COMPUGATES HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 669287 - H

FINANCIAL REPORT

for the financial year ended 31 December 2008

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 2008.

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
(Loss)/Profit attributable to equity holders of the Company	(240)	161

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) there were no changes in the authorised and issued and paid-up share capital of the Company; and

(b) 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 liabilities of the Company are disclosed in Note 33 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 Of RM0.10 Each			
The Company	At 1.1.2008	Bought	Sold	At 31.12.2008
Direct Interests				
Tan Sri Datuk Asmat Bin Kamaludin	25,000,000	-	(25,000,000)	-
Goh Kheng Peow	1,091,493,010	36,728,300	(30,300,000)	1,097,921,310
See Thoo Chan	310,015,000	31,164,000	-	341,179,000
Tan Yip Chian	10	-	-	10
Deemed Interests				
Tan Sri Datuk Asmat Bin Kamaludin ^	30,000	-	-	30,000
Goh Kheng Peow ^	310,015,000	31,872,000	-	341,887,000
Goh Tai Wai ^	200,000	-	-	200,000
See Thoo Chan ^	1,091,493,010	37,436,300	(30,300,000)	1,098,629,310

^ *Deemed interest through spouse's and/or children'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 32 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 36 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 28 APRIL 2009

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 11 to 63 are drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2008 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 28 APRIL 2009

Goh Kheng Peow **See Thoo Chan**

STATUTORY DECLARATION

I, Fong Yin Sien, I/C No. 730111-14-5400, being the officer primarily responsible for the financial management of Compugates Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 11 to 63 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
Fong Yin Sien, I/C No. 730111-14-5400,
at Kuala Lumpur in the Federal Territory
on this 28 April 2009

Fong Yin Sien

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

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

Report on the Financial Statements

We have audited the financial statements of Compugates Holdings Berhad, which comprise the balance sheets as at 31 December 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 11 to 63.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2008 and of their financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 6 to the financial statements.

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

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act other than as disclosed in Note 6 to the financial statements.

Other Matters

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

Horwath
Firm No: AF 1018
Chartered Accountants

Lee Kok Wai
Approval No: 2760/06/10 (J)
Partner

Kuala Lumpur
28 April 2009

COMPUGATES HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 669287 - H

BALANCE SHEETS AT 31 DECEMBER 2008

		THE GROUP		THE COMPANY	
		2008	2007	2008	2007
	NOTE	RM'000	RM'000	RM'000	RM'000
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	6	-	-	162,100	162,100
Property and equipment	7	9,157	9,382	165	248
Prepaid land lease payments	8	9,322	-	-	-
Goodwill on consolidation	9	114,558	115,684	-	-
Deferred tax asset	10	18	-	-	-
		133,055	125,066	162,265	162,348
CURRENT ASSETS					
Inventories	11	17,924	16,056	-	-
Trade receivables	12	23,535	43,095	-	-
Other receivables, deposits and prepayments	13	47,207	28,874	12	16
Amount owing by subsidiaries	14	-	-	24,520	24,073
Tax refundable		1,628	3,611	218	173
Short-term deposits with a licensed bank	15	-	1,150	-	300
Fixed deposits with licensed banks	16	9,372	16,783	-	-
Cash and bank balances		6,695	4,571	22	51
		106,361	114,140	24,772	24,613
TOTAL ASSETS		239,416	239,206	187,037	186,961
EQUITY AND LIABILITIES					
EQUITY					
Share capital	17	213,429	213,429	213,429	213,429
Exchange fluctuation reserve	18	186	(765)	-	-
Accumulated losses		(13,497)	(13,257)	(26,627)	(26,788)
SHAREHOLDERS' EQUITY		200,118	199,407	186,802	186,641
MINORITY INTERESTS		11,132	10,595	-	-
TOTAL EQUITY		211,250	210,002	186,802	186,641

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

BALANCE SHEETS AT 31 DECEMBER 2008 (CONT'D)

