COMPUGATES HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 669287 - H

FINANCIAL REPORT

for the financial year ended 31 December 2007

CONTENTS

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

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 2007.

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	12,943	(33)

DIVIDENDS

No dividend was paid since the end of the previous financial year 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) the Company reclassified its authorised share capital of RM350,000,000 divided into 340,000,000 ordinary shares of RM1.00 each and 100,000,000 Irredeemable Convertible Preference Shares of RM0.10 each to RM350,000,000 divided into 350,000,000 ordinary shares of RM1.00 each;

(b) the Company sub-divided its authorised share capital of RM350,000,000 divided into 350,000,000 ordinary shares of RM1.00 each into RM350,000,000 divided into 3,500,000,000 ordinary shares of RM0.10 each;

(c) the Company sub-divided its existing issued and fully paid-up share capital of RM213,428,902 divided into 213,428,902 ordinary shares of RM1.00 each into RM213,428,902 divided into 2,134,289,020 ordinary shares of RM0.10 each; and

(d) 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 of the Group and of the Company misleading.

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

The contingent liability of the Company is disclosed in Note 31 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
MOHAMED FAUZI BIN OMAR
GOH TAI WAI
TAN YIP CHIAN

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				
THE COMPANY	AT 1.1.2007 (PAR VALUE OF RM1.00 EACH)	BOUGHT (PAR VALUE OF RM1.00 EACH)	SOLD (PAR VALUE OF RM1.00 EACH)	AT 31.12.2007 (PAR VALUE OF RM1.00 EACH)	SHARE SPLIT (PAR VALUE OF RM0.10 EACH)
DIRECT INTERESTS					
TAN SRI DATUK ASMAT BIN KAMALUDIN	-	2,500,000	-	2,500,000	25,000,000
GOH KHENG PEOW	122,935,701	6,713,600	(20,500,000)	109,149,301	1,091,493,010
SEE THOO CHAN	7,986,600	23,014,900	-	31,001,500	310,015,000
TAN YIP CHIAN	1	-	-	1	10

DIRECTORS' INTERESTS (CONT'D)

	NUMBER OF ORDINARY SHARES						
THE COMPANY	AT 1.1.2007 (PAR VALUE OF RM1.00 EACH)	BOUGHT (PAR VALUE OF RM1.00 EACH)	SOLD (PAR VALUE OF RM1.00 EACH)	TOTAL (PAR VALUE OF RM1.00 EACH)	SHARE SPLIT (PAR VALUE OF RM0.10 EACH)	BOUGHT (PAR VALUE OF RM0.10 EACH)	AT 31.12.2007 (PAR VALUE OF RM0.10 EACH)
DEEMED INTERESTS							
Tan Sri Datuk Asmat Bin Kamaludin ^	-	-	-	-	-	30,000	30,000
GOH KHENG PEOW *	7,986,600	23,014,900	-	31,001,500	310,015,000	-	310,015,000
GOH TAI WAI *	20,000	-	-	20,000	200,000	-	200,000
SEE THOO CHAN*	122,935,701	6,713,600	(20,500,000)	109,149,301	1,091,493,010	-	1,091,493,010

^ *Deemed interest through children's shareholdings by virtue of Section 134(12)(C) of the Companies (Amendment) Act 2007.*
* *Deemed interest through spouse's shareholdings by virtue of Section 134(12)(C) of the Companies (Amendment) Act 2007.*

By virtue of their shareholdings in the Company, Goh Kheng Peow and See Thoo Chan are 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.

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, 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 Group and 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 certain directors have substantial financial interests as disclosed in Note 30 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 34 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 8 APRIL 2008

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 59 are drawn up in accordance with applicable approved Financial Reporting Standards in Malaysia 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 2007 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 8 APRIL 2008

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 59 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 8 April 2008

Goh Tai Wai

Before me
Mohd Radzi Bin Yasin
No: W 327

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 59. 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 approved Financial Reporting Standards in Malaysia 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 2007 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 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 subsidiaries of which we have not acted as auditors, as indicated in Note 6 to the financial statements.

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

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
Firm No: AF 1018
Chartered Accountants

Lee Kok Wai
Approval No: 2760/06/08 (J)
Partner

Kuala Lumpur

8 April 2008

COMPUGATES HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 669287 - H

BALANCE SHEETS AT 31 DECEMBER 2007

		THE GROUP		THE COMPANY	
	NOTE	2007 RM'000	2006 RM'000 (Restated)	2007 RM'000	2006 RM'000 (Restated)
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	6	-	-	162,100	162,100
Property and equipment	7	9,382	9,262	248	331
Goodwill on consolidation	8	115,684	115,684	-	-
		125,066	124,946	162,348	162,431
CURRENT ASSETS					
Inventories	9	16,056	12,253	-	-
Trade receivables	10	43,095	35,155	-	-
Other receivables, deposits and prepayments	11	28,874	3,021	16	18
Amount owing by subsidiaries	12	-	-	24,073	20,188
Tax refundable		3,611	3,689	173	70
Short-term deposits with a licensed bank	13	1,150	4,300	300	4,300
Fixed deposits with licensed banks	14	16,783	13,671	-	-
Cash and bank balances		4,571	8,001	51	26
		114,140	80,090	24,613	24,602
TOTAL ASSETS		239,206	205,036	186,961	187,033
EQUITY AND LIABILITIES					
EQUITY					
Share capital	15	213,429	213,429	213,429	213,429
Exchange fluctuation reserve	16	(765)	6	-	-
(Accumulated losses)		(13,257)	(26,200)	(26,788)	(26,755)
SHAREHOLDERS' EQUITY		199,407	187,235	186,641	186,674
MINORITY INTERESTS		10,595	77	-	-
TOTAL EQUITY		210,002	187,312	186,641	186,674

