# Privasia Technology Berhad
(Company No. 825092-U)
(Incorporated in Malaysia)
## and its subsidiaries

## Financial statements for the year ended 31 December 2015

# Privasia Technology Berhad
(Company No. 825092-U)
(Incorporated in Malaysia)
# and its subsidiaries

# Directors' report for the year ended 31 December 2015

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2015.

## Principal activities

The Company is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries are as stated in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

## Results

| | Group RM | Company RM |
|---|---|---|
| Profit for the year attributable to: | | |
| Owners of the Company | 3,119,771 | 1,885,376 |
| Non-controlling interests | (927,537) | - |
| Net profit for the year | 2,192,234 | 1,885,376 |

## Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review, except as disclosed in the financial statements.

## Dividends

Since the end of the previous financial year, the Company paid a final dividend of 0.25 sen per ordinary share totalling RM1,395,500 in respect of the financial year ended 31 December 2014 on 15 July 2015.

Subsequent to the financial year end, on 12 April 2016, the Directors proposed a final dividend of 0.20 sen per ordinary share totalling RM1,116,400 in respect of the financial year ended 31 December 2015. The financial statements for the current financial year do not reflect this dividend. Upon approval by the shareholders, the dividend payment will be accounted for in equity as an appropriation of retained earnings during the financial year ending 31 December 2016.

## Directors of the Company

Directors who served since the date of the last report are:

Andre Anthony a/l Hubert Rene
Asgari bin Mohd Fuad Stephens
Brian Wong Wye Pong
Datuk Ali bin Abdul Kadir
Datuk Mohd Aqliff Shane Abdullah
Puvanesan a/l Subenthiran

## Directors' interests in shares

The interests and deemed interests in the shares and options over shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

| | Number of ordinary shares of RM0.10 each | | | |
|---|---|---|---|---|
| | **At 1.1.2015** | **Bought** | **Sold** | **At 31.12.2015** |
| **In the Company:** | | | | |
| **Direct interest** | | | | |
| Andre Anthony a/l Hubert Rene | 10,828,700 | - | - | 10,828,700 |
| Brian Wong Wye Pong | 500,000 | - | - | 500,000 |
| Datuk Ali bin Abdul Kadir | 18,530,400 | - | - | 18,530,400 |
| Datuk Mohd Aqliff Shane Abdullah | 28,111,000 | - | - | 28,111,000 |
| Puvanesan a/l Subenthiran | 15,581,400 | 30,000 | - | 15,611,400 |
| | | | | |
| **Deemed interest** | | | | |
| By virtue of shares held by | | | | |
| Anyotech Sdn. Bhd. | | | | |
| - Andre Anthony a/l Hubert Rene | 79,713,220 | - | - | 79,713,220 |
| - Puvanesan a/l Subenthiran | 79,713,220 | - | - | 79,713,220 |
| | | | | |
| Pancarthiran Sdn. Bhd. | | | | |
| - Puvanesan a/l Subenthiran | 71,172,500 | - | - | 71,172,500 |
| | | | | |
| Radiant Principles Sdn. Bhd | | | | |
| - Andre Anthony a/l Hubert Rene | 76,836,300 | - | - | 76,836,300 |
| | | | | |
| Rio Capital Sdn. Bhd. | | | | |
| - Datuk Ali bin Abdul Kadir | 1,666,000 | - | - | 1,666,000 |
| | | | | |
| Asgari bin Mohd Fuad Stephens * | 4,000,000 | - | (4,000,000) | - |

* Deemed interest under Section 122(A) of the Act by virtue of shares held by his spouse and parent.

## Directors' interests in shares (continued)

By virtue of their interests in the shares of the Company, all the Directors are also deemed interested in the shares of the subsidiaries during the financial year to the extent that Privasia Technology Berhad has an interest.

## Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor 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 or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except as disclosed in Note 27 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## Issue of shares and debentures

There were no changes in the authorised, issued and paid-up capital of the Company during the financial year. There were no debentures issued during the financial year.

## Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year under review.

## Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provisions made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

## Other statutory information (continued)

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

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

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group 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 as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2015 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Company No. 825092-U

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

……………………………………………………………

**Datuk Ali bin Abdul Kadir**

……………………………………………………………

**Puvanesan a/l Subenthiran**

Petaling Jaya,

Date: 18 April 2016

# Privasia Technology Berhad
(Company No. 825092-U)
(Incorporated in Malaysia)
## and its subsidiaries

# Statements of financial position as at 31 December 2015

| | Note | Group 2015 RM | Group 2014 RM | Company 2015 RM | Company 2014 RM |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Property, plant and equipment | 3 | 29,763,142 | 30,760,129 | - | - |
| Investment properties | 4 | 4,261,689 | 4,309,456 | - | - |
| Intangible assets | 5 | 37,313,581 | 36,889,131 | - | - |
| Investment in subsidiaries | 6 | - | - | 58,403,181 | 58,403,181 |
| Investment in an associate | 7 | - | - | - | - |
| Available-for-sale financial asset | 8 | 500,000 | 500,000 | 500,000 | 500,000 |
| Deferred tax assets | 16 | 1,073,987 | 116,141 | - | - |
| **Total non-current assets** | | 72,912,399 | 72,574,857 | 58,903,181 | 58,903,181 |
| Inventories | 9 | 3,218,269 | 2,670,296 | - | - |
| Work-in-progress | 10 | 78,271 | 927,719 | - | - |
| Tax recoverable | 11 | 1,312,609 | 518,758 | - | - |
| Trade and other receivables | 12 | 35,479,636 | 27,643,195 | 5,144,896 | 2,545,981 |
| Cash and cash equivalents | 13 | 9,225,227 | 10,427,488 | 5,120 | 94,063 |
| **Total current assets** | | 49,314,012 | 42,187,456 | 5,150,016 | 2,640,044 |
| **Total assets** | | 122,226,411 | 114,762,313 | 64,053,197 | 61,543,225 |
| **Equity** | | | | | |
| Share capital | 14 | 55,820,002 | 55,820,002 | 55,820,002 | 55,820,002 |
| Reserve | | 25,625,464 | 23,901,193 | 2,143,166 | 1,653,290 |
| **Total equity attributable to owners of the Company** | | 81,445,466 | 79,721,195 | 57,963,168 | 57,473,292 |
| Non-controlling interests | | (609,480) | 318,057 | - | - |
| **Total equity** | | 80,835,986 | 80,039,252 | 57,963,168 | 57,473,292 |
| **Liabilities** | | | | | |
| Loans and borrowings | 15 | 9,448,752 | 8,743,927 | - | - |
| Deferred tax liabilities | 16 | 2,102,721 | 2,363,347 | - | - |
| **Total non-current liabilities** | | 11,551,473 | 11,107,274 | - | - |
| Loans and borrowings | 15 | 3,021,053 | 1,682,437 | - | - |
| Trade and other payables | 17 | 26,784,899 | 21,928,921 | 6,090,029 | 4,069,933 |
| Taxation | | 33,000 | 4,429 | - | - |
| **Total current liabilities** | | 29,838,952 | 23,615,787 | 6,090,029 | 4,069,933 |
| **Total liabilities** | | 41,390,425 | 34,723,061 | 6,090,029 | 4,069,933 |
| **Total equity and liabilities** | | 122,226,411 | 114,762,313 | 64,053,197 | 61,543,225 |

The notes on pages 13 to 79 are an integral part of these financial statements.

# Privasia Technology Berhad
(Company No. 825092-U)
(Incorporated in Malaysia)
## and its subsidiaries

## Statements of profit or loss and other comprehensive income for the year ended 31 December 2015

| | Note | Group 2015 RM | Group 2014 RM | Company 2015 RM | Company 2014 RM |
|---|---|---|---|---|---|
| **Revenue** | | 81,345,878 | 73,891,677 | 5,355,964 | 4,587,416 |
| Cost of sales | | (54,527,976) | (47,534,320) | - | - |
| **Gross profit** | | 26,817,902 | 26,357,357 | 5,355,964 | 4,587,416 |
| Other income | | 235,353 | 272,197 | 372 | - |
| Other operating expenses | | (23,267,230) | (16,817,255) | (3,470,968) | (3,077,185) |
| **Results from operating activities** | | 3,786,025 | 9,812,299 | 1,885,368 | 1,510,231 |
| Finance income | | 54,545 | 164,897 | 8 | - |
| Finance costs | | (532,721) | (620,296) | - | - |
| **Profit before tax** | 18 | 3,307,849 | 9,356,900 | 1,885,376 | 1,510,231 |
| Tax expense | 19 | (1,115,615) | (2,918,171) | - | - |
| **Net profit for the year and total comprehensive income for the year** | | 2,192,234 | 6,438,729 | 1,885,376 | 1,510,231 |
| **Profit and total comprehensive income attributable to:** | | | | | |
| Owners of the Company | | 3,119,771 | 6,482,425 | 1,885,376 | 1,510,231 |
| Non-controlling interests | | (927,537) | (43,696) | - | - |
| **Net profit for the year** | | 2,192,234 | 6,438,729 | 1,885,376 | 1,510,231 |
| **Basic earnings per ordinary share (sen)** | 21 | 0.56 | 1.16 | | |

The notes on pages 13 to 79 are an integral part of these financial statements.