		THE GROUP		THE COMPANY	
		2008	2007	2008	2007
	NOTE	RM'000	RM'000	RM'000	RM'000
NON-CURRENT LIABILITIES					
Hire purchase payables	19	86	157	77	140
Deferred taxation	20	412	420	-	-
		498	577	77	140
CURRENT LIABILITIES					
Trade payables	21	18,561	24,500	-	-
Other payables and accruals	22	5,858	3,507	85	110
Amount owing to a shareholder of a subsidiary	23	38	-	-	-
Hire purchase payables	19	112	78	73	70
Bankers' acceptance	24	2,074	-	-	-
Provision for taxation		1,025	542	-	-
		27,668	28,627	158	180
TOTAL LIABILITIES		28,166	29,204	235	320
TOTAL EQUITY AND LIABILITIES		239,416	239,206	187,037	186,961
NET ASSETS PER SHARE (RM)	25	0.09	0.09		

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

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

		THE GROUP		THE COMPANY	
		2008	2007	2008	2007
	NOTE	RM'000	RM'000	RM'000	RM'000
REVENUE	26	686,974	586,577	980	910
COST OF SALES		(677,674)	(574,791)	-	-
GROSS PROFIT		9,300	11,786	980	910
OTHER INCOME		9,153	27,990	1	46
		18,453	39,776	981	956
ADMINISTRATIVE EXPENSES		(11,453)	(11,584)	(575)	(754)
SALES AND MARKETING EXPENSES		(3,084)	(1,535)	-	-
OTHER EXPENSES		(2,127)	(843)	(83)	(83)
FINANCE COSTS		(181)	(12)	(19)	(9)
PROFIT BEFORE TAXATION	27	1,608	25,802	304	110
INCOME TAX EXPENSE	28	(1,375)	(2,363)	(143)	(143)
PROFIT/(LOSS) AFTER TAXATION		233	23,439	161	(33)
ATTRIBUTABLE TO:					
Equity holders of the Company		(240)	12,943	161	(33)
Minority interests		473	10,496	-	-
		233	23,439	161	(33)
(LOSS)/EARNINGS PER SHARE (SEN)					
Basic	29	(0.01)	0.61		
Diluted	29	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 2008

	← Attributable To Equity Holders Of The Parent →					
	Share Capital 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 1.1.2007	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 31.12.2007/1.1.2008	213,429	(765)	(13,257)	199,407	10,595	210,002
Profit after taxation	-	-	(240)	(240)	473	233
Exchange difference	-	951*	-	951*	-	951
Total recognised income and expense for the financial year	-	951	(240)	711	473	1,184
Subscription of shares in subsidiaries	-		-	-	64	64
Balance at 31.12.2008	213,429	186	(13,497)	200,118	11,132	211,250

* *Not recognised in the income statements.*

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 (CONT'D)

	SHARE CAPITAL RM'000	ACCUMULATED LOSSES RM'000	TOTAL RM'000
THE COMPANY			
Balance at 1.1.2007	213,429	(26,755)	186,674
Loss for the financial year	-	(33)	(33)
Balance at 31.12.2007/1.1.2008	213,429	(26,788)	186,641
Profit for the financial year	-	161	161
Balance at 31.12.2008	213,429	(26,627)	186,802

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

CASH FLOW STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

		THE GROUP		THE COMPANY	
		2008	2007	2008	2007
	NOTE	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FOR OPERATING ACTIVITIES					
Profit before taxation		1,608	25,802	304	110
Adjustments for:-					
Allowance for doubtful debts		38	172	-	-
Bad debts written off		1	12	-	-
Depreciation of property and equipment		615	657	83	83
Impairment of equipment		20	-	-	-
Impairment of goodwill		1,126	-	-	-
Interest expense		176	11	19	9
Provision for inventory obsolescence		18	-	-	-
Dividend income		-	-	(980)	(910)
(Gain)/Loss on disposal of equipment		(24)	1	-	-
Interest income		(580)	(606)	(1)	(46)
Unrealised gain on foreign exchange		-	(57)	-	-
Writeback of provision for inventory obsolescence		-	(35)	-	-
Writeback of allowance for doubtful debts		(6)	-	-	-
Operating profit/(loss) before working capital changes		2,992	25,957	(575)	(754)
Increase in inventories		(1,886)	(3,768)	-	-
Decrease/(Increase) in trade and other receivables		1,194	(33,977)	4	2
(Decrease)/Increase in trade and other payables		(3,588)	11,123	(25)	36
CASH FOR OPERATIONS		(1,288)	(665)	(596)	(716)
Income tax refunded/ (paid)		1,065	(1,789)	67	-
Interest paid		(176)	(11)	(19)	(9)
NET CASH FOR OPERATING ACTIVITIES/ BALANCE CARRIED FORWARD		(399)	(2,465)	(548)	(725)