BALANCE SHEETS AT 31 DECEMBER 2007 (CONT'D)

		THE GROUP		THE COMPANY	
	NOTE	2007 RM'000	2006 RM'000 (Restated)	2007 RM'000	2006 RM'000 (Restated)
NON-CURRENT AND DEFERRED LIABILITIES					
Hire purchase payables	17	157	231	140	210
Deferred taxation	18	420	428	-	-
		577	659	140	210
CURRENT LIABILITIES					
Trade payables	19	24,500	15,091	-	-
Other payables and accruals	20	3,507	1,850	110	74
Amount owing to a subsidiary	12	-	-	-	5
Hire purchase payables	17	78	86	70	70
Provision for taxation		542	38	-	-
		28,627	17,065	180	149
TOTAL LIABILITIES		29,204	17,724	320	359
TOTAL EQUITY AND LIABILITIES		239,206	205,036	186,961	187,033
NET ASSETS PER SHARE (RM)					
On ordinary shares of:					
- RM0.10 each	21	0.09	-		
- RM1.00 each	21	-	0.88		

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

		The Group		The Company	
	Note	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
REVENUE	22	586,577	440,644	910	420
COST OF SALES		(574,791)	(441,176)	-	-
GROSS PROFIT/(LOSS)		11,786	(532)	910	420
OTHER INCOME		27,990	14,659	46	132
		39,776	14,127	956	552
ADMINISTRATIVE EXPENSES		(11,584)	(9,719)	(754)	(673)
SALES AND MARKETING EXPENSES		(1,535)	(1,632)	-	-
OTHER EXPENSES		(843)	(799)	(83)	(83)
FINANCE COST		(12)	(11)	(9)	(9)
PROFIT/(LOSS) BEFORE TAXATION	23	25,802	1,966	110	(213)
INCOME TAX EXPENSE	24	(2,363)	(1,095)	(143)	(48)
PROFIT/(LOSS) AFTER TAXATION		23,439	871	(33)	(261)
ATTRIBUTABLE TO:					
Equity holders of the Company		12,943	871	(33)	(261)
Minority interests		10,496	-	-	-
		23,439	871	(33)	(261)
EARNINGS/(LOSS) PER SHARE (SEN)					
Basic on ordinary shares of:					
- RM0.10 each	25	0.61	-		
- RM1.00 each	25	-	0.64		
Diluted	25	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 2007

		ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT							
	NOTE	SHARE CAPITAL RM'000	IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES ("ICPS") RM'000	SHARE PREMIUM RM'000	EXCHANGE FLUCTUATION RESERVE RM'000	ACCUMULATED LOSSES RM'000	TOTAL RM'000	MINORITY INTERESTS RM'000	TOTAL EQUITY RM'000
THE GROUP									
Balance at 1.1.2006									
- as previously reported		120,429	9,300	83,700	3	(642)	212,790	-	212,790
- prior year adjustment	26	-	-	-	-	(26,429)	(26,429)	-	(26,429)
- as restated		120,429	9,300	83,700	3	(27,071)	186,361	-	186,361
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 31.12.2006/1.1.2007		213,429	-	-	6	(26,200)	187,235	77	187,312
Profit after taxation		-	-	-	-	12,943	12,943	10,496	23,439
Exchange difference		-	-	-	(771)*	-	(771)	-	(771)
Total recognised income and expense for the financial year		-	-	-	(771)	12,943	12,172	10,496	22,668
Subscription of shares in subsidiaries		-	-	-	-	-	-	22	22
Balance at 31.12.2007		213,429	-	-	(765)	(13,257)	199,407	10,595	210,002

** Not recognised in the income statements.*

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (CONT'D)

	NOTE	SHARE CAPITAL RM'000	ICPS RM'000	SHARE PREMIUM RM'000	ACCUMULATED LOSSES RM'000	TOTAL RM'000
THE COMPANY						
Balance at 1.1.2006						
- as previously reported		120,429	9,300	83,700	(65)	213,364
- prior year adjustment	26	-	-	-	(26,429)	(26,429)
- as restated		120,429	9,300	83,700	(26,494)	186,935
Issuance of ordinary shares pursuant to the conversion of ICPS		93,000	(9,300)	(83,700)	-	-
Loss for the financial year		-	-	-	(261)	(261)
Balance at 31.12.2006/1.1.2007		213,429	-	-	(26,755)	186,674
Loss for the financial year		-	-	-	(33)	(33)
Balance at 31.12.2007		213,429	-	-	(26,788)	186,641

