COMPUGATES HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 669287 - H

FINANCIAL REPORT

for the financial year ended 31 December 2006

CONTENTS

DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the businesses of investment holding and the provision of management services whilst the principal activities of the subsidiaries are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	THE GROUP RM'000	THE COMPANY RM'000
Profit/(Loss) attributable to equity holders of the Company	871	(261)

DIVIDENDS

No dividend was paid since the end of the previous financial period and the directors do not recommend the payment of any dividend for the current financial year.

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are disclosed in the financial statements.

ISSUES OF SHARES AND DEBENTURES

During the financial year,

(a) there were no changes in the authorised share capital of the Company;

(b) the Company increased its issued and paid-up share capital from RM129,728,902 comprising 120,428,902 ordinary shares of RM1.00 each and 93,000,000 Irredeemable Convertible Preference Shares ("ICPS") of RM0.10 each to RM213,428,902 comprising 213,428,902 ordinary shares of RM1.00 each by the conversion of 93,000,000 ICPS of RM0.10 each at a conversion price of RM1.00 each and the capitalisation of RM83,700,000 of the share premium account. All new shares issued during the financial year rank pari passu in all respects with the existing shares of the Company; and

(c) there were no issues of debentures by the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

BAD AND DOUBTFUL DEBTS

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

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

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

The contingent liabilities of the Company are disclosed in Note 36 to the financial statements. At the date of this report, there does not exist:-

(i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year.

DIRECTORS

The directors who served since the date of the last report are as follows:-

TAN SRI DATUK ASMAT BIN KAMALUDIN
GOH KHENG PEOW
SEE THOO CHAN (APPOINTED ON 21.3.2007)
TAN NGAIP SOON (RESIGNED ON 21.3.2007)
MOHAMED FAUZI BIN OMAR
GOH TAI WAI
TAN YIP CHIAN

Pursuant to Article 126 of the Articles of Association of the Company, Goh Tai Wai and Tan Yip Chian retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Pursuant to Article 131 of the Articles of Association of the Company, See Thoo Chan who was appointed since the last annual general meeting, retires at the forthcoming annual general meeting and, being eligible, offers herself for re-election.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares in the Company and its related corporations during the financial year are as follows:-

	NUMBER OF ORDINARY SHARES OF RM1 EACH				
THE COMPANY	AT 1.1.2006	BOUGHT	CONVERSION OF ICPS	SOLD	AT 31.12.2006
DIRECT INTERESTS					
TAN SRI DATUK ASMAT BIN KAMALUDIN	-	5,000,000	-	(5,000,000)	-
GOH KHENG PEOW	65,100,001	18,595,700	61,600,000	(22,360,000)	122,935,701
TAN NGAIP SOON	17,000,000	-	15,400,000	(10,500,000)	21,900,000
TAN YIP CHIAN	1	-	-	-	1
DEEMED INTERESTS					
GOH KHENG PEOW *	2,900,000	16,486,600	-	(11,400,000)	7,986,600
GOH TAI WAI *	20,000	-	-	-	20,000

* *Deemed interest through spouse's shareholdings.*

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

DIRECTORS' INTERESTS (CONT'D)

THE COMPANY	NUMBER OF ICPS OF RM0.10 EACH			
	AT 1.1.2006	ALLOTMENT	CONVERTED	AT 31.12.2006
DIRECT INTERESTS				
GOH KHENG PEOW	61,600,000	-	(61,600,000)	-
TAN NGAIP SOON	15,400,000	-	(15,400,000)	-

By virtue of his shareholding in the Company, Goh Kheng Peow is deemed to have interests in the shares in the subsidiaries to the extent of the Company's interest, in accordance with Section 6A of the Companies Act, 1965.

DIRECTORS' BENEFITS

Since the end of the previous financial period, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in the financial statements, or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which a director has substantial financial interests as disclosed in Note 35 to the financial statements.

Neither during nor at the end of the financial year was the Group or the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 42 to the financial statements.

SIGNIFICANT EVENT SUBSEQUENT TO THE BALANCE SHEET DATE

The significant event subsequent to the balance sheet date is disclosed in Note 43 to the financial statements.

AUDITORS

The auditors, Messrs. Horwath, have expressed their willingness to continue in office.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS DATED 18 APRIL 2007

Goh Kheng Peow

See Thoo Chan

STATEMENT BY DIRECTORS

We, Goh Kheng Peow and See Thoo Chan, being two of the directors of Compugates Holdings Berhad, state that, in the opinion of the directors, the financial statements set out on pages 10 to 65 are drawn up in accordance with applicable MASB approved accounting standards in Malaysia for Entities Other Than Private Entities and the provisions of the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2006 and of their results and cash flows for the financial year ended on that date.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 18 APRIL 2007

Goh Kheng Peow **See Thoo Chan**

STATUTORY DECLARATION

I, Goh Tai Wai, I/C No. 730202-10-5295, being the director primarily responsible for the financial management of Compugates Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 10 to 65 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
Goh Tai Wai, I/C No. 730202-10-5295,
at Kuala Lumpur in the Federal Territory
on this 18 April 2007

Goh Tai Wai

Before me
Mohd Radzi Bin Yasin (W-327)
No: 86, Tingkat Bawah
Jalan Putra
50350 Kuala Lumpur

REPORT OF THE AUDITORS TO THE MEMBERS OF
COMPUGATES HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 669287 - H

We have audited the financial statements set out on pages 10 to 65. The preparation of the financial statements is the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. Our audit included examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit also included an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion,

(a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB approved accounting standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of:-

  (i) the state of affairs of the Group and of the Company at 31 December 2006 and their results and cash flows for the financial year ended on that date; and

  (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and

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

We have considered the financial statements and the auditors' report of the subsidiary of which we have not acted as auditors, as indicated in Note 6 to the financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purpose of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comments made under Section 174(3) of the Companies Act, 1965.

Horwath	**Lee Kok Wai**
Firm No: AF 1018	Approval No: 2760/06/08 (J)
Chartered Accountants	Partner

Kuala Lumpur

COMPUGATES HOLDINGS BERHAD
(Incorporated in Malaysia)
Company No : 669287 - H

BALANCE SHEETS AT 31 DECEMBER 2006

	Note	The Group 31.12.2006 RM'000	The Group 31.12.2005 RM'000	The Company 31.122006 RM'000	The Company 31.12.2005 RM'000
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	6	-	-	162,100	162,000
Property and equipment	7	9,262	8,051	331	-
Listing premium	8	26,429	26,429	26,429	26,429
Goodwill on consolidation	9	115,684	115,684	-	-
		151,375	150,164	188,860	188,429
CURRENT ASSETS					
Inventories	10	12,253	5,087	-	-
Trade receivables	11	35,155	37,260	-	-
Other receivables, deposits and prepayments	12	3,021	11,627	18	3
Amount owing by subsidiaries	13	-	-	20,188	-
Tax refundable		3,689	818	70	-
Short-term deposits with a licensed bank	14	4,300	25,000	4,300	25,000
Fixed deposits with licensed banks	15	13,671	7,894	-	-
Cash and bank balances		8,001	4,471	26	6
		80,090	92,157	24,602	25,009
TOTAL ASSETS		231,465	242,321	213,462	213,438
EQUITY AND LIABILITIES					
EQUITY					
Share capital	16	213,429	120,429	213,429	120,429
Irredeemable Convertible Preference Shares ("ICPS")	17	-	9,300	-	9,300
Share premium	18	-	83,700	-	83,700
Exchange fluctuation reserve	19	6	3	-	-
Retained profit/ (Accumulated losses)		229	(642)	(326)	(65)
SHAREHOLDERS' EQUITY		213,664	212,790	213,103	213,364
MINORITY INTERESTS		77	-	-	-
TOTAL EQUITY		213,741	212,790	213,103	213,364