CASH FLOW STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 (CONT'D)

		THE GROUP		THE COMPANY	
		2008	2007	2008	2007
	NOTE	RM'000	RM'000	RM'000	RM'000
BALANCE BROUGHT FORWARD		(399)	(2,465)	(548)	(725)
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Purchase of property and equipment		(417)	(779)	-	-
Prepaid land lease payments		(9,322)	-	-	-
Proceeds from disposal of equipment		49	1	-	-
Interest received		580	606	1	46
Dividend received		-	-	725	664
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(9,110)	(172)	726	710
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES					
Proceeds from issuance of shares to minority shareholders		64	22	-	-
Increase in bankers' acceptance		2,074	-	-	-
Repayment of hire purchase obligations		(37)	(82)	(60)	(70)
Net advances to subsidiaries		-	-	(447)	(3,890)
Advance from a shareholder of a subsidiary		38	-	-	-
NET CASH FROM/(FOR) FINANCING ACTIVITIES		2,139	(60)	(507)	(3,960)
Effects of foreign exchange rate changes on cash and cash equivalents		933	(771)	-	-
NET DECREASE IN CASH AND CASH EQUIVALENTS		(6,437)	(3,468)	(329)	(3,975)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		22,504	25,972	351	4,326
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	30	16,067	22,504	22	351

1. GENERAL INFORMATION

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

Registered office	:	10th Floor, Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee, 50250 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 28 April 2009.

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's major concentration of credit risks relates to the amounts owing by a major customer and a third party which constituted 22% of trade receivables 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 ("FRS") and the Companies Act 1965 in Malaysia.

(a) During the current financial year, the Group has adopted the following:

(i) FRSs issued and effective for financial periods beginning on or after 1 July 2007:-

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 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets

FRS 111 and FRS 120 are not relevant to the Group's operations. The adoption of the other standards will only impact the form and content of disclosures presented in the financial statements.

(ii) Amendment to FRS 121 - The Effects of Changes in Foreign Exchange Rates *Net Investment in a Foreign Operation* issued and effective for financial periods beginning on or after 1 July 2007.

The adoption of this amendment did not have any material impact on the financial statements of the Group.

4. BASIS OF PREPARATION (CONT'D)

(a) (iii) IC Interpretation issued and are effective for financial periods beginning on or after 1 July 2007:

IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
IC Interpretation 7	Applying the Restatement Approach under FRS 129_{2004} Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	Scope of FRS 2

The above IC interpretations are not relevant to the Group's operations.

(b) The Group has not adopted the following FRSs and IC Interpretations that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group.

(i) FRSs issued and effective for financial periods beginning on or after 1 July 2009:-

FRS 8 Operating Segments

FRS 8 replaces FRS 114_{2004} Segment Reporting and requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of this standard only impacts the form and content of disclosures presented in the financial statements of the Group. This FRS is expected to have no material impact on the financial statements of the Group upon its initial application.

4. BASIS OF PREPARATION (CONT'D)

(b) (ii) FRSs issued and effective for financial periods beginning on or after 1 January 2010:-

FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosure
FRS 139	Financial Instruments: Recognition and Measurement

The Group considers financial guarantee contracts entered to be insurance arrangements and accounts for them under FRS 4. In this respect, the Group treats the guarantee contract as a contingent liability until such a time as it becomes probable that the Group will be required to make a payment under the guarantee. The adoption of FRS 4 is expected to have no material impact on the financial statements of the Group.

The possible impacts of FRS 7 and FRS 139 on the financial statements upon their initial applications are not disclosed by virtue of the exemptions given in these standards.

(iii) IC Interpretation issued and are effective for financial periods beginning on or after 1 January 2010:

IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment

IC Interpretation 9 is not relevant to the Group's operations. IC Interpretation 10 prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This interpretation is expected to have no material impact on the financial statements of the Group upon its initial application.

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.

(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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(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.

(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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(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.

(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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(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.

(d) Basis Of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December 2008.

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)

(d) 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.

(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	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.

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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

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) Prepaid Lease Payments

Leases of land under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases. Lease prepayment for land use rights is stated at cost less accumulated amortisation and impairment losses, if any. Amortisation is charged to the income statement on a straight-line basis over the term of the leases of 99 years.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

Equipment acquired under hire purchase is 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.