# Privasia Technology Berhad
(Company No. 825092-U)
(Incorporated in Malaysia)
## and its subsidiaries

# Consolidated statement of changes in equity for the year ended 31 December 2015

| | | *<-----Attributable to owners of the Company----->* | | | | |
|---|---|---|---|---|---|---|
| | | *Non-distributable* | *Distributable* | | | |
| **Group** | **Note** | **Share capital RM** | **Retained earnings RM** | **Subtotal RM** | **Non-controlling interests RM** | **Total equity RM** |
| **At 1 January 2014** | | 55,820,002 | 19,093,368 | 74,913,370 | 281,753 | 75,195,123 |
| **Net profit/Total comprehensive income for the year** | | - | 6,482,425 | 6,482,425 | (43,696) | 6,438,729 |
| *Distribution to owners of the Company* | | | | | | |
| - Dividend paid | 22 | - | (1,674,600) | (1,674,600) | - | (1,674,600) |
| Changes in ownership interests in a subsidiary | | - | - | - | 80,000 | 80,000 |
| **Total transactions with owners of the Group** | | - | (1,674,600) | (1,674,600) | 80,000 | (1,594,600) |
| **At 31 December 2014/1 January 2015** | | 55,820,002 | 23,901,193 | 79,721,195 | 318,057 | 80,039,252 |
| **Net profit/Total comprehensive income for the year** | | - | 3,119,771 | 3,119,771 | (927,537) | 2,192,234 |
| *Distribution to owners of the Company* | | | | | | |
| - Dividend paid | 22 | - | (1,395,500) | (1,395,500) | - | (1,395,500) |
| **Total transaction with owners of the Group** | | - | (1,395,500) | (1,395,500) | - | (1,395,500) |
| **At 31 December 2015** | | 55,820,002 | 25,625,464 | 81,445,466 | (609,480) | 80,835,986 |
| | | Note 14 | | | | |

The notes on pages 13 to 79 are an integral part of these financial statements.

# Privasia Technology Berhad
(Company No. 825092-U)
(Incorporated in Malaysia)
## and its subsidiaries

# Statement of changes in equity for the year ended 31 December 2015

| Company | Note | *Non-distributable* Share capital RM | *Distributable* Retained earnings RM | Total RM |
|---|---|---|---|---|
| **At 1 January 2014** | | 55,820,002 | 1,817,659 | 57,637,661 |
| **Net profit/Total comprehensive income for the year** | | - | 1,510,231 | 1,510,231 |
| Distributions to the owners of the Company | | | | |
| - Dividend paid | 22 | - | (1,674,600) | (1,674,600) |
| **Total transactions with the owners of the Company** | | - | (1,674,600) | (1,674,600) |
| **At 31 December 2014/1 January 2015** | | 55,820,002 | 1,653,290 | 57,473,292 |
| **Net profit/Total comprehensive income for the year** | | - | 1,885,376 | 1,885,376 |
| Distributions to the owners of the Company | | | | |
| - Dividend paid | 22 | - | (1,395,500) | (1,395,500) |
| **Total transactions with the owners of the Company** | | - | (1,395,500) | (1,395,500) |
| **At 31 December 2015** | | 55,820,002 | 2,143,166 | 57,963,168 |
| | | Note 14 | | |

The notes on pages 13 to 79 are an integral part of these financial statements.

# Privasia Technology Berhad
(Company No. 825092-U)
(Incorporated in Malaysia)
# and its subsidiaries

## Statements of cash flows for the year ended 31 December 2015

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **RM** | **RM** | **RM** | **RM** |
| **Cash flows from operating activities** | | | | |
| Profit before tax | 3,307,849 | 9,356,900 | 1,885,376 | 1,510,231 |
| Adjustments for: | | | | |
| Amortisation of intangible assets | 527,514 | 454,930 | - | - |
| Bad debts written off | 173,606 | - | - | - |
| Depreciation of investment properties | 47,767 | 47,767 | - | - |
| Depreciation of property, plant and equipment | 8,814,139 | 7,728,597 | - | - |
| Finance costs | 532,721 | 620,296 | - | - |
| Finance income | (54,545) | (164,897) | (8) | - |
| Loss on disposal of property, plant and equipment | - | 8,197 | - | - |
| Inventories written down | 129,492 | 37,319 | - | - |
| Impairment loss on trade receivables | 858,875 | 938,305 | - | - |
| Reversal of impairment loss on trade receivables | - | (98,761) | - | - |
| Property, plant and equipment written off | 6,916 | 1,673 | - | - |
| Impairment loss on goodwill | - | 320,000 | - | - |
| Unrealised loss on foreign exchange | 697,965 | 19,090 | - | - |
| **Operating profit before changes in working capital** | 15,042,299 | 19,269,416 | 1,885,368 | 1,510,231 |
| Changes in working capital: | | | | |
| Inventories | (677,465) | (225,389) | - | - |
| Work-in-progress | 849,448 | 2,775,665 | - | - |
| Trade and other receivables | (8,868,922) | (8,961,091) | (2,598,915) | (1,499,650) |
| Trade and other payables | 4,158,013 | 11,308,495 | 2,020,096 | 2,177,451 |
| **Cash generated from operations** | 10,503,373 | 24,167,096 | 1,306,549 | 2,188,032 |
| Interest received | 54,545 | 164,897 | 8 | - |
| Tax refunded | 990 | 60,734 | - | - |
| Tax paid | (3,100,356) | (2,524,223) | - | - |
| **Net cash generated from operating activities** | 7,458,552 | 21,868,504 | 1,306,557 | 2,188,032 |

Company No. 825092-U

# Statements of cash flows for the year ended 31 December 2015 (continued)

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2015 | 2014 | 2015 | 2014 |
| | Note | RM | RM | RM | RM |
| **Cash flows from investing activities** | | | | | |
| Acquisition of intangible assets | | (951,964) | (756,361) | - | - |
| Acquisition of property, plant and equipment | (i) | (7,429,648) | (10,834,974) | - | - |
| Acquisition of available-for-sale financial assets | | - | (500,000) | - | (500,000) |
| Increase in investment in subsidiary | | - | - | - | (120,002) |
| Proceeds from disposal of property, plant and equipment | | - | 11,648 | - | - |
| **Net cash used in investing activities** | | (8,381,612) | (12,079,687) | - | (620,002) |
| **Cash flows from financing activities** | | | | | |
| Dividends paid | 22 | (1,395,500) | (1,674,600) | (1,395,500) | (1,674,600) |
| Increase in pledged deposits | | (817,298) | (418,048) | - | - |
| Interest paid | | (532,721) | (620,296) | - | - |
| Proceeds from/(Repayment of) loan and borrowings | | 1,856,794 | (5,657,188) | - | - |
| **Net cash used in financing activities** | | (888,725) | (8,370,132) | (1,395,500) | (1,674,600) |
| **Net (decrease)/increase in cash and cash equivalents** | | (1,811,785) | 1,418,685 | (88,943) | (106,570) |
| Cash and cash equivalents at beginning of year | | 7,770,509 | 6,351,824 | 94,063 | 200,633 |
| **Cash and cash equivalents at end of year** | (ii) | 5,958,724 | 7,770,509 | 5,120 | 94,063 |

Company No. 825092-U

# Statements of cash flows for the year ended 31 December 2015 (continued)

***(i) Acquisition of property, plant and equipment***

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM7,824,068 (2014: RM10,957,172), of which RM394,420 (2014: RM122,198), were acquired by means of finance leases.

***(ii) Cash and cash equivalents***

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

| | | Group | | Company | |
|---|---|---|---|---|---|
| | **Note** | **2015 RM** | **2014 RM** | **2015 RM** | **2014 RM** |
| Deposits | 13 | 5,156,694 | 5,597,072 | - | - |
| Less: Pledged deposits with licensed banks | 13.1 | (3,165,360) | (2,348,062) | - | - |
| | | 1,991,334 | 3,249,010 | | |
| Cash and bank balances | 13 | 4,068,533 | 4,830,416 | 5,120 | 94,063 |
| Bank overdraft | 15 | (101,143) | (308,917) | | |
| | | 5,958,724 | 7,770,509 | 5,120 | 94,063 |

# Privasia Technology Berhad
(Company No. 825092-U)
(Incorporated in Malaysia)
# and its subsidiaries

# Notes to the financial statements

Privasia Technology Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the ACE Market of Bursa Malaysia Securities Berhad. The addresses of its principal place of business and registered office of the Company are as follows:

**Principal place of business**
Unit C-21-05
3 Two Square
No. 2, Jalan 19/1
46300 Petaling Jaya
Selangor Darul Ehsan

**Registered office**
13A, Jalan SS21/56B
Damansara Utama
47400 Petaling Jaya
Selangor Darul Ehsan

The consolidated financial statements as at and for the financial year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in an associate. The financial statements of the Company as at and for the financial year ended 31 December 2015 do not include other entities.

The Company is principally engaged in investment holding activities whilst the principal activities of the subsidiaries are as stated in Note 6 to the financial statements.

The financial statements were approved by the Board of Directors on 18 April 2016.

## 1. Basis of preparation

### (a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

# 1. Basis of preparation (continued)

## (a) Statement of compliance (continued)

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016***

- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017***

- Amendments to MFRS 107, Statement of Cash Flows – Disclosure Initiative
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018***

- MFRS 9, *Financial Instruments* (2014)
- MFRS 15, *Revenue from Contracts with Customers*

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019***

- MFRS 16, *Leases*

# 1. Basis of preparation (continued)

## (a) Statement of compliance (continued)

***MFRSs, Interpretations and amendments effective for a date yet to be confirmed***

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations, where applicable:

- from the annual period beginning on 1 January 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016;

- from the annual period beginning on 1 January 2017 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2017;

- from the annual period beginning on 1 January 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018; and,

- from the annual period beginning on 1 January 2019 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2019.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impact to the current period and prior period financial statements of the Group and the Company except as mentioned below:

**(i) MFRS 15, *Revenue from Contracts with Customers***

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15.

# 1. Basis of preparation (continued)

## (a) Statement of compliance (continued)

**(ii) MFRS 9, *Financial Instruments***

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

**(iii)MFRS 16, *Leases***

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

## (b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2 to the financial statements.

## (c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (“RM”), which is the Company’s functional currency. All financial information is presented in RM unless otherwise stated.

