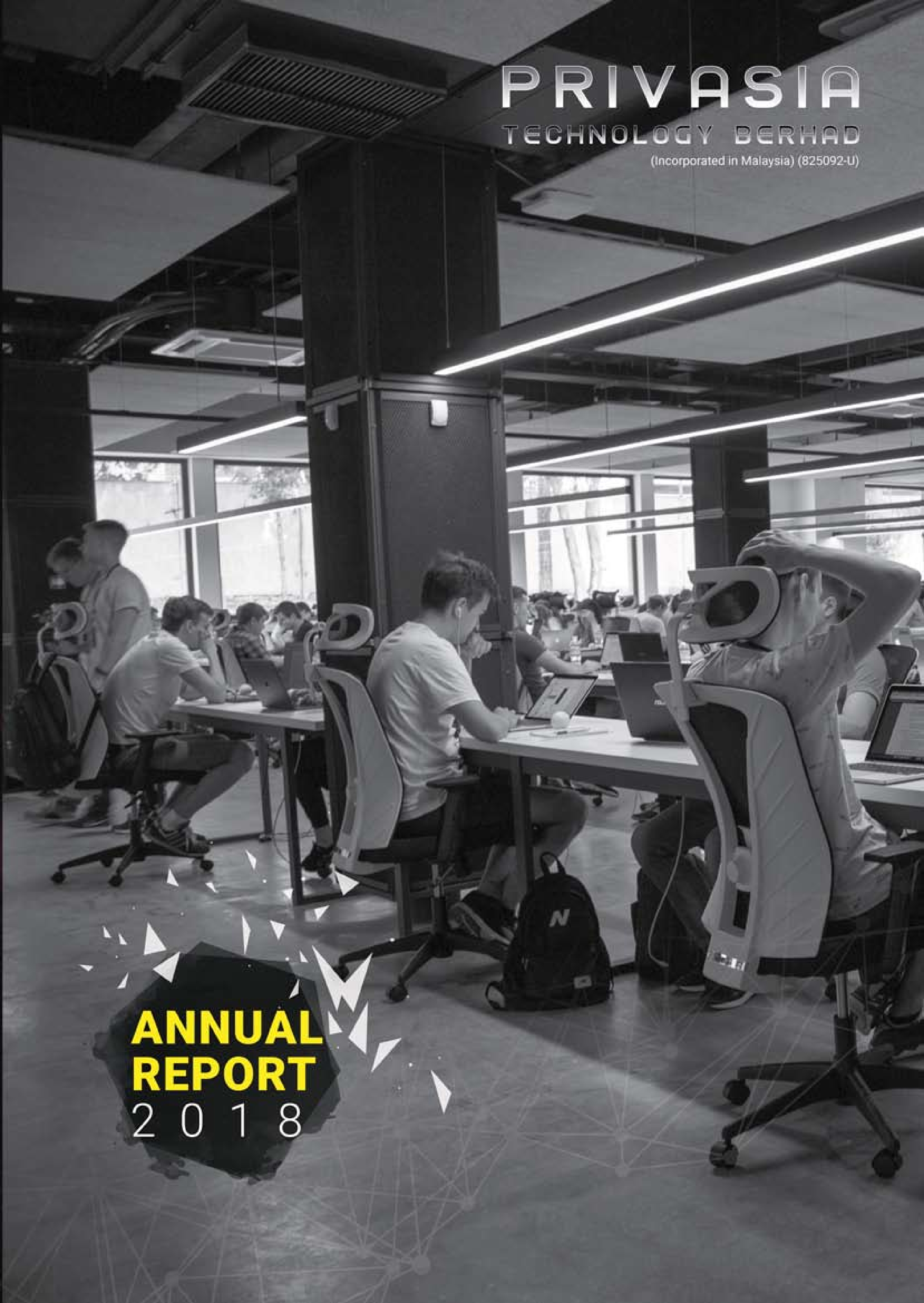


PRIVASIA
TECHNOLOGY BERHAD

(Incorporated in Malaysia) (825092-U)

ANNUAL REPORT
2018

CORE VALUES

- Do The Right Thing
- Our People First
- Have An Entrepreneurial Spirit

PURPOSE

Simplifying business by always innovating & nurturing talent because everyone deserves the best value

CONTENTS

NOTICE OF
THE ELEVENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the **Eleventh Annual General Meeting** (“**11th AGM**”) of Privasia Technology Berhad (“PTB” or “the Company”) will be held at **C-21-02, 3 Two Square, No. 2, Jalan 19/1, 46300 Petaling Jaya, Selangor Darul Ehsan** on **Thursday, 20 June 2019** at **10.00 a.m.** for the following purposes:

AGENDA

As Ordinary Business:

1. To receive the Reports and Financial Statements for the financial year ended 31 December 2018 and the Independent Auditors’ Report thereon. — **Please refer to Note 1 of the Explanatory Note**

2. To re-elect the following Directors who shall retire pursuant to Article 129 of the Company’s Articles of Association and being eligible, have offered themselves for re-election:-

   i. Andre Anthony a/l Hubert Rene; and — **Ordinary Resolution 1**
   ii.Ronnie Kok Lai Huat. — **Ordinary Resolution 2**

3. To re-elect the following Directors who shall retire pursuant to Article 134 of the Company’s Articles of Association and being eligible, have offered themselves for re-election:-

   i) Haida Shenny Binti Hazri; and — **Ordinary Resolution 3**
   ii) Haslinda Bt Hussein. — **Ordinary Resolution 4**

4. To approve the payment of Directors’ benefits for the financial year ended 31 December 2018. — **Ordinary Resolution 5**

5. To approve the payment of Directors’ fees and allowances of up to RM336,000 for the period commencing from the date of the forthcoming Annual General Meeting (“AGM”) until next AGM in the year 2020. — **Ordinary Resolution 6**

6. To re-appoint Messrs Baker Tilly Monteiro Heng PLT, having consented to act, as Auditors of the Company, to hold office until the conclusion of the next AGM and to authorise the Directors to fix their remuneration. — **Ordinary Resolution 7**

As Special Business:

To consider and, if thought fit, with or without any modifications, to pass the following Resolutions:-

7. **Authority to issue and allot shares pursuant to Section 76 of the Companies Act 2016.** — **Ordinary Resolution 8**

   “**THAT** subject always to the Companies Act 2016, the Articles of Association of the Company and the approvals of the relevant governmental/regulatory authorities, where such approval is necessary, the Directors be and are hereby authorised pursuant to Section 76 of the Companies Act 2016, to issue and allot shares in the Company at any time until the conclusion of the next AGM, in such number and to such person and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued.”

8. **Proposed Alteration of Existing Memorandum and Articles of Association ("M&A") in its entirety and substituting with a new Constitution of the Company ("Proposed Alteration"):** **Special Resolution 1**

   "**THAT** the Company's existing M&A be hereby deleted in its entirety, and that the new Constitution as set out in Appendix I be and is hereby adopted as the new Constitution of the Company.

   AND THAT the Board be and is hereby authorised to do all such acts, deeds and things as are necessary and/or expedient in order to give full effect to the Proposed Alteration with full powers to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities or third parties to give effect to the Proposed Alteration."

9. To transact any other business for which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act 2016.

By Order of the Board,

WONG CHOW LAN (MAICSA 7012088)
FOO LI LING (MAICSA 7019557)
Company Secretaries

Petaling Jaya
Date : 30 April 2019

NOTES

1. For the purpose of determining a member who shall be entitled to attend the 11th AGM, the Company shall request Bursa Malaysia Depository Sdn. Bhd. to issue a Record of Depositors as at 12 June 2019. A Depositor whose name appears as such Record of Depositors shall be entitled to attend the Meeting.

2. A member entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote on his/her behalf. Where a member appoints two (2) proxies, the appointments shall be invalid unless the proportion of the shareholdings to be represented by each proxy is specified.

3. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a Meeting shall have the same rights as the Member to speak at the Meeting.

4. Where a Member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

5. Where a Member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.

6. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.

7. For a proxy form to be valid, it must be deposited at the Registered Office of the Company at 62C, Jalan SS21/62, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty eight (48) hours before time appointed for the Meeting or any adjournments thereof.