(k) 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.

(l) 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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) 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.

(n) 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.

(o) 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.

(p) 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 substantively 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)

(p) 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 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 substantively 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)

(q) 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.

(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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) 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.

(u) Related Parties

A party is related to an entity if:-

(i) directly, or indirectly through one or more intermediaries the party:-
- controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
- has an interest in the entity that gives it significant influence over the entity; or
- has joints control over the entity;

(ii) the party is an associate of the entity;
(iii) the party is a joint venture in which the entity is a venturer;
(iv) the party is a member of the key management personnel of the entity or its parent;
(v) the party is a close member of the family of any individual referred to in (i) or (iv);
(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
(vii) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

Close members of the family of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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	
	2008 RM'000	2007 RM'000
Unquoted shares, at cost	162,100	162,100

Details of the subsidiaries are as follows:-

Name of Company	Country of Incorporation	Effective Equity Interest		Principal Activities
		2008 %	2007 %	
Compugates Sdn. Bhd. ("CSB")	Malaysia	100%	100%	Trading, marketing and distribution of imaging, information technology and communication-based products.
Compugates (S) Pte. Ltd. #* ("CSPL")	Republic of Singapore	99.99%	99.99%	Distribution of digital cameras, related accessories and consumer electronic products.
Compugates Marketing Sdn. Bhd. # ("CMSB")	Malaysia	100%	100%	Trading, marketing and distribution of imaging, information technology and communication-based products.
Classic Distribution Sdn. Bhd. # ("CDSB")	Malaysia	60%	-	Trading, marketing and distribution of information technology products.
Compugates Development and Mining Sdn. Bhd. # ("CDMSB")	Malaysia	60%	-	Dormant.
Compugates International Sdn. Bhd. ("CISB")	Malaysia	100%	100%	Investment holding and provision of management services.

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of Company	Country of Incorporation	Effective Equity Interest		Principal Activities
		2008	2007	
		%	%	
Compugates International Limited ^* ("CIL")	The British Virgin Islands	51%	51%	Acting as agents by way of commission for distribution of telecommunication products and management agent of franchises.
Compugates International (BD) Limited ^* ("CIBDL")	The British Virgin Islands	80%	80%	Investment holding, consultancy and project management services.
Compugates International (Bangladesh) Limited ^* ("CIBL")	Bangladesh	98%	98%	Exclusive distributor and master franchisee for distribution of telecommunication products and services.
Compugates International Limited (Cambodia) ^* ("CILC")	Cambodia	80%	80%	Acting as agents by way of commission for the distribution of telecommunication products and management agent of franchises.
PT Compugates International ^* ("PTCI")	Indonesia	80%	-	Trading as main a distributor of communication products such as simcards and voucher cards.

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

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

During the financial year,

a) CMSB subscribed for 6 ordinary shares of RM1.00 each in CDSB, representing 60% of the total issued and paid-up capital of CDSB for a consideration of RM6;

b) CMSB subscribed for 60 ordinary shares of RM1.00 each in CDMSB, representing 60% of the total issued and paid-up capital of CDMSB for a consideration of RM60; and

c) CIL subscribed for 80,000 ordinary shares of USD1.00 each in PTCI, representing 80% of the total issued and paid-up capital of PTCI for a consideration of USD80,000.

CSPL ceased operations as at 31 March 2009 and accordingly, the going concern assumption in the preparation of the financial statements of CSPL is inappropriate and adjustments have been made to reflect the realisable value of the assets of CSPL. The subsidiary has provided for further liabilities that will arise from the cessation of its operations and the non-current assets and liabilities have been reclassified to current assets and liabilities.

The auditors' report of CIL and CIBDL contained an emphasis of matter on the recoverability of a trade debt. The directors, based on the recent development and past and present experience of transacting with the customer, are of the opinion that the trade debt will be settled in full.