# 1. Basis of preparation (continued)

## (d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

(i) Valuation of investment properties (Note 4)
(ii) Impairment of goodwill and intangible assets (Note 5)
(iii) Impairment losses on trade and other receivables (Note 12)

# 2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

## (a) Basis of consolidation

### (i) Subsidiaries

Subsidiaries are entities including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

### (ii) Business combination

Business combinations are accounted for using acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

# 2. Significant accounting policies (continued)

## (a) Basis of consolidation (continued)

### (ii) Business combination (continued)

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

### (iii) Acquisition of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

### (iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

# 2. Significant accounting policies (continued)

## (a) Basis of consolidation (continued)

### (v) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when the equity method is discontinued is recognised in profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of the investment includes transaction costs.

# 2. Significant accounting policies (continued)

## (a) Basis of consolidation (continued)

### (vi) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

### (vii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

## (b) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

# 2. Significant accounting policies (continued)

## (c) Financial instruments

### (i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

### (ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

***Financial assets***

***(a) Loans and receivables***

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

***(b) Available-for-sale financial assets***

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss.

## 2. Significant accounting policies (continued)

### (c) Financial instruments (continued)

**(ii) Financial instrument categories and subsequent measurement (continued)**

***Financial assets (continued)***

***(b) Available-for-sale financial assets (continued)***

On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(k)(i)).

***Financial liabilities***

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

**(iii) Derecognition**

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

# 2. Significant accounting policies (continued)

## (c) Financial instruments (continued)

### (iii) Derecognition (continued)

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

## (d) Property, plant and equipment

### (i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

# 2. Significant accounting policies (continued)

## (d) Property, plant and equipment (continued)

### (i) Recognition and measurement (continued)

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other operating expenses" respectively in profit or loss.

### (ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

### (iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

- Buildings — 95 years
- Computer equipment — 3 - 5 years
- Telecommunication and other equipment — 3 - 5 years
- Renovation — 3 - 5 years
- Motor vehicles — 5 years
- Small value assets — 1 year

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period, and adjusted as appropriate.

# 2. Significant accounting policies (continued)

## (e) Leased assets

### (i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

### (ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership, are classified as operating leases and the leased assets are not recognised on the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

## (f) Intangible assets

### (i) Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses.

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

# 2. Significant accounting policies (continued)

## (f) Intangible assets (continued)

### (i) Goodwill (continued)

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

### (ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Expenditure on development activities, whereby the application of research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and overheads costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss as incurred. Capitalised development expenditure is measured at cost less any accumulated amortisation and any accumulated impairment losses.

### (iii) Other intangible assets

Intangible assets, other than goodwill, that are acquired by the Group, which have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses.

### (iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

# 2. Significant accounting policies (continued)

## (f) Intangible assets (continued)

### (v) Amortisation

Goodwill and intangible assets with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

Other intangible assets are amortised from the date that they are available for use. Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful lives for the current and comparative periods are as follows:

- Software costs 3 - 5 years
- Development costs 3 - 5 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

## (g) Investment property

**Investment property carried at cost**

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both. These include leasehold land which in substance is a finance lease held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy Note 2(d).

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of 95 years for buildings.

# 2. Significant accounting policies (continued)

## (h) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

## (i) Work-in-progress

Work-in-progress is measured at the lower of cost and net realisable value. The cost of work-in-progress includes expenditure, license fees and other incidental costs incurred in developing the work-in-progress.

## (j) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

# 2. Significant accounting policies (continued)

## (k) Impairment

### (i) Financial assets

All financial assets (except for investment in subsidiaries and investment in associate) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

### (ii) Other assets

The carrying amounts of other assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

# 2. Significant accounting policies (continued)

## (k) Impairment (continued)

### (ii) Other assets (continued)

For the purpose of impairment testing, assets are grouped together into the smallest group assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating units (groups of cash-generating units) on a *pro rata* basis.

# 2. Significant accounting policies (continued)

## (k) Impairment (continued)

### (ii) Other assets (continued)

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

## (l) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

### (i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

### (ii) Ordinary shares

Ordinary shares are classified as equity.

## (m) Employee benefits

### (i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

# 2. Significant accounting policies (continued)

## (m) Employee benefits (continued)

### (ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

## (n) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

## (o) Revenue

### (i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

### (ii) Services

Revenue from services rendered is recognised in proportion to the stage of completion, unless they are incidental to the sale of product in which case they are recognised when the goods are sold. The stage of completion is assessed by reference to surveys of work performed to date as percentage of total services to be performed. Where the outcome of the transaction cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

# 2. Significant accounting policies (continued)

## (o) Revenue (continued)

### (iii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established.

### (iv) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Rental income from subleased property is recognised as other income in profit or loss.

### (v) Finance income

Finance income is recognised as it accrues using the effective interest method in profit or loss except for finance income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

## (p) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

# 2. Significant accounting policies (continued)

## (q) Tax expense

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

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

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary difference: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

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

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

# 2. Significant accounting policies (continued)

## (r) Earnings per ordinary share

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

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

## (s) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

## (t) Contingencies

### (i) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### (ii) Contingent assets

Where it is not possible that there is an inflow of economic benefits, or the account cannot be estimated reliably, the asset is not recognised in the statements of financial position and is disclosed as contingent asset, unless the probability of inflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets unless the probability of inflow of economic benefits is remote.

# 2. Significant accounting policies (continued)

## (u) Fair value measurement

Fair value of an asset or a liability, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

Company No. 825092-U

## 3. Property, plant and equipment

| Group | Buildings | Computer equipment | Telecommu-nication and other equipment | Renovation | Motor vehicles | Small value assets | Total |
|---|---|---|---|---|---|---|---|
| | RM | RM | RM | RM | RM | RM | RM |
| ***Cost*** | | | | | | | |
| At 1 January 2014 | 10,000,000 | 23,991,588 | 18,073,822 | 608,793 | 87,355 | 85,705 | 52,847,263 |
| Additions | - | 6,579,559 | 4,366,072 | - | - | 11,541 | 10,957,172 |
| Disposals | - | (125,733) | (32,230) | - | - | (481) | (158,444) |
| Written off | - | (7,030) | - | - | - | - | (7,030) |
| At 31 December 2014/ 1 January 2015 | 10,000,000 | 30,438,384 | 22,407,664 | 608,793 | 87,355 | 96,765 | 63,638,961 |
| Additions | - | 550,949 | 7,206,915 | 53,156 | - | 13,048 | 7,824,068 |
| Written off | - | (90,655) | (9,449) | - | - | - | (100,104) |
| At 31 December 2015 | 10,000,000 | 30,898,678 | 29,605,130 | 661,949 | 87,355 | 109,813 | 71,362,925 |
| ***Accumulated depreciation*** | | | | | | | |
| At 1 January 2014 | 317,282 | 13,961,646 | 10,340,638 | 573,443 | 21,467 | 79,715 | 25,294,191 |
| Charge for the year | 106,150 | 4,444,712 | 3,134,890 | 19,675 | 16,822 | 6,348 | 7,728,597 |
| Disposals | - | (117,866) | (20,651) | - | - | (82) | (138,599) |
| Written off | - | (5,357) | - | - | - | - | (5,357) |
| At 31 December 2014/ 1 January 2015 | 423,432 | 18,283,135 | 13,454,877 | 593,118 | 38,289 | 85,981 | 32,878,832 |
| Charge for the year | 106,150 | 4,498,972 | 4,150,513 | 28,129 | 16,822 | 13,553 | 8,814,139 |
| Written off | - | (87,113) | (6,075) | - | - | - | (93,188) |
| At 31 December 2015 | 529,582 | 22,694,994 | 17,599,315 | 621,247 | 55,111 | 99,534 | 41,599,783 |

## 3. Property, plant and equipment (continued)

| Group | Buildings | Computer equipment | Telecommu-nication and other equipment | Renovation | Motor vehicles | Small value assets | Total |
|---|---|---|---|---|---|---|---|
| | RM | RM | RM | RM | RM | RM | RM |
| ***Carrying amounts*** | | | | | | | |
| At 1 January 2014 | 9,682,718 | 10,029,942 | 7,733,184 | 35,350 | 65,888 | 5,990 | 27,553,072 |
| At 31 December 2014/ 1 January 2015 | 9,576,568 | 12,155,249 | 8,952,787 | 15,675 | 49,066 | 10,784 | 30,760,129 |
| At 31 December 2015 | 9,470,418 | 8,203,684 | 12,005,815 | 40,702 | 32,244 | 10,279 | 29,763,142 |

At 31 December 2015, buildings of the Group with carrying amount of RM9,470,418 (2014: RM9,576,568) have been pledged as security for term loans from a licensed bank (see Note 15).

At 31 December 2015, the carrying amount of leased computer equipment amounted to RM455,914 (2014: RM137,206).

Company No. 825092-U

# 4. Investment properties

| | Group RM |
|---|---|
| ***Cost*** | |
| At 1 January 2014/31 December 2014/1 January 2015/ 31 December 2015 | 4,500,000 |
| ***Accumulated depreciation*** | |
| At 1 January 2014 | 142,777 |
| Charge for the year | 47,767 |
| At 31 December 2014/1 January 2015 | 190,544 |
| Charge for the year | 47,767 |
| At 31 December 2015 | 238,311 |
| ***Carrying amounts*** | |
| At 1 January 2014 | 4,357,223 |
| At 31 December 2014/1 January 2015 | 4,309,456 |
| At 31 December 2015 | 4,261,689 |

Investment properties comprise a number of commercial properties that are leased or available for lease to third parties. Each of the lease contains an initial non-cancellable period of six months (see Note 26). Subsequent renewals are negotiated with the lessee. No contingent rents are charged.

The following are recognised in profit or loss in respect of investment properties:

| | Group | |
|---|---|---|
| | **2015 RM** | **2014 RM** |
| Rental income | 191,669 | 189,869 |
| Direct operating expenses | (58,266) | (57,095) |

At 31 December 2015, investment properties of the Group with carrying amount of RM4,261,689 (2014: RM4,309,456) have been pledged as security for term loans from a licensed bank (Note 15).

