compugates International Sdn Bhd.	Malaysia	100	100	100	Dormant
Subsidiary of Compugates Sdn. Bhd.					
Compugates Marketing Sdn. Bhd.	Malaysia	100	100	100	Investment holding, trading, marketing and distribution of information technology and communication -based products, gaharu tea and gaharu tree planting

Notes To The Financial Statements

31 December 2018
(Cont'd)

7. INVESTMENT IN SUBSIDIARIES (CONT'D)

The following information relates to the subsidiaries (cont'd):-

Name of company	Country of incorporation	Equity interest			Principal activities
		31.12.2018 %	31.12.2017 %	1.1.2017 %	
Subsidiaries of Compugates Marketing Sdn. Bhd.					
Classic Distribution Sdn. Bhd.	Malaysia	100	100	100	Dormant
Compugates Development and Mining Sdn. Bhd. (“CDMSB”)	Malaysia	70	70	70	Land owner and property investment holding
Compugates Perak Sdn. Bhd.	Malaysia	100	100	100	Dormant
Compugates Sabah Sdn. Bhd. (“CSSB”)	Malaysia	51	51	51	Dormant

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	Total RM'000
Percentage of ownership interest and voting interest	30%	49%	
<u>31.12.2018</u>			
Carrying amount of NCI	34,923	(5,338)	29,585
Gain/(loss) allocated to NCI	364	(9)	355
<u>31.12.2017</u>			
Carrying amount of NCI	34,559	(5,329)	29,230
Loss allocated to NCI	(444)	(338)	(782)
<u>1.1.2017</u>			
Carrying amount of NCI	36,796	(4,992)	31,804
Loss allocated to NCI	(458)	(506)	(964)

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31 December 2018
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7. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

	31.12.2018 RM'000	CDMSB 31.12.2017 RM'000	1.1.2017 RM'000
At 31 December			
Non-current assets	142,049	149,000	157,523
Current assets	9,585	6	6
Non-current liabilities	(10,752)	(10,877)	(12,912)
Current liabilities	(24,471)	(22,931)	(21,964)
	116,411	115,198	122,653
Financial year ended 31 December			
Revenue	-	-	-
Net profit/(loss)	1,213	(1,480)	(1,527)
Other comprehensive loss	-	(5,975)	-
Total comprehensive loss	1,213	(7,455)	(1,527)
Net cash flows from/(used in) operating activities	4,894	(857)	(1,014)
Net cash flows (used in)/from operating activities	(4,714)	857	1,014
Net changes in cash and cash equivalents	180	-	-
	31.12.2018 RM'000	CSSB 31.12.2017 RM'000	1.1.2017 RM'000
At 31 December			
Current assets	8	11	90
Current liabilities	(10,902)	(10,887)	(10,277)
	(10,894)	(10,876)	(10,187)
Financial year ended 31 December			
Revenue	-	-	-
Net loss	(18)	(689)	(1,032)
Total comprehensive loss	(18)	(689)	(1,032)
Net cash flows (used in)/from operating activities	(616)	(21)	32
Net cash flows from/(used in) operating activities	614	14	(57)
Net changes in cash and cash equivalents	(2)	(7)	(25)

Notes To The Financial Statements

31 December 2018

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8. OTHER RECEIVABLES

	31.12.2018 RM'000	Group 31.12.2017 RM'000	1.1.2017 RM'000
Other receivables	10,885	3,553	3,507
Less: Accumulated impairment loss			
At 1 January	(1,237)	(1,237)	-
Recognised	(29)	-	(1,237)
Write-back	4	-	-
At 31 December	(1,262)	(1,237)	(1,237)
	9,623	2,316	2,270
Deposits	93	92	120
Prepayments	94	96	151
GST receivable	539	466	233
	10,349	2,970	2,774
Represented by:			
- Current	10,349	2,970	1,937
- Non-current	-	-	837
	10,349	2,970	2,774
	31.12.2018 RM'000	Company 31.12.2017 RM'000	1.1.2017 RM'000
Other receivables	538	538	505
Less: Accumulated impairment loss			
At 1 January	(501)	(501)	-
Recognised	(29)	-	(501)
At 31 December	(530)	(501)	(501)
	8	37	4
Deposits	55	55	55
Prepayments	3	3	3
	66	95	62

Included in the other receivables of the Group of RM9,397,400 (31.12.2017 and 1.1.2017: Nil) which is sale proceed receivable pertaining to the disposal of the land held for property development.

Notes To The Financial Statements

31 December 2018

(Cont'd)

9. INVENTORIES

	31.12.2018 RM'000	Group 31.12.2017 RM'000	1.1.2017 RM'000
At carrying amount:- Inventories held for trading	2,242	1,223	5,212
Less: Written down			
At 1 January	(949)	(591)	(51)
Recognised	-	(375)	(540)
Write-back	89	17	-
At 31 December	(860)	(949)	(591)
	1,382	274	4,621
Recognised in profit or loss:		2018 RM'000	2017 RM'000
Inventories recognised as cost of sales		19,018	27,626
Write-back of inventories written down		(89)	(17)
Inventories written down		-	375
Inventories written off		89	-

The inventories written down was written-back when the related inventories were sold above their carrying amounts.