7. PROPERTY AND EQUIPMENT

	AT 1.1.2008 RM'000	ADDITIONS RM'000	DISPOSAL RM'000	IMPAIRMENT LOSS RM'000	FLUCTUATION ON FOREIGN EXCHANGE RM'000	DEPRECIATION CHARGE RM'000	AT 31.12.2008 RM'000
THE GROUP							
NET BOOK VALUE							
Freehold land	1,563	-	-	-	-	-	1,563
Buildings	6,532	-	-	-		(143)	6,389
Motor vehicles	445	106	(25)	-	5	(144)	387
Office equipment, furniture and fittings	617	278	-	(20)	7	(278)	604
Renovation	206	33	-	-	6	(44)	201
Signboard	19	-	-	-	-	(6)	13
	9,382	417	(25)	(20)	18	(615)	9,157

	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

7. PROPERTY AND EQUIPMENT (CONT'D)

THE GROUP	AT COST RM'000	AT VALUATION RM'000	ACCUMULATED DEPRECIATION RM'000	NET BOOK VALUE RM'000
AT 31.12.2008				
Freehold land	574	989	-	1,563
Buildings	2,689	4,121	(421)	6,389
Motor vehicles	849	-	(462)	387
Office equipment, furniture and fittings	1,922	-	(1,318)	604
Renovation	1,011	-	(810)	201
Signboard	60	-	(47)	13
	7,105	5,110	(3,058)	9,157
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

THE COMPANY	AT 1.1.2008 RM'000	DEPRECIATION CHARGE RM'000	AT 31.12.2008 RM'000
NET BOOK VALUE			
Motor vehicle	248	(83)	165

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

7. PROPERTY AND EQUIPMENT (CONT'D)

THE COMPANY	AT COST RM'000	ACCUMULATED DEPRECIATION RM'000	NET BOOK VALUE RM'000
AT 31.12.2008			
Motor vehicle	414	(249)	165
AT 31.12.2007			
Motor vehicle	414	(166)	248

	THE GROUP	
	2008 RM'000	2007 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	2,700	2,754
	3,392	3,446

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 during the financial year ended 2004.

The motor vehicles of the Group and of the Company with a net book value of approximately RM223,000 (2007 - RM284,000) and RM165,000 (2007 - RM248,000) respectively were acquired under hire purchase terms.

8. PREPAID LAND LEASE PAYMENTS

	THE GROUP	
	2008	2007
	RM'000	RM'000
At 1 January	-	-
Addition during the financial year	9,322	-
At 31 December	9,322	-

9. GOODWILL ON CONSOLIDATION

	THE GROUP	
	2008	2007
	RM'000	RM'000
Goodwill on consolidation	115,684	115,684
Less: Impairment loss	(1,126)	-
	114,558	115,684

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

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

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

(a) Impairment loss recognised

During the financial year, the Group assessed the recoverable amount of the goodwill on consolidation of CSPL and determined that the goodwill on consolidation allocated to CSPL was impaired as it ceased operations as at 31 March 2009, as explained in Note 6 to the financial statements. An impairment loss of RM1,126,000 has been provided on the goodwill on consolidation allocated to CSPL.

9. GOODWILL ON CONSOLIDATION (CONT'D)

(b) Impairment test for goodwill

During the financial year, the Group assessed the recoverable amount of the goodwill on consolidation of CSB and CMSB, and determined that the goodwill on consolidation of CSB and CMSB 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	1% to 54%
Growth rate	5%
Discount rate	6%

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.

10. DEFERRED TAX ASSET

	THE GROUP	
	2008 RM'000	2007 RM'000
At 1 January	-	-
Addition during the financial year (Note 28)	18	-
At 31 December	18	-

The deferred tax asset relates to a subsidiary's unutilised tax losses carried forward.

11. INVENTORIES

	THE GROUP	
	2008	2007
	RM'000	RM'000
Inventories held for trading	18,001	16,114
Provision for inventory obsolescence:		
At 1 January	(58)	(95)
Addition during the financial year	(18)	-
Write-back during the financial year	-	35
Fluctuation on foreign exchange	(1)	2
At 31 December	(77)	(58)
	17,924	16,056
Inventories held for trading:		
- at cost	17,439	16,056
- at net realisable value	485	-
	17,924	16,056

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

	THE GROUP	
	2008	2007
	RM'000	RM'000
Bangladesh Taka	2,285	35
Singapore Dollar	485	570
United States Dollar	107	28
Indonesian Rupiah	94	-

12. TRADE RECEIVABLES

	THE GROUP	
	2008	2007
	RM'000	RM'000
Trade receivables	23,644	43,356
Allowance for doubtful debts:		
At 1 January	(261)	(201)
Addition during the financial year	(38)	(172)
Write-off during the financial year	186	111
Write-back during the financial year	6	-
Fluctuation on foreign exchange	(2)	1
At 31 December	(109)	(261)
	23,535	43,095

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

Included in trade receivables as at the balance sheet date is an amount of RM1,838,957 (2007 - Nil) owing by a related party, Beausoft Sdn. Bhd. The amount was fully settled in cash subsequent to the balance sheet date.