COMPUGATES HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 669287 - H

BALANCE SHEETS AT 31 DECEMBER 2006 (CONT'D)

		THE GROUP		THE COMPANY	
	NOTE	31.12.2006 RM'000	31.12.2005 RM'000	31.12.2006 RM'000	31.12.2005 RM'000
NON-CURRENT AND DEFERRED LIABILITIES					
Hire purchase payables	20	231	38	210	-
Deferred taxation	21	428	436	-	-
		659	474	210	-
CURRENT LIABILITIES					
Trade payables	22	15,091	13,906	-	-
Other payables and accruals	23	1,850	1,301	74	18
Amount owing to a subsidiary	13	-	-	5	55
Amount owing to a director	24	-	346	-	-
Hire purchase payables	20	86	20	70	-
Bankers' acceptances	25	-	11,629	-	-
Provision for taxation		38	1,855	-	1
		17,065	29,057	149	74
TOTAL LIABILITIES		17,724	29,531	359	74
TOTAL EQUITY AND LIABILITIES		231,465	242,321	213,462	213,438
NET ASSETS PER SHARE (RM)	26	1.00	0.99		

COMPUGATES HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 669287 - H

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

		THE GROUP		THE COMPANY	
	NOTE	1.1.2006 TO 31.12.2006 RM'000	13.10.2004 (DATE OF INCORPORATION) TO 31.12.2005 RM'000	1.1.2006 TO 31.12.2006 RM'000	13.10.2004 (DATE OF INCORPORATION) TO 31.12.2005 RM'000
REVENUE	27	440,644	60,815	420	-
COST OF SALES		(441,176)	(64,720)	-	-
GROSS (LOSS)/PROFIT		(532)	(3,905)	420	-
OTHER INCOME		14,659	6,951	132	3
		14,127	3,046	552	3
ADMINISTRATIVE EXPENSES		(9,719)	(1,186)	(673)	(67)
SALES AND MARKETING EXPENSES		(1,632)	(372)	-	-
OTHER EXPENSES		(799)	(209)	(83)	-
FINANCE COSTS		(11)	(78)	(9)	-
PROFIT/(LOSS) BEFORE TAXATION	28	1,966	1,201	(213)	(64)
INCOME TAX EXPENSE	29	(1,095)	(1,843)	(48)	(1)
PROFIT/(LOSS) AFTER TAXATION		871	(642)	(261)	(65)
ATTRIBUTABLE TO:					
Equity holders of the Company		871	(642)	(261)	(65)
EARNINGS/(LOSS) PER SHARE (SEN)					
- Basic	30	0.64	(4.33)		
- Diluted	30	Not applicable	Not applicable		

COMPUGATES HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 669287 - H

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT							
	SHARE CAPITAL RM'000	ICPS RM'000	SHARE PREMIUM RM'000	EXCHANGE FLUCTUATION RESERVE RM'000	(ACCUMULATED LOSS)/RETAINED PROFIT RM'000	TOTAL RM'000	MINORITY INTERESTS RM'000	TOTAL EQUITY RM'000
THE GROUP								
Balance at 13.10.2004 (Date of incorporation)	#	-	-	-	-	#	-	#
Issuance of ordinary shares pursuant to the:								
- acquisition of a subsidiary	85,000	7,700	69,300	-	-	162,000	-	162,000
- Scheme of Arrangement with Creditors of Pan Pacific Asia Berhad ("PPAB")	4,000	1,600	14,400	-	-	20,000	-	20,000
- Scheme of Arrangement with Shareholders of PPAB	6,429	-	-	-	-	6,429	-	6,429
- Renounceable Restricted Issue	25,000	-	-	-	-	25,000	-	25,000
Loss after taxation	-	-	-	-	(642)	(642)	-	(642)
Exchange difference	-	-	-	3	-	3	-	3
Total recognised income and expense for the financial period	-	-	-	3	(642)	(639)	-	(639)
Balance at 31.12.2005/1.1.2006	120,429	9,300	83,700	3	(642)	212,790	-	212,790
Issuance of ordinary shares pursuant to the conversion of ICPS	93,000	(9,300)	(83,700)	-	-	-	-	-
Profit after taxation	-	-	-	-	871	871	-	871
Exchange difference	-	-	-	3	-	3	-	3
Total recognised income and expense for the financial year	-	-	-	3	871	874	-	874
Subscription of shares in subsidiaries	-	-	-	-	-	-	77	77
Balance at 31.12.2006	213,429	-	-	6	229	213,664	77	213,741

 # - 2 ordinary shares of RM1.00 each.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006 (CONT'D)

THE COMPANY	SHARE CAPITAL RM'000	ICPS RM'000	SHARE PREMIUM RM'000	ACCUMULATED LOSSES RM'000	TOTAL RM'000
Balance at 13.10.2004 (Date of incorporation)	#	-	-	-	#
Issuance of ordinary shares pursuant to the following:					
- acquisition of a subsidiary	85,000	7,700	69,300	-	162,000
- Scheme of Arrangement with Creditors of PPAB	4,000	1,600	14,400	-	20,000
- Scheme of Arrangement with Shareholders of PPAB	6,429	-	-	-	6,429
- Renounceable Restricted Issue	25,000	-	-	-	25,000
Loss for the financial period	-	-	-	(65)	(65)
Balance at 31.12.2005/1.1.2006	120,429	9,300	83,700	(65)	213,364
Issuance of ordinary shares pursuant to the conversion of ICPS	93,000	(9,300)	(83,700)	-	-
Loss for the financial period	-	-	-	(261)	(261)
Balance at 31.12.2006	213,429	-	-	(326)	213,103

 # - 2 ordinary shares of RM1.00 each.

COMPUGATES HOLDINGS BERHAD
(Incorporated in Malaysia)
Company No : 669287 - H

CASH FLOW STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

		THE GROUP		THE COMPANY	
		1.1.2006 TO 31.12.2006	13.10.2004 (DATE OF INCORPORATION) TO 31.12.2005	1.1.2006 TO 31.12.2006	13.10.2004 (DATE OF INCORPORATION) TO 31.12.2005
	NOTE	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FOR OPERATING ACTIVITIES					
Profit/(Loss) before taxation		1,966	1,201	(213)	(64)
Adjustments for:-					
Allowance for doubtful debts		171	10	-	-
Bad debts written off		9	59	-	-
Depreciation of property and equipment		614	76	83	-
Equipment written off		4	-	-	-
Gain on disposal of equipment		(8)	-	-	-
Interest expense		11	78	9	-
Provision for inventory obsolescence		30	62	-	-
Dividend income				(420)	-
Interest income		(595)	(202)	(132)	(3)
Unrealised gain on foreign exchange		-	(7)	-	-
Writeback of allowance for doubtful debts		-	(64)	-	-
Writeback of provision for inventory obsolescence		(54)	-	-	-
Operating profit/(loss) before working capital changes		2,148	1,213	(673)	(67)
(Increase)/Decrease in inventories		(7,142)	4,484	-	-
Decrease/(Increase) in trade and other receivables		10,531	(11,680)	(15)	(3)
Increase/(Decrease) in trade and other payables		1,734	(785)	56	18
CASH FROM/(FOR) OPERATIONS		7,271	(6,768)	(632)	(52)
Income tax paid		(5,791)	(1,000)	(1)	-
Interest paid		(11)	(78)	(9)	-
NET CASH FROM/(FOR) OPERATING ACTIVITIES		1,469	(7,846)	(642)	(52)