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

CASH FLOW STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

		THE GROUP		THE COMPANY	
		2007	2006	2007	2006
	NOTE	RM'000	RM'000	RM'000	RM'000
CASH FLOWS (FOR)/FROM OPERATING ACTIVITIES					
Profit/(Loss) before taxation		25,802	1,966	110	(213)
Adjustments for:-					
Allowance for doubtful debts		172	171	-	-
Bad debts written off		12	9	-	-
Depreciation of property and equipment		657	614	83	83
Equipment written off		-	4	-	-
Loss/(Gain) on disposal of equipment		1	(8)	-	-
Interest expense		11	11	9	9
Provision for inventory obsolescence		-	30	-	-
Dividend income		-	-	(910)	(420)
Interest income		(606)	(595)	(46)	(132)
Unrealised gain on foreign exchange		(57)	-	-	-
Writeback of provision for inventory obsolescence		(35)	(54)	-	-
Operating profit/(loss) before working capital changes		25,957	2,148	(754)	(673)
Increase in inventories		(3,768)	(7,142)	-	-
(Increase)/Decrease in trade and other receivables		(33,977)	10,531	2	(15)
Increase in trade and other payables		11,123	1,734	36	56
CASH (FOR)/FROM OPERATIONS		(665)	7,271	(716)	(632)
Income tax paid		(1,789)	(5,791)	-	(1)
Interest paid		(11)	(11)	(9)	(9)
NET CASH (FOR)/FROM OPERATING ACTIVITIES/ BALANCE CARRIED FORWARD		(2,465)	1,469	(725)	(642)

CASH FLOW STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (CONT'D)

		THE GROUP		THE COMPANY	
		2007	2006	2007	2006
	NOTE	RM'000	RM'000	RM'000	RM'000
BALANCE BROUGHT FORWARD		(2,465)	1,469	(725)	(642)
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Purchase of property and equipment	27	(779)	(1,479)	-	(64)
Acquisition of a subsidiary, net of cash acquired		-	-	-	(100)
Proceeds from disposal of equipment		1	8	-	-
Interest received		606	595	46	132
Dividend received		-	-	664	302
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(172)	(876)	710	270
CASH FLOWS FOR FINANCING ACTIVITIES					
Proceeds from issuance of shares to minority shareholders		22	77	-	-
Decrease in bankers' acceptances		-	(11,629)	-	-
Repayment of hire purchase obligations		(82)	(91)	(70)	(70)
Net advances to subsidiaries		-	-	(3,890)	(20,238)
Repayment to a director		-	(346)	-	-
NET CASH FOR FINANCING ACTIVITIES		(60)	(11,989)	(3,960)	(20,308)
Effects of foreign exchange rate changes on cash and cash equivalents		(771)	3	-	-
NET DECREASE IN CASH AND CASH EQUIVALENTS		(3,468)	(11,393)	(3,975)	(20,680)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		25,972	37,365	4,326	25,006
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	28	22,504	25,972	351	4,326

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 8 April 2008.

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 sales and 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, Singapore Dollar and Bangladesh Taka.

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 12% 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 adequate working capital to meet its obligations as and when they fall due.

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 approved Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965.

During the current financial year, the Group and the Company have adopted all the new and revised Financial Reporting Standards ("FRSs") issued by the Malaysian Accounting Standards Board ("MASB"):

(a) FRSs issued and effective for financial periods beginning on or after 1 October 2006:

FRS 117	Leases
FRS 124	Related Party Disclosures

(b) FRSs issued and effective for financial periods beginning on or after 1 January 2007:

FRS 6	Exploration for and Evaluation of Mineral Resources
FRS 119_{2004}	Amendment to FRS 119_{2004} Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures

The effects of adopting FRS 124 are disclosed in Note 30 to the financial statements.

The adoption of FRS 117, FRS 6 and FRS 119_{2004} does not have any material financial effects on the financial statements of Company.

4. BASIS OF PREPARATION (CONT'D)

Framework for the Preparation and Presentation of Financial Statements has been issued and is effective immediately. This Framework sets out the concepts that underlie the preparation and presentation of financial statements for external users. It is not an MASB approved accounting standard and hence, does not define standards for any particular measurement or disclosure issue. The Group and the Company has applied this Framework from the financial year ended 31 December 2007 onwards.

The Group has not adopted FRS 139 - Financial Instruments: Recognition and Measurement and the consequential amendments resulting from FRS 139 as the effective date is deferred to a date to be announced by the MASB. FRS 139 establishes the principles for the recognition and measurement of financial assets and financial liabilities including circumstances under which hedge accounting is permitted. By virtue of the exemption provided under paragraph 103AB of FRS 139, the impact of applying FRS 139 on its financial statements upon first adoption of the standard as required by paragraph 30(b) of FRS 108 is not disclosed.

The following FRSs have been issued and are effective for financial periods beginning on or after 1 July 2007 and will be effective for the Group's financial statements for the financial year ending 31 December 2008:-

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 137	Provisions, Contingent Liabilities and Contingent Assets

The above FRSs align the MASB's FRSs with the equivalent International Accounting Standards (''IASs''), both in terms of form and content. The adoption of these standards will only impact the form and content of disclosures presented in the financial statements. The Group will apply these FRSs from the financial year ending 31 December 2008 onwards.

FRS 134 - Interim Financial Reporting has been issued and is effective for the financial periods beginning on or after 1 July 2007. This FRS aligns the MASB's FRS with the equivalent IAS, both in terms of form and content. The adoption of this standard will only impact the form and content of disclosures presented in the quarterly financial statements. The Group will apply this FRS from the financial year ending 31 December 2008 onwards.