8. Pursuant to Paragraph 8.31A(1) of the Ace Market Listing Requirement, all the resolutions at the 11th AGM of the Company shall be put to vote by way of poll.

9. By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof) and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the members has obtained prior consent of such proxy/(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy/(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Explanatory Notes on Ordinary Business

1. **Agenda 1 – To receive the Reports and Financial Statements**

   Agenda item no. 1 is meant for discussion only as the provision of Section 340 (1)(a) of the Companies Act 2016 does not require shareholders' approval for the financial statements. Hence, this Agenda is not put forward for voting.

2. **Agenda 4 - Payment of Directors' benefits**

   The Board had, at its meeting held in November 2018, approved the Nomination and Remuneration Committee's recommendation for a proposed monthly fees in accordance with the remuneration structure as follow to be paid :-

Type of Benefits	Amount (RM per month)
Chairman of the Board	1,000
Chairman of the Other Board Committee	500

3. **Agenda 5 – Payment of Directors' fees and allowances**

   The Company is requesting shareholders' approval for the payment of Directors' fees and allowances to the Directors for the period commencing from the date of the forthcoming AGM until next AGM in the year 2020 as follows:-

	RM
Executive Directors	102,000
Non-Executive Directors	234,000

   If passed, it will allow the Company to make payment of the Directors' fees and allowances to Directors on quarterly basis up till the next AGM of the Company to be held in 2020.

Explanatory Notes on Special Business

1. **Resolution 8 – Authority to issue and allot shares pursuant to Section 76 of the Companies Act 2016.**

   The proposed Resolution 8, if passed, will authorise the Directors to issue shares up to 10% of the total issued capital of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. The purpose for the renewal of a general mandate is to avoid any delay and costs in convening a general meeting to specifically approve such an issue of shares for any possible fund raising activities (excluding placing of shares) for the purpose of funding further investment projects, additional working capital, acquisitions, etc.

   This authority unless, revoked or varied at a general meeting, will expire at the next AGM of the Company.

   The Company did not issue any new shares pursuant to the mandate granted to the Directors at the last AGM held on 29 June 2018 and which will lapse at the conclusion of the forthcoming AGM.

2. **Special Resolution 1 – Proposed Adoption of the New Constitution of the Company**

   The proposed Special Resolution, if passed, will bring the Company's Constitution in line with the Companies Act 2016 and the amended Ace Market Listing Requirements of Bursa Malaysia Securities Berhad as well as to enhance administrative efficiency.

Statement Accompanying Notice Of
The Eleventh Annual General Meeting

STATEMENT ACCOMPANYING NOTICE OF THE ELEVENTH ANNUAL GENERAL MEETING

1) The Director retiring and seeking re-election pursuant to Article 129 of the Company's Articles of Association at the 11th AGM are:

    i. Andre Anthony a/l Hubert Rene; and
    ii. Ronnie Kok Lai Huat.

2) The Directors retiring and seeking re-election pursuant to Article 134 of the Company's Articles of Association at the 11th AGM are:

    i. Haida Shenny Binti Hazri; and
    ii. Haslinda Bt Hussein.

3) The details of the Directors seeking re-election are set in their profile which appear on page 9, 11, 13 and 14 of this Annual Report.

4) Details of the proposed renewal of the general mandate for the Directors to allot and issue shares in the Company pursuant to Section 76 of the Companies Act 2016 in accordance with Paragraph 6.04(3) of Ace Market Listing Requirements of Bursa Malaysia Securities Berhad are set out in the Explanatory Notes on Special Business of the Notice of the 11th AGM on page 2 of this Annual Report.

Corporate **Information**

BOARD OF DIRECTORS

RONNIE KOK LAI HUAT
(Chairman/Independent Non-Executive Director)

PUVANESAN A/L SUBENTHIRAN
(Chief Executive Officer/Managing Director)

ANDRE ANTHONY A/L HUBERT RENE
(Deputy Chief Executive Officer/Executive Director)

DATO' MOHAMED SHARIL BIN MOHAMED TARMIZI
(Independent Non-Executive Director)

HAIDA SHENNY BINTI HAZRI
(Independent Non-Executive Director)

HASLINDA BT HUSSEIN
(Independent Non-Executive Director)

AUDIT AND RISK MANAGEMENT COMMITTEE
Chairman
HAIDA SHENNY BINTI HAZRI
Member
HASLINDA BT HUSSEIN
RONNIE KOK LAI HUAT

NOMINATION AND REMUNERATION COMMITTEE
Chairman
RONNIE KOK LAI HUAT
Member
DATO' MOHAMED SHARIL BIN MOHAMED TARMIZI
HAIDA SHENNY BINTI HAZRI

INVESTMENT COMMITTEE
Chairman
DATO' MOHAMED SHARIL BIN MOHAMED TARMIZI
Member
PUVANESAN A/L SUBENTHIRAN
HAIDA SHENNY BINTI HAZRI
HASLINDA BT HUSSEIN
ANDRE ANTHONY A/L HUBERT RENE
(Alternate to Puvanesan a/l Subenthiran)

REGISTERED OFFICE
GENESIS CORPORATE CONSULTANTS SDN BHD (802432-D)
No. 62C, Jalan SS21/62, Damansara Utama,
47400 Petaling Jaya,
Selangor Darul Ehsan.
Tel: +603 7729 3337
Fax: +603 7729 3619

SHARE REGISTRARS
BOARDROOM SHARE REGISTRARS SDN. BHD.
(378993-D)
(formerly known as SYMPHONY SHARE REGISTRARS SDN BHD)
Level 6, Symphony House,
Pusat Dagangan Dana 1, Jalan PJU 1A/46,
47301 Petaling Jaya, Selangor Darul Ehsan.
Tel: +603 7841 8000
Fax: +603 7841 8151/8152

COMPANY SECRETARIES
WONG CHOW LAN (MAICSA 7012088)
FOO LI LING (MAICSA 7019557)

STOCK EXCHANGE LISTING
BURSA MALAYSIA SECURITIES BERHAD
Stock Name: PRIVA
Stock Code: 0123

AUDITORS
BAKER TILLY MONTEIRO HENG PLT
(LLP0019411 - LCA & AF0117)
Chartered Accountants
Baker Tilly Tower,
Level 10, Tower 1 Avenue 5,
Bangsar South City,
59200 Kuala Lumpur, Wilayah Persekutuan
Tel: +603-2297 1000
Fax: +603-2282 9980

WEBSITE
www.privasia.com

Corporate **Structure**

PRIVASIA TECHNOLOGY BERHAD

- PRIVASIA
  PRIVASIA SDN. BHD. (100%)
  MSC
  - PRIVACOM
    PRIVACOM SDN. BHD. (100%)
  - PRIVASIA SABAH
    PRIVASIA (SABAH) SDN.BHD. (100%)
- PRIVASAT
  PRIVASAT SDN. BHD. (100%)
- PRIVANET
  PRIVANET SDN. BHD. (100%)
  - PRIVATEL
    PRIVATEL SDN. BHD. (75%)
    - PRIVATEL
      PRIVATEL (SINGAPORE) PTE. LTD. (100%)
  - PRIVASIA IOT
    PRIVASIA IOT SDN. BHD.
    (FORMERLY KNOWN AS SCANTEL SDN. BHD.)
    (100%)
  - INFOCRATS
    INFOCRATS SDN. BHD. (30%)
- SPRINGREACH DISTRIBUTION
  SPRING REACH DISTRIBUTION SDN. BHD. (70%)
- PRIVAGEN
  PRIVAGEN SDN. BHD. (60%)
- PRIVARAIL
  PRIVARAIL SDN. BHD. (80%)

BOARD OF **DIRECTORS**
(including key senior management)

Mr. Ronnie Kok Lai Huat was appointed as an Independent Non-Executive Director of Privasia Group on 5 July 2017. He is the Chairman of the Nomination and Remuneration Committee and a member of the Audit and Risk Management Committee.