10. TRADE RECEIVABLES

	31.12.2018 RM'000	Group 31.12.2017 RM'000	1.1.2017 RM'000
Trade receivables	2,324	2,482	7,266
Less: Accumulated impairment loss			
At 1 January	(1,424)	(1,479)	(1,869)
Disposal of subsidiaries	-	-	81
Recognised	(1)	(46)	(26)
Write-back	12	101	335
At 31 December	(1,413)	(1,424)	(1,479)
	911	1,058	5,787

The Group's normal trade credit terms range from 1 to 60 days (31.12.2017 and 1.1.2017: 1 to 60 days). Other credit terms are assessed and approved on a case-by-case basis.

The impairment loss on trade receivable was written-back during the financial year as a result of subsequent receipts of the amount.

Notes To The Financial Statements

31 December 2018
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11. AMOUNTS DUE FROM/TO SUBSIDIARIES

	31.12.2018 RM'000	Company 31.12.2017 RM'000	1.1.2017 RM'000
Amount due from subsidiaries:-			
Non-interest bearing	11,651	10,042	8,461
Less: Accumulated impairment loss			
At 1 January	(7,288)	(8,088)	-
Recognised	(5,542)	-	(8,088)
Write-back	1,200	800	-
At 31 December	(11,630)	(7,288)	(8,088)
	21	2,754	373
Amount due to a subsidiary:-			
Non-interest bearing	-	-	(2,752)

The amounts due from/to subsidiaries are non-trade in nature, unsecured, interest free and repayable on demand, except for the amount of RM1,457,330 (31.12.2017 and 1.1.2017: Nil) due from a subsidiary which bears interest rates ranging from 3.67% to 10.00% (31.12.2017 and 1.1.2017: Nil) per annum.

Impairment loss has been made due to the subsidiaries which have insufficient net assets.

12. SHORT-TERM DEPOSITS WITH LICENSED BANKS

In the financial year 2016, the short-term deposits with licensed banks of the Group borne a weighted average effective rate of 2.28% per annum and had a maturity period of 1 to 5 days.

13. FIXED DEPOSITS WITH LICENSED BANKS

In the financial year 2016, the fixed deposits with licensed banks of the Group borne a weighted average effective interest rate of 3.00 % per annum. The fixed deposits had maturity period ranging from 1 month to 12 months.

The fixed deposits had been uplifted to settle part of the borrowings granted to the Group during the financial year 2017.

14. SHARE CAPITAL

	31.12.2018 Units	Group and Company 31.12.2017 Units	1.1.2017 Units
Issued and fully paid:			
At 1 January	2,347,717,920	2,134,289,020	2,134,289,020
Issuance of ordinary shares	-	213,428,900	-
At 31 December	2,347,717,920	2,347,717,920	2,134,289,020

Notes To The Financial Statements

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14. SHARE CAPITAL (CONT'D)

	31.12.2018 RM'000	Group and Company 31.12.2017 RM'000	1.1.2017 RM'000
Issued and fully paid:			
At 1 January	47,595	42,686	213,429
Par value reduction	-	-	(170,743)
Issuance of ordinary shares	-	4,909	-
At 31 December	47,595	47,595	42,686

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.

15. REVALUATION RESERVE

	31.12.2018 RM'000	Group 31.12.2017 RM'000	1.1.2017 RM'000
At 1 January	29,962	34,035	34,606
Crystallisation of revaluation reserve	(508)	(627)	(571)
Increase/(decrease) in revaluation	2,077	(3,446)	-
At 31 December	31,531	29,962	34,035

The revaluation reserve represents the revaluation surplus of property, plant and equipment.

16. OTHER RESERVE

	31.12.2018 RM'000	Group 31.12.2017 RM'000	1.1.2017 RM'000
Other reserve	(2,100)	(2,100)	(2,100)

The other reserves arose from additional interest acquired from non-controlling interests of Compugates Development and Mining Sdn. Bhd..

17. DEFERRED TAX LIABILITIES

	31.12.2018 RM'000	Group 31.12.2017 RM'000	1.1.2017 RM'000
At 1 January	13,095	14,947	15,127
Recognised in profit or loss (Note 24)	(160)	(198)	(180)
Increase/(decrease) in revaluation	563	(1,654)	-
At 31 December	13,498	13,095	14,947

The deferred tax liabilities arose from the revaluation of property, plant and equipment.

Notes To The Financial Statements

31 December 2018
(Cont'd)

18. OTHER PAYABLES

	31.12.2018 RM'000	Group 31.12.2017 RM'000	1.1.2017 RM'000
Other payables	3,985	1,233	1,168
Accruals	1,210	2,036	690
Deposit received	10,100	5,100	5,000
Staff incentives	488	1,471	1,284
Amount due to Directors	4,182	1,397	1,990
	19,965	11,237	10,132
Represented by:			
- Current	19,663	11,237	10,132
- Non-current	302	-	-
	19,965	11,237	10,132
	31.12.2018 RM'000	Company 31.12.2017 RM'000	1.1.2017 RM'000
Other payables	1,432	18	25
Accruals	129	141	138
Amount due to Director	850	-	-
	2,411	159	163
Represented by:			
- Current	2,109	159	163
- Non-current	302	-	-
	2,411	159	163

Included in other payables of the Group and of the Company is RM1,376,680 (31.12.2017 and 1.1.2017: Nil) owing to a person connected to a Director of the Company.