4. BASIS OF PREPARATION (CONT'D)

Amendment to FRS 121 - The Effects of Changes in Foreign Exchange Rates *Net Investment in a Foreign Operation* has been issued and is effective for financial periods beginning on or after 1 July 2007. This amendment results in exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation to be recognised in equity irrespective of the currency in which the monetary item is denominated and whether the monetary item results from a transaction with the Company or any of its subsidiaries. Previously, exchange differences arising from such transactions between the Company and its subsidiaries would be accounted for in the income statement or in equity depending on the currency of the monetary item. The Group will apply this amendment from the financial year ending 31 December 2008 onwards.

IC Interpretation 1 - Changes in Existing Decommissioning, Restoration and Similar Liabilities has been issued and is effective for financial periods beginning on or after 1 July 2007. This interpretation addresses the effects of events that changes the measurement of an existing decommissioning, restoration or similar liability, namely a change in the estimated outflow of resources embodying economic benefits required to settle the obligation, a change in the current market-based discount rate as defined in paragraph 48 of FRS 137_{2004} and an increase that reflects the passage of time. This interpretation is not relevant to the Group's operations.

IC Interpretation 2 - Members' Shares in Co-operative Entities and Similar Instruments has been issued and is effective for financial periods beginning on or after 1 July 2007. This interpretation is not relevant to the Group's operations.

IC Interpretation 5 - Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds has been issued and is effective for financial periods beginning on or after 1 July 2007. This interpretation is not relevant to the Group's operations.

IC Interpretation 6 - Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment has been issued and is effective for financial periods beginning on or after 1 July 2007. This interpretation is not relevant to the Group's operations.

IC Interpretation 7 - Applying the Restatement Approach under FRS 129_{2004} Financial Reporting in Hyperinflationary Economies has been issued and is effective for financial periods beginning on or after 1 July 2007. This interpretation is not relevant to the Group's operations.

4. BASIS OF PREPARATION (CONT'D)

IC Interpretation 8 - Scope of FRS 2 has been issued and is effective for financial periods beginning on or after 1 July 2007. This interpretation applies to transactions in which goods or services are received, including transactions in which the entity cannot identify specifically some or all of the goods or services received. Where the fair value of the share-based payment is in excess of the identifiable goods or services received, it is presumed that additional goods or services have been or will be received. The whole fair value of the share-based payment will be charged to the income statement. This interpretation is not relevant to the Group's operations.

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 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 as a result of technical innovations and competitors' actions in response to the market conditions.

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

(b) 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.

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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) 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.

(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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Basis Of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December 2007.

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.

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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

(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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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	15% to 33 1/3%
Renovation	10% to 50%
Signboard	20%

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 and equipment.

(h) 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)

(h) 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.

(i) 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)

(j) 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.

(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 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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) 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.

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 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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Income Taxes (Cont'd)

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.

(o) 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.

(p) 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.

(q) 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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) 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.

(s) Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party, to the extent that it prevents the other party from pursuing its own separate interests in making financial and operating decisions.

(t) 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	
	2007	2006
	RM'000	RM'000
Unquoted shares, at cost	162,100	162,100

Details of the subsidiaries are as follows:-

Name of Company	Effective Equity Interest 2007 %	Effective Equity Interest 2006 %	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. ("CMSB") # (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 digital cameras, related accessories and consumer electronics products.
Compugates International Sdn. Bhd. ("CISB") (Incorporated in Malaysia)	100%	100%	Investment holding and provision of management services.
Compugates International Limited ^* ("CIL") (Incorporated in The British Virgin Islands)	51%	51%	Agent by way of commission for distribution of telecommunication products and management agent of franchises.
Compugates International (BD) Limited ^* ("CIBDL") (Incorporated in The British Virgin Islands)	80%	80%	Investment holding, consultancy and project management services.

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of Company	Effective Equity Interest 2007 %	2006 %	Principal Activities
Compugates International (Bangladesh) Limited ^* ("CIBL") (Incorporated in Bangladesh)	98%	-	Exclusive distributor and master franchisee for distribution of telecommunication products and services.
Compugates International Limited (Cambodia) ^* ("CILC") (Incorporated in Cambodia)	80%	-	Acting as agents by way of commission for the distribution of telecommunication products and management agent of franchises.

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

During the financial year,

a) CIBDL subscribed for 1,960 ordinary shares of Taka 1,000 each in CIBL, representing 98% of the total issued and paid-up capital of CIBL for a consideration of Taka 1,960,000; and

b) CIL subscribed for 24,000 ordinary shares of Riels 4,000 each in CILC, representing 80% of the total issued and paid-up capital of CILC for a consideration of Riels 96,000,000.

