

COMPUGATES HOLDINGS BERHAD (669287-H)

(Incorporated in Malaysia)

General Announcement

Subject :

COMPUGATES HOLDINGS BERHAD (“COMPUGATES” or “the Company”)

- Report of the Special Audit by Messrs Crowe Horwath as Special Auditors

With reference to the Company announcements dated 26 May 2014 and 14 July 2014, the Board of Directors of Compugates Holdings Berhad wishes to announce that the Special Auditors, Messrs Crowe Horwath has completed their Special Audit.

NATURE OF THE SPECIAL AUDIT

On 30 April 2014, CHB announced that the audited financial statements of CHB and its subsidiaries for the financial year ended 31 Dec 2013 contained a qualification from its auditors, Messrs Baker Tilly Monteiro Heng (“BTMH”). The basis of the qualification is as follows :-

“We refer to Note 28(b) to the Financial Statements which disclose that included in professional fee is an amount of RM3,000,000/- for advisory support services. We were unable to obtain sufficient appropriate audit evidence pertaining to the aforesaid expenses.”

Note 28(b) to the Financial Statements stated that *“Included in the professional fee of a subsidiary is an amount of RM3,000,000 paid to an offshore company in relation to advisory support services for work done and proposed projects. The Group will in future, put in place further documentations to strengthen the current limitation in the documentation and justification in supporting the payment of the advisory support services.”*

OBJECTIVE

Review the transactions involving the professional fees paid to an offshore company for the financial year ended 31 Dec 2013 carried out on the specific transactions and related accounting entries with the following objectives :-

- a) To ascertain whether there were any unusual and unauthorised cash payments made; and
- b) To ascertain whether the contract for services rendered or to be rendered is valid and accounted for correctly.

APPROACH

The approach that was undertaken to meet the above-mentioned objectives is summarised as follows:-

- To study the Company’s internal control system in respect of cash payments and related party transactions;
- To review and examine source documents and perform further tests if required in respect of meeting the abovementioned objectives;

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- To conduct interview with the management of the Company and any other personnel who may have knowledge of the subject matter.
- To perform search and request documents from third parties, namely CCM, banks and suppliers; and
- To review directors' circular resolutions/minutes of meeting.

FINDINGS

Based on the work performed by Messrs Crowe Horwath and the information available, Messrs Crowe Horwath **have not** identified any unusual or unauthorised cash payments or whether the contracts for advisory support services were not valid.

Arising from the findings of the Special Audit, the Board of Directors has further appraised the processes and has put in place further documentations to strengthen the current limitation in the documentation and justification in supporting the payment for advisory support services in future.

This announcement is dated 14 August 2014.