COMPUGATES HOLDINGS BERHAD
(Incorporated in Malaysia)
Company No : 669287 - H

CASH FLOW STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006 (CONT'D)

		THE GROUP		THE COMPANY	
	NOTE	1.1.2006 TO 31.12.2006 RM'000	13.10.2004 (DATE OF INCORPORATION) TO 31.12.2005 RM'000	1.1.2006 TO 31.12.2006 RM'000	13.10.2004 (DATE OF INCORPORATION) TO 31.12.2005 RM'000
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Purchase of property and equipment	31	(1,479)	(174)	(64)	-
Acquisition of a subsidiary, net of cash acquired	32	-	16,356	(100)	-
Proceeds from disposal of equipment		8	-	-	-
Interest received		595	202	132	3
Dividend received		-	-	302	-
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(876)	16,384	270	3
CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES					
Proceeds from issuance of share capital		-	25,000	-	25,000
Proceeds from issuance of shares to minority shareholders		77	-	-	-
(Decrease)/Increase in bankers' acceptances		(11,629)	4,316	-	-
Repayment of hire purchase obligations		(91)	(3)	(70)	-
Net advances (to)/from subsidiaries		-	-	(20,238)	55
Repayment to a director		(346)	(489)	-	-
NET CASH (FOR)/FROM FINANCING ACTIVITIES		(11,989)	28,824	(20,308)	25,055
Effects of foreign exchange rate changes on cash and cash equivalents		3	3	-	-
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(11,393)	37,365	(20,680)	25,006
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR/PERIOD		37,365	-	25,006	-
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR/ PERIOD	33	25,972	37,365	4,326	25,006

1. GENERAL INFORMATION

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

Registered office	:	C15-1, Level 15 Tower C, Megan Avenue II, 12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur.
Principal place of business	:	No. 3, Jalan PJU 1/41, Dataran Prima, 47301 Petaling Jaya, Selangor Darul Ehsan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 18 April 2007.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the businesses of investment holding and provision of management services whilst the principal activities of the subsidiaries are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. FINANCIAL RISK MANAGEMENT POLICIES

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its market, credit, liquidity and cash flow risks. The policies in respect of the major areas of treasury activity are as follows:-

(a) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign exchange risk on purchases that are denominated in foreign currencies. It manages its foreign exchange exposure by a policy of matching as far as possible receipts and payments in each individual currency.

3. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Surpluses of convertible currencies are either retained in foreign currency or sold for Ringgit Malaysia. The Group's foreign currency transactions and balances are substantially denominated in United States Dollar and Singapore Dollar.

Foreign currency risk is monitored closely and managed to an acceptable level.

(ii) Interest Rate Risk

The Group obtains financing through bank borrowings and hire purchase facilities. Its policy is to obtain the most favourable interest rates available.

Surplus funds are placed with licensed financial institutions at the most favourable interest rates.

(iii) Price Risk

The Group does not have any quoted investment and hence is not exposed to price risk.

(b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from receivables. The maximum exposure to credit risk is represented by the total carrying amount of this financial asset in the balance sheet reduced by the effects of any netting arrangements with counterparties.

The Group has a major concentration of credit risk related to a major customer which constituted 57% of trade debts as at the balance sheet date.

The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis.

3. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity and Cash Flow Risks

The Group's exposure to liquidity and cash flow risks arises mainly from general funding and business activities.

It practises prudent liquidity risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

4. BASIS OF PREPARATION

The financial statements of the Group and of the Company are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with applicable MASB approved accounting standards in Malaysia for Entities Other Than Private Entities and the provisions of the Companies Act, 1965.

In the current financial year, the Group and the Company have adopted all the new and revised Financial Reporting Standards ("FRS") issued by the Malaysian Accounting Standards Board which are relevant to its operations and effective for financial periods beginning on or after 1 January 2006.

The adoption of the following new and revised FRS does not have any material financial effects on the financial statements of the Group and of the Company:-

FRS 3	Business Combinations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 132	Financial Instruments : Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets

4. BASIS OF PREPARATION (CONT'D)

The following FRS have been issued and are effective for financial periods beginning on or after 1 October 2006 and will be effective for the Group's financial statements for the financial year ending 31 December 2007:-

FRS 117	Leases
FRS 124	Related Party Disclosures

FRS 6 - Exploration for and Evaluation of Mineral Resources has been issued and is effective for financial periods beginning on or after 1 January 2007. This standard is not relevant to the Company's operations.

FRS 139 - Financial Instruments: Recognition and Measurement has been issued and the effective date has yet to be determined by MASB. This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Company will apply this standard when it becomes effective.

5. SIGNIFICANT ACCOUNTING POLICIES

(a) Critical Accounting Estimates And Judgements

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group and the Company's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below.

(i) Depreciation of Property and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property and equipment are based on commercial and usage factors which could change significantly.

The Group anticipates that the residual values of its property and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage and commercial factors could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(ii) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Company recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

(iii) Impairment of Assets

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

(iv) Allowance for Doubtful Debts of Receivables

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

(v) Allowance for Inventories

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(vi) Revaluation of Properties

The Group's properties which are reported at valuation are based on valuations performed by independent professional valuers.

The independent professional valuers have exercised judgement in determining discount rates, estimates of future cash flows, capitalisation rate, terminal year value, market freehold rental and other factors used in the valuation process. Also, judgement has been applied in estimating prices for less readily observable external parameters. Other factors such as model assumptions, market dislocations and unexpected correlations can also materially affect these estimates and the resulting valuation estimates.

(vii) Fair Value Estimates for Certain Financial Assets and Liabilities

The Group and the Company carry certain financial assets and liabilities at fair value, which require extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group and the Company uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and equity.

(b) Basis Of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December 2006.

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis Of Consolidation (Cont'd)

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

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

Minority interests in the consolidated balance sheet consist of the minorities' share of fair values of the identifiable assets and liabilities of the acquiree as at the date of acquisition and the minorities' share of movements in the acquiree's equity.

Minority interests are presented in the consolidated balance sheet of the Group within equity, separately from the Company's equity holders, and are separately disclosed in the consolidated income statement of the Group.

(c) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to financial instruments classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial Instruments (Cont'd)

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Financial instruments recognised in the balance sheet are disclosed in the individual policy statement associated with each item.

(d) Functional and Foreign Currency

(i) Functional and Presentation Currency

The functional currency of the Group and each of the Group's entity is measured using the currency of the primary economic environment in which the Company or that entity operates.

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

(ii) Transactions and Balances

Transactions in foreign currency are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the balance sheet date are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are taken to the income statement.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Functional and Foreign Currency (Cont'd)

(iii) Foreign Operations

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:-

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- income and expenses for income statement are translated at the average exchange rates for the year; and
- all resulting exchange differences are recognised as a separate component of equity, as a foreign currency translation reserve. On disposal, accumulated translation differences are recognised in the consolidated income statements as part of the gain or loss on sale.

(e) Goodwill on Consolidation

Goodwill on consolidation represents the excess of the fair value of the purchase consideration over the Group's share of the fair values of the identifiable net assets of the subsidiaries at the date of acquisition.