7. PROPERTY AND EQUIPMENT

THE GROUP	AT 1.1.2007 RM'000	ADDITIONS RM'000	DISPOSAL RM'000	DEPRECIATION CHARGE RM'000	AT 31.12.2007 RM'000
NET BOOK VALUE					
Freehold land	1,563	-	-	-	1,563
Buildings	6,675	-	-	(143)	6,532
Motor vehicles	431	140	-	(126)	445
Office equipment, furniture and fittings	379	443	(2)	(203)	617
Renovation	190	196	-	(180)	206
Signboard	24	-	-	(5)	19
	9,262	779	(2)	(657)	9,382

	AT COST RM'000	AT VALUATION RM'000	ACCUMULATED DEPRECIATION RM'000	NET BOOK VALUE RM'000
AT 31.12.2007				
Freehold land	574	989	-	1,563
Buildings	2,689	4,121	(278)	6,532
Motor vehicles	798	-	(353)	445
Office equipment, furniture and fittings	1,678	-	(1,061)	617
Renovation	970	-	(764)	206
Signboard	60	-	(41)	19
	6,769	5,110	(2,497)	9,382
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

7. PROPERTY AND EQUIPMENT (CONT'D)

	AT 1.1.2007 RM'000	DEPRECIATION CHARGE RM'000	AT 31.12.2007 RM'000
THE COMPANY			
NET BOOK VALUE			
Motor vehicle	331	(83)	248

	AT COST RM'000	ACCUMULATED DEPRECIATION RM'000	NET BOOK VALUE RM'000
AT 31.12.2007			
Motor vehicle	414	(166)	248
AT 31.12.2006			
Motor vehicle	414	(83)	331

	THE GROUP 2007 RM'000	2006 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	2,754	2,808
	3,446	3,500

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, using the open market value based on the comparison method of valuation supported by the investment method.

The motor vehicles of the Group and of the Company with a net book value of approximately RM284,000 (2006 - RM431,000) and RM248,000 (2006 - RM331,000) respectively were acquired under hire purchase terms.

8. GOODWILL ON CONSOLIDATION

	THE GROUP		THE COMPANY	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
At Cost:-				
Goodwill on consolidation	115,684	115,684	-	-

Goodwill on consolidation arose from the acquisition of CSB and CSPL during the financial year ended 31 December 2005.

Goodwill on consolidation is stated at cost and reviewed for impairment annually.

Goodwill on consolidation has been allocated for impairment testing to the Group's cash-generating unit ("CGU") in Malaysia.

During the financial year, the Group assessed the recoverable amount of the goodwill on consolidation, and determined that the goodwill on consolidation is not impaired.

The recoverable amount of a CGU is determined based on the value-in-use calculations. These calculations use post-tax cash flow projections based on financial budgets approved by management covering a period of five years.

The key assumptions underpinning the value-in-use calculations are as follows:

Gross margin	2% to 12%
Growth rate	5% to 25%
Discount rate	7%

Management determined the budgeted gross margin based on the past performance and its expectations of market development. The growth rate used is based on the past years achievement and the expected projects/contracts to be secured. The discount rate used is based on the borrowing rates.

9. INVENTORIES

	THE GROUP 2007 RM'000	THE GROUP 2006 RM'000
Inventories held for trading	16,114	12,348
Provision for inventory obsolescence:		
At 1 January	(95)	(117)
Additions during the financial year	-	(30)
Writeback during the financial year	35	54
Fluctuation on foreign exchange	2	(2)
At 31 December	(58)	(95)
	16,056	12,253
Inventories held for trading:		
- at cost	16,056	11,597
- at net realisable value	-	656
	16,056	12,253

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

	THE GROUP 2007 RM'000	THE GROUP 2006 RM'000
Bangladesh Taka	35	-
Singapore Dollar	570	656
United States Dollar	28	-

10. TRADE RECEIVABLES

	THE GROUP 2007 RM'000	THE GROUP 2006 RM'000
Trade receivables	43,356	35,356
Allowance for doubtful debts:		
At 1 January	(201)	(30)
Additions during the financial year	(172)	(171)
Writeoff during the financial year	111	-
Fluctuation on foreign exchange	1	-
At 31 December	(261)	(201)
	43,095	35,155

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 was as follows:-

	THE GROUP 2007 RM'000	THE GROUP 2006 RM'000
Bangladesh Taka	7,433	-
Singapore Dollar	1,736	3,803

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in other receivables, deposits and prepayments was an amount of RM6,000,000 (2006 - Nil) being deposit payment to a third party for the tender of a project.

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

	THE GROUP 2007 RM'000	THE GROUP 2006 RM'000
Bangladesh Taka	96	-
Singapore Dollar	160	537
United States Dollar	20,445	21

12. AMOUNT OWING BY/(TO) SUBSIDIARIES

The amount owing by/(to) subsidiaries consist of the following:-

	THE COMPANY	
	2007	2006
	RM'000	RM'000
Amount owing by:-		
CSB	20,152	20,164
CMSB	2,997	-
CISB	924	24
	24,073	20,188
Amount owing to:-		
CMSB	-	5

The amounts owing are unsecured, interest-free and not subject to fixed terms of repayment.

13. SHORT-TERM DEPOSITS WITH A LICENSED BANK

The weighted average effective interest rate of the short-term deposits at the balance sheet date was 2.3% (2006 - 2.3%) per annum. The short-term deposits have maturity periods ranging from 2 days to 7 days (2006 - 7 days).

14. FIXED DEPOSITS WITH LICENSED BANKS

Fixed deposits of the Group amounting to RM7,393,362 (2006 - RM7,156,450) have been pledged as collateral to licensed banks to secure banking facilities granted to certain subsidiaries.

The weighted average effective interest rate of the fixed deposits at the balance sheet date was 2.87% (2006 - 3.05%) per annum. The fixed deposits have maturity periods ranging from 1 month to 12 months (2006 - 1 month to 12 months).