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

	THE GROUP	
	2008	2007
	RM'000	RM'000
Bangladesh Taka	7,595	7,433
Singapore Dollar	709	1,736
United States Dollar	695	-

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in other receivables, deposits and prepayments at the balance sheet date were the following:-

(i) RM6,000,000 (2007 - RM6,000,000) being a deposit payment to a third party for the tender of a project;

(ii) RM5,000,000 (2007 - Nil) being trade deposits made to Beausoft Sdn. Bhd., a related party for the purchase of trade products; and

(iii) RM8,000,000 (2007 - Nil) being advances made to a third party to assist in the collection of a trade debt.

All the above amounts have been fully settled in cash subsequent to the balance sheet date.

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

	THE GROUP	
	2008	2007
	RM'000	RM'000
Bangladesh Taka	491	96
Singapore Dollar	85	160
United States Dollar	23,232	20,445
Indonesian Rupiah	17	-

14. AMOUNT OWING BY SUBSIDIARIES

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

15. SHORT-TERM DEPOSITS WITH A LICENSED BANK

The weighted average effective interest rate of the short-term deposits at the end of the previous financial year was 2.3% per annum. The short-term deposits had maturity periods ranging from 2 days to 7 days.

16. FIXED DEPOSITS WITH LICENSED BANKS

Fixed deposits of the Group amounting to RM7,628,894 (2007 - RM7,393,362) 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 3.31% (2007 - 2.87%) per annum. The fixed deposits have maturity periods ranging from 1 month to 12 months (2007 - 1 month to 12 months).

17. SHARE CAPITAL

The movements in the share capital are as follows:-

	THE GROUP/THE COMPANY					
	2008			2007		
	Par Value RM	NUMBER OF SHARES '000	RM'000	Par Value RM	NUMBER OF SHARES '000	RM'000
AUTHORISED						
ORDINARY SHARES						
At 1 January	0.10	3,500,000	350,000	1.00	340,000	340,000
Reclassification from Irredeemable Convertible Preference Shares ("ICPS")	0.10	-	-	1.00	10,000	10,000
	0.10	3,500,000	350,000	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	-	-	0.10	3,500,000	-
At 31 December	0.10	3,500,000	350,000	0.10	3,500,000	350,000

17. SHARE CAPITAL (CONT'D)

	THE GROUP/THE COMPANY					
	2008			2007		
	Par Value RM	NUMBER OF SHARES '000	RM'000	Par Value RM	NUMBER OF SHARES '000	RM'000
AUTHORISED						
ICPS						
At 1 January	0.10	-	-	0.10	100,000	10,000
Reclassification to ordinary shares	0.10	-	-	0.10	(100,000)	(10,000)
At 31 December		-	-		-	-
ISSUED AND FULLY PAID-UP						
ORDINARY SHARES						
At 1 January	0.10	2,134,289	213,429	1.00	213,429	213,429
Sub-division of the par value of ordinary shares of RM1.00 each into RM0.10 each	0.10	-	-	0.10	2,134,289	-
At 31 December	0.10	2,134,289	213,429	0.10	2,134,289	213,429

18. 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.

19. HIRE PURCHASE PAYABLES

	THE GROUP		THE COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Future minimum hire purchase payments:				
- not later than one year	121	88	79	79
- later than one year and not later than five years	88	176	79	158
	209	264	158	237
Future finance charges	(11)	(29)	(8)	(27)
Present value of hire purchase payables	198	235	150	210
The net hire purchase payables are repayable as follows:-				
Current:				
- not later than one year	112	78	73	70
Non-current:				
- later than one year and not later than five years	86	157	77	140
	198	235	150	210

The hire purchase payables of the Group and of the Company bore a weighted average effective interest rate of 5.25% (2007 - 4.82%) per annum at the balance sheet date.

20. DEFERRED TAXATION

	THE GROUP	
	2008 RM'000	2007 RM'000
At 1 January	420	428
Transfer to income statements (Note 28)	(8)	(8)
At 31 December	412	420

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

21. 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 was an amount of approximately RM7,629,000 (2007 - RM4,812,000) owing to related parties.