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually. The impairment value of goodwill is recognised immediately in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in a subsequent period.

If, after reassessment, the Group's interest in the fair values of the identifiable net assets of the subsidiaries exceeds the cost of the business combinations, the excess is recognised immediately in the consolidated income statement.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Investments in Subsidiaries

Investments in subsidiaries are stated at cost in the balance sheet of the Company, and are reviewed for impairment at the end of the financial year if events or changes in circumstances indicate that their carrying values may not be recoverable.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is taken to the income statement.

(g) Property and Equipment

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

Freehold land is stated at cost or revalued amount less impairment losses, if any, and is not depreciated.

Depreciation is calculated under the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Buildings	2%
Motor vehicles	20%
Office equipment, furniture and fittings	20% to 33 1/3%
Renovation	50%
Signboard	20%

The building-in-progress represents assets under construction, and which are not ready for commercial use at the balance sheet date. The building-in-progress is stated at cost, and will be transferred to the relevant category of long term assets and depreciated accordingly when the assets are completed and ready for commercial use.

The depreciation method, useful life and residual values are reviewed, and adjusted if appropriate, at each balance sheet date to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Property and Equipment (Cont'd)

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

(h) Listing Premium

The listing premium, being the cost of shares issued for the acquisition of a public listed company, is retained in the balance sheet as an intangible asset.

The carrying amount of the listing premium is reviewed annually and adjusted for impairment where it is considered necessary. The policy for the recognition and measurement of impairment losses is in accordance with Note 5(i).

(i) Impairment of Assets

The carrying values of assets, other than those to which FRS 136 - Impairment of Assets does not apply, are reviewed at each balance sheet date for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' net selling price and its value- in-use, which is measured by reference to discounted future cash flow.

An impairment loss is charged to the income statement immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Impairment of Assets (Cont'd)

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at its revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to the revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

(j) Assets under Hire Purchase

Equipment acquired under hire purchase are capitalised in the financial statements.

Each hire purchase payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding outstanding obligations due under the hire purchase after deducting finance charges are included as liabilities in the financial statements.

Finance charges are allocated to the income statement over the period of the respective hire purchase agreements.

Plant and equipment acquired under hire purchase are depreciated over the useful lives of the assets. If there is no reasonable certainty that the ownership will be transferred to the Group, the assets are depreciated over the shorter of the lease terms and their useful lives.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Inventories

Inventories comprise goods held for trading and are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis, and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

Net realisable value represents the estimated selling price less the estimated costs necessary to make the sale.

Where necessary, due allowance is made for all damaged, obsolete and slow-moving items.

(l) Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off in the period in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts at the balance sheet date.

(m) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(n) Equity Instruments

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax from proceeds.

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Irredeemable Convertible Preference Shares ("ICPS")

FRS 132 - Financial Instruments: Disclosure and Presentation requires the Company as an issuer of a financial instrument to classify the instrument either as a liability or equity in accordance with the substance of the contractual arrangement on initial recognition. Consequently, ICPS, which, amongst other conditions, are irredeemable and convertible to ordinary shares, are classified as equity under such circumstances. Dividends from the ICPS are recognised in equity when declared before the balance sheet date. A dividend proposed or declared after the balance sheet date, but before the financial statements are authorised for issue, is recognised as an appropriation from retained earnings and treated as a separate component of equity. Upon the approval of the proposed dividend, it will be accounted for as a liability.

(p) Revaluation Reserve

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

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

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

(q) Interest-bearing Borrowings

Interest-bearing borrowings are recorded at the amount of proceeds received, net of transaction costs.

All borrowing costs are charged to the income statement as expenses in the period in which they are incurred.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Cash and Cash Equivalents

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

(s) Employee Benefits

(i) Short-term Benefits

Wages, salaries, paid annual leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(ii) Defined Contribution Plans

The Company's contributions to defined contribution plans are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

(t) Income Taxes

Income taxes for the year comprise current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantially enacted at the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are recognised for all taxable temporary differences.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) Income Taxes (Cont'd)

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantially enacted at the balance sheet date.

Deferred tax is recognised in the income statement, 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 to equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs. The carrying amounts of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Segmental Information

Segment revenue and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of property and equipment (net of accumulated depreciation, where applicable), inventories, receivables and cash and cash equivalents.

Most segment assets can be directly attributed to the segments on a reasonable basis. Segment assets do not include income tax assets, whilst segment liabilities do not include income tax liabilities.

Segment revenue, expenses and results include transfers between segments. The prices charged on intersegment transactions are based on normal commercial terms. These transfers are eliminated on consolidation.

(v) Revenue Recognition

(i) Sale of Goods

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

(ii) Interest Income

Interest income is recognised on an accrual basis.

(iii) Rental Income

Rental income is recognised on an accrual basis.

(iv) Dividend Income

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

6. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	AT 31.12.2006 RM'000	AT 31.12.2005 RM'000
Unquoted shares, at cost	162,100	162,000

Details of the subsidiaries are as follows:-

Name of Company	Effective Equity Interest 2006 %	Effective Equity Interest 2005 %	Principal Activities
Compugates Sdn. Bhd. ("CSB") (Incorporated in Malaysia)	100%	100%	Trading, marketing and distribution of imaging, information technology and communication-based products.
Compugates Marketing Sdn. Bhd. # (Incorporated in Malaysia)	100%	100%	Trading, marketing and distribution of imaging, information technology and communication-based products.
Compugates (S) Pte. Ltd. #* ("CSPL") (Incorporated in the Republic of Singapore)	99.99%	99.99%	Distribution of calculators, digital cameras and accessories.
Compugates International Sdn. Bhd. # ("CISB") (Incorporated in Malaysia)	100%	-	Dormant.
Compugates International Limited ^ ("CIL") (Incorporated in The British Virgin Islands)	51%	-	Dormant.
Compugates International (BD) Limited ^ ("CIBDL") (Incorporated in The British Virgin Islands)	80%	-	Dormant.

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Held through CSB.
^ Held through CISB.
* Not audited by Horwath.

During the financial year,

a) the Company incorporated a wholly-owned subsidiary, CISB with an authorised share capital of RM2,500,000 comprising 2,500,000 ordinary shares of RM1.00 each and a paid-up share capital of RM2.00 comprising 2 ordinary shares of RM1.00 each. The Company had on 18 December 2006, subscribed for an additional 99,998 ordinary shares of RM1.00 each in CISB for a total consideration of RM99,998;

b) CISB subscribed for 15,300 ordinary shares at USD1.00 each in CIL, representing 51% of the total issued and paid-up capital of CIL for a consideration of USD15,300; and

c) CIL, on an even date, subscribed for 24,000 ordinary shares at USD1.00 each in CIBDL, representing 80% of the total issued and paid-up capital of CIBDL for a consideration of USD24,000.