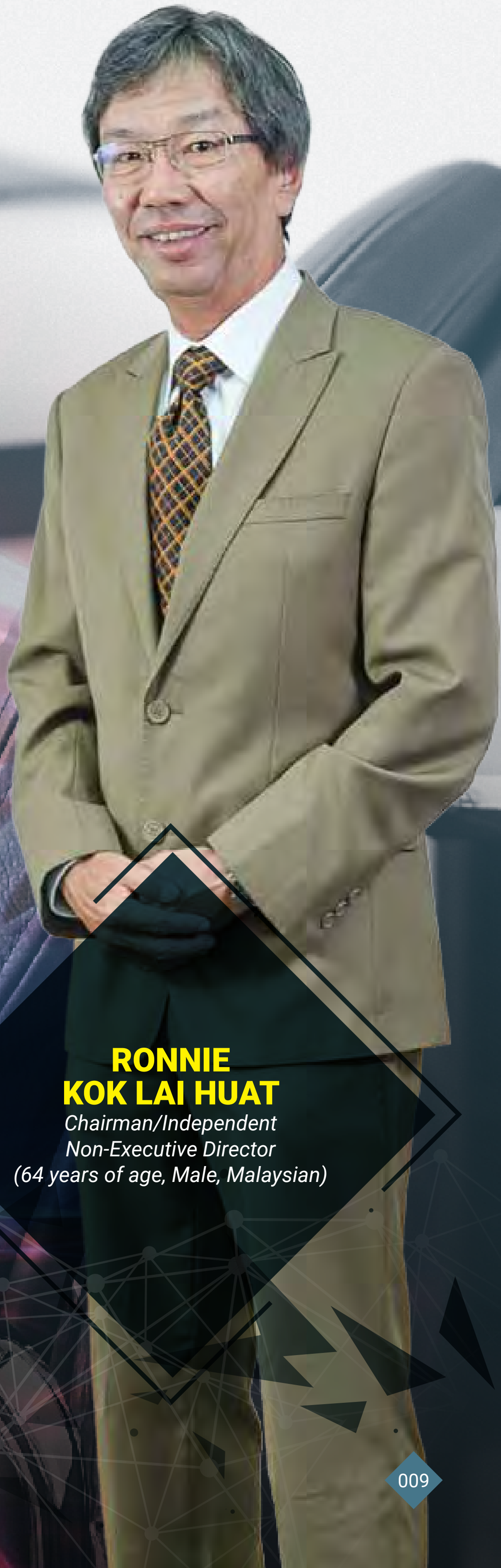
He graduated with a Degree in Business Administration from the University of Strathclyde, Scotland, United Kingdom.

He was Vice President of JT International Tobacco Company (formerly R.J. Reynolds Tobacco Company) from July 1996 to February 2002. Subsequent to this, he was the Marketing Director of Sampoerna Malaysia from June 2002 to August 2004 and thereafter Director-International Marketing of Sampoerna International from September 2004 to January 2007.

His directorship in other public company is Time dotCom Berhad in which he is the Senior Independent Non-Executive Director, Chairman of the Audit Committee and member of both the Nomination and Remuneration Committee and Tender Committee.

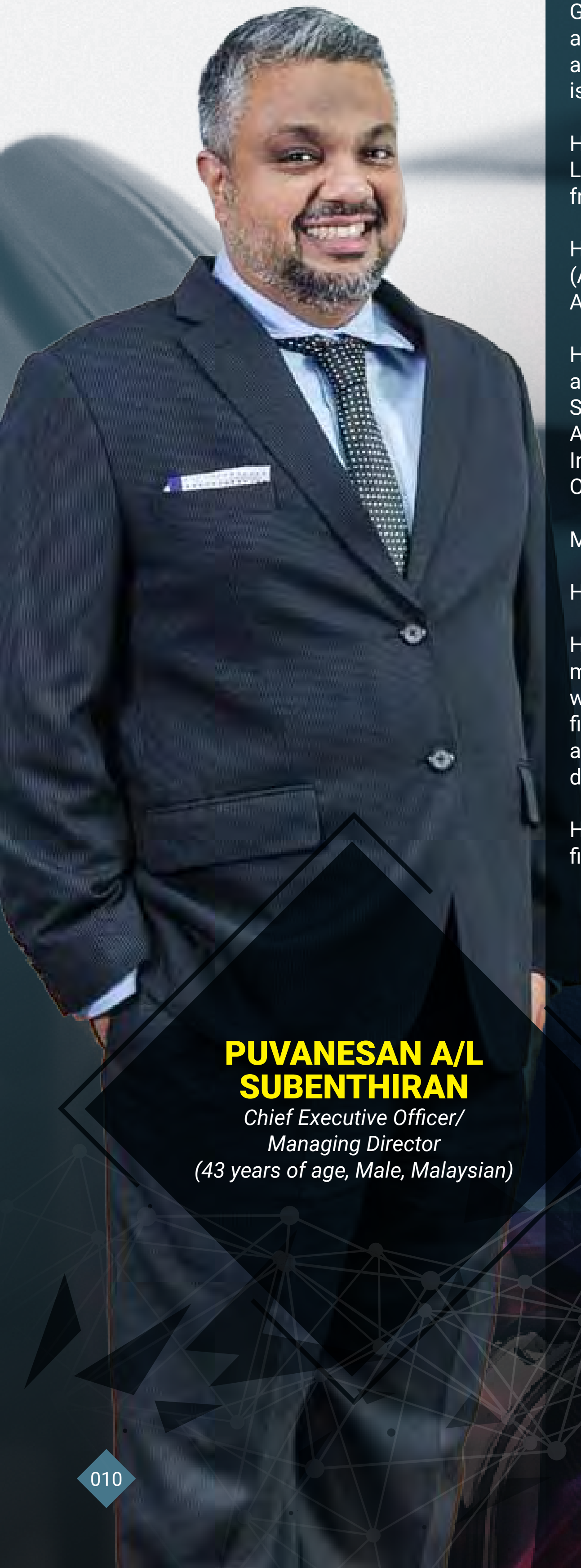
He does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no convictions for offences within the past five (5) years other than traffic offences and has not been imposed any public sanctions and penalty by the relevant regulatory bodies during the financial year 2018.

He attended all the five (5) Board Meetings which were held in the financial year ended 31 December 2018.



RONNIE KOK LAI HUAT
Chairman/Independent Non-Executive Director
(64 years of age, Male, Malaysian)

BOARD OF DIRECTORS
(including Key Senior Management) (cont'd)



PUVANESAN A/L SUBENTHIRAN
Chief Executive Officer/ Managing Director
(43 years of age, Male, Malaysian)

Mr. Puvanesan is one of the founding members of Privasia Group, and was appointed as the Group Chief Executive Officer and Managing Director of Privasia Group on 4 May 2009. He was appointed to the board of Privasia Sdn Bhd on 4 August 2004. He is also a member of the Investment Committee.

He graduated with BA (Hons) in Accounting and Finance from London South Bank University and holds a Diploma in Economics from the National Council for Educational Awards, Ireland.

He is a Fellow of the Association of Chartered Certified Accountants (ACCA) and a Chartered Accountant with the Malaysian Institute of Accountants (MIA).

He has completed the Senior Management Development Program and Program for Leadership Development at the Harvard Business School. Prior to this, Mr. Puvanesan was a senior in the Business Advisory and Assurance Department of BDO Simpsons Xavier in Ireland and upon his return to Malaysia, was the Chief Financial Officer of the Makmal Jaya Group.

Mr Puva is a member of the Young Presidents Organization (YPO).

He does not hold any other directorship of public companies.

He does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no convictions for offences within the past five (5) years other than traffic offences and has not been imposed any public sanctions and penalty by the relevant regulatory bodies during the financial year 2018.

He attended all the five (5) Board Meetings which were held in the financial year ended 31 December 2018.

Mr. Andre, is one of the founding members of the Privasia Group, and was appointed as a Deputy Chief Executive Officer of the Group on 4 May 2009. He is an alternate member for Mr. Puvanesan in the Investment Committee.

He is a LLB (Hons) graduate from the University of Wales, College of Cardiff.

He started off his working career while still at university, working as an intern with the New Straits Times press in 1996 followed by a short stint in a legal firm the following year.