Such amount owing to a person connected to a Director of the Company is non-trade in nature, unsecured and interest free except for RM894,730 (31.12.2017 and 1.1.2017: Nil) which bears interest rates ranging from 3.99% to 10.00% (31.12.2017 and 1.1.2017: Nil) per annum.

The amount due to Directors of the Group and of the Company is non-trade in nature, unsecured, interest free and repayable on demand, except for the amount of RM562,600 (31.12.2017 and 1.1.2017: Nil) which bears interest rates ranging from 3.67% to 8.8% (31.12.2017 and 1.1.2017: Nil) per annum.

Deposit represents the deposit received from third parties in relation to the joint venture agreements entered by a subsidiary.

Notes To The Financial Statements

31 December 2018

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19. TRADE PAYABLES

The normal trade credit terms granted to the Group are 60 days (31.12.2017 and 1.1.2017: 60 days).

20. BORROWINGS

	31.12.2018 RM'000	Group 31.12.2017 RM'000	1.1.2017 RM'000
Bankers' acceptance	-	936	-
Bank overdraft	-	937	-
	-	1,873	-

In the previous year, the borrowings of the Group borne weighted average effective interest at 5.10% to 8.41% per annum and are secured by way of:-

- (i) corporate guarantee by the Company; and
- (ii) fixed charge over certain freehold land and building registered under the name of a subsidiary.

However, the Group has terminated all the banking facilities and is in the process of obtaining the letter of release for the pledged freehold land and building.

21. REVENUE

	Group 2018 RM'000	2017 RM'000
Trading and services	19,252	28,061
Agriculture	10	16
	19,262	28,077

22. FINANCE COSTS

	Group 2018 RM'000	2017 RM'000	Company 2018 RM'000	2017 RM'000
Interest expenses				
- bankers' acceptance	36	148	-	-
- other payables	132	-	132	-
- others	24	-	-	-
	192	148	132	-

Notes To The Financial Statements

31 December 2018

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23. LOSS BEFORE TAX

Loss before tax is determined after charging/(crediting) amongst others, the following items:-

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Auditors' remuneration				
- statutory audit	112	107	40	38
- other services	14	14	14	14
Rental of office	2	2	-	-
Rental of warehouse	-	4	-	-
Directors' fees	276	276	276	276
Director of the Company:				
- remuneration	452	392	-	-
- defined contribution plan	47	47	-	-
Director of the subsidiaries:				
- remuneration	4,423	1,786	-	-
- defined contribution plan	249	269	-	-
Staff costs				
- salaries, wages, bonuses and allowances	1,405	2,351	-	-
- defined contribution plan	202	320	-	-
- other staff related cost	(69)	1,074	-	-

24. TAX EXPENSE/INCOME

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current year tax expense	563	-	-	-
Reversal of deferred tax liabilities (Note 17)	(160)	(198)	-	-
	403	(198)	-	-

Malaysia income tax is calculated at the statutory tax rate of 24% (2017: 24%) of the estimated assessable profit for the financial year.

A reconciliation of tax expense/(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 is as follows:-

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Loss before tax	(5,234)	(7,614)	(6,708)	(29,696)
Taxation at applicable tax rate of 24% (2017: 24%)	(1,256)	(1,827)	(1,610)	(7,127)
Tax effects arising from				
- non-deductible expenses	435	879	1,610	7,127
- non-taxable income	(25)	(36)	-	-
- crystallisation of deferred tax liabilities	(160)	(198)	-	-
- deferred tax assets not recognised during the year	1,409	984	-	-
Tax expense/(income) for the financial year	403	(198)	-	-

Notes To The Financial Statements

31 December 2018
(Cont'd)

24. TAX EXPENSE/INCOME (CONT'D)

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

	Group	
	2018 RM'000	2017 RM'000
Deductible temporary differences	4,392	3,989
Unabsorbed tax losses	44,509	39,079
Unutilised capital allowances	2,202	2,164
	51,103	45,232

Deferred tax assets of the Group have not been recognised in the financial statements in respect of deductible temporary differences, unabsorbed tax losses and unutilised capital allowances as the Directors anticipated that such amounts will not be able to be utilised in the near future.

The Group's unabsorbed tax losses and unutilised capital allowances can be carried forward to offset against future taxable income.

25. LOSS PER SHARE

Basic loss per ordinary share

Basic loss per share are calculated by dividing net loss for the financial year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2018	2017
Net loss attributable to ordinary equity holders of the Company (RM'000)	(5,992)	(6,634)
Weighted average number of ordinary shares (No. of shares)	2,347,717,920	2,173,466,380
Basic loss per ordinary share (sen)	(0.26)	(0.31)

Diluted loss per ordinary share

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

Notes To The Financial Statements

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26. RELATED PARTIES

(a) Related party transactions

Set out below are the related party transactions for the financial year. The related party transactions described below was carried out on terms and conditions mutually agreed between the respective parties:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Interest expenses charged by:				
- a person connected to a				
Director of the Company	79	-	79	-
- Director	53	-	53	-
Interest income charged on a				
subsidiary	-	-	(132)	-

(b) Key management personnel compensation

The Directors' remuneration is disclosed in Note 23 to the Financial Statements. Other key management personnel compensation is as follows:

	Group	
	2018 RM'000	2017 RM'000
Other key management personnel		
- Salary, allowance and bonus	-	346
- Defined contribution plan	-	42
	-	388

Other key management personnel comprise staff of the Group having authority and responsibility for planning, directing and controlling the activities of the Group, either directly or indirectly.