7. PROPERTY AND EQUIPMENT

	AT 1.1.2006 RM'000	ADDITIONS RM'000	TRANSFERS RM'000	WRITE-OFF RM'000	DEPRECIATION CHARGE RM'000	AT 31.12.2006 RM'000
THE GROUP						
NET BOOK VALUE						
Freehold land	989	-	574	-	-	1,563
Buildings	4,121	-	2,689	-	(135)	6,675
Motor vehicles	81	472	-	-	(122)	431
Office equipment, furniture and fittings	168	389	-	(4)	(174)	379
Renovation	109	259	-	-	(178)	190
Signboard	-	29	-	-	(5)	24
Building-in-progress	2,583	680	(3,263)	-	-	-
	8,051	1,829	-	(4)	(614)	9,262

	AT COST RM'000	AT VALUATION RM'000	ACCUMULATED DEPRECIATION RM'000	NET BOOK VALUE RM'000
AT 31.12.2006				
Freehold land	574	989	-	1,563
Buildings	2,689	4,121	(135)	6,675
Motor vehicles	658	-	(227)	431
Office equipment, furniture and fittings	1,234	-	(855)	379
Renovation	774	-	(584)	190
Signboard	60	-	(36)	24
	5,989	5,110	(1,837)	9,262
AT 31.12.2005				
Freehold land	-	989	-	989
Buildings	-	4,121	-	4,121
Motor vehicles	186	-	(105)	81
Office equipment, furniture and fittings	851	-	(683)	168
Renovation	515	-	(406)	109
Signboard	31	-	(31)	-
Building-in-progress	2,583	-	-	2,583
	4,166	5,110	(1,225)	8,051

7. PROPERTY AND EQUIPMENT (CONT'D)

THE COMPANY	AT 1.1.2006 RM'000	ADDITION RM'000	DEPRECIATION CHARGE RM'000	AT 31.12.2006 RM'000
NET BOOK VALUE				
Motor vehicle	-	414	(83)	331

AT 31.12.2006	AT COST RM'000	ACCUMULATED DEPRECIATION RM'000	NET BOOK VALUE RM'000
Motor vehicle	414	(83)	331

	THE GROUP At 31.12.2006 RM'000	THE GROUP At 31.12.2005 RM'000
Net book value of properties, had the assets been stated at cost less accumulated depreciation, are as follows:-		
Freehold land	692	692
Buildings	2,808	2,862
	3,500	3,554

The freehold land and buildings were stated at valuation at the balance sheet date and were revalued by an independent professional valuer, Paul Khong, a registered valuer of Regroup Associates Sdn. Bhd., an independent firm of valuers at open market value based on the comparison method of valuation supported by the investment method.

The motor vehicles of the Group were acquired under hire purchase terms.

8. LISTING PREMIUM

	THE GROUP/THE COMPANY	
	AT 31.12.2006 RM'000	AT 31.12.2005 RM'000
At 1.1.2006/13.10.2004 (date of incorporation)	26,429	-
Arising from the acquisition of Pan Pacific Asia Berhad ("PPAB")	-	26,429
At 31.12.2006/2005	26,429	26,429

9. GOODWILL ON CONSOLIDATION

	THE GROUP	
	AT 31.12.2006 RM'000	AT 31.12.2005 RM'000
At 1.1.2006/13.10.2004 (date of incorporation)	115,684	-
Arising from the acquisition of CSPL by CSB	-	247
Arising from the acquisition of CSB	-	115,437
At 31.12.2006/2005	115,684	115,684

10. INVENTORIES

	THE GROUP	
	AT 31.12.2006 RM'000	AT 31.12.2005 RM'000
Inventories held for trading	12,348	5,204
Provision for inventory obsolescence:		
At 1.1.2006/13.10.2004 (date of incorporation)	(117)	(55)
Additions during the financial year/period	(30)	(62)
Writeback during the financial year/period	54	-
Fluctuation on foreign exchange	(2)	-
At 31.12.2006/2005	(95)	(117)
	12,253	5,087
Inventories held for trading:		
- at cost	11,597	4,672
- at net realisable value	656	415
	12,253	5,087

The foreign currency exposure profile of the inventories at the balance sheet date is as follows:-

	THE GROUP	
	AT 31.12.2006 RM'000	AT 31.12.2005 RM'000
Singapore Dollar	656	415

11. TRADE RECEIVABLES

	THE GROUP	
	AT 31.12.2006 RM'000	AT 31.12.2005 RM'000
Trade receivables	35,356	37,290
Allowance for doubtful debts:		
At 1.1.2006/13.10.2004 (date of incorporation)	(30)	-
Arising from acquisition of CSB	-	(84)
Additions during the financial year/period	(171)	(10)
Writeback during the financial year/period	-	64
At 31.12.2006/2005	(201)	(30)
	35,155	37,260

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

The foreign currency exposure profile of the trade receivables at the balance sheet date is as follows:-

	THE GROUP	
	AT 31.12.2006 RM'000	AT 31.12.2005 RM'000
Singapore Dollar	3,803	3,560

11. TRADE RECEIVABLES (CONT'D)

Included in trade receivables in the previous financial period was an amount of RM1,632 owing by a company in which the spouse of a director has a substantial financial interest.

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The foreign currency exposure profile of other receivables, deposits and prepayments at the balance sheet date are as follows:-

	THE GROUP	
	AT 31.12.2006 RM'000	AT 31.12.2005 RM'000
Singapore Dollar	537	205
United States Dollar	21	-

13. AMOUNT OWING BY/(TO) SUBSIDIARIES

The amount owing is unsecured, interest-free and repayable on demand.

14. SHORT-TERM DEPOSITS WITH A LICENSED BANK

The effective interest rate of the short-term deposits at the balance sheet date was 2.3% (31.12.2005 - 2.10%) per annum. The short-term deposits have a maturity period of 7 days (31.12.2005 - 4 days).

15. FIXED DEPOSITS WITH LICENSED BANKS

Fixed deposits of the Group amounting to RM7,156,450 (31.12.2005 - RM6,751,328) have been pledged as collateral to licensed banks to secure banking facilities granted to certain subsidiaries.

The effective interest rates of the fixed deposits at the balance sheet date ranged from 2.60% to 3.50% (31.12.2005 - 2.62% to 3.16%) per annum. The fixed deposits have maturity periods ranging from 1 month to 12 months (31.12.2005 - 1 month to 12 months).

16. SHARE CAPITAL

The movements in the share capital are as follows:-

	THE GROUP/THE COMPANY			
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
	NUMBER OF SHARES		RM'000	RM'000
ORDINARY SHARES OF RM1 EACH				
AUTHORISED				
At 1.1.2006/13.10.2004 (date of incorporation)	340,000	2,500	340,000	2,500
Increase during the financial year/period	-	337,500	-	337,500
At 31.12.2006/2005	340,000	340,000	340,000	340,000
ISSUED AND FULLY PAID-UP				
At 1.1.2006/13.10.2004 (date of incorporation)	120,429	*	120,429	#
Issuance of shares pursuant to the following:				
- conversion of ICPS	93,000	-	93,000	-
- acquisition of a subsidiary	-	85,000	-	85,000
- Scheme of Arrangement with Creditors of PPAB	-	4,000	-	4,000
- Scheme of Arrangement with Shareholders of PPAB	-	6,429	-	6,429
- Renounceable Restricted Issue	-	25,000	-	25,000
At 31.12.2006/2005	213,429	120,429	213,429	120,429

** - 2 ordinary shares of RM1.00 each.*
 # - Amount equals to RM2.00.

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM120,428,902 to RM213,428,902 through the conversion of 93,000,000 ICPS of RM0.10 each to 93,000,000 ordinary shares of RM1 each at a conversion price of RM1.00 each and by capitalising the share premium amount of RM83,700,000.

All new shares issued during the financial year rank pari passu in all respects with the existing shares of the Company.

17. IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES ("ICPS")

The movements in the ICPS are as follows:-

	THE COMPANY			
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
	NUMBER OF SHARES		RM'000	RM'000
ICPS OF RM0.10 EACH				
AUTHORISED				
At 1.1.2006/13.10.2004 (date of incorporation)	100,000	-	10,000	-
Increase during the financial year/period	-	100,000	-	10,000
At 31.12.2006/2005	100,000	100,000	10,000	10,000
ISSUED AND FULLY PAID-UP				
At 1.1.2006/13.10.2004 (date of incorporation)	93,000	-	9,300	-
Issuance of shares pursuant to the:				
- acquisition of a subsidiary	-	77,000	-	7,700
- Scheme of Arrangement with Creditors of PPAB	-	16,000	-	1,600
- conversion to ordinary shares	(93,000)	-	(9,300)	-
At 31.12.2006/2005	-	93,000	-	9,300

During the financial year, all the 93,000,000 ICPS of RM0.10 each were fully converted into 93,000,000 ordinary shares of RM1.00 each.

17. ICPS ("CONT'D")

The salient terms of the ICPS are as follows:-

Par Value	:	RM0.10 per ICPS.
Maturity Date	:	The date immediately preceding the 3rd anniversary date of the issue date of the ICPS. On the Maturity Date, all ICPS shall be automatically converted into Compugates Holdings Berhad Shares ("CHB Shares").
Dividend	:	The ICPS shall bear a fixed non-cumulative gross dividend of 2% per annum on the par value of the ICPS. During the financial years when the ICPS are issued or the Maturity Date falls respectively, the dividends of the ICPS shall be pro-rated based on the period the ICPS is in existence during the said financial year. No dividends shall be paid on the ordinary shares of the Company unless the dividends on the ICPS have been fully paid up. The rights of the ICPS holder to receive dividends prior to conversion of the ICPS are subject to there being sufficient net PAT available for distribution to be determined by the Board of Directors based on the latest audited accounts.
Voting Rights	:	The registered holders of the ICPS shall not have any right to vote at any general meeting of the Company, unless the meeting was convened for the purpose of reducing the capital, or winding-up or during the winding-up or disposing the whole of the Company's properties, businesses and undertakings or where the proposition to be submitted to the meeting directly affects their rights and privileges or when the dividend or part of the dividend on the ICPS is in arrears for more than 6 months.

17. ICPS ("CONT'D")

Conversion Rights	:	Each ICPS shall entitle its holder the right to convert such ICPS held into fully paid-up ordinary shares at the Conversion Ratio at any time during the Conversion Period. Any ICPS not converted into CHB Shares on the Maturity Date shall be automatically converted into new CHB Shares of RM1.00 each at the Conversion Ratio.
Conversion Ratio	:	Each ICPS shall be convertible into 1 new CHB Share payable in full by way of surrendering one 1 ICPS of RM0.10 each for cancellation by the Company and the remaining RM0.90 capitalised from the share premium account of the Company.
Conversion Period	:	The ICPS can be converted into CHB Shares at any time after the 1st anniversary from the date of issue of the ICPS until the Maturity Date
Status of the new CHB Shares	:	New CHB Shares to be issued pursuant to the conversion of the ICPS shall rank pari passu in all respects with the existing CHB Shares except that they will not be entitled to any rights, dividends, allotments and/or other distributions for which the relevant entitlement date precedes the relevant issue date of the new CHB Shares.
Redemption	:	Each ICPS shall not be redeemed for cash.
Listing Status	:	The ICPS will not be listed on Bursa Malaysia Securities Berhad.

18. SHARE PREMIUM

	THE COMPANY	
	AT 31.12.2006 RM'000	AT 31.12.2005 RM'000
At 1.1.2006/13.10.2004 (date of incorporation)	83,700	-
Premium arising from:		
- acquisition of a subsidiary	-	69,300
- Scheme of Arrangement with Creditors of PPAB	-	14,400
Capitalised for the conversion of ICPS to ordinary shares	(83,700)	-
At 31.12.2006/2005	-	83,700

The share premium in respect of the previous financial year was not distributable by way of dividends.

19. EXCHANGE FLUCTUATION RESERVE

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

20. HIRE PURCHASE PAYABLES

	THE GROUP		THE COMPANY	
	AT 31.12.2006 RM'000	AT 31.12.2005 RM'000	AT 31.12.2006 RM'000	AT 31.12.2005 RM'000
Future minimum hire purchase payments:				
- not later than one year	98	23	79	-
- later than one year and not later than five years	259	41	237	-
	357	64	316	-
Future finance charges	(40)	(6)	(36)	-
Present value of hire purchase payables	317	58	280	-
The net hire purchase payables are repayable as follows:-				
Current:				
- not later than one year	86	20	70	-
Non-current:				
- later than one year and not later than five years	231	38	210	-
	317	58	280	-

The hire purchase payables of the Group and of the Company bore effective interest rates ranging from 4.73% to 9.60% (31.12.2005 - 4.73% to 9.60%) per annum at the balance sheet date.

21. DEFERRED TAXATION

	THE GROUP	
	AT 31.12.2006 RM'000	AT 31.12.2005 RM'000
At 1.1.2006/13.10.2004 (date of incorporation)	436	-
Arising from acquisition of CSB	-	436
Transfer to income statements (Note 29)	(8)	-
At 31.12.2006/2005	428	436

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

22. TRADE PAYABLES

Included in trade payables in the previous financial period was an amount of RM1,400 owing to a company in which the spouse of a director has a substantial financial interest.

The normal trade credit terms granted to the Group range from 1 to 90 days.

The foreign currency exposure profile of the trade payables at the balance sheet date are as follows:-

	THE GROUP	
	AT 31.12.2006 RM'000	AT 31.12.2005 RM'000
Singapore Dollar	2,808	2,193
United States Dollar	2,379	2,435

23. OTHER PAYABLES AND ACCRUALS

The foreign currency exposure profile of other payables and accruals at the balance sheet date are as follows:-

	THE GROUP	
	AT 31.12.2006 RM'000	AT 31.12.2005 RM'000
Singapore Dollar	170	397
United States Dollar	3	-

24. AMOUNT OWING TO A DIRECTOR

The amount owing in the previous financial year was unsecured, interest-free and not subject to fixed terms of repayment.

25. BANKERS' ACCEPTANCES

The bankers' acceptances of the Group in the previous financial year bore effective interest rates ranging from 2.95% to 3.28% per annum and were secured by way of:-

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

(ii) a joint and several guarantee of certain directors of the Company.

26. NET ASSETS PER SHARE

The net assets per share is calculated based on the net assets value at the balance sheet date of RM213,664,000 (31.12.2005 - RM119,790,000) divided by the number of ordinary shares in issue at the balance sheet date of 213,428,902 (31.12.2005 - 120,428,902).

27. REVENUE

Revenue of the Group represents the invoiced value of goods sold less trade discounts and returns whilst revenue of the Company represents gross dividend income.