Upon graduation, Mr. Andre moved into the dotcom business with Dreammotor.com as a member of its business development team. He was involved in the setting up of the company and the expansion of its operations and business to Singapore and Hong Kong. Mr. Andre's passion, however, was very much in the logistics industry and he eventually joined Westport's IT Department to harness his skills in this area. The various IT research studies carried out while at Westport led him to believe that there was an information technology gap to be filled in the port and shipping industry, and coupled with his IT experience from his stint at Dreammotor.com, he ventured full-time into IT consultancy.

Once fully into the IT field, Mr. Andre harnessed his skills in various areas of IT as well as in the management and operation of running a business. He helped steer and grow Privasia from the small IT Company focused on a niche area to the large group that it is today.

Mr. Andre is a graduate of the Harvard Business School Senior Management Development Program. He was the President of the Harvard Business School Alumni Club of Malaysia's associate wing from 2010- 2012 and he was an independent director of the Labuan Port Authority from June 2017 to May 2018.

He does not hold any other directorship of public companies.

He does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no convictions for offences within the past five (5) years other than traffic offences and has not been imposed any public sanctions and penalty by the relevant regulatory bodies during the financial year 2018.

He attended all the five (5) Board Meetings which were held in the financial year ended 31 December 2018.

ANDRE ANTHONY A/L HUBERT RENE
Deputy Chief Executive Officer/ Executive Director
(43 years of age, Male, Malaysian)

BOARD OF DIRECTORS
(including Key Senior Management) (cont'd)

DATO' MOHAMED SHARIL BIN MOHAMED TARMIZI
Independent Non-Executive Director
(50 years of age, Male, Malaysian)

Dato' Sharil was appointed as an Independent Non-Executive Director of Privasia Group on 5 July 2017. He is the Chairman of the Investment Committee and a member of the Nomination and Remuneration Committee.

He graduated with an LL.B (Hons) from University College of Wales, Aberystwyth and is a Barrister at Law, Gray's Inn, London. He was also called to the Malaysian Bar and was formerly an Advocate & Solicitor of the High Court of Malaya practicing with Azman Davidson & Co and Zaid Ibrahim & Co early in his career before becoming a partner in an investment advisory firm called BinaFikir Sdn Bhd which was eventually acquired by Maybank Berhad. Thereafter, he held the position of Chairman and Chief Executive of the Malaysian Communications and Multimedia Commission (MCMC), an independent regulatory body set up by a Malaysian Act of Parliament to develop, oversee and regulate the communications and multimedia sector in Malaysia from 16 October 2011 to 31 December 2014 and was also the regulator for the postal and courier industry during the same period.

In the international arena, Dato' Sharil was also a Board Member of the Internet Corporation for Assigned Names and Numbers (ICANN), the global Internet domain name coordinating body and Chairman of ICANN's GAC from 2004 to 2007. Dato' Sharil has worked closely with international organizations such as ICANN, ISOC, ITU, World Bank, the WTO, APT, PITA, CTO, IIC, UPU and UNICEF and remains in an advisory capacity to some of them. In recognition of his contribution to the global internet community, Aberystwyth University conferred an Honorary Fellowship to him in 2017.

He is presently the Chairman of Quantephi Sdn Bhd, a boutique investment advisory firm licensed by the Securities Commission of Malaysia and a Senior Advisor to Asean Advisory Pte Ltd, a specialist advisory and consulting firm based in Singapore. He also serves on the Board of Directors of LotusCars UK.

He does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no convictions for offences within the past five (5) years other than traffic offences and has not been imposed any public sanctions and penalty by the relevant regulatory bodies during the financial year 2018.

He attended all the five (5) Board Meetings which were held in the financial year ended 31 December 2018.

Ms Haida was appointed as an Independent Non-Executive Director of Privasia Group on 9 August 2018. She is the Chairman of the Audit and Risk Management Committee. Ms Haida is also a member of Nomination and Remuneration Committee and Investment Committee.

She graduated with a Bachelor of Commerce in Accounting and Finance, as well as a Bachelor of Laws (LLB) from the University of Melbourne, Australia. She also holds a Masters of Law from University of Malaya.

She has more than 18-years' experience in the oil and gas industry.

Ms Haida commenced her career with PETRONAS and she undertook legal and commercial roles in PETRONAS E&P, LNG and Technology Businesses. Her last post in PETRONAS was Chief Executive Officer, PETRONAS Technology Ventures Sdn. Bhd. She also served on various Boards of PETRONAS companies such as PETRONAS Technical Solutions Sdn. Bhd., PETROSAINS Sdn. Bhd., Lanzatech NZ Ltd. and Lanzatech USA Ltd. Whilst in PETRONAS, she was also part of various corporate strategic studies and initiatives.

In Sapura Energy (previously known as SapuraKencana), she held the position of Vice President of Strategy and New Ventures (E&P) and was involved in the building up of the E&P business for Sapura.

Ms Haida also held the position of Chief Executive Officer, Matrix Reservoir Sdn. Bhd., owner and operator of Tok Bali Supply Base, that built and operationalised the third supply base in Malaysia. She is currently the Chief Executive Officer of Bintulu Supply Base Sdn. Bhd.

Ms Haida also holds a directorship in Velesto Energy Berhad (formerly known as UMW Oil & Gas Corporation Berhad) since June 2017 as a Non-Independent Non-Executive Director.

She does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. She has no convictions for offences within the past five (5) years other than traffic offences and has not been imposed any public sanctions and penalty by the relevant regulatory bodies during the financial year 2018.

She attended two (2) out of the two (2) Board Meetings which were held in the financial year ended 31 December 2018.

HAIDA SHENNY BINTI HAZRI
Independent Non-Executive Director
(45 years of age, Female, Malaysian)

BOARD OF
DIRECTORS
(including Key Senior Management) (cont'd)

HASLINDA BT HUSSEIN

Independent Non-Executive Director
(41 years of age, Female, Malaysian)

Ms Haslinda was appointed as an Independent Non-Executive Director of Privasia Group on 12 November 2018. She is a member of both Audit and Risk Management Committee and Investment Committee.

She graduated with a Degree in Commerce majoring in Accounting from the Adelaide University, Australia. She is a Chartered Accountant with Chartered Accountants Australia and New Zealand ("CA ANZ") and a member of the Malaysian Institute of Accountants.

Ms Haslinda began her career in 2000 as an auditor in Arthur Andersen and later in Ernst & Young, Malaysia. She then joined PETRONAS, a Fortune Global 500 company, from year 2003 to 2016 with her last position being Head of Strategic Planning and Portfolio Management. During her 13 years of tenure in PETRONAS, she also held other senior positions including Head of Group Planning & Performance and Head of Group CFO Office where she played an instrumental role in a stapled REIT listing and corporate bond issuance. Her experience in PETRONAS also includes tax, budgeting, financial modelling, and financial accounting, reporting and management.

Currently, she manages an investment holding company which also operates one of the biggest private art galleries in Malaysia.

She does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. She has no convictions for offences within the past five (5) years other than traffic offences and has not been imposed any public sanctions and penalty by the relevant regulatory bodies during the financial year 2018.

She attended one (1) out of one (1) Board Meeting which was held in the financial year ended 31 December 2018.

5 YEARS
GROUP FINANCIAL HIGHLIGHTS

OPERATING REVENUE

2018 - 52,531,641

2017 – 59,931,520
2016 – 74,496,547
2015 – 81,345,878
2014 – 73,891,677

NET (LOSS)/ PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

2018 - -3,960,136

2017 – -7,183,660
2016 – 112,547
2015 – 3,119,771
2014 – 6,482,425

TOTAL ASSETS

2018 - 111,334,693

2017 – 130,274,699
2016 – 135,160,813
2015 – 122,193,411
2014 – 114,762,313

TOTAL LIABILITIES

2018 - 44,216,032

2017 – 57,078,173
2016 – 54,904,211
2015 – 41,357,425
2014 – 34,723,061

(LOSS)/ EARNINGS PER SHARE (SEN)

2018 - -0.71

2017 – -1.29
2016 – 0.02
2015 – 0.56
2014 – 1.16

GROSS DIVIDEND PER SHARE (SEN)