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

	THE GROUP	
	2008 RM'000	2007 RM'000
Bangladesh Taka	9,000	6,357
Singapore Dollar	367	879
United States Dollar	643	41

22. OTHER PAYABLES AND ACCRUALS

Included in other payables and accruals as at the balance sheet date was an amount of approximately RM371,000 (2007 - RM53,000) owing to related parties.

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

	THE GROUP	
	2008	2007
	RM'000	RM'000
Bangladesh Taka	1,742	312
Singapore Dollar	261	41
United States Dollar	1,397	708
Indonesian Rupiah	18	-

23. AMOUNT OWING TO A SHAREHOLDER OF A SUBSIDIARY

The amount owing is unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash.

24. BANKERS' ACCEPTANCE

The bankers' acceptance of the Group bore an effective interest rate of 3.45% per annum (2007 - Nil) at the balance sheet date and is secured by way of:-

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

(ii) a corporate guarantee of the Company.

25. NET ASSETS PER SHARE

The net assets per share is calculated based on the net assets value at the balance sheet date of RM200,118,000 (2007 - RM199,407,000) divided by the number of ordinary shares in issue at the balance sheet date of 2,134,289,020 (2007 - 2,134,289,020).

26. REVENUE

Details of the revenue are as follows:-

	THE GROUP		THE COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Trading	686,974	586,577	-	-
Dividend income	-	-	980	910
	686,974	586,577	980	910

27. PROFIT BEFORE TAXATION

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

	THE GROUP		THE COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Allowance for doubtful debts	38	172	-	-
Audit fee				
- current year	100	73	17	15
- (over)/underprovision in the previous financial year	(2)	7	2	5
Bad debts written off	1	12	-	-
Depreciation of property and equipment	615	657	83	83
Directors' fee	372	361	372	361
Directors' non-fee emoluments	994	806	-	-
Impairment of goodwill	1,126	-	-	-
Impairment of equipment	20	-	-	-
Interest expense:				
- hire purchase	21	11	19	9
- bankers' acceptance	39	-	-	-
- others	116	-	-	-
Office rental	541	478	-	-
Provision for inventory obsolescence	18	-	-	-
Staff costs	7,078	6,225	-	-
Staff retrenchment costs	143	-	-	-
Warehouse rental	135	12	-	-
Dividend income	-	-	(980)	(910)
(Gain)/Loss on disposal of equipment	(24)	1	-	-
Gain on foreign exchange:	-	-	-	-
- realised	(1,201)	(900)	-	-
- unrealised	-	(57)	-	-
Interest income	(580)	(606)	(1)	(46)
Rental income	(335)	(261)	-	-
Sale incentives	(6,961)	(7,742)	-	-
Writeback of allowance for doubtful debts	(6)	-	-	-
Writeback of provision for inventory obsolescence	-	(35)	-	-

28. INCOME TAX EXPENSE

	THE GROUP		THE COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Current tax expense:				
- for the financial year	1,331	2,400	143	142
- under/(over)provision in the previous financial year	70	(29)	-	1
	1,401	2,371	143	143
Deferred taxation:				
- Deferred tax asset (Note 10)	(18)	-	-	-
- Deferred tax liability (Note 20)	(8)	(8)	-	-
	(26)	(8)	143	143
	1,375	2,363	143	143

During the current financial year, the statutory tax rate was reduced from 27% to 26%, as announced in the Malaysian Budget 2007.

28. INCOME TAX EXPENSE (CONT'D)

A reconciliation of income tax expense applicable to the profit 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	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Profit before taxation	1,608	25,802	304	110
Tax at the statutory tax rate of 26% (2007 - 27%)	418	6,966	79	30
Tax effects of:				
Non-deductible expenses	715	632	45	89
Non-taxable gain	-	(5,483)	-	-
Deferred tax assets not recognised during the financial year	137	119	19	23
Tax exemption	(81)	(9)	-	-
Under/(Over)provision in the previous financial year	70	(29)	-	1
Differential in tax rates	94	175	-	-
Others	22	(8)	-	-
Tax for the financial year	1,375	2,363	143	143

29. (LOSS)/EARNINGS PER SHARE

The basic (loss)/earnings per share is arrived at by dividing the loss attributable to equity holders of the Company of RM240,000 (2007 - profit of RM12,943,000) by the number of ordinary shares in issue during the financial year of 2,134,289,020 (2007 - 2,134,289,020).