27. 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 services segment – involved in the trading, marketing, distribution of imaging, information technology and communication-based products
- (ii) Agriculture segment – involved in trading and cultivation of agricultural 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.

Notes To The Financial Statements

31 December 2018
(Cont'd)

27. OPERATING SEGMENT (CONT'D)

Business segment (Cont'd)

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

Group	Trading and services RM'000	Agriculture RM'000	Consolidated RM'000
2018			
Revenue			
External sales	19,252	10	19,262
Results			
Interest income	4	-	4
Finance cost	(192)	-	(192)
Depreciation	(713)	(113)	(826)
Tax (expense)/income	(426)	23	(403)
Other non-cash expenses (Note (i))	(27)	4	(23)
Segment loss	(5,086)	(551)	(5,637)
Assets			
Additions to non-current assets (Note (ii))	18	97	115
Segment assets	160,302	12,710	173,012
Liabilities			
Segment liabilities	34,041	1,967	36,008
2017			
Revenue			
External sales	28,061	16	28,077
Results			
Interest income	60	-	60
Finance cost	(148)	-	(148)
Depreciation	(825)	(101)	(926)
Tax income	178	20	198
Other non-cash expenses (Note (i))	(177)	-	(177)
Segment loss	(6,229)	(1,187)	(7,416)
Assets			
Additions to non-current assets (Note (ii))	6	107	113
Segment assets	156,533	12,202	168,735
Liabilities			
Segment liabilities	26,270	1,901	28,171

Notes To The Financial Statements

31 December 2018

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27. OPERATING SEGMENT (CONT'D)

Business segment (Cont'd)

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

	Group	
	2018 RM'000	2017 RM'000
Amortisation of unwinding interest	102	146
Bad debts written off	(107)	(17)
Impairment loss on trade receivables	(1)	(46)
Impairment loss on other receivables	(29)	-
Inventories written down	-	(375)
Inventories written off	(89)	-
Property, plant and equipment written off	(5)	-
Unrealised gain/(loss) on foreign exchange	1	(3)
Write-back of inventories written down	89	17
Write-back of impairment loss on trade receivables	12	101
Write-back of impairment loss on other receivables	4	-
	(23)	(177)

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

	Group	
	2018 RM'000	2017 RM'000
Property, plant and equipment	18	6
Plantation expenditure	97	107
	115	113

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

	Group	
	2018 RM'000	2017 RM'000
Property, plant and equipment	15,408	62,008
Land held for property development	142,049	100,000
Plantation expenditure	1,903	1,806
	159,360	163,814

Geographical segment

The Group's businesses are operated entirely within Malaysia and as such, no segment information based on geographical location is presented.

Information about major customers

Revenue from two (2017: two) major customers amounted to RM4,806,978 (2017: RM6,036,459) arising from the sales by the trading and services segment.

Notes To The Financial Statements

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(Cont'd)

28. FINANCIAL INSTRUMENTS

(a) Financial risk management and objectives

The Group seeks to manage effectively the various risks namely credit, interest rate, foreign currency and liquidity 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

With a credit policy in place to ensure the credit risk is monitored on an ongoing basis, management has taken reasonable steps to ensure that receivables that is neither past due nor impaired are stated at the realisable values.

Trade receivables that is neither past due nor impaired is creditworthy debtor with good payment records with the Company.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:-

	Expected credit loss rate %	Total gross carrying amount RM'000	Expected credit loss RM'000
31.12.2018			
Not past due	-	667	-
Past due 1-60 days	-	239	-
Past due 61-120 days	-	1	-
Past due more than 120 days	99.8	1,417	1,413
		2,324	1,413
	Gross RM'000	Individually impaired RM'000	Net RM'000
31.12.2017			
Not past due	873	-	873
Past due 1-60 days	172	-	172
Past due 61-120 days	3	-	3
Past due more than 120 days	1,434	(1,424)	10
	2,482	(1,424)	1,058

Notes To The Financial Statements

31 December 2018
(Cont'd)

28. 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)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix (Cont'd):-

	Gross RM'000	Individually impaired RM'000	Net RM'000
<u>1.1.2017</u>			
Not past due	3,602	-	3,602
Past due 1-60 days	2,068	-	2,068
Past due 61-120 days	47	-	47
Past due more than 120 days	1,549	(1,479)	70
	7,266	(1,479)	5,787

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.

Receivables that are individually determined to be impaired at the financial year end relate to debtors who are in significant financial difficulties and have defaulted on payments.

Trade receivables of RM244,000 (31.12.2017: RM185,000; 1.1.2017: RM2,185,000) 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 that they are recoverable.

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 except for those disclosed in Note 11 to the Financial Statements.

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 a subsidiary and creditors for credit terms granted to a subsidiary.

The Company monitors on an ongoing basis the repayments made by the subsidiary and its financial performance.