2018 - -

2017 – -
2016 – -
2015 – 0.20
2014 – 0.25

	2018(RM)	**2017**(RM)	**2016**(RM)	**2015**(RM)	**2014**(RM)
Operating Revenue	52,531,641	59,931,520	74,496,547	81,345,878	73,891,677
Operating (Loss)/Profit	-2,190,677	-3,573,588	4,100,653	3,840,570	9,812,299
(Loss)/Pofit Before Tax	-3,715,684	-5,302,309	3,208,974	3,307,849	9,356,900
(Loss)/Profit After Tax	-4,818,102	-7,060,076	337,016	2,192,234	6,438,729
(Loss)/Profit Attributable to Equity Holders	-3,960,136	-7,183,660	112,547	3,119,771	6,482,425
Total Assets	111,334,693	130,274,699	135,160,813	122,193,411	114,762,313
Total Liabilities	44,216,032	57,078,173	54,904,211	41,357,425	34,723,061
Shareholders Equities	68,225,534	73,257,953	80,441,613	81,445,466	79,721,195
Net Assets Per Share (RM)	0.12	0.13	0.14	0.15	0.14
(Loss)/Earnings per Share (Sen)	-0.71	-1.29	0.02	0.56	1.16
Gross Dividend per Share (Sen)	-	-	-	0.20	0.25

MANAGEMENT DISCUSSION **AND ANALYSIS**

2018 proved to be a tumultuous year for the Malaysian economy, as businesses grappled with the ensuing effects of the change in government after the 14th General Election, and adopted a cautious stance on expansionary spending.

This resulted in Malaysia recording a muted growth in 2018, with Gross Domestic Product (GDP) rising by 4.7%, compared to 5.9% in 2017.

The adoption of e-commerce continued to grow aggressively in Malaysia, with transactions more than doubling from RM37.7 billion in 2010, to RM85.8 billion in 2017. For 2018, the total transactions are expected to hit RM96.5 billion, with an average annual growth rate 12.5%.

Operations Review

Building on our momentum from the previous year, Privasia continued plans to execute its transformation to reemphasize our focus on our core competencies of developing in-house Intellectual Property (IP) products. At the same time, the Group also streamlined other divisions and maintained cost management measures to optimise operations.

- **Information Technology (IT) Segment**

  The Group's IT segment comprises IT infrastructure outsourcing, consultancy and systems integration, and has been the Group's core business since its inception. The Group's two main in-house IP products are ProcureHere and Port Management Solutions.

  The Group continued to fulfil its outsourcing contracts for its clients. The Group also continued to strategically reduce acceptance of lower-margin systems integration jobs and carry out fewer ad-hoc e-Bidding events, in favour of encouraging users towards utilising our proprietary ProcureHere platform.

  ProcureHere currently has 1,182 users, consisting of suppliers and customers across various spheres. The platform had an average of 98 monthly transactions, with an approximately value of RM3 million.

  During the year, we entered into a strategic alliance with CapitalBay, a digital supply chain financing platform. This collaboration will allow the ProcureHere platform to offer a financing option to its users by utilising technology from CapitalBay.

  The division recorded higher revenue of RM37.0 million in FY2018, compared to RM36.1 million the year before due to higher billings from ongoing outsourcing projects, and remains the Group's biggest revenue contributor. As a result of better product mix, and gain on disposal of certain operating assets, the segmental profit increased from RM1.5 million to RM4.6 million.

- **Information Communications Technology (ICT) Segment**

  The Group's ICT segment entails the provision of wireless broadband infrastructure, comprehensive mobile and wireless communications consultancy, as well as systems development for ICT and mobile solution providers and enterprises.

  The division recorded lower revenue of RM12.4 million, compared to RM20.1 million previously, as the Group transitions for the next phase of projects after the completion of a telecommunication project in early FY2018. As a result, segmental loss rose to RM2.9 million, versus segmental loss of RM0.6 million in FY2017. However, this was mitigated by ongoing Huawei projects during the year.

Operations Review (Cont'd)

- **Satellite-Based Services (SAT) Segment**

  The Group's 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 general public as well as the commercial and retail sector.

  The Group continued to streamline its customer base by focusing on building higher quality clientele, as well as implementing cost management measures. As a result, FY2018 saw the segment contribute RM3.1 million in revenue in contrast to the RM3.7 million recorded in FY2017, and operating loss of RM4.5 million for FY2018, versus RM5.8 million operating loss in FY2017.

Financial Review

Resulting from Privasia's strategic approach, Privasia recorded RM52.5 million revenue for FY2018, decreasing from RM59.9 million in the previous year. The Group's strategy is to target higher-margin projects, improve cost management, as well as becoming main project holder instead of being a subcontractor.

Nonetheless, our efforts to focus on higher quality earnings enabled us to report higher gross profit margins of 39.6% in FY2018, from 38.2% in FY2017.

Despite the lower revenue, Privasia reduced net loss to RM4.8 million, compared to RM7.1 million as a result of lower operating expenses and higher other income from disposal of computer equipment.

In terms of its financial position, the Group's total assets declined to RM111.3 million as at 31 December 2018, compared to RM130.3 million in the year before, due to lower capital expenditure compared to the previous year, disposal certain assets and lower trade receivables in line with decreased revenue.

As at the same date, the Group's deposits, cash and bank balances stood at RM8.3 million, versus RM12.2 million as at 31 December 2017. Loans and borrowings decreased to RM28.5 million, compared to RM36.7 million previously as the Group looked to reduce debt levels.

The net gearing ratio for the Group stood at 23% as at 31 December 2018, improving from 25% a year ago.

Industry Outlook

Bank Negara Malaysia has forecasted Malaysia's GDP to grow 4.9% in 2018, marking a slight improvement of 4.7% in 2017, driven mainly by expenditure in the private sector.

Growth Strategy

We are aware of the ample opportunities that are present in the Malaysian market as we enter an increasingly digital-based era. We are confident that the expertise in Privasia will be able to meet the ever-changing demands during these times.

The Group's order book stands at RM70 million, which will ensure job continuity until 2021. We have an enormous desire to expand in these coming years, and are taking the necessary steps to realise this vision.

- **Fast track growth of IP products in the IT Segment**

  For our IT segment, we intend to gain traction for our in-house developed products, namely ProcureHere and Port Management Solutions. For ProcureHere, we are looking to increase awareness of its benefits and cost savings, and are largely targeting Small-Medium Enterprises. We are also targeting more ports in Malaysia and around the region to utilise our Port Management System.

Growth Strategy (Cont'd)

- **Fast track growth of IP products in the IT Segment (Cont'd)**

  The Group will also be looking at potential strategic alliances, or mergers and acquisitions to complement current offerings, as we delve into an increasingly fast-changing digital age.

  We are positioning ourselves as a customer-centric technology developer, and are improving on the quality of projects we take up. Going forward, we will be ramping up our R&D towards either creating new in-house IP products, or updating them to meet the ever-changing demands in the IT industry.

- **Expanding Cooperation with Telecommunication Service Providers in the ICT Segment**

  For the ICT segment, we aim to provide service enhancement initiatives beyond network optimisation into other engineering services. The added services will enable us to continue working directly with telco companies and key principals.

  The Group intends to tender for more projects and maintain its track record in successfully delivering projects nationwide to all major telcos. We are also supportive of Government initiatives towards creating a more digitalised Malaysia by making high-speed internet access more widespread and affordable.

- **Optimization and Realigning of Strategies in the SAT Segment**

  The Group intends to continue its efforts towards streamlining the division and optimising our customer portfolio. The steps we have already taken have slowly started to bear fruit, but we recognize that there is still work to be done. We will also look to increase our customer and site acquisition initiatives to broaden our earnings in the future, with an eye towards expanding capacity at the appropriate time.

All in all, we are heartened that our efforts have borne signs of improvement. We will accelerate our endeavours to fully implement these measures, and are fully committed to the transformation of Privasia into a growing and sustainable entity.

Sustainability **Statement**

For FY 31 December 2018

INTRODUCTION

The Board acknowledges the importance of embedding sustainability into the operations of the Group in order to fulfill the expectation and requirement of its stakeholders, to provide better understanding on the Group's business approaches in managing economic, environment and social risk and opportunities.

Sustainability is an integral part of our business and as we move forward, we shall emphasise and participate in sustainability efforts in the areas of environment, economic and social ("EES") to the benefit of our stakeholders. This Statement has been prepared in accordance with the Sustainability Reporting Guide and Toolkits, issued by Bursa Malaysia Securities Berhad.