# 4. Investment properties (continued)

**Fair value information**

Fair value of investment properties are categorised as follows:

| | <----- Fair value -----> Level 3 RM | Total RM | Carrying amount RM |
|---|---|---|---|
| **2015** | | | |
| Investment properties | 5,264,048 | 5,264,048 | 4,261,689 |
| **2014** | | | |
| Investment properties | 5,500,000 | 5,500,000 | 4,309,456 |

**Policy on transfer between levels**
The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

**Level 3 fair value**
Level 3 fair value is estimated using unobservable inputs for the investment properties.

# 4. Investment properties (continued)

**Fair value information (continued)**

The following table shows the valuation technique used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

| Description of valuation technique and inputs used | Significant unobservable inputs | Inter-relationship between significant unobservable inputs and fair value measurement |
|---|---|---|
| Sales comparison approach: Sales price of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot. | Price per square foot | The estimated fair value would increase (decrease) if the price per square foot is higher (lower). |

**Valuation processes applied by the Group for Level 3 fair value**

The fair value of investment properties is determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. Changes in Level 3 fair values are analysed by the management after obtaining valuation report from the valuer.

Company No. 825092-U

# 5. Intangible assets

| Group | Goodwill RM | Development costs RM | Software costs RM | Total RM |
|---|---|---|---|---|
| ***Cost*** | | | | |
| At 1 January 2014 | 36,005,230 | 7,330,342 | 2,984,976 | 46,320,548 |
| Additions | - | 150,402 | 605,959 | 756,361 |
| At 31 December 2014/ 1 January 2015 | 36,005,230 | 7,480,744 | 3,590,935 | 47,076,909 |
| Additions | - | 750,636 | 201,328 | 951,964 |
| At 31 December 2015 | 36,005,230 | 8,231,380 | 3,792,263 | 48,028,873 |
| ***Accumulated amortisation and impairment loss*** | | | | |
| At 1 January 2014 | | | | |
| Accumulated amortisation | - | 7,221,991 | 2,190,857 | 9,412,848 |
| Amortisation for the year | - | 91,514 | 363,416 | 454,930 |
| Impairment loss for the year | 320,000 | - | - | 320,000 |
| At 31 December 2014/ 1 January 2015 | | | | |
| Accumulated amortisation | - | 7,313,505 | 2,554,273 | 9,867,778 |
| Accumulated impairment loss | 320,000 | - | - | 320,000 |
| | 320,000 | 7,313,505 | 2,554,273 | 10,187,778 |
| Amortisation for the year | - | 51,586 | 475,928 | 527,514 |
| At 31 December 2015 | | | | |
| Accumulated amortisation | - | 7,365,091 | 3,030,201 | 10,395,292 |
| Accumulated impairment loss | 320,000 | - | - | 320,000 |
| | 320,000 | 7,365,091 | 3,030,201 | 10,715,292 |
| ***Carrying amounts*** | | | | |
| At 1 January 2014 | 36,005,230 | 108,351 | 794,119 | 36,907,700 |
| At 31 December 2014/ 1 January 2015 | 35,685,230 | 167,239 | 1,036,662 | 36,889,131 |
| At 31 December 2015 | 35,685,230 | 866,289 | 762,062 | 37,313,581 |

### *5.1 Amortisation*

The amortisation of development costs and software costs are recognised in cost of sales.

# 5. Intangible assets (continued)

### *5.2 Impairment testing for cash-generating units ("CGU") containing goodwill*

During the current financial year, management performed a realignment of the business segments of the Group (see Note 23). Goodwill is allocated to the Group's operating segments which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Following from the realignment of business segments, the aggregate carrying amounts of goodwill allocated to each unit and corresponding comparatives are as follows:

| | **2015** | | **2014** | |
|---|---|---|---|---|
| | | **Discount rate** | | **Discount rate** |
| **Group** | **RM** | **%** | **RM** | **%** |
| ***Cash-generating unit*** | | | | |
| Information Technology ("IT") | 31,189,056 | 12.13 | 31,189,056 | 13.90 |
| Information and Communication Technology ("ICT") | 4,027,178 | 12.13 | 4,027,178 | 13.90 |
| Satellite-based network services ("SAT") | 468,996 | 12.13 | 468,996 | 13.90 |
| | 35,685,230 | | 35,685,230 | |

Prior to the realignment of the business segments, the cash-generating units of the Group as at 31 December 2014 were as follows:

| | **2014** | |
|---|---|---|
| | | **Discount rate** |
| **Group** | **RM** | **%** |
| ***Cash-generating unit*** | | |
| Outsourcing and Consulting ("OSD") | 24,043,836 | 13.90 |
| E-procurement ("E-proc") | 7,145,220 | 13.90 |
| Information and Communication Technologies Distribution ("CDIST") | 2,931,323 | 13.90 |
| Information and Communication Technologies Services ("CSERV") | 1,095,855 | 13.90 |
| Satellite-based network services ("SAT") | 468,996 | 13.90 |
| | 35,685,230 | |

# 5. Intangible assets (continued)

### *5.2 Impairment testing for cash-generating units ("CGU") containing goodwill (continued)*

The recoverable amount of the CGUs are based on their value in use, determined by discounting future cash flows to be generated by the respective CGUs. The following key assumptions are used:

- Cash flows are projected based on past experience, actual operating results and a 3 years business plan approved by management. Cash flows for a further 2 years period were extrapolated from this projection.
- Revenue growth rates are extrapolated using a constant growth rate of 5% for years 4 to 5 and a terminal growth rate of 3% for the remaining years, which does not exceed the long-term average growth rate of the ICT industry.
- Operating expenses are expected to increase based on an annual rates at 5%.
- A pre-tax discount rate of 12.13% (2014: 13.90%) has been applied in determining the recoverable amount of the unit.

The estimated recoverable amount of each CGU exceeded the carrying amount of the units (including goodwill).

Management believes that any reasonably possible change in the key assumptions would not cause the carrying amount of the goodwill to exceed the recoverable amount of the CGU. Based on this review, there is no evidence of impairment on the Group's goodwill.

# 6. Investment in subsidiaries

| | Company 2015 RM | Company 2014 RM |
|---|---|---|
| At cost: | | |
| Unquoted shares | 58,403,181 | 58,403,181 |

Details of the subsidiaries, which are all incorporated in Malaysia, are as follows:

| Name of subsidiary | Principal activities | Effective ownership interest 2015 % | Effective ownership interest 2014 % |
|---|---|---|---|
| Privasia Sdn. Bhd. | Outsourcing, consultation, e-procurement and related functions | 100 | 100 |
| Privanet Sdn. Bhd. | Provision of total wireless and communication solutions | 100 | 100 |
| IPSAT Sdn. Bhd. | Providing high speed internet broadband access (satellite services) | 100 | 100 |
| Spring Reach Distribution Sdn. Bhd. | Trading of electronic and telecommunication equipment | 70 | 70 |
| Privagen Sdn. Bhd. | Trading of information technology equipment and software | 60 | 60 |
| *Subsidiaries of Privasia Sdn. Bhd.*: | | | |
| Privasia (Sabah) Sdn. Bhd. | Provision of supplying, testing and commissioning of IT active equipment | 100 | 100 |
| Privacom Sdn. Bhd. | Dealer in data processing equipment, computer systems and provision of telecommunication and computer network consultancy services, temporarily ceased operations | 100 | 100 |

# 6. Investment in subsidiaries (continued)

| Name of subsidiary | Principal activities | Effective ownership interest 2015 % | Effective ownership interest 2014 % |
|---|---|---|---|
| *Subsidiaries of Privanet Sdn. Bhd.:* | | | |
| Privatel Sdn. Bhd. | Provision of mobile development and services multimedia content | 75 | 75 |
| Scantel Sdn. Bhd. | Provision of communication solutions | 100 | 100 |

# 7. Investment in an associate

| | Group 2015 RM | Group 2014 RM |
|---|---|---|
| At cost: | | |
| Unquoted shares | 30 | 30 |
| Share of post-acquisition reserves | (30) | (30) |
| | - | - |

Details of the associate, incorporated in Malaysia, is as follows:

| Name of subsidiary | Principal activities | Effective ownership interest 2015 % | Effective ownership interest 2014 % |
|---|---|---|---|
| Infocrats Sdn. Bhd. | Provision of systems development in computer software solutions and packages. | 30 | 30 |

## 8. Available-for-sale financial asset

| | Group and Company | |
|---|---|---|
| | 2015 | 2014 |
| | RM | RM |
| Unquoted shares in Malaysia, at cost | 500,000 | 500,000 |

It was not practicable to estimate and reliably measure the fair value of the Company's investment in unquoted shares due to the lack of comparable quoted prices in an active market.

## 9. Inventories

| | Group | |
|---|---|---|
| | 2015 | 2014 |
| | RM | RM |
| Finished goods | 3,218,269 | 2,670,296 |
| Recognised in profit or loss: | | |
| Inventories recognised as cost of sales | 494,527 | 157,466 |
| Write-down to net realisable value | 129,492 | 37,319 |

## 10. Work-in-progress

| | Group | |
|---|---|---|
| | 2015 | 2014 |
| | RM | RM |
| At cost: | | |
| Work-in-progress | 78,271 | 927,719 |

## 11. Tax recoverable

Tax recoverable is estimated and will be finalised upon submission of the tax returns to the Inland Revenue Board of Malaysia.