Notes To The Financial Statements

31 December 2018

(Cont'd)

28. 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):-

Financial guarantee (Cont'd)

The maximum exposure to credit risk amounts to RM1,903,000 (31.12.2017: RM3,697,000; 1.1.2017: RM14,143,000) representing the outstanding credit facilities to banks and suppliers of the subsidiary guaranteed by the Company at the reporting date. At the reporting date, there was no indication that the subsidiary 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 subsidiary's borrowings in view of the securities pledged by the subsidiary and it is unlikely the subsidiary 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 will be placed with licensed financial institutions to generate interest income.

The following table summarises the interest rate profile of the Group and of the Company as at the reporting date:-

	31.12.2018 RM'000	Group 31.12.2017 RM'000	1.1.2017 RM'000
Fixed rate instruments			
Financial assets			
Short-term deposits with licensed banks	-	-	553
Fixed deposits with licensed banks	-	-	1,000
Financial liabilities			
Borrowings	-	1,873	-
Other payables	1,457	-	-
	31.12.2018 RM'000	Company 31.12.2017 RM'000	1.1.2017 RM'000
Fixed rate instruments			
Financial asset			
Amount due from a subsidiary	1,457	-	-
Financial liability			
Other payables	1,457	-	-

Notes To The Financial Statements

31 December 2018
(Cont'd)

28. 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 currency of the Group. 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:-

	31.12.2018 RM'000	Group 31.12.2017 RM'000	1.1.2017 RM'000
USD			
Financial asset			
Cash and bank balances	24	23	26

(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 debts 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 financial guarantee by the Company in respect of payables and borrowings owing by a subsidiary amounted to RM1,903,000 (31.12.2017: RM3,697,000; 1.1.2017: RM14,143,000). 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.

Notes To The Financial Statements

31 December 2018
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28. FINANCIAL INSTRUMENTS (CONT'D)

(c) Reconciliation of liabilities arising from financing activities

	1.1.2018 RM'000	Drawdowns RM'000	Repayments RM'000	31.12.2018 RM'000
Borrowing				
- Bankers' acceptance	936	-	(936)	-

	1.1.2017 RM'000	Drawdowns RM'000	Repayments RM'000	31.12.2018 RM'000
Borrowing				
- Bankers' acceptance	-	11,024	(10,088)	936

29. 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 debts 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.

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

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

Compugates Development and Mining Sdn. Bhd. ("CDMSB") had on 18 August 2015 entered into a Joint Venture Agreement ("JVA") with Main Uptown Sdn. Bhd. ("MUSB") for the 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 project. MUSB has failed to comply with the express terms of the JVA which has resulted in non-fulfilment of the conditions precedent. In 2017, partial of the land with 0.9892 hectares or 2.44 acres ("Land") has been affected by the construction of Lebuhraya Kuala Lumpur - Putrajaya - KLIA (MEX 2) and CDMSB has filed in a claim to Pejabat Tanah dan Galian Selangor ("PTGS") for compensation as land owner.

On 1 October 2018, PTGS has concluded the case and ordered a compulsory acquisition of the Land with compensation amounting to RM9,397,400 to be compensated for the Land acquired and further ordered the compensation sum of RM9,397,400 to be deposited into the Court because there is a caveat on the Land filed by the management of MUSB which claimed that MUSB is entitled to the compensation by reason of the JVA.

CDMSB has recognised a gain on partial disposal of the land held for property development amounting to RM3,026,477 resulted from the compulsory acquisition during the financial year. Correspondently, an other receivable of RM9,397,400 is presented in the statements of financial position.

Subsequently to the year ended 31 December 2018, CDMSB had filed an originating summons ("OS") against MUSB in Shah Alam High Court ("Court") on 26 March 2019 to obtain an order that the compensation paid to the Court rightfully belongs to CDMSB as the land owner and MUSB has no right to the compensation sum paid by reasons of the terms of the JVA.

The case management has been fixed for hearing on 25 April 2019. Based on the legal advice, the Directors do not expect the outcome of the case management to have a negative impact to the Group's financial position and result.

List of Properties

as at 31.12.2018

Location	Description	Date of Acquisition / Date of Valuation	Gross Floor Area (square feet)	Tenure	Age of Buildings (years)	Net Book Value (RM)
Nos. 3-1 to 3-5 Jalan PJU 1/ 41 Dataran Prima Petaling Jaya Selangor Darul Ehsan	Five (5) Strata shop / office	30 Dec1999 31 Dec 2018	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 <hr/> 8,482	Freehold	19	4,000,000
No. 31-2 Jalan PJU 1/ 39 Dataran Prima Petaling Jaya Selangor Darul Ehsan	One (1) Strata shop / office	9 Aug 2002 31 Dec 2018	No. 31-2: 1,735	Freehold	16	600,000
Level No. 07 101-07-09 Menara PERDANA Jalan Gurdwara Penang	1 storey in a 14-storey light industrial building	26 Sep 2006 31 Dec 2018	2,034	Freehold	12	900,000
H.S(D) 15896 PT 32544 (Plot A) Mukim of Dengkil District of Sepang State of Selangor Darul Ehsan	A parcel of vacant agricultural land	25 Sep 2008 26 Apr 2013 9 Apr 2018	62 acres	Leasehold for a term of 99 years expiring on 1 February 2104	-	48,420,110
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 3 Jun 2016	1,562,016	Leasehold for a term of 99 years expiring on 21 May 2103	-	93,629,077
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 31 Dec 2018	Land Area (square meter) 47,720	Freehold	-	1,500,000
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 29 Dec 2017	Land Area (square meter) 88,999	Leasehold for a term of 99 years expiring on 24 Jan 2093	-	8,388,035
Total Net Book Value:						157,437,222