15. SHARE CAPITAL

The movements in the share capital are as follows:-

	THE GROUP/THE COMPANY					
	2007			2006		
	Par Value RM	NUMBER OF SHARES '000	RM'000	Par Value RM	NUMBER OF SHARES '000	RM'000
AUTHORISED						
ORDINARY SHARES						
At 1 January	1.00	340,000	340,000	1.00	340,000	340,000
Reclassification from ICPS	1.00	10,000	10,000	-	-	-
	1.00	350,000	350,000			
Sub-division of the par value of ordinary shares of RM1.00 each into RM0.10 each	0.10	3,500,000	-		-	-
At 31 December	0.10	3,500,000	350,000	1.00	340,000	340,000
ICPS						
At 1 January	0.10	100,000	10,000	0.10	100,000	10,000
Reclassification to ordinary shares	0.10	(100,000)	(10,000)	-	-	-
At 31 December		-	-	0.10	100,000	10,000

15. SHARE CAPITAL (CONT'D)

The movements in the share capital are as follows:-

	THE GROUP/THE COMPANY					
	2007			2006		
	Par Value RM	NUMBER OF SHARES '000	RM'000	Par Value RM	NUMBER OF SHARES '000	RM'000
ISSUED AND FULLY PAID-UP						
ORDINARY SHARES						
At 1 January	1.00	213,429	213,429	1.00	120,429	120,429
Issuance of shares pursuant to the conversion of ICPS	-	-	-	1.00	93,000	93,000
Sub-division of the par value of ordinary shares of RM1.00 each into RM0.10 each	0.10	2,134,289	-	-	-	-
At 31 December	0.10	2,134,289	213,429	1.00	213,429	213,429
ICPS						
At 1 January	-	-	-	0.10	93,000	9,300
Conversion to ordinary shares	-	-	-	0.10	(93,000)	(9,300)
At 31 December	-	-	-	-	-	-

15. SHARE CAPITAL (CONT'D)

During the financial year, the Company:-

(a) reclassified its authorised share capital of RM350,000,000 divided into 340,000,000 ordinary shares of RM1.00 each and 100,000,000 Irredeemable Convertible Preference Shares of RM0.10 each to RM350,000,000 divided into 350,000,000 ordinary shares of RM1.00 each;

(b) sub-divided its authorised share capital of RM350,000,000 divided into 350,000,000 ordinary shares of RM1.00 each into RM350,000,000 divided into 3,500,000,000 ordinary shares of RM0.10 each; and

(c) sub-divided its existing issued and fully paid-up share capital of RM213,428,902 divided into 213,428,902 ordinary shares of RM1.00 each into RM213,428,902 divided into 2,134,289,020 ordinary shares of RM0.10 each.

16. 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.

17. HIRE PURCHASE PAYABLES

	THE GROUP		THE COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Future minimum hire purchase payments:				
- not later than one year	88	98	79	79
- later than one year and not later than five years	176	259	158	237
	264	357	237	316
Future finance charges	(29)	(40)	(27)	(36)
Present value of hire purchase payables	235	317	210	280

17. HIRE PURCHASE PAYABLES (CONT'D)

	THE GROUP		THE COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
The net hire purchase payables are repayable as follows:-				
Current:				
- not later than one year	78	86	70	70
Non-current:				
- later than one year and not later than five years	157	231	140	210
	235	317	210	280

The hire purchase payables of the Group and of the Company bore a weighted average effective interest rate of 4.82% (2006 - 4.82%) per annum at the balance sheet date.

18. DEFERRED TAXATION

	THE GROUP	
	2007 RM'000	2006 RM'000
At 1 January	428	436
Transfer to income statements (Note 24)	(8)	(8)
At 31 December	420	428

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

19. TRADE PAYABLES

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

Included in trade payables as at the balance sheet date were the following:-

	THE GROUP	
	2007	2006
	RM'000	RM'000
Amount owing to related parties:-		
Integra Communications Ltd. ("ICL")	2,634	-
Deens Telecom Ltd. ("DTL")	2,178	-
	4,812	-

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

	THE GROUP	
	2007	2006
	RM'000	RM'000
Bangladesh Taka	6,357	-
Singapore Dollar	879	2,808
United States Dollar	41	2,379

20. OTHER PAYABLES AND ACCRUALS

Included in other payables and accruals as at the balance sheet date was the following:-

	THE GROUP	
	2007	2006
	RM'000	RM'000
Amount owing to a related party:-		
Integra International Ltd. ("IIL")	53	-

20. OTHER PAYABLES AND ACCRUALS (CONT'D)

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

	THE GROUP	
	2007	2006
	RM'000	RM'000
Bangladesh Taka	312	-
Singapore Dollar	41	170
United States Dollar	708	3

21. NET ASSETS PER SHARE

The net assets per share is calculated based on the net assets value at the balance sheet date of RM199,407,000 (2006 - RM187,235,000) divided by the number of ordinary shares of RM0.10 in issue at the balance sheet date of 2,134,289,020 (2006 - 213,428,902 ordinary shares of RM1.00 each).