Company No. 825092-U

## 12. Trade and other receivables

| | Note | Group 2015 RM | Group 2014 RM | Company 2015 RM | Company 2014 RM |
|---|---|---|---|---|---|
| **Trade** | | | | | |
| Trade receivables | | 27,529,344 | 24,460,406 | - | - |
| Allowance for impairment loss | | (2,175,233) | (1,316,358) | - | - |
| | | 25,354,111 | 23,144,048 | - | - |
| Unbilled revenue | | 3,273,209 | - | - | - |
| **Non-trade** | | | | | |
| Amount due from related companies | 12.1 | - | - | 1,274,110 | 12,814 |
| Amount due from subsidiaries | 12.1 | - | - | 3,788,286 | 2,531,167 |
| Other receivables | | 1,370,023 | 1,289,185 | 80,500 | - |
| Deposits | | 2,675,963 | 1,974,439 | 2,000 | 2,000 |
| Prepayments | | 2,806,330 | 1,235,523 | - | - |
| | | 6,852,316 | 4,499,147 | 5,144,896 | 2,545,981 |
| **Total trade and other receivables** | | 35,479,636 | 27,643,195 | 5,144,896 | 2,545,981 |

### *12.1 Amounts due from related companies and subsidiaries*

The amounts due from related companies and subsidiaries are unsecured, interest free and repayable on demand.

## 13. Cash and cash equivalents

| | Note | Group 2015 RM | Group 2014 RM | Company 2015 RM | Company 2014 RM |
|---|---|---|---|---|---|
| Deposits placed with licensed banks | | 5,156,694 | 5,597,072 | - | - |
| Cash and bank balances | 13.1 | 4,068,533 | 4,830,416 | 5,120 | 94,063 |
| | | 9,225,227 | 10,427,488 | 5,120 | 94,063 |

### *13.1 Deposits placed with licensed banks pledged for a bank facility*

Included in the deposits of the Group as at 31 December 2015 is RM3,165,360 (2014: RM2,348,062) pledged for bank facilities granted to certain subsidiaries in the Group (Note 15).

# 14. Share capital

| | Group and Company | | | |
|---|---|---|---|---|
| | Amount 2015 RM | Number of shares 2015 | Amount 2014 RM | Number of shares 2014 |
| **Ordinary shares of RM0.10 each** | | | | |
| Authorised | 100,000,000 | 1,000,000,000 | 100,000,000 | 1,000,000,000 |
| Issued and fully paid | 55,820,002 | 558,200,020 | 55,820,002 | 558,200,020 |

**Ordinary shares**

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company without restriction.

# 15. Loans and borrowings

| | | Group | |
|---|---|---|---|
| | Note | 2015 RM | 2014 RM |
| **Non-current** | | | |
| Secured term loans from licensed banks | 15.1 | 7,826,161 | 8,698,907 |
| Finance lease liabilities | | 1,622,591 | 45,020 |
| | | 9,448,752 | 8,743,927 |
| **Current** | | | |
| Secured term loans from licensed banks | 15.1 | 1,190,024 | 1,296,342 |
| Finance lease liabilities | | 1,729,886 | 77,178 |
| Bank overdrafts | 15.1 | 101,143 | 308,917 |
| | | 3,021,053 | 1,682,437 |
| **Total** | | 12,469,805 | 10,426,364 |

***15.1 Security***

The term loans are secured over buildings in property, plant and equipment with a carrying amount of RM9,470,418 (2014: RM9,576,568) (Note 3) and investment properties with a carrying amount of RM4,261,689 (2014: RM4,309,456) (Note 4).

As at 31 December 2015, deposits placed with licensed banks amounting to RM3,165,360 (2014: RM2,348,062) was pledged for term loans, bank overdrafts and bank guarantees granted to certain subsidiaries in the Group (Note 13).

# 15. Loans and borrowings (continued)

### *15.1 Security (continued)*

In addition, the term loans are also secured on all contract proceeds from the major customers of the Group and debenture by way of a fixed and floating charge on all present and future assets of the Group.

### *15.2 Terms and debt repayment schedule*

| **Group** | **Year of maturity** | **Carrying amount RM** | **Under 1 year RM** | **1 – 5 years RM** | **Over 5 years RM** |
|---|---|---|---|---|---|
| **2015** | | | | | |
| Secured term loans | | | | | |
| - licensed banks | 2022 | 9,016,185 | 1,190,024 | 5,318,928 | 2,507,233 |
| Finance lease liabilities | 2016 - 2017 | 3,352,477 | 1,729,886 | 1,622,591 | - |
| Bank overdrafts | * | 101,143 | 101,143 | - | - |
| **2014** | | | | | |
| Secured term loans | | | | | |
| - licensed banks | 2022 | 9,995,249 | 1,296,342 | 7,631,340 | 1,067,567 |
| Finance lease liabilities | 2016 | 122,198 | 77,178 | 45,020 | - |
| Bank overdrafts | * | 308,917 | 308,917 | - | - |

* The bank overdrafts are repayable on demand.

### *15.3 Finance lease liabilities*

Finance lease liabilities are payable as follows:

| **Group** | **Future minimum lease payments 2015 RM** | **Interest 2015 RM** | **Present value of minimum lease payments 2015 RM** | **Future minimum lease payments 2014 RM** | **Interest 2014 RM** | **Present value of minimum lease payments 2014 RM** |
|---|---|---|---|---|---|---|
| Less than one year | 1,742,825 | 12,939 | 1,729,886 | 83,172 | 5,994 | 77,178 |
| Between one and five years | 1,625,274 | 2,683 | 1,622,591 | 48,517 | 3,497 | 45,020 |
| | 3,368,099 | 15,622 | 3,352,477 | 131,689 | 9,491 | 122,198 |

# 16. Deferred tax assets/(liabilities)

**Recognised deferred tax assets/(liabilities)**

Deferred tax assets and liabilities are attributable to the following:

| | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| | 2015 RM | 2014 RM | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| **Group** | | | | | | |
| Property, plant and equipment | - | - | (2,102,721) | (2,363,347) | (2,102,721) | (2,363,347) |
| Provisions | 1,073,987 | 116,141 | - | - | 1,073,987 | 116,141 |
| Net tax assets/ (liabilities) | 1,073,987 | 116,141 | (2,102,721) | (2,363,347) | (1,028,734) | (2,247,206) |

**Movement in temporary differences during the year**

| Group | At 1.1.2014 RM | Recognised in profit or loss RM | At 31.12.2014/ 1.1.2015 RM | Recognised in profit or loss RM | At 31.12.2015 RM |
|---|---|---|---|---|---|
| Property, plant and equipment | (1,400,440) | (962,907) | (2,363,347) | 260,626 | (2,102,721) |
| Provisions | 54,877 | 61,264 | 116,141 | 957,846 | 1,073,987 |
| | (1,345,563) | (901,643) | (2,247,206) | 1,218,472 | (1,028,734) |
| | | Note 19 | | Note 19 | |

**Unrecognised deferred tax assets**

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

| | Group | |
|---|---|---|
| | 2015 RM | 2014 RM |
| Unutilised tax losses | 21,288,967 | 20,133,374 |
| Other deductible temporary differences | 1,598,411 | 1,246,058 |
| | 22,887,378 | 21,379,432 |

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from.

# 17. Trade and other payables

| | | Group | | Company | |
|---|---|---|---|---|---|
| | **Note** | **2015** | **2014** | **2015** | **2014** |
| | | **RM** | **RM** | **RM** | **RM** |
| **Trade** | | | | | |
| Trade payables | | 18,936,262 | 15,945,830 | - | - |
| **Non-trade** | | | | | |
| Amount due to subsidiaries | 17.1 | - | - | 5,990,535 | 3,853,056 |
| Other payables and accruals | | 7,848,637 | 5,983,091 | 99,494 | 216,877 |
| | | 7,848,637 | 5,983,091 | 6,090,029 | 4,069,933 |
| | | 26,784,899 | 21,928,921 | 6,090,029 | 4,069,933 |

### *17.1 Amount due to subsidiaries*

The amount due to subsidiaries is unsecured, interest free and repayable on demand.

## 18. Profit before tax

| | Group 2015 RM | Group 2014 RM | Company 2015 RM | Company 2014 RM |
|---|---|---|---|---|
| **Profit before tax is arrived at after charging:** | | | | |
| Amortisation of intangible assets | 527,514 | 454,930 | - | - |
| Auditors' remuneration | | | | |
| - Statutory audit services | 154,000 | 120,000 | 35,000 | 25,000 |
| - Other services | 59,000 | 37,000 | 55,000 | 35,000 |
| Depreciation of investment properties | 47,767 | 47,767 | - | - |
| Depreciation of property, plant and equipment | 8,814,139 | 7,728,597 | - | - |
| Directors' remuneration | 2,225,416 | 2,171,359 | 230,500 | 233,000 |
| Finance costs: | | | | |
| - Term loan | 430,305 | 612,840 | - | - |
| - Finance lease | 11,067 | 2,835 | - | - |
| - Bank overdrafts | 38,381 | 4,621 | - | - |
| - Others | 52,968 | - | - | - |
| Inventories written off | 129,492 | 37,319 | - | - |
| Impairment loss on trade receivables | 858,875 | 938,305 | - | - |
| Personnel expenses | | | | |
| - Contributions to Employees' Provident Fund | 1,181,831 | 1,174,738 | - | - |
| - Wages, salaries and others | 10,320,406 | 8,950,976 | - | - |
| Property, plant and equipment written off | 6,916 | 1,673 | - | - |
| Rental expenses | 300,439 | 269,075 | - | - |
| Impairment loss on goodwill | - | 320,000 | - | - |
| Unrealised loss on foreign exchange | 697,965 | 19,090 | - | - |
| Realised loss on foreign exchange | 441,552 | - | - | - |
| Loss on disposal of property, plant and equipment | - | 8,197 | - | - |
| Bad debts written off | 173,606 | - | - | - |
| **and after crediting:** | | | | |
| Finance income | 54,545 | 164,897 | 8 | - |
| Reversal of impairment loss on trade receivables | - | 98,761 | - | - |
| Rental income | 191,669 | 189,869 | - | - |
| Management fees | - | - | 2,955,964 | 2,427,416 |
| Dividend income from subsidiary | - | - | 2,400,000 | 2,160,000 |