Analysis Of Shareholdings

as at 26 March 2019

SHARE CAPITAL

Total Number of Issued Shares	:	2,347,717,920 ordinary shares
Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per ordinary share

SHAREHOLDING DISTRIBUTION SCHEDULE

(AS PER THE RECORD OF DEPOSITORS)

No. of Shareholders	Size of Shareholdings	No. of Shares Held	% of Shares
43	Less than 100	1,603	*
2,012	100 to 1,000	1,364,870	0.06
1,845	1,001 to 10,000	9,865,377	0.42
2,939	10,001 to 100,000	159,729,920	6.80
1,894	100,001 to less than 5% of issued shares	1,963,327,250	83.63
1	5% and above of the issued shares	213,428,900	9.09
8,734	TOTAL	2,347,717,920	100.00

* Less than 0.01%

LIST OF 30 LARGEST SECURITIES ACCOUNT HOLDERS

(AS PER THE RECORD OF DEPOSITORS)

	Name of Shareholders	No. of Shares Held	Percentage (%)
1.	Khor Chong Hai	213,428,900	9.09
2.	Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Goh Kheng Peow (514011598188)</i>	75,000,000	3.19
3.	Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Goh Kheng Peow</i>	72,546,410	3.09
4.	KAF Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account For Goh Kheng Peow (G0638)</i>	64,000,000	2.73
5.	Low Gay Teong	62,723,000	2.67
6.	Gan Siew Liat	60,500,000	2.58
7.	Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Goh Kheng Peow</i>	53,857,300	2.29
8.	Chin Mong Kong	48,918,000	2.08
9.	Alliancegroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Wee Tiew Toon (8048870)</i>	48,889,900	2.08
10.	Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for See Thoo Chan</i>	47,642,600	2.03

Analysis Of Shareholdings

as at 26 March 2019
(Cont'd)

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

	Name of Shareholders	No. of Shares Held	Percentage (%)
11.	RHB Capital Nominees (Tempatan) Sdn Bhd <i>Thong Weng Kin</i>	44,972,900	1.92
12.	Alliancegroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Goh Kheng Peow (8026769)</i>	33,000,000	1.40
13.	Wong Lay Leng	25,500,000	1.09
14.	TA Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Wee Tiew Toon</i>	25,215,500	1.07
15.	Kong Choke Lei	24,000,000	1.02
16.	Bagan Pesona Sdn Bhd	17,883,700	0.76
17.	Wong Yoke Kuen	17,418,000	0.74
18.	RHB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Loh Yong Huat</i>	15,500,000	0.66
19.	RHB Capital Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Yee Eng King</i>	15,000,000	0.64
20.	RHB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Cheong Weng Teong</i>	15,000,000	0.64
21.	Lim Kang Pow	14,406,500	0.61
22.	Tham Fay @ Tham Weng Sung	13,330,000	0.57
23.	See Thoo Chan	13,257,600	0.56
24.	Public Invest Nominees (Tempatan) Sdn Bhd <i>Exempt AN For Phillip Securities Pte Ltd (Clients)</i>	11,660,000	0.50
25.	Syed Akmal Bin Syed Yusuf	11,000,000	0.47
26.	Teo Yau Kwang @ David	10,350,000	0.44
27.	Alliancegroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Hoh Fook Shin (7000167)</i>	10,000,000	0.43
28.	CIMSEC Nominees (Tempatan) Sdn Bhd <i>CIMB for Muralitharan A/L P. Subramaniam (PB)</i>	10,000,000	0.43
29.	Loi Tek Eiu	10,000,000	0.43
30.	Thong Weng Kin	9,150,100	0.39
	TOTAL	1,094,150,410	46.60

Analysis Of Shareholdings

as at 26 March 2019

(Cont'd)

SUBSTANTIAL SHAREHOLDERS

(AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS)

NAME OF SHAREHOLDERS	DIRECT	NO. OF SHARES HELD		
		%	INDIRECT	%
1. Goh Kheng Peow	302,890,010	12.90	61,833,300 #	2.63
2. See Thoo Chan	61,833,300	2.63	302,890,010 ^	12.90
3. Dato' Khor Chong Hai	213,428,900	9.09	-	-

Notes:-

Deemed interest by virtue of his relationship with See Thoo Chan, his spouse

^ Deemed interest by virtue of her relationship with Goh Kheng Peow, her spouse

DIRECTORS' SHAREHOLDINGS

(AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS)

NAME OF DIRECTORS	DIRECT	NO. OF SHARES HELD		
		%	INDIRECT	%
1. Tan Sri Datuk Asmat bin Kamaludin	-	-	30,000 *	**
2. See Thoo Chan	61,833,300	2.63	302,890,010 ^	12.90
3. Goh Tai Wai	-	-	-	-
4. Mohamed Fauzi bin Omar	-	-	-	-

Notes:-

* Deemed interest by virtue of his relationship with Atasha binti Asmat, his daughter, pursuant to Section 59(1)(c) of the Companies Act, 2016