22. REVENUE

Details of the revenue are as follows:-

	THE GROUP		THE COMPANY	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Trading	586,577	440,644	-	-
Dividend income	-	-	910	420
	586,577	440,644	910	420

23. PROFIT/(LOSS) BEFORE TAXATION

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

	THE GROUP		THE COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Allowance for doubtful debts	172	171	-	-
Audit fee				
- current year	73	62	15	15
- underprovision in the previous financial year	7	-	5	-
Bad debts written off	12	9	-	-
Depreciation of property and equipment	657	614	83	83
Directors' fee				
- current year	361	309	361	309
- overprovision in the previous financial year	-	(6)	-	-
Directors' non-fee emoluments				
- current year	806	1,319	-	-
- overprovision in the previous financial year	-	(14)	-	-
Equipment written off	-	4	-	-
Hire purchase interest	11	11	9	9
Loss/(Gain) on disposal of equipment	1	(8)	-	-
Office rental	478	122	-	-
Provision for inventory obsolescence	-	30	-	-
Staff costs	6,225	3,906	-	-
Warehouse rental	12	7	-	-
Dividend income	-	-	(910)	(420)
Gain on foreign exchange			-	
- realised	(900)	(831)	-	-
- unrealised	(57)	-	-	-
Interest income	(606)	(595)	(46)	(132)
Rental income	(261)	(162)	-	-
Sales incentives	(7,742)	(12,812)	-	-
Writeback of provision for inventory obsolescence	(35)	(54)	-	-

24. INCOME TAX EXPENSE

	THE GROUP		THE COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Current tax:				
- for the financial year	2,400	1,118	142	48
- (over)/underprovision in the previous financial year	(29)	(15)	1	-
	2,371	1,103	143	48
Deferred taxation (Note 18)	(8)	(8)	-	-
	2,363	1,095	143	48

During the current financial year, the statutory tax rate was reduced from 28% to 27%, as announced in the Malaysian Budget 2007.

The corporate tax rate on the first RM500,000 of chargeable income is 20%. The rate applicable to the balance of the chargeable income is 27% (2006 - 28%).

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	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Profit/(Loss) before taxation	25,802	1,966	110	(213)
Tax at the statutory tax rate of 27% (2006 - 28%)	6,966	550	30	(60)
Tax effects of:				
Non-deductible expenses	632	564	89	108
Non-taxable gain	(5,483)	-	-	-
Deferred tax assets not recognised during the financial year	119	37	23	-
Tax exemption	(9)	(24)	-	-
(Over)/Underprovision in the previous financial year	(29)	(15)	1	-
Differential in tax rates	175	(23)	-	-
Others	(8)	6	-	-
Tax for the financial year	2,363	1,095	143	48

25. EARNINGS PER SHARE

The basic earnings per share is arrived at by dividing the profit attributable to equity holders of the Company of RM12,943,000 (2006 - RM871,000) by the weighted average number of ordinary shares of RM0.10 each in issue during the financial year of 2,134,289,020 (2006 - 135,212,191 ordinary shares of RM1.00 each).

The diluted earnings per share was not applicable as there were no dilutive potential ordinary shares outstanding at the balance sheet date.

26. PRIOR YEAR ADJUSTMENT

During the financial year, the Group changed its accounting policy in relation to the recognition of listing premium.

Listing premium arose from the acquisition of the listing status of Pan Pacific Asia Berhad during the financial year ended 31 December 2005. The Group had previously recognised listing premium as an intangible asset which was retained in the balance sheet. The listing premium was reviewed annually and adjusted for impairment where it was considered necessary.

The Group changed its policy to discontinue the recognition of listing premium as an intangible asset in the current financial year, pursuant to the Financial Reporting Standards Implementation Committee Consensus 5/2008 dated 27 March 2008 issued by the Malaysian Institute of Accountants which stated that premium paid for transfer of listing status in a reverse takeover scenario should be expensed to the income statements.

26. PRIOR YEAR ADJUSTMENT (CONT'D)

The financial effects arising from the change in the above accounting policy has been effected retrospectively as prior year adjustment and the comparative figures of Balance Sheets and Statement of Changes in Equity for the financial year ended 31 December 2006 have been restated as follows:-

	THE GROUP		
	AS PREVIOUSLY REPORTED RM'000	EFFECT OF ADJUSTMENT RM'000	AS RESTATED RM'000
BALANCE SHEETS AT 31 DECEMBER 2006 (EXTRACT):-			
Listing premium	26,429	(26,429)	-
Retained profits/(Accumulated losses)	229	(26,429)	(26,200)
STATEMENT OF CHANGES IN EQUITY (EXTRACT):-			
Balance at 31.12.2005/1.1.2006 - Accumulated losses	(642)	(26,429)	(27,071)
Balance at 31.12.2006/1.1.2007 - Retained Profits/ (Accumulated losses)	229	(26,429)	(26,200)

	THE COMPANY		
	AS PREVIOUSLY REPORTED RM'000	EFFECT OF ADJUSTMENT RM'000	AS RESTATED RM'000
BALANCE SHEETS AT 31 DECEMBER 2006 (EXTRACT):-			
Listing premium	26,429	(26,429)	-
Accumulated losses	(326)	(26,429)	(26,755)
STATEMENT OF CHANGES IN EQUITY (EXTRACT):-			
Balance at 31.12.2005/1.1.2006 - Accumulated losses	(65)	(26,429)	(26,494)
Balance at 31.12.2006/1.1.2007 - Accumulated losses	(326)	(26,429)	(26,755)