## 19. Tax expense

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **RM** | **RM** | **RM** | **RM** |
| **Current tax** | | | | |
| - Current year | 2,939,260 | 2,286,456 | - | - |
| - Prior year | (605,173) | (269,928) | - | - |
| | 2,334,087 | 2,016,528 | - | - |
| **Deferred tax** | | | | |
| - Origination and reversal of temporary differences | (991,974) | 1,128,338 | - | - |
| - Over provision in prior year | (226,498) | (226,695) | - | - |
| | (1,218,472) | 901,643 | - | - |
| **Tax expense** | 1,115,615 | 2,918,171 | - | - |

***Reconciliation of tax expense***

| | Group 2015 RM | Group 2014 RM | Company 2015 RM | Company 2014 RM |
|---|---|---|---|---|
| Profit before tax | 3,307,849 | 9,356,900 | 1,885,376 | 1,510,231 |
| Income tax calculated using Malaysia tax rate of 25% | 826,962 | 2,339,225 | 471,344 | 377,558 |
| Effect of changes in tax rates | 17,929 | (92,713) | - | - |
| Non-deductible expenses | 740,488 | 942,913 | 73,559 | 42,243 |
| Effect of deferred tax not recognised | 361,907 | 225,369 | 55,097 | 120,199 |
| Taxation exempted | - | - | (600,000) | (540,000) |
| Over provision in prior years | (831,671) | (496,623) | - | - |
| | 1,115,615 | 2,918,171 | - | - |

## 20. Key management personnel compensation

The key management personnel compensations are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **RM** | **RM** | **RM** | **RM** |
| Directors: | | | | |
| Allowances | 74,500 | 77,000 | 14,500 | 17,000 |
| Fees | 216,000 | 216,000 | 216,000 | 216,000 |
| Salaries | 901,920 | 901,920 | - | - |
| Employees' Provident Fund | 117,468 | 117,648 | - | - |
| | 1,309,888 | 1,312,568 | 230,500 | 233,000 |
| Directors of the subsidiaries: | | | | |
| Salaries | 730,368 | 705,647 | - | - |
| Employees' Provident Fund | 95,160 | 75,144 | - | - |
| Allowance | 90,000 | 78,000 | - | - |
| | 915,528 | 858,791 | - | - |
| Total short-term employee benefits | 2,225,416 | 2,171,359 | 230,500 | 233,000 |

## 21. Earnings per ordinary share

**Basic/Diluted earnings per ordinary share**

The calculation of basic earnings per ordinary share at 31 December 2015 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **RM** | **RM** |
| Profit attributable to ordinary shareholders | 3,119,771 | 6,482,425 |
| *Weighted average number of ordinary shares* | | |
| At 1 January/31 December | 558,200,020 | 558,200,020 |
| Basic/Diluted earnings per ordinary share (sen) | 0.56 | 1.16 |

The Group had no dilutive potential ordinary shares during the current and prior financial year.

Company No. 825092-U

## 22. Dividend

Dividend recognised by the Company:

| | Sen per share | Total amount RM | Date of payment |
|---|---|---|---|
| **2015** | | | |
| Final 2014 ordinary | 0.25 | 1,395,500 | 15 July 2015 |
| **2014** | | | |
| Final 2013 ordinary | 0.30 | 1,674,600 | 18 July 2014 |

After the reporting period, the following dividend was proposed by the Directors. This dividend will be recognised in the subsequent financial period upon approval by the shareholders.

| | Sen per share | Total amount RM |
|---|---|---|
| **2015** | | |
| Final 2015 ordinary | 0.20 | 1,116,400 |

The Directors do not recommend any other dividends to be paid for the financial year under review.

## 23. Operating segments

During the current financial year, management performed a realignment of the business segments of the Group. Following from the realignment of business segments, the Group has three reportable segments, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Chief Executive Officer (the chief operating decision maker) reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's current reportable segments:

- Information Technology ("IT")
  Comprise of IT infrastructure outsourcing, consultancy and systems integration and procurement management.

- Information and Communications Technology ("ICT")
  Provision of wireless broadband infrastructure, comprehensive mobile and wireless communications consultancy, and systems development for ICT and mobile solutions providers and enterprises.

- Satellite-based network services ("SAT")
  The SAT segment provides a broad spectrum of satellite-based network solutions, such as managed network, high speed internet, value-added broadband applications and satellite IP Virtual Private Network for the commercial sector and general public.

Prior to the realignment of the business segments, the reportable segments of the Group were as follows:

- Outsourcing and Consulting ("OSD")
  The OSD segment covers two main areas: IT infrastructure outsourcing and consultancy and systems integration.

- E-Procurement ("E-Proc")
  The E-Proc segment provides procurement management.

- Information and Communication Technologies Distribution ("CDIST")
  The CDIST segment provides wireless broadband infrastructure, comprehensive mobile and wireless communications consultancy, and systems development for CDIST and mobile solutions providers and enterprises.

- Information and Communication Technologies Services ("CSERV")
  The CSERV segment provides Information and Communication Technologies.

- Satellite-based network services ("SAT")
  The SAT segment provides a broad spectrum of satellite-based network solutions, such as managed network, high speed internet, value-added broadband applications and satellite IP Virtual Private Network for the commercial sector and general public.

## 23. Operating segments (continued)

Performance is measured based on segment results, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer. Segment results are used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

**Segment assets and liabilities**

The total of segment assets and liabilities are measured based on all assets (including goodwill) and liabilities of a segment, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer.

Company No. 825092-U

## 23. Operating segments (continued)

| | IT RM | ICT RM | SAT RM | Eliminations RM | Total RM |
|---|---|---|---|---|---|
| **2015** | | | | | |
| Total segment revenue | 46,263,020 | 29,206,328 | 8,890,269 | (3,013,739) | 81,345,878 |
| Segment results | 18,423,916 | 7,914,405 | 479,581 | - | 26,817,902 |
| Other income | 224,462 | 4,813 | 6,078 | - | 235,353 |
| Other operating expenses | (12,526,759) | (8,081,105) | (4,932,492) | 2,273,126 | (23,267,230) |
| Results from operating activities | 6,121,619 | (161,887) | (4,446,833) | 2,273,126 | 3,786,025 |
| Interest income | | | | | 54,545 |
| Finance costs | | | | | (532,721) |
| Tax expense | | | | | (1,115,615) |
| **Net profit for the year** | | | | | 2,192,234 |
| Segment assets | 79,841,720 | 22,817,203 | 12,061,166 | (56,648,018) | 58,072,071 |
| Unallocated assets | | | | | 64,154,340 |
| **Total assets** | | | | | 122,226,411 |
| Segment liabilities | 28,881,323 | 30,425,651 | 12,076,738 | (36,184,458) | 35,199,254 |
| Unallocated liabilities | | | | | 6,191,171 |
| **Total liabilities** | | | | | 41,390,425 |

Company No. 825092-U

## 23. Operating segments (continued)

The restated comparative information due to the realignment of the business segments is as follows:

| | IT RM | ICT RM | SAT RM | Eliminations RM | Total RM |
|---|---|---|---|---|---|
| **2014** | | | | | |
| Total segment revenue | 46,391,301 | 18,429,707 | 11,158,857 | (2,088,188) | 73,891,677 |
| Segment results | 18,795,582 | 4,710,217 | 2,871,040 | (19,482) | 26,357,357 |
| Other income | 247,967 | 21,988 | 2,242 | - | 272,197 |
| Other operating expenses | (8,110,541) | (5,832,325) | (2,893,871) | 19,482 | (16,817,255) |
| Results from operating activities | 10,933,008 | (1,100,120) | (20,589) | - | 9,812,299 |
| Interest income | | | | | 164,897 |
| Finance costs | | | | | (620,296) |
| Tax expense | | | | | (2,918,171) |
| **Net profit for the year** | | | | | 6,438,729 |
| Segment assets | 69,890,910 | 18,619,926 | 8,213,959 | (43,540,990) | 53,183,805 |
| Unallocated assets | | | | | 61,578,508 |
| **Total assets** | | | | | 114,762,313 |
| Segment liabilities | 24,337,152 | 22,766,741 | 4,540,976 | (21,113,723) | 30,531,146 |
| Unallocated liabilities | | | | | 4,191,915 |
| **Total liabilities** | | | | | 34,723,061 |

# 23. Operating segments (continued)

Prior to the reorganisation of the operating segments, the operating segments of the Group were as follows:

| | OSD RM | E-PROC RM | CDIST RM | CSERV RM | SAT RM | Eliminations RM | Total RM |
|---|---|---|---|---|---|---|---|
| **2014** | | | | | | | |
| Total segment revenue | 37,304,390 | 9,086,911 | 201,235 | 18,228,472 | 11,158,857 | (2,088,188) | 73,891,677 |
| Segment results | 10,398,753 | 8,396,829 | 43,769 | 4,666,448 | 2,871,040 | (19,482) | 26,357,357 |
| Other income | 165,311 | 82,656 | 10,994 | 10,994 | 2,242 | - | 272,197 |
| Other operating expenses | (5,407,027) | (2,703,514) | (3,236,162) | (2,596,163) | (2,893,871) | 19,482 | (16,817,255) |
| Results from operating activities | 5,157,037 | 5,775,971 | (3,181,399) | 2,081,279 | (20,589) | - | 9,812,299 |
| Interest income | | | | | | | 164,897 |
| Finance costs | | | | | | | (620,296) |
| Tax expense | | | | | | | (2,918,171) |
| **Net profit for the year** | | | | | | | 6,438,729 |
| Segment assets | 60,829,820 | 9,061,090 | 4,356,398 | 14,263,528 | 8,213,959 | (43,540,990) | 53,183,805 |
| Unallocated assets | | | | | | | 61,578,508 |
| **Total assets** | | | | | | | 114,762,313 |
| Segment liabilities | 24,337,152 | - | 4,794,626 | 17,972,115 | 4,540,976 | (21,113,723) | 30,531,146 |
| Unallocated liabilities | | | | | | | 4,191,915 |
| **Total liabilities** | | | | | | | 34,723,061 |

**Geographical segments**

The Group operates in a single geographical location, and hence, no geographical segment reporting is presented.