** Negligible

^ Deemed interest by virtue of her relationship with Goh Kheng Peow, her spouse

Additional Compliance Information

The information set out below is disclosed in compliance with the Listing Requirements of Bursa Securities:

1) UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL

The status of the utilization of the JV Cash Proceeds: -

No	Items	Intended Utilisation @ RM 5,100,000.00		Amount Utilised	
		RM	%	RM	%
1	Funding for future expansion relating to the Group's agriculture and/or trading & services businesses	4,000,000.00	0.78	-	-
2	Operating and administrative expenses such as payment of quit rent and assessment in relation to the Land, staff expenses and office overheads	1,100,000.00	0.22	110,893.83	0.02
3	Repayment of bank overdraft	-	-	747,065.29	0.15
4	Repayment of Advances	-	-	500,000.00	0.10
5	Repayment of trade creditors	-	-	3,742,040.88	0.73
		5,100,000.00	1.00	5,100,000.00	1.00

Compugates is seeking shareholders' approval to ratify the re-allocation of the proceeds.

2) AUDIT AND NON-AUDIT FEES

The audit fees and non-audit fees paid or payable by the Company and the Group to the External Auditors for the financial year ended 31 December 2018 were as follows: -

Audit Services	2018	
	Group	Company
Statutory audit fees	112,000	40,000
Non-audit fees	14,000	14,000
TOTAL	126,000	54,000

3) MATERIAL CONTRACTS

There were no material contracts entered into by the Company and its subsidiaries involving the interests of directors, chief executive who is not a director or major shareholders either still subsisting at the end of the financial year ended 31 December 2018 or entered into since the end of the previous financial year.

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Fourteenth Annual General Meeting ("14th AGM") of COMPUGATES HOLDINGS BERHAD will be held at Greens III Sports Wing, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 28 May 2019 at 10.00 a.m. for the following purposes:-

AGENDA

AS ORDINARY BUSINESS

- | | | |
|----|---|---|
| 1. | To receive the Audited Financial Statements for the financial year ended 31 December 2018 together with the Reports of the Directors and Auditors thereon. | (Please refer to the Explanatory Note 9) |
| 2. | To approve the payment of Directors' fees of RM276,000 for the financial year ended 31 December 2018. | (Ordinary Resolution 1) |
| 3. | To approve the payment of Directors' fees of RM276,000 for the financial year ending 31 December 2019. | (Ordinary Resolution 2) |
| 4. | To re-elect Mr Goh Tai Wai who retires pursuant to Article 125 of the Company's Constitution. | (Ordinary Resolution 3) |
| 5. | To re-appoint Messrs Grant Thornton Malaysia as Auditors of the Company for the financial year ending 31 December 2019 and to authorise the Board of Directors to fix their remuneration. | (Ordinary Resolution 4) |

AS SPECIAL BUSINESS

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

- | | | |
|------|---|--------------------------------|
| 6. | Ordinary Resolution
Proposed Retention of Independent Directors | |
| (i) | " THAT Tan Sri Datuk Asmat Bin Kamaludin be and is hereby retained as an Independent Non-Executive Director of the Company and he shall continue to act as an Independent Non-Executive Director, notwithstanding that he has served on the Board of Directors for a cumulative term of more than nine (9) years." | (Ordinary Resolution 5) |
| (ii) | " THAT Encik Mohamed Fauzi Bin Omar be and is hereby retained as an Independent Non-Executive Director of the Company and he shall continue to act as an Independent Non-Executive Director, notwithstanding that he has served on the Board of Directors for a cumulative term of more than nine (9) years." | (Ordinary Resolution 6) |

Notice Of Annual General Meeting (Cont'd)

7. **Ordinary Resolution**

Authority to Issue and Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016

“**THAT** pursuant to Sections 75 and 76 of the Companies Act 2016 and subject to the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue and allot shares of the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit, provided that the aggregate number of shares issued pursuant to this resolution shall not exceed ten per centum (10%) of the total issued and paid-up share capital of the Company and the Directors be and are 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 in force until the conclusion of the next Annual General Meeting of the Company.”

(Ordinary Resolution 7)

8. **Special Resolution**

Proposed Adoption of the New Constitution of the Company

“**THAT** approval be and is hereby given to revoke the existing Constitution of the Company with immediate effect and in place thereof, the proposed new Constitution of the Company as set out in Appendix 1 accompanying the Company’s Annual Report for the financial year ended 31 December 2018, be and is hereby adopted as the Constitution of the Company, **AND THAT** the Directors of the Company be and are hereby authorised to assent to any modifications, variations and/or amendments as may be required by the relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing.”

(Special Resolution 1)

9. To transact any other business of the Company for which due notice shall have been given in accordance with the Company’s Constitution and/or Companies Act 2016.

By Order of the Board

COMPUGATES HOLDINGS BERHAD

LEE WEE HEE (MAICSA 0773340)

REBECCA LEE EWE AI (MAICSA 0766742)

Company Secretaries

Kuala Lumpur

29 April 2019

Notice Of Annual General Meeting (Cont'd)

Notes:-

1. Pursuant to Section 334 of the Companies Act 2016, a member shall be entitled to appoint another person as his proxy to exercise all or any of his rights to attend, participate, speak and vote in his stead.
2. Every member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote for him but his 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 the meeting and shall have the same rights as the member to speak at the meeting.
3. A member may appoint up to two (2) proxies to attend and vote at the meeting. If a member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportion of his holding to be represented by each proxy.
4. 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.
5. 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.
6. 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, or in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll.
7. In respect of deposited securities, only Members whose names appear in the Record of Depositors on 21 May 2019 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this 14th AGM.
8. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of poll.