ECONOMIC

Although Privasia is a technology based company operating in a very challenging and competitive business environment, we do foresee a sustainable business growth in current and future fiscal years. We are the pioneer and developer of "Procurehere", an electronic based procurement system which promotes transparency in carrying out procurement activities and significantly weed out possibilities of corruptions with its audit trail functions. This is in line with the central government's campaign to combat and fight against corruption in the country.

Should our employees possess any knowledge, or suspect any potential incidents of business misconducts including bribery or accepting kick-backs, they are encouraged to report such incidents through our established "Whistle Blowing Policy".

We strongly believe a robust information communication technology ("ICT") infrastructure can boost the economy growth for the nation. Therefore, our team of technicians had reached far beyond to erect and build telecommunication systems and facilities in rural areas across East and West Malaysia.

Privasia always ensure services rendered to our customers, including to the community are reliable and of high quality standard. By doing so, we are qualified for ISO20000-1:2011 and ISO 9001:2015. The scope of certification includes the provision of tele-communication and RF engineering services, VSAT communication, service desk operations, manages services and E-procurement and application management support. Surveillance audits will be conducted on a regular basis to ensure our products and service quality complied with the ISO requirements at all times.

Ensuring customer satisfaction and loyalty continues to be a priority at Privasia. We are committed to better understanding customer perspectives and refining our offerings to meet and exceed their expectations for reliability, efficiency and sustainability. For this purpose, we have established dedicated hotlines to cater for customers' enquiries and helpdesk support.

The Group contributes to employment creation directly (i.e. hiring of employee and purchase of goods and services). As most of our subsidiaries are located within the geographical region of Malaysia, we are able to prioritise local sourcing of goods and services to reduce the use of carbon miles from transporting goods and help stimulate the growth of our local economy. Our selection of suppliers and contractors takes into consideration of the skills that are required to meet our Group's objective and we conduct periodic performance assessments to ensure that their performances are up to standard. The outsourcing of successfully secured projects to local contractors has further contributed to the creation of job opportunities within the local community.

ENVIRONMENTAL

The Group is committed to minimising the potential impact of its operations on the environment by adopting and applying environmentally responsible practices in achieving long term sustainability growth. We had considered safety and environmental factors in all our operating decisions and explored possible opportunities to minimise any adverse impact from the erection and dismantling (of telecommunication or information related system and equipment) operations, waste disposal and energy consumption.

We will not dispose-off directly old IT equipment such as computer monitor, servers and peripherals. Instead we will refurbish these equipment and re-sell as second hand to interested buyers or distribute them to schools (part of our CSR activities).

The Group has continued its go "green" campaign to promote and support the practices for using the resources in an environmental friendly manner. We had initiated the following actions with the aim to preserve the environment:

- Encourage staffs to print on recycled paper or double-sided format;
- Communication via emails, including pursing a "paperless" office solution to reduce usage of papers;
- Close monitoring of water and electricity (e.g. switching off lights and air conditioning during non-peak hours) consumption; and
- Provide recycle bins at all floors of Privasia's headquarter office.

SOCIAL

The Group evaluates social responsibilities from two aspects:

a) Employees

i. Employees' Welfare and Well Being

Privasia recognises the value of its employees. To promote closer working relationships and better understandings among the employees, social activities are organised, such as Company Annual Dinner and monthly birthday celebrations for employees. Various welfare and benefit are provided for the advantage or comfort of our employees, such as at least 60 days of maternity leave (as per requirements mandated in Employment Act 1955), paternity leave, medical/personal accident insurance, subsidy for expenses related to child arrival, yearly health screening, optical, dental, telecommunication (for subscribing to corporate preferred telco service provider) etc.

We strictly adhere to local labour regulations and have implemented national minimum wage law for all employees working in Malaysia. Remuneration packages offered to employees are strictly based on their position and allocation of job scope, irrespective of gender. Besides, the basic salaries that we offered to employee are at least 60% greater than minimum wage rate mandated by the Minimum Wage Order of Malaysia.

SOCIAL (CONT'D)

a) Employees (Cont'd)

ii. Skills Development

Privasia has always recognised the important role of its employees. The management believes that efficient, effective, knowledgeable and satisfied employees are essential for the growth of the organisation. Towards this end, yearly training budget has been allocated and both in-house and external trainings are continuously provided to upgrade job knowledge and develop new skills. In addition, on-the-job training is conducted for new employees to ensure they are well equipped with the necessary skills to undertake the tasks assigned.

Besides, we are one of the certified and authorised training employers for the prestigious Institute of Chartered Accountants in England and Wales ("ICAEW") professional body. This means that we can offer the relevant training programs as required by the ICAEW for our employees who are interested to pursue their career as Certified Chartered Accountant.

We encourage our employees to be professionally certified in their area of expertise and we will reimburse the annual membership fees paid by our employees to their respective professional bodies.

iii. Health and Safety

We place great importance on safety aspects as some of our contractors or even employees may be required to expose themselves to perform dangerous activities (such as climbing up satellite or communication towers.). We ensure our contractors and employees are properly briefed and well trained on safety precautions and procedures. Personal Protective Equipment ("PPE") is also provided when our contractors and employees are carrying out their duties.

iv. Anti-Discrimination Policies, Performance Review and Gender Equality

The Group is committed in ensuring fairness in career opportunities. The Group promotes workplace diversity via gender, age group, and ethnicity as the Group believes that diversity will bring in more talents, skills, and experiences. In a nutshell, our employees are a combination of different races in the country as well as of different age groups. We adopt a non-discriminatory policy for hiring and promoting employees. We encourage our employees to grow with the Group and as such, in order to understand each employee's capability and expectation towards the Group, we conduct a quarterly performance review between superiors and employees. Other than quarterly performance appraisal, all employees received evaluation for work performed to promote learning and embrace opportunities for career development through informal/verbal feedback from immediate superiors.

The Group advocates an "open door" communication culture whereby employees are encouraged to provide their suggestion and feedback through direct communication with management personnel, or even to Human Resources Department where appropriate.

We promote gender equality as we possess a healthy gender balance whereby our employees holding key management positions consist of both female and male personnel.

SOCIAL (CONT'D)

b) Community

i. Sponsorship for Sports Event

Privasia is committed to supporting activities that enrich and enhance the lives of the larger community by promoting the spirit of sportsmanship. We are one of the sponsors of the Westports Malaysia Dragons who participates in the ASEAN Basketball League ("ABL"). We hope that through this sponsorship we will be able to inspire the younger generation to adopt a healthy lifestyle and provide an avenue for these players to hone their skills and eventually become professional players.

ii. Involvement in Community Activities

The Group continues to play an active role for being a socially responsible corporate citizen in the community through various activities held with the aim of caring for the well-being of the society at large. During the year, the Group continued to involve in various community activities by means of providing donation in monies and in-kind to schools and non-profitable organisations.

iii. Monitoring Safety of Telecommunication Facilities and Communication Towers

Telecommunications facilities and communication towers, i.e. our product offerings emit electronic magnetic frequency ("EMF") that are harmful to human health. Therefore, we ensure our communication facilities and equipment are erected at a distance that are safe from the local community, and equipment used for our installation are all certified by the SIRIM Malaysia for safe usage. Access to our facilities is also safeguarded with proper fencing and lock facilities to prevent malicious entries by unauthorised personnel.

Statement on Corporate Governance

The Board of Directors ("the Board") recognises Corporate Governance as being vital and important to the success of Privasia Technology Berhad Group of Companies ("the Group") businesses. The Board is therefore committed to the principles and best practices of corporate governance as laid out in the new Malaysian Code on Corporate Governance 2017 (the "Code") and ensures that standards of corporate governance are being observed to realise the objective of increasing the shareholders' value and continued sustainability and long-term performance of the Group.

The Code is based on three key principles of good corporate governance, which are:

- Board leadership and effectiveness;
- Effective audit and risk management; and
- Integrity in corporate reporting and meaningful relationship with stakeholders.