Details of the revenue are as follows:-

	THE GROUP		THE COMPANY	
	1.1.2006 To 31.12.2006 RM'000	13.10.2004 (DATE OF INCORPORATION) To 31.12.2005 RM'000	1.1.2006 To 31.12.2006 RM'000	13.10.2004 (DATE OF INCORPORATION) To 31.12.2005 RM'000
Trading sales	440,644	60,815	-	-
Dividend income	-	-	420	-
	440,644	60,815	420	-

28. PROFIT/(LOSS) BEFORE TAXATION

Profit/(Loss) before taxation is arrived at after charging/(crediting):-

	THE GROUP		THE COMPANY	
	1.1.2006 To 31.12.2006 RM'000	13.10.2004 (DATE OF INCORPORATION) To 31.12.2005 RM'000	1.1.2006 To 31.12.2006 RM'000	13.10.2004 (DATE OF INCORPORATION) To 31.12.2005 RM'000
Allowance for doubtful debts	171	10	-	-
Audit fee				
- statutory	62	55	15	15
- non-statutory	-	17	-	1
Bad debts written off	9	59	-	-
Depreciation of property and equipment	614	76	83	-
Directors' fee				
- current year/period	309	45	309	45
- overprovision in previous financial period	(6)	-	-	-
Directors' non-fee emoluments				
- current year/period	1,319	651	-	1
- overprovision in previous financial period	(14)	-	-	-
Equipment written off	4	-	-	-
Interest expense:				
- bankers' acceptances	-	77	-	-
- hire purchase	11	1	9	-
Office rental	122	14	-	-
Provision for inventories obsolescense	30	62	-	-
Staff costs	3,906	1,069	-	-
Warehouse rental	7	-	-	-
Dividend income	-	-	(420)	-
Gain on disposal of equipment	(8)	-	-	-
Gain on foreign exchange				
- realised	(831)	(32)	-	-
- unrealised	-	(7)	-	-
Interest income	(595)	(202)	(132)	(3)
Rental income	(162)	(27)	-	-
Rebates and sales incentives	(12,812)	(6,296)	-	-
Writeback of allowance for doubtful debts	-	(64)	-	-
Writeback of provision for inventories obsolescence	(54)	-	-	-

29. INCOME TAX EXPENSE

	THE GROUP		THE COMPANY	
	1.1.2006 To 31.12.2006 RM'000	13.10.2004 (DATE OF INCORPORATION) To 31.12.2005 RM'000	1.1.2006 To 31.12.2006 RM'000	13.10.2004 (DATE OF INCORPORATION) To 31.12.2005 RM'000
Current tax:				
- for the financial year/period	1,118	1,590	48	1
- (over)/underprovision in previous financial year	(15)	253	-	-
	1,103	1,843	48	1
Deferred taxation (Note 21)	(8)	-	-	-
	1,095	1,843	48	1

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

	THE GROUP		THE COMPANY	
	1.1.2006 To 31.12.2006 RM'000	13.10.2004 (DATE OF INCORPORATION) To 31.12.2005 RM'000	1.1.2006 To 31.12.2006 RM'000	13.10.2004 (DATE OF INCORPORATION) To 31.12.2005 RM'000
Profit/(Loss) before taxation	1,966	1,201	(213)	(64)
Tax at the statutory tax rate of 28%	550	336	(60)	(18)
Tax effects of:				
Non-deductible expenses	564	85	108	19
Non-taxable gain	-	(228)	-	-
Deferred tax assets not recognised during the financial year/period	37	-	-	-
Tax exemption	(24)	-	-	-
(Over)/Underprovision in previous financial year	(15)	253	-	-
Differential in tax rates	(23)	(40)	-	-
Others	6	1,437	-	-
Tax for the financial year/ period	1,095	1,843	48	1

30. EARNINGS/(LOSS) PER SHARE

The basic earnings/(loss) per share is arrived at by dividing the Group's profit after taxation of RM871,000 (31.12.2005 – loss after taxation of RM642,000) by the weighted average number of ordinary shares in issue during the financial year/period of approximately 135,212,191 (31.12.2005 - 14,826,360).

The fully diluted earnings per share for the Group for the financial year is not presented as the ICPS have been fully converted during the financial year.

The fully diluted loss per share for the Group for the previous financial period was not presented as the effect on the loss per share on the assumed conversion from the ICPS was anti-dilutive.

31. PURCHASE OF PROPERTY AND EQUIPMENT

	THE GROUP		THE COMPANY	
	1.1.2006 To 31.12.2006 RM'000	13.10.2004 (DATE OF INCORPORATION) To 31.12.2005 RM'000	1.1.2006 To 31.12.2006 RM'000	13.10.2004 (DATE OF INCORPORATION) To 31.12.2005 RM'000
Cost of property and equipment purchased	1,829	214	414	-
Amount financed through hire purchase	(350)	(40)	(350)	-
Cash disbursed for purchase of property and equipment	1,479	174	64	-

32. ACQUISITION OF A SUBSIDIARY

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

	THE GROUP	
	1.1.2006 To 31.12.2006 RM'000	13.10.2004 (Date of Incorporation) To 31.12.2006 RM'000
Revenue	-	60,815
Cost of sales	-	(64,720)
Gross loss	-	(3,905)
Other operating income	-	6,948
	-	3,043
Operating overheads	-	(1,778)
Profit before taxation	-	1,265
Taxation	-	(1,842)
Loss after taxation	-	(577)

32. ACQUISITION OF A SUBSIDIARY (CONT'D)

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

	THE GROUP	
	AT 31.12.2006 RM'000	AT 31.12.2005 RM'000
Goodwill on consolidation	-	247
Property and equipment	-	8,051
Inventories	-	5,087
Trade receivables	-	37,260
Other receivables, deposits and prepayments	-	11,679
Tax refundable	-	818
Fixed deposits with licensed banks	-	7,894
Cash and bank balances	-	4,465
Trade payables	-	(13,906)
Other payables and accruals	-	(1,283)
Amount owing to a director	-	(346)
Provision for taxation	-	(1,854)
Bankers' acceptances	-	(11,629)
Hire purchase payables	-	(58)
Deferred taxation	-	(436)
Exchange fluctuation reserve	-	(3)
Group's share of net assets	-	45,986

32. ACQUISITION OF A SUBSIDIARY (CONT'D)

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

	THE GROUP AT 31.12.2006 RM'000	THE GROUP AT 31.12.2005 RM'000
Goodwill on consolidation	-	247
Property and equipment	-	7,913
Inventories	-	9,633
Trade receivables	-	36,052
Other receivables, deposits and prepayments	-	1,160
Fixed deposits with licensed banks	-	7,674
Cash and bank balances	-	8,682
Trade payables	-	(14,826)
Other payables and accruals	-	(1,173)
Amount owing to a director	-	(835)
Bankers' acceptances	-	(7,313)
Hire purchase payables	-	(21)
Provision for taxation	-	(194)
Deferred taxation	-	(436)
Fair value of net assets acquired	-	46,563
Goodwill on acquisition	-	115,437
Total purchase consideration	-	162,000
Satisfied by the issuance of:-		
- Ordinary shares	-	(85,000)
- ICPS	-	(77,000)
		-
Add: Cash and cash equivalents of subsidiary acquired	-	16,356
Net cash inflow from acquisition of a subsidiary	-	16,356

33. CASH AND CASH EQUIVALENTS

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

	THE GROUP		THE COMPANY	
	AT 31.12.2006 RM'000	AT 31.12.2005 RM'000	AT 31.12.2006 RM'000	AT 31.12.2005 RM'000
Short term deposits with a licensed bank	4,300	25,000	4,300	25,000
Fixed deposits with licensed banks	13,671	7,894	-	-
Cash and bank balances	8,001	4,471	26	6
	25,972	37,365	4,326	25,006

The foreign currency exposure profile of the cash and cash equivalents at the balance sheet date are as follows:-

	THE GROUP	
	At 31.12.2006 RM'000	At 31.12.2005 RM'000
Singapore Dollar	-	1,714
United States Dollar	100	1,502

34. DIRECTORS' REMUNERATION

The aggregate amount of emoluments received and receivable by Directors of the Group and of the Company during the financial year/period are as follows:-