Company No. 825092-U

# 24. Financial instruments

## 24.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables (“L&R”);
(b) Available for sale financial assets (“AFS”); and
(c) Financial liabilities measured at amortised cost (“FL”)

| Group | Carrying amount RM | L&R/ (FL) RM | AFS RM |
|---|---|---|---|
| **2015** | | | |
| **Financial assets** | | | |
| Available-for-sale financial assets | 500,000 | - | 500,000 |
| Trade and other receivables | 32,673,306 | 32,673,306 | - |
| Cash and cash equivalents | 9,225,227 | 9,225,227 | - |
| | 42,398,533 | 41,898,533 | 500,000 |
| **Financial liabilities** | | | |
| Loans and borrowings | (12,469,805) | (12,469,805) | - |
| Trade and other payables | (26,784,899) | (26,784,899) | - |
| | (39,254,704) | (39,254,704) | - |
| **2014** | | | |
| **Financial assets** | | | |
| Available-for-sale financial assets | 500,000 | - | 500,000 |
| Trade and other receivables | 26,407,672 | 26,407,672 | - |
| Cash and cash equivalents | 10,427,488 | 10,427,488 | - |
| | 37,335,160 | 36,835,160 | 500,000 |
| **Financial liabilities** | | | |
| Loans and borrowings | (10,426,364) | (10,426,364) | - |
| Trade and other payables | (21,928,921) | (21,928,921) | - |
| | (32,355,285) | (32,355,285) | - |

Company No. 825092-U

# 24. Financial instruments (continued)

## 24.1 Categories of financial instruments (continued)

| Company | Carrying amount RM | L&R/ (FL) RM | AFS RM |
|---|---|---|---|
| **2015** | | | |
| **Financial assets** | | | |
| Available-for-sale financial assets | 500,000 | - | 500,000 |
| Trade and other receivables | 5,144,896 | 5,144,896 | - |
| Cash and cash equivalents | 5,120 | 5,120 | - |
| | 5,650,016 | 5,150,016 | 500,000 |
| **Financial liabilities** | | | |
| Trade and other payables | (6,090,029) | (6,090,029) | - |
| **2014** | | | |
| **Financial assets** | | | |
| Available-for-sale financial assets | 500,000 | - | 500,000 |
| Trade and other receivables | 2,545,981 | 2,545,981 | - |
| Cash and cash equivalents | 94,063 | 94,063 | - |
| | 3,140,044 | 2,640,044 | 500,000 |
| **Financial liabilities** | | | |
| Trade and other payables | (4,069,933) | (4,069,933) | - |

## 24.2 Net gains and losses arising from financial instruments

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| **Net gains/(losses) arising on:** | | | | |
| Loans and receivables | | | | |
| - Impairment loss | (858,875) | (938,305) | - | - |
| - Reversal of impairment loss | - | 98,761 | - | - |
| - Bad debts written off | (173,606) | - | - | - |
| - Unrealised loss on foreign exchange | (697,965) | (19,090) | - | - |
| - Realised loss on foreign exchange | (441,552) | - | - | - |
| - Interest income | 54,545 | 164,897 | 8 | - |
| Other liabilities | | | | |
| - Interest expense | (532,721) | (620,296) | - | - |
| | (2,650,174) | (1,314,033) | 8 | - |

# 24. Financial instruments (continued)

## 24.3 Financial risk management

The Group and the Company have exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

## 24.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arise principally from advances to subsidiaries and related companies.

**Receivables**

*Risk management objectives, policies and processes for managing the risk*

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on new customers requiring credit over a certain amount.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

As at 31 December 2015, the Group has significant concentration of credit risk in the form of outstanding balances from 4 trade customers which amounted to approximately RM12.9 million representing 51% of total receivables. The Directors are of the opinion that the outstanding balances from these customers are fully recoverable based on the following:

- Significant payments have subsequently been received from these 4 customers after the reporting period;
- The Directors have made assessments that all these customers have the ability to repay the balances outstanding; and
- The Directors have received correspondence and confirmation that all these customers will repay the balances outstanding within agreed timelines.

# 24. Financial instruments (continued)

## 24.4 Credit risk (continued)

**Receivables (continued)**

*Exposure to credit risk, credit quality and collateral (continued)*

The Group is involved in the contracting business where the nature is such that the timing of receipts are uncertain for various reasons, including timing of certification of work done and timing of repayment from the main contractor. The Group has entered into a small number of contracts, all of which are monitored individually for completion and payment by the Directors and management. The Directors are confident that, based on their knowledge of payment patterns and subsequent payments received, the Group is able to fully recover the amounts due from its customers.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balance past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

The exposure of credit risk for trade receivables as at end of the reporting period by geographic region was:

| | **Group** | |
|---|---|---|
| | **2015** | **2014** |
| | **RM** | **RM** |
| Malaysia | 21,262,647 | 16,052,748 |
| Indonesia | 3,592,742 | 6,747,392 |
| Others | 498,722 | 343,908 |
| | 25,354,111 | 23,144,048 |

# 24. Financial instruments (continued)

## 24.4 Credit risk (continued)

**Receivables (continued)**

*Impairment losses*

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was:

| | Gross RM | Individual impairment RM | Net RM |
|---|---|---|---|
| **2015** | | | |
| Not past due | 4,830,402 | - | 4,830,402 |
| Past due 1 - 30 days | 3,073,518 | - | 3,073,518 |
| Past due 31 - 120 days | 5,824,347 | - | 5,824,347 |
| Past due more than 120 days | 13,801,077 | (2,175,233) | 11,625,844 |
| | 27,529,344 | (2,175,233) | 25,354,111 |
| **2014** | | | |
| Not past due | 7,247,976 | - | 7,247,976 |
| Past due 1 - 30 days | 9,352,564 | - | 9,352,564 |
| Past due 31 - 120 days | 2,320,624 | - | 2,320,624 |
| Past due more than 120 days | 5,539,242 | (1,316,358) | 4,222,884 |
| | 24,460,406 | (1,316,358) | 23,144,048 |

The movements in the allowance for impairment losses of trade receivables during the financial year were:

| | Group | |
|---|---|---|
| | **2015 RM** | **2014 RM** |
| At 1 January | 1,316,358 | 476,814 |
| Impairment loss recognised | 858,875 | 938,305 |
| Impairment loss reversed | - | (98,761) |
| At 31 December | 2,175,233 | 1,316,358 |

The allowance account in respect of receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivables directly.

# 24. Financial instruments (continued)

## 24.4 Credit risk (continued)

**Financial guarantees**

*Risk management objectives, policies and processes for managing the risk*

The Group provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Group monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

*Exposure to credit risk, credit quality and collateral*

The maximum exposure to credit risk amounts to RM9,117,328 (2014: RM10,304,166) representing the outstanding term loan and bank overdrafts of the subsidiaries as at the end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

**Intercompany balances**

*Risk management objectives, policies and processes for managing the risk*

The Group provides unsecured loans and advances to related companies. The Group monitors the results of the related companies regularly.

*Exposure to credit risk and credit quality*

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Loans and advances are only provided to subsidiaries by the Group.

*Impairment losses*

As at the end of the reporting period, there was no indication that the loans and advances to the related companies are not recoverable. The Group does not specifically monitor the ageing of the advances to the subsidiaries.

# 24. Financial instruments (continued)

## 24.4 Credit risk (continued)

**Cash and cash equivalents**

*Risk management objectives, policies and processes for managing the risk*

The Group's short term deposits are placed as fixed rates investments and upon which management endeavours to obtain the best rate available in the market.

Deposits with banks are placed with reputable financial institutions.

*Exposure to credit risk and credit quality*

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

*Impairment losses*

As at the end of the reporting period, there was no indication that cash and cash equivalents are not recoverable.

## 24.5 Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group and the Company maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due. The Company provides financial support to certain subsidiaries in the Group.

Company No. 825092-U

# 24. Financial instruments (continued)

## 24.5 Liquidity risk (continued)

*Maturity analysis (continued)*

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period based on undiscounted contractual payments.

| Group | Carrying amount RM | Effective interest rate per annum % | Contractual cash flows RM | Under 1 year RM | 1 - 5 years RM | More than 5 years RM |
|---|---|---|---|---|---|---|
| **2015** | | | | | | |
| Term loan | 9,016,185 | 4.40% | 10,419,517 | 1,562,928 | 6,251,710 | 2,604,879 |
| Finance lease liabilities | 3,352,477 | 7.50% | 3,368,099 | 1,742,825 | 1,625,274 | - |
| Bank overdraft | 101,143 | 8.10% | 109,336 | 109,336 | - | - |
| Trade and other payables | 26,784,899 | - | 26,784,899 | 26,784,899 | - | - |
| | 39,254,704 | | 40,681,851 | 30,199,988 | 7,876,984 | 2,604,879 |
| **2014** | | | | | | |
| Term loan | 9,995,249 | 4.40% | 11,701,388 | 1,526,268 | 6,105,072 | 4,070,048 |
| Finance lease liabilities | 122,198 | 7.50% | 131,689 | 83,172 | 48,517 | - |
| Bank overdraft | 308,917 | 8.10% | 333,939 | 333,939 | - | - |
| Trade and other payables | 21,928,921 | - | 21,928,921 | 21,928,921 | - | - |
| | 32,355,285 | | 34,095,937 | 23,872,300 | 6,153,589 | 4,070,048 |

# 24. Financial instruments (continued)

## 24.5 Liquidity risk (continued)

*Maturity analysis (continued)*

The table below summarises the maturity profile of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments.

| Company | Carrying amount RM | Effective interest rate per annum % | Contractual cash flows RM | Under 1 year RM | 1 - 5 years RM | More than 5 years RM |
|---|---|---|---|---|---|---|
| **2015** | | | | | | |
| Trade and other payables | 6,090,029 | - | 6,090,029 | 6,090,029 | - | - |
| Financial guarantee | - | 8.10% | 109,336 | 109,336 | - | - |
| **2014** | | | | | | |
| Trade and other payables | 4,069,933 | - | 4,069,933 | 4,069,933 | - | - |
| Financial guarantee | - | 8.10% | 333,939 | 333,939 | - | - |

# 24. Financial instruments (continued)

## 24.5 Liquidity risk (continued)

*Maturity analysis (continued)*

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

## 24.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's financial position or cash flows.

### 24.6.1 Currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Group. The currency giving rise to this risk is primarily U.S. Dollar ("USD").