27. PURCHASE OF PROPERTY AND EQUIPMENT

	THE GROUP		THE COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Cost of property and equipment purchased	779	1,829	-	414
Amount financed through hire purchase	-	(350)	-	(350)
Cash disbursed for purchase of property and equipment	779	1,479	-	64

28. CASH AND CASH EQUIVALENTS

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

	THE GROUP		THE COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Short-term deposits with a licensed bank	1,150	4,300	300	4,300
Fixed deposits with licensed banks	16,783	13,671	-	-
Cash and bank balances	4,571	8,001	51	26
	22,504	25,972	351	4,326

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

	THE GROUP	
	At 31.12.2007 RM'000	At 31.12.2006 RM'000
Bangladesh Taka	47	-
Singapore Dollar	2,005	-
United States Dollar	109	100

29. DIRECTORS' REMUNERATION

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

	THE GROUP		THE COMPANY	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Executive directors:-				
- basic salaries, incentives, allowances, bonus and EPF	806	1,305	-	-
- fee	48	27	48	33
	854	1,332	48	33
Non-executive directors:-				
- fee	313	276	313	276

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

	THE GROUP/THE COMPANY			
	2007		2006	
	Executive Directors	Non-Executive Directors	Executive Directors	Non-Executive Directors
Below RM50,000	1	3	1	2
RM150,001 – RM200,000	-	1	-	1
RM400,001 – RM450,000	-	-	1	-
RM800,001 – RM850,000	1	-	-	-
RM850,001 – RM900,000	-	-	1	-

30. RELATED PARTY DISCLOSURES

(a) Identities of related parties

The Company has a controlling related party relationship with its subsidiaries as disclosed in Note 6 to the financial statements.

(b) In addition to the balances detailed elsewhere in the financial statements, the Group and the Company carried out the following transactions with related parties during the financial year:

		THE GROUP		THE COMPANY	
		2007	2006	2007	2006
	NOTE	RM'000	RM'000	RM'000	RM'000
Sales to related parties:					
- Beausoft Sdn. Bhd.	(i)	15,416	25,997	-	-
- Southall Sdn. Bhd.	(i)	22,650	274	-	-
Purchases from a related party:					
- Southall Sdn. Bhd.	(i)	-	774	-	-
Commission paid/payable to related parties:					
- ICL	(ii)	2,511	-	-	-
- DTL	(ii)	2,260	-	-	-
Key management personnel compensation:					
- short-term employee benefits		1,442	1,732	-	-

(i) A company in which Goh Kheng Peow and See Thoo Chan, who are the directors of the Company, have substantial financial interests.
(ii) A company in which Dr. Shirazuddin Bin Badruddin, who is a director of a subsidiary, has substantial financial interest.

All the abovementioned transactions are based on terms and conditions not materially different from those obtainable from transactions with unrelated parties.

31. CONTINGENT LIABILITY

	THE COMPANY	
	2007	2006
	RM'000	RM'000
Corporate guarantees given to secure banking facilities granted to certain subsidiaries	27,000	27,000

32. 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	
	2007	2006
	RM	RM
Bangladesh Taka	0.05	N/A
Singapore Dollar	2.30	2.29
United States Dollar	3.31	3.57

N/A - Not applicable

33. SEGMENTAL REPORTING

2007	Malaysia RM'000	Singapore RM'000	Bangladesh RM'000	Others RM'000	Total RM'000
REVENUE					
External sales	396,718	12,382	175,148	3,005	587,253
Inter-segment sales	(659)	(17)	-	-	(676)
TOTAL	396,059	12,365	175,148	3,005	586,577
RESULT					
Segment profit	4,365	44	1,349	20,056	25,814
Finance cost					(12)
Profit before taxation					25,802
Income tax expense					(2,363)
Profit after taxation					23,439
OTHER INFORMATION					
Segment assets #	202,360	4,543	8,111	20,581	235,595
Segment liabilities *	19,903	920	6,669	750	28,242
Capital expenditure	212	11	536	20	779
Depreciation	573	38	36	10	657

33. SEGMENTAL REPORTING (CONT'D)

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	1,721	256	1,977
Finance costs			(11)
Profit before taxation			1,966
Income tax expense			(1,095)
Profit after taxation			871
OTHER INFORMATION			
Segment assets #	194,747	6,600	201,347
Segment liabilities *	14,280	2,978	17,258
Capital expenditure	1,708	121	1,829
Depreciation	567	47	614

- 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.

34. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

During the financial year,

(a) CIBDL subscribed for 1,960 ordinary shares of Taka 1,000 each in CIBL, as explained in Note 6 to the financial statements;

(b) CIL subscribed for 24,000 ordinary shares of Riels 4,000 each in CILC, as explained in Note 6 to the financial statements; and

(c) On 21 September 2007, the Company completed the share split involving the subdivision of one ordinary share of RM1.00 each in the Company into ten new ordinary shares of RM0.10 each.

35. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

It is not practicable to estimate the fair values of the amounts owing by/(to) the subsidiaries 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) 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.

(c) Cash And Cash Equivalents And Short-Term Receivables/Payables

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

35. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONT'D)

(d) Contingent Liability

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	
		Nominal Amount	Net Fair Value	Nominal Amount	Net Fair Value
At 31 December 2007	Note	RM'000	RM'000	RM'000	RM'000
Contingent liability	31	-	-	27,000	*
At 31 December 2006					
Contingent liability	31	-	-	27,000	*

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