The Board is pleased to present the following statement which outlines the key aspects of how the Group has applied the Principles and Practices set out in the Code during the year under review.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

Practice 1.1: COMPANY'S LEADERSHIP AND STRATEGIC AIMS

THE BOARD OF DIRECTORS AND BOARD STRUCTURES

The Group is governed by the Board who is accountable to stakeholders for the strategic direction and the pursuit of value creation for shareholders. The Board is primarily responsible for ensuring that the principles of good corporate governance are practiced and appropriate corporate governance structure is in place. An effective Board leads and controls the Company. The current composition of the Board is as follows:

- Ronnie Kok Lai Huat (Chairman/ Independent Non-Executive Director)
- Puvanesan a/l Subenthiran (Managing Director/ Chief Executive Officer)
- Andre Anthony a/l Hubert Rene (Executive Director/ Deputy Chief Executive Officer)
- Dato' Mohamed Sharil Bin Mohamed Tarmizi (Independent Non-Executive Director)
- Haida Shenny Binti Hazri (Independent Non-Executive Director)
- Haslinda Bt Hussein (Independent Non-Executive Director)

The Board assumes, amongst others, the following duties and responsibilities:-

I. reviewing and adopting the overall strategic plans and programmes for the Company and Group;
II. overseeing and evaluating the conduct of business of the Company and Group;
III. identifying principal risks and ensuring implementation of a proper risk management system to manage such risks;
IV. establishing a succession plan;
V. developing and implementing a shareholder communication policy for the Company;
VI. reviewing the adequacy and the integrity of the management information and internal controls systems of the Company and Group;
VII. declaration of dividends;
VIII. approval of financial results; and
IX. the Board delegates certain responsibilities to the various Board Committees with clearly defined terms of reference to assist the Board in discharging its responsibilities.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Practice 1.1: COMPANY'S LEADERSHIP AND STRATEGIC AIMS (CONT'D)

THE BOARD OF DIRECTORS AND BOARD STRUCTURES (CONT'D)

The Board reserves certain power for itself and delegates other matters to the Chief Executive officers ("CEO") and senior management. The following are matters which are specifically reserved for the Board:-

I. approval of corporate plans and programmes;
II. approval of annual budgets, including major capital commitments;
III. approval of new ventures;
IV. approval of material acquisition and disposals of undertakings and properties;
V. change to the management and control structure within the Company and its subsidiaries ("the Group"), including key policies, delegated authority limits; and
VI. review and update the Whistle-Blowing Policy.

The Board has delegated certain responsibilities to Board Committees with clearly defined terms of reference to assist in discharging its duties. The current Board Committees include the Audit and Risk Management Committee, the Nomination and Remuneration Committee and the Investment Committee. The Chairman of the respective Board Committees will report and table to the Board their respective recommendations for consideration and adoption.

The current composition of each Board Committee is as follows:

Audit and Risk Management Committee

Members
Haida Shenny Binti Hazri (Independent Non-Executive Director) - Chairman
Ronnie Kok Lai Huat (Independent Non-Executive Director)
Haslinda Bt Hussein (Independent Non-Executive Director)

Nomination and Remuneration Committee

Members
Ronnie Kok Lai Huat (Independent Non-Executive Director) - Chairman
Dato' Mohamed Sharil Bin Mohamed Tarmizi (Independent Non-Executive Director)
Haida Shenny Binti Hazri (Independent Non-Executive Director) (Appointed as member on 1 March 2019)

Investment Committee

Members

Dato' Mohamed Sharil Bin Mohamed Tarmizi (Independent Non-Executive Director) – Chairman
Puvanesan a/l Subenthiran (Chief Executive Officer / Managing Director)
Andre Anthony a/l Hubert Rene (Deputy Chief Executive Officer / Executive Director) – Alternate to Puvanesan a/l Subenthiran
Haida Shenny Binti Hazri (Independent Non-Executive Director)
Haslinda Bt Hussein (Independent Non-Executive Director)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Practice 1.2: Responsibilities of the Chairman

The Chairman of the Board is responsible for leadership of the Board in ensuring the effectiveness of all aspects of the Board's role and responsibilities. The position of the Chairman is currently helmed by Mr Ronnie Kok Lai Huat who is an Independent Non-Executive Director.

The Chairman is responsible for:

I. leading the Board in setting the values and standards of the Company;
II. maintaining a relationship of trust with and between the Executive and Non-Executive Directors;
III. ensuring the provision of accurate, timely and clear information to members of the Board;
IV. ensuring effective communication with shareholders and relevant stakeholders;
V. arranging regular evaluation of the performance of the Board, its Committees and individual Directors;
VI. facilitating the effective contributions of Non-Executive Directors and ensuring constructive relations be maintained between Executive and Non-Executive Directors;
VII. facilitating the ongoing development of all Directors.

Practice 1.3: Separation of the positions of the Chairman and CEO

The positions of the Chairman and CEO are held by two separate distinct individuals. The current CEO who also acts as the Managing Director is Mr Puvanesan a/l Subenthiran.

The separation of the Chairman and the CEO with clear and distinct division of responsibilities ensures a proper balance of power and authority, as well as to enhance governance and transparency. The Chairman leads the Board in setting values and standards of the Group and is responsible for the effective conduct of the Board, whilst the CEO has overall responsibility on the business and day-to-day management of the Group.

The CEO's roles amongst others includes the following:

I. being the conduit between the Board and the Management in ensuring the success of the Groups' governance and management functions;
II. accountable for overseeing the day-to-day operations to ensure the smooth and effective running of the Group; and
III. implementing the policies, strategies and decisions adopted by the Board.

Practice 1.4: Company Secretaries

The role of the Company Secretaries are currently held by Ms. Wong Chow Lan and Ms. Foo Li Ling, who are both registered with the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA).

The Directors have ready and unrestricted access to the advice and services of the Company Secretaries to enable them to discharge their duties effectively. The Board is regularly updated and apprised by the Company Secretaries. The Company Secretaries give clear and sound advice on the measures to be taken and requirements to be observed by the Company and the Directors arising from new statutes and guidelines issued by the regulatory authorities. The Company Secretaries brief the Board on proposed contents and timing of material announcements to be made to Bursa Malaysia Securities Berhad ("Bursa Securities"). The Company Secretaries also serve notice to the Directors and Principal Officers to notify them of closed periods in accordance with the black-out periods for dealing in the Company's securities pursuant to Chapter 14 of the Bursa Securities ACE Market Listing Requirements.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Practice 1.4: Company Secretaries (Cont'd)

The Company Secretaries attend and ensure that all Board meetings are properly convened and those accurate and proper records of the proceeding and resolutions passed are taken and maintained in the statutory register at the registered office of the Company. The Company Secretaries also facilitate timely communication of decisions made and policies set by the Board at Board meetings, to the Senior Management for action. The Company Secretaries work closely with Management to ensure that there are timely and appropriate information flows within and to the Board and Board Committee, and between the Non-Executive Directors and Management.

Practice 1.5: Information and Support to the Board

The Board recognises that the decision-making process is highly dependent on the quality of information furnished. As such, in discharging their duties, the Directors need to have full and timely access to all information concerning the Company and the Group. All Board meetings held were preceded by a notice issued by the Company Secretaries. Prior to each Board meeting, the agenda together with relevant reports and Board papers would be circulated to all Directors in sufficient time (five days) to enable effective discussions and decision-making during Board meetings. In addition, the Board is also notified of any corporate announcements released to Bursa Securities.

All minutes of meetings are confirmed by the Board and respective committee members to ensure the deliberations and decisions of the Board are accurately reflected, including whether any director abstained from voting or deliberating on a particular matter. The Chairman of the Board and the Chairman of the respective committees sign off the confirmed minutes for record keeping and safeguarding purposes.

The Directors have full access to the advice and services of the Company Secretaries, the senior management staff, the external auditors and other independent professionals at all times in discharging their duties and responsibilities.

Practice 2.1: Board Charter

The Board has formalised a Board Charter to ensure that the Board are aware of their roles, duties and responsibilities and the application of principles and practices of good corporate governance in their business conduct and dealings in respect of, and on behalf of the Company and the various laws and legislations governing them and the Company. The Board Charter serves not only as a reminder of the Board's roles and responsibilities but also acts as a general statement of intent and expectation as to how the Board discharges its duties and responsibilities. The Board Charter is available in the Company's website at www.privasia.com.