*Risk management objectives, policies and processes for managing the risk*

The Group did not hedge any foreign trade receivables or payables denominated in foreign currencies during the year. In respect of other monetary assets and liabilities held in currencies other than Ringgit Malaysia, the Group ensures that the net exposure is kept to an acceptable level.

*Exposure to foreign currency risk*

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group) risk, based on carrying amounts as at the end of the reporting period was:

| | ***Denominated in USD*** | |
|---|---|---|
| | **2015** | **2014** |
| | **RM** | **RM** |
| **Group** | | |
| Trade receivables | 4,091,464 | 7,107,632 |
| Trade payables | (6,430,706) | (3,945,725) |
| **Net exposure** | (2,339,242) | 3,161,907 |

# 24. Financial instruments (continued)

## 24.6 Market risk (continued)

### 24.6.1 Currency risk (continued)

*Currency risk sensitivity analysis*

Foreign currency risk arises for transactions denominated in U.S Dollar. The exposure to currency risk for transactions other than U.S Dollar is not material and hence, sensitivity analysis is not presented.

A 10% (2014:10%) strengthening of the Ringgit Malaysia against the U.S Dollar at the end of the reporting period would have increased post-tax profit or loss by the amount shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

| | **Profit or loss** | |
|---|---|---|
| | **2015** | **2014** |
| **Group** | **RM** | **RM** |
| USD | (175,443) | 237,143 |

A 10% (2014:10%) weakening of Ringgit Malaysia against the above currency at the end of the reporting period would have had equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remain constant.

### 24.6.2 Interest rate risk

The Group's borrowings are not exposed to a risk of change in their fair value due to changes in interest rates. The Group's borrowings are exposed to a risk of change in cash flows due to changes in interest rate. Receivables and payables are not significantly exposed to interest rate risk.

*Risk management objectives, policies and processes for managing the risk*

The Group does not engage in any hedging activities to manage interest risk fluctuations.

# 24. Financial instruments (continued)

## 24.6 Market risk (continued)

### 24.6.2 Interest rate risk (continued)

*Exposure to interest rate risk*

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period were:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **RM** | **RM** |
| **Fixed rate instruments** | | |
| Deposits | 5,156,694 | 5,597,072 |
| Finance lease liabilities | (3,352,477) | (122,198) |
| **Floating rate instruments** | | |
| Term loan | (9,016,185) | (9,995,249) |
| Bank overdraft | (101,143) | (308,917) |

*Interest rate risk sensitivity analysis*

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

A change of 50 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) equity and post-tax profit or loss by the amounts shown below.

| | Profit or loss | |
|---|---|---|
| | **50 bp increase** | **50 bp decrease** |
| | **RM** | **RM** |
| **2015** | | |
| Floating rate instruments | (34,190) | 34,190 |
| **2014** | | |
| Floating rate instruments | (38,640) | 38,640 |

# 24. Financial instruments (continued)

## 24.7 Fair value information

The carrying amounts of cash and cash equivalents, trade and others receivables, trade and other payables and short term borrowings approximate their fair values due to the relatively short term nature of these financial instruments.

It was not practicable to estimate the fair value of the Company's investment in unquoted shares due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

### 24.7.1 Fair value hierarchy

The table below analyses financial instruments not carried at fair value for which fair value is disclosed and carrying amounts shown in the statement of financial position.

| | Fair value of financial instruments not carried at fair value | | |
|---|---|---|---|
| | **Level 3 RM** | **Total fair value RM** | **Carrying amount RM** |
| **2015** | | | |
| **Financial liabilities** | | | |
| Secured term loan | (9,016,185) | (9,016,185) | (9,016,185) |
| Finance lease liabilities | (3,378,145) | (3,378,145) | (3,352,477) |
| **2014** | | | |
| **Financial liabilities** | | | |
| Secured term loan | (9,995,249) | (9,995,249) | (9,995,249) |
| Finance lease liabilities | (129,644) | (129,644) | (122,198) |

**Level 3 fair value**

Level 3 fair value is estimated using inputs for the financial assets or liabilities that are not based on observable market data (unobservable inputs). The fair value within Level 3 of the secured term loan and finance lease liabilities is determined by using estimated future cash flows discounted using market related rate for a similar instrument at the reporting date.

## 25. Capital management

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The debt-to-equity ratios at 31 December 2015 and 31 December 2014 were as follows:

| | | **Group** | |
|---|---|---|---|
| | **Note** | **2015** | **2014** |
| | | **RM** | **RM** |
| Total loans and borrowings | 15 | 12,469,805 | 10,426,364 |
| Less : Cash and cash equivalents | 13 | (9,225,227) | (10,427,488) |
| Net debt/(asset) | | 3,244,578 | (1,124) |
| Total equity | | 80,835,986 | 80,039,252 |
| Debt-to-equity ratio | | 0.04 | ** |

** As at 31 December 2014, the Group was in a positive cash flow position.

There was no change in the Group's approach to capital management during the financial year.

## 26. Operating leases

**Leases as lessor**
The Group leases out its investment properties under operating leases (see Note 4). The future minimum lease payments under non-cancellable leases are as follows:

| | **Group** | |
|---|---|---|
| | **2015** | **2014** |
| | **RM** | **RM** |
| Under 1 year | 194,184 | 126,579 |
| 1 – 5 years | 307,458 | - |
| | 501,642 | 126,579 |

## 27. Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group.

Significant transactions with related parties other than those disclosed elsewhere in the financial statements are as follows:

| | **Company** | |
|---|---|---|
| | **2015** | **2014** |
| | **RM** | **RM** |
| *Subsidiaries* | | |
| Management fees | 2,955,964 | 2,427,575 |
| Secondment fees | (2,791,878) | (2,464,550) |
| *Common Director* | | |
| Professional fees | (160,000) | (112,934) |
| Reimbursement of expenses | (9,673) | - |

## 28. Contingencies

On 15 March 2013, Privasia Sdn Bhd was served with a letter from the Industrial Relations Department of Malaysia, informing that the case involving a claim of wrongful dismissal by a former employee had been referred to the Kuala Lumpur Industrial Court for adjudication. The matter was originally fixed for trial on 10 March 2016 and 11 March 2016. On 10 March 2016, both parties reached an agreement to end the dispute amicably, wherein a Consent Award was recorded before the Industrial Court Chairlady, handed down as Industrial Court Award No. 253/2016.

## 29. Supplementary financial information on the breakdown of realised and unrealised profits or losses

The breakdown of the retained earnings of the Group and of the Company as at 31 December, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Listing Requirements, are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2015 RM** | **2014 RM** | **2015 RM** | **2014 RM** |
| Total retained earnings of the Company and its subsidiaries: | | | | |
| - realised | 14,362,339 | 14,086,142 | 2,143,166 | 1,653,290 |
| - unrealised | (1,881,827) | (2,402,334) | - | - |
| | 12,480,512 | 11,683,808 | 2,143,166 | 1,653,290 |
| Total share of loss from associated company: | | | | |
| - unrealised | - | (30) | - | - |
| Add: Consolidation adjustments | 13,144,952 | 12,217,415 | - | - |
| Total retained earnings | 25,625,464 | 23,901,193 | 2,143,166 | 1,653,290 |

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by Malaysian Institute of Accountants on 20 December 2010.

# Privasia Technology Berhad
(Company No. 825092-U)
(Incorporated in Malaysia)
## and its subsidiaries

## Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 6 to 79 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of 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 at 31 December 2015 and of their financial performance and cash flows for the year then ended.

In the opinion of the Directors, the information set out in Note 29 on page 79 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

……………………………………………………………
**Datuk Ali bin Abdul Kadir**

……………………………………………………………
**Puvanesan a/l Subenthiran**

Petaling Jaya,

Date: 18 April 2016

# Privasia Technology Berhad
(Company No. 825092-U)
(Incorporated in Malaysia)
# and its subsidiaries

## Statutory declaration pursuant to Section 169(16) of the Companies Act, 1965

I, **Aaron Loke Khy-Min**, the officer primarily responsible for the financial management of Privasia Technology Berhad, do solemnly and sincerely declare that the financial statements set out on pages 6 to 79 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 the above named in Petaling Jaya on 18 April 2016.

…………………………………………….
**Aaron Loke Khy-Min**

Before me:

# Independent Auditors' Report to the members of Privasia Technology Berhad

(Company No. 825092-U)
(Incorporated in Malaysia)

## Report on the Financial Statements

We have audited the financial statements of Privasia Technology Berhad, which comprise the statements of financial position as at 31 December 2015 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 6 to 78.

*Directors' Responsibility for the Financial Statements*

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*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 about 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 judgement, 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 entity's preparation of financial statements that give a true and fair view 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 entity'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.

Company No. 825092-U

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

**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 have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the accounts 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.

(c) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

**Other Reporting Responsibilities**

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 29 on page 79 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards and International Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Company No. 825092-U

**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.

**KPMG**
Firm Number: AF 0758
Chartered Accountants

**Thong Foo Vung**
Approval number: 2867/08/16(J)
Chartered Accountant

Petaling Jaya

Date: 18 April 2016