Explanatory Note on Ordinary Business

9. Audited Financial Statements for financial year ended 31 December 2018

The audited financial statements are laid in accordance with Section 340(1)(a) of the Companies Act 2016 for discussion only under Agenda 1. They do not require shareholders' approval and hence, will not be put forward for voting.

Notice Of Annual General Meeting (Cont'd)

Explanatory Notes on Special Business

10. Proposed Retention of Independent Directors

The proposed Ordinary Resolutions 5 and 6, if passed will allow Tan Sri Datuk 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 15.02 of Bursa Malaysia Securities Berhad's Main Market Listing Requirements. The details of the Board's justification and recommendations for the retention of Tan Sri Datuk Asmat Bin Kamaludin and Encik Mohamed Fauzi Bin Omar are set out on Page 25 of the Board's Corporate Governance Overview Statement in the Annual Report 2018.

11. Authority to Issue and Allot Shares Pursuant to Sections 75 and 76 of the Companies Act 2016

Ordinary Resolution 7 is proposed for the purpose of obtaining a renewed General Mandate ("General Mandate"), which if passed, will empower the Directors of the Company, pursuant to Sections 75 and 76 of the Companies Act 2016 to issue and allot new ordinary shares in the Company from time to time provided that the aggregate number of shares issued pursuant to the General Mandate does not exceed 10% of the issued and paid-up capital of the Company for the time being as the Directors may consider such action to be in the interest of the Company. The General Mandate, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company, or during the expiration of period within which the next Annual General Meeting is required by law to be held, whichever is earlier.

The General Mandate, if granted, will provide flexibility to the Company for any possible fund raising activities, including but not limited to, further placing of shares, for the purpose of funding future investment project(s), working capital and/or acquisitions.

As at the date of this Notice, no new ordinary shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting of the Company held on 24 May 2018 and which will lapse at the conclusion of this 14th AGM.

12. Proposed Adoption of the New Constitution of the Company

The Special Resolution 1, if passed, will bring the Company's Constitution in line with the Companies Act 2016 which came into force on 31 January 2017, the updated provisions of the Main Market Listing Requirements and the prevailing statutory and regulatory requirements, details of which are set out in Appendix 1 accompanying the Company's Annual Report 2018. Pursuant to Section 36 of the Companies Act 2016, the proposed adoption of the new Constitution of the Company, if passed as a Special Resolution by a majority of not less than 75% of the members who are entitled to vote, and do vote in person or by proxy, shall take immediate effect and it shall bind the Company and the members accordingly.

COMPUGATES®

COMPUGATES HOLDINGS BERHAD

(669287-H)

(Incorporated in Malaysia)

CDS Account No.				-													
No. of Shares Held																	

FORM OF PROXY

I/We _____ (NRIC No./Co. No. _____)
(FULL NAME IN BLOCK LETTERS)

of _____
(FULL ADDRESS)

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

Name of Proxy (Full Name)	NRIC No./Passport No.	% of Shareholdings to be Represented (Refer to Note 3)
Address		

and/or failing him/her

Name of Proxy (Full Name)	NRIC No./Passport No.	% of Shareholdings to be Represented (Refer to Note 3)
Address		

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 Fourteenth Annual General Meeting ("14th AGM") of the Company to be held at Greens III Sports Wing, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 28 May 2019 at 10.00 a.m. and at any adjournment thereof.

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

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

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

ORDINARY RESOLUTION		FOR	AGAINST
1.	Payment of Directors' fees for the financial year ended 31 December 2018		
2.	Payment of Directors' fees for the financial year ending 31 December 2019		
3.	Re-election of Mr Goh Tai Wai		
4.	Re-appointment of Auditors		
5.	Retention of Tan Sri Datuk Asmat Bin Kamaludin as Independent Director		
6.	Retention of Encik Mohamed Fauzi Bin Omar as Independent Director		
7.	Authority to Issue and Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016		
SPECIAL RESOLUTION			
1.	Adoption of New Constitution of the Company		

* Delete if not applicable.

Dated this _____ day of _____, 2019.

Signature(s) of member(s)

Notes:-

- Pursuant to Section 334 of the Companies Act 2016, a member shall be entitled to appoint another person as his proxy to exercise all or any of his rights to attend, participate, speak and vote in his stead.
- Every member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote for him but his 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 the meeting and shall have the same rights as the member to speak at the meeting.
- 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 specifies the proportion of his holding to be represented by each proxy.
- 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.
- 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.
- 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, or in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll.
- In respect of deposited securities, only Members whose names appear in the Record of Depositors on 21 May 2019 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this 14th AGM.
- Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of poll.



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AFFIX
STAMP

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

Then fold here

COMPUGATES®

COMPUGATES HOLDINGS BERHAD (669287-H)

No. 3, Jalan PJU 1/41, Dataran Prima, 47301 Petaling Jaya, Selangor
Tel : 03-7880 8133 Fax : 03-7880 6133

www.compugates.com