	THE GROUP		THE COMPANY	
	1.1.2006 To 31.12.2006 RM'000	13.10.2004 (DATE OF INCORPORATION) To 31.12.2005 RM'000	1.1.2006 To 31.12.2006 RM'000	13.10.2004 (DATE OF INCORPORATION) To 31.12.2005 RM'000
Executive directors:-				
- basic salaries, incentives, allowances, bonus and EPF	1,305	650	-	-
- fee	27	2	33	2
	1,332	652	33	2
Non-executive directors:-				
- allowance	-	1	-	1
- fee	276	43	276	43
	276	44	276	44

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

	THE GROUP/THE COMPANY			
	1.1.2006 To 31.12.2006		13.10.2004 (Date Of Incorporation) To 31.12.2005	
	Executive Directors	Non-Executive Directors	Executive Directors	Non-Executive Directors
Below RM50,000	1	2	1	3
RM150,001 – RM200,000	-	1	-	-
RM250,001 – RM300,000	-	-	1	-
RM350,001 – RM400,000	-	-	1	-
RM400,001 – RM450,000	1	-	-	-
RM850,001 – RM900,000	1	-	-	-

35. SIGNIFICANT RELATED PARTY TRANSACTIONS

		THE GROUP		THE COMPANY	
	NOTE	1.1.2006 To 31.12.2006 RM'000	13.10.2004 (DATE OF INCORPORATION) To 31.12.2005 RM'000	1.1.2006 To 31.12.2006 RM'000	13.10.2004 (DATE OF INCORPORATION) To 31.12.2005 RM'000
Acquisition of CSB from directors	(a)	-	-	-	162,000
Sales to related party:					
- Beausoft Sdn. Bhd.	(b)	25,997	1,799	-	-
- Southall Sdn. Bhd.	(b)	274	1,041	-	-
Purchases from related party:					
- Southall Sdn. Bhd.	(b)	774	3	-	-

(a) A company in which Goh Kheng Peow and Tan Ngaip Soon, who are the directors of the Company, have substantial financial interests.

(b) A company in which See Thoo Chan, who is a director of the Company, has substantial financial interests.

In the opinion of the directors, the above transactions have been entered into in the ordinary course of business and have been established under terms that were mutually agreed between the parties.

36. CONTINGENT LIABILITIES

	THE COMPANY	
	AT 31.12.2006 RM'000	AT 31.12.2005 RM'000
Corporate guarantees given to secure banking facilities granted to certain subsidiaries	27,000	-

37. CAPITAL COMMITMENTS

	THE GROUP	
	AT 31.12.2006 RM'000	AT 31.12.2006 RM'000
In respect of purchase of properties approved and contracted for	-	287

38. NUMBER OF EMPLOYEES

	THE GROUP		THE COMPANY	
	AT 31.12.2006	AT 31.12.2005	AT 31.12.2006	AT 31.12.2005
Number of employees at the balance sheet date	87	70	-	-

39. FOREIGN EXCHANGE RATES

The principal closing foreign exchange rates used (expressed on the basis of one unit of foreign currency to RM equivalent) for the translation of foreign currency balances at the balance sheet date are as follows:-

	THE GROUP/THE COMPANY	
	AT 31.12.2005 RM	AT 31.12.2006 RM
Singapore Dollar	2.29	2.27
United States Dollar	3.57	3.78

40. SEGMENTAL REPORTING

31.12.2006	Malaysia RM'000	Singapore RM'000	Total RM'000
REVENUE			
External sales	415,993	25,024	441,017
Inter-segment sales	(369)	(4)	(373)
TOTAL	415,624	25,020	440,644
RESULT			
Segment profit	1,727	256	1,983
Finance costs			(17)
Profit before taxation			1,966
Taxation			(1,095)
Profit after taxation			871
OTHER INFORMATION			
Segment assets #	221,176	6,600	227,776
Segment liabilities *	14,708	2,978	17,686
Capital expenditure	1,708	121	1,829
Depreciation	567	47	614

40. SEGMENTAL REPORTING (CONT'D)

31.12.2005	Malaysia RM'000	Singapore RM'000	Total RM'000
REVENUE			
External sales	57,633	3,817	61,450
Inter-segment sales	(578)	(57)	(635)
TOTAL	57,055	3,760	60,815
RESULT			
Segment profit	1,129	150	1,279
Finance costs			(78)
Profit before taxation			1,201
Taxation			(1,843)
Loss after taxation			(642)
OTHER INFORMATION			
Segment assets #	235,585	5,918	241,503
Segment liabilities *	25,085	2,591	27,676
Capital expenditure	210	4	214
Depreciation	72	4	76

- Segment assets comprise total current and non-current assets, excluding income tax assets.

* - Segment liabilities comprise total current and non-current liabilities, excluding income tax liabilities.

No segmental analysis by business segment is prepared as the Group operates predominantly in one industry.

41. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced sale or liquidation.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

(a) Amounts Owing By/(To) Subsidiaries And A Director

It is not practicable to estimate the fair values of the amounts owing by/(to) the subsidiaries and a director due principally to the lack of fixed repayment terms. However, the Company does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

(b) Short-Term Borrowings And Other Current Liabilities

The carrying amounts approximated their fair values because of the short period to maturity of these instruments.

(c) Hire Purchase Obligations

The fair values of hire purchase payables are determined by discounting the relevant cash flows using current interest rates for similar types of instruments.

(d) Cash And Cash Equivalents And Short-Term Receivables

The carrying amounts approximated their fair values due to the relatively short-term maturity of these investments.

41. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D)

The nominal amount and net fair value of financial instruments not recognised in the balance sheets of the Group and of the Company are as follows:

		THE GROUP		THE COMPANY	
At 31 December 2006	Note	Nominal Amount RM'000	Net Fair Value RM'000	Nominal Amount RM'000	Net Fair Value RM'000
Contingent liabilities	36	-	-	27,000	*
At 31 December 2005					
Contingent liabilities	36	-	-	-	-

* The net fair value of the contingent liabilities is estimated to be minimal as the subsidiaries are expected to fulfill their obligations to repay their borrowings.

42. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

During the financial year,

(i) the Company incorporated a wholly-owned subsidiary, CISB, as explained in Note 6 to the financial statements;

(ii) CISB subscribed for 15,300 ordinary shares at USD1.00 each in CIL, as explained in Note 6 to the financial statements;

(iii) CIL, on an even date, has subscribed for 24,000 ordinary shares at USD1.00 each in CIBDL, as explained in Note 6 to the financial statements; and

(iv) all the 93,000,000 ICPS of RM0.10 each were converted into 93,000,000 ordinary shares of RM1.00 each. The 93,000,000 new ordinary shares issued pursuant to the ICPS conversion have been granted listing and quotation status on the Main Board of Bursa Malaysia Securities Berhad.

43. SIGNIFICANT EVENT SUBSEQUENT TO THE BALANCE SHEET DATE

Subsequent to the balance sheet date, CIBDL, a subsidiary of the Company, had on 21 January 2007 incorporated a new subsidiary, namely Compugates International (Bangladesh) Limited ("CIBL"). CIBL was incorporated in Bangladesh with an authorised share capital of Taka 50,000,000 and issued and paid-up share capital of Taka 2,000,000 divided into 2,000 shares of Taka 1,000 each.

The proposed principal activity of CIBL will be to distribute telecommunication products and as a management agent of franchises.

44. COMPARATIVE FIGURES

The comparative figures of the Group and the Company were in respect of the financial period from 13 October 2004 (date of incorporation) to 31 December 2005.