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

30. CASH AND CASH EQUIVALENTS

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

	THE GROUP		THE COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Short-term deposits with a licensed bank	-	1,150	-	300
Fixed deposits with licensed banks	9,372	16,783	-	-
Cash and bank balances	6,695	4,571	22	51
	16,067	22,504	22	351

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

	THE GROUP	
	2008 RM'000	2007 RM'000
Bangladesh Taka	2,151	47
Singapore Dollar	2,650	2,005
United States Dollar	10	109
Indonesian Rupiah	89	-

31. 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	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Executive directors:-				
- basic salaries, incentives, allowances, bonus and EPF	994	806	-	-
- fee	-	48	-	48
	994	854	-	48
Non-executive directors:-				
- fee	372	313	372	313

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			
	2008		2007	
	Executive Directors	Non-Executive Directors	Executive Directors	Non-Executive Directors
Below RM50,000	-	4	1	3
RM150,001 - RM200,000	-	1	-	1
RM800,001 - RM850,000	1	-	1	-

32. RELATED PARTY DISCLOSURES

For the purpose of these financial statements, the Group and the Company have related party relationships with its directors, key management personnel, entities of which the directors and/or key management have significant financial interests and entities within the same group of companies.

The balances of the related parties are disclosed in Note 14 and Note 23 to the financial statements. The Group carried out the following transactions with related parties during the financial year:

	THE GROUP		THE COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Sale of goods	15,151	38,066	-	-
Purchase of goods	184	-	-	-
Commission paid/payable	2,739	4,771	-	-
Key management personnel compensation:				
- short-term employee benefits	1,942	1,803	372	361

33. CONTINGENT LIABILITIES

	THE COMPANY	
	2008	2007
	RM'000	RM'000
Unsecured:		
Corporate guarantees given to secure banking facilities granted to certain subsidiaries	27,000	27,000
Corporate guarantees given to secure credit facility granted by suppliers	23,460	26,123
	50,460	53,123

34. 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	
	2008	2007
	RM	RM
Bangladesh Taka	0.05	0.05
Singapore Dollar	2.41	2.30
United States Dollar	3.46	3.31
Indonesian Rupiah	*	N/A

* - Amount equals RM0.0003

35. SEGMENTAL REPORTING

2008	Malaysia RM'000	Singapore RM'000	Bangladesh RM'000	The British Virgin Islands RM'000	Cambodia RM'000	Indonesia RM'000	Total RM'000
REVENUE							
External sales	459,213	6,194	232,368	1,808	7,508	1,299	708,390
Inter-segment sales	(21,416)	-	-	-	-	-	(21,416)
TOTAL	437,797	6,194	232,368	1,808	7,508	1,299	686,974
RESULT							
Segment profit/(loss)	2,231	(1,608)	856	432	(35)	(87)	1,789
Finance cost							(181)
Profit before taxation							1,608
Income tax expense							(1,375)
Profit after taxation							233
OTHER INFORMATION							
Segment assets #	196,380	3,928	13,106	23,250	850	256	237,770
Segment liabilities *	13,234	627	10,742	1,366	712	48	26,729
Capital expenditure	9,461	-	155	13	50	60	9,739
Depreciation	472	29	87	5	18	4	615

35. SEGMENTAL REPORTING (CONT'D)

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

- 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.

36. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

During the financial year,

(a) CMSB subscribed for 6 ordinary shares of RM 1.00 each in CDSB, as explained in Note 6 to the financial statements;

(b) CMSB subscribed for 60 ordinary shares of RM 1.00 each in CDMSB, as explained in Note 6 to the financial statements; and

(c) CIL subscribed for 80,000 ordinary shares of USD1.00 each in PTCI, as explained in Note 6 to the financial statements.

37. 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) Hire Purchase Obligations

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

(b) Short-Term Borrowings

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

37. 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	
At 31 December 2008	Note	Nominal Amount RM'000	Net Fair Value RM'000	Nominal Amount RM'000	Net Fair Value RM'000
Contingent liability	33	-	-	50,460	*
At 31 December 2007					
Contingent liability	33	-	-	53,123	*

* 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.