Practice 3.1: Code of Conduct and Ethics

The Board recognises its role in establishing ethical values that support a culture of integrity, fairness, forthrightness, trust and pursuit of excellence. This is formalised via Code of Ethics and Conduct that is periodically reviewed and adhered by all Directors and employees of the Group. The core areas of conducts under the Code of Ethics and Conduct include the followings:-

I. conflict of interest;
II. confidential information;
III. inside information and securities trading;
IV. protection of assets;
V. business records and control;
VI. compliance to the law;
VII. personal gifting and contribution;
VIII. health and safety;
IX. sexual harassment;
X. outside interest;
XI. fair and courteous behaviour; and
XII. misconducts.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Practice 3.2: Whistle-Blowing

To encourage the reporting of genuine concerns about malpractice, illegal acts or failures to comply with recognised standards of work without fear of reprisal or victimisation, the Board has in place a Whistle-Blowing Policy which sets out avenues where legitimate concerns can be objectively addressed. The Whistle-Blowing Policy is available in the Company's website at www.privasia.com.

Practice 4.1: Board Composition

The Board currently comprises six (6) members; of whom two (2) are Executive Directors and four (4) are Independent Non-Executive Directors. The current size, composition and effective mix of Executive Directors and Independent Non-Executive Directors in the Board supports adequate objective and independent deliberation, review and decision making. In addition, the current Board composition of which majority are Independent Non- Executive Directors allows for more effective oversight of management and ensures that no individual or group of individuals dominates the Board's decision making process.

Practice 4.2 & 4.3: Independent Directors

The tenure of an Independent Director shall not exceed a cumulative term of nine (9) years. However, upon completion of the nine years, the Independent Director may continue to serve the Board subject to the Director's re-designation as a Non-Independent Director. In the event the Director is to remain designated as Independent Directors, the Board shall first justify and obtain shareholders' approval.

During the year, the Board through the Nomination and Remuneration Committee assessed the independence of the independent directors based on the criteria set out in the Listing Requirement on an annual basis. The Board is satisfied with the level of independency demonstrated by the four Independent Non-Executive directors and their ability to act in the best interest of the Company.

Practice 4.4: Appointment of Board and Senior Management

In maintaining a competitive advantage, the Board recognises the importance of having a range of different skills, background and experience among its Directors and Senior Management. The Directors are from diverse professional and business backgrounds with a wide range of academic and professional qualifications, business and financial experience relevant to lead the Group's business activities and as such, are able to effectively discharge their duties and responsibilities on the matters or issues of strategic planning, performance evaluation, resource allocation, setting of standards of conduct, identifying principal risks, reviewing internal control systems etc.

Appointment of new Board members, resignation of existing members, as well as the re-election of the Directors are approved by the Board upon the recommendation of the Nomination and Remuneration Committee. Appointment of Board members are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

All Directors are required to submit themselves for re-election by rotation at least once in every three (3) years at each Annual General meeting (AGM). Newly appointed Directors shall hold office until the AGM following their appointment and shall then be eligible for re-election by shareholders.

The Articles of Association also requires that at least one-third (1/3) of the Directors including Executive Directors, to retire from office by rotation and be eligible for re-election at every AGM. All Directors shall submit themselves for re-election at least once every three (3) years from date of appointment in compliance with the Listing Requirements of the Bursa Securities.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Practice 4.4: Appointment of Board and Senior Management (Cont'd)

During the year, the appointment, retirement and resignation of Directors were as follows:

- Datuk Ali Bin Abdul Kadir (retired as Independent Non-Executive Director on 29 June 2018)
- Ms Haida Shenny Binti Hazri (appointed as Independent Non- Executive Director on 9 August 2018)
- Mr Brian Wong Wye Pong (resigned as Independent Non-Executive Director on 5 October 2018)
- Ms Haslinda Bt Hussein (appointed as Independent Non-Executive Director on 12 November 2018)

Diversity composition of the current Board Members are as follows:

	Diversity	Number	%
Directorship	Independent Non-Executive	4	67%
	Executive	2	33%
Gender	Male	4	67%
	Female	2	33%
Age Group	40-50 years	5	83%
	60 years and above	1	17%
Ethnicity	Bumiputera	3	50%
	Chinese	1	17%
	Indian	2	33%

Practice 4.5: Gender diversity

The Group is an equal opportunity employer and provides equal opportunities for all employees with no discrimination of age, race, religion, disabilities or gender.

The Board acknowledges that gender diversity will encourage more constructive debates, leading to better decisions made. Several key positions in the Group are held by women. The Board together with the Nomination and Remuneration Committee is actively seeking out for suitable women candidates. During the year, two (2) female directors were appointed to the Board.

Practice 4.6: Identification of Candidates for Appointment of Directors

The Board uses a variety of approaches and sources to ensure that it is able to identify the most suitable candidates. In identifying suitable candidates the Nomination and Remuneration Committee may use open advertising or the services of external advisers to facilitate the search.

During the year, two (2) Directors were recommended and referred to Board via the Company's business contact. The Nomination and Remuneration Committee performed an assessment of the skills, background and experience of these two (2) individuals and subsequently recommended their appointment to the Board.

Practice 4.7 & 6.2: Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises exclusively of Independent Non-Executive Directors.

The Terms of Reference of the Nomination and Remuneration Committee in relation to its authority and duties which is available in the Company's website at www.privasia.com.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Practice 5.1: Board, Board Committees and Individual Director's Evaluation

Formal objective assessment to determine the effectiveness of the Board, Board Committees and Individual Directors are carried out annually. The Nomination and Remuneration Committee upon its annual assessment on the Board, Board Committees and individual Director's carried out for the financial year ended 31 December 2018, was satisfied that:

I. The size and composition of the Board and Board Committees are optimum with appropriate mix of knowledge, skills, attributes and core competencies;
II. The Board and Board Committees has been able to discharge its duties professionally and effectively in consideration of the scale and breadth of the operations;
III. All the Directors continue to uphold the highest governance standards in their conduct and that of the Board;
IV. All the Members of the Board are well qualified to hold their positions as Directors of the Company in view of their respective academic and professional qualifications, and depth of knowledge, skills and experience and their personal qualities;
V. The Independent Directors comply with the definition of Independent Directors as stated in the ACE Market Listing Requirements of Bursa Securities, where none of tenure of an Independent Director exceeds a cumulative of nine years, and therefore would be able to function as a check and balance and bring an element of objective to the Board; and
VI. The Directors are able to devote sufficient time commitment to their roles and responsibilities as Directors of the Company, as they hold either one or only a few directorship in public listed companies as described below:

    o Holdings only one directorship : 4 directors
    o Holdings two directorship : 2 directors

Practice 6.1: Remuneration Policies

The Group aims to set remuneration at levels which are sufficient to attract and retain the Directors needed to run the Group successfully, taking into consideration all relevant factors including the function, workload and responsibilities involved, but without paying more than is necessary to achieve this goal.

The Nomination and Remuneration Committee is responsible to determine and agree with the Board the framework or broad policy for the remuneration. In determining such policy, the objective is to ensure that members of the executive management of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Group. The current remuneration policies includes the following key features:

I. The level of remuneration for the CEO and Executive Directors is determined by the Nomination and Remuneration Committee after giving due consideration to the compensation levels for comparable positions among other similar Malaysia public listed companies.
II. No Director other than the Executive Directors shall have a service contract with the Company.
III. No director or manager shall be involved in any decisions as to their own remuneration.

The remuneration policies are disclosed in the Board Charter which is available in the Company's website at www.privasia.com.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Practice 7.1: Directors remuneration

The aggregate remuneration of the Directors for the financial year is as follows:-

	Directors Fee and Allowances		Salaries and Others	
	Group	Company	Group	Company
Executive Directors	RM101,000	RM101,000	RM1,250,639	Nil
Non-Executive Directors	RM191,500	RM191,500	Nil	Nil

The number of Directors of the Company whose total remuneration during the year falling into the following bands are as follows:-

Range of remunerations during the year	Number of Directors	
	Executive	Non-Executive
Below RM 50,000	–	4
RM 50,001 – RM 100,000	–	–
RM 600,001 – RM 650,000	–	–
RM 650,001 – RM 700,000	2	–

The Board is in the opinion that disclosure on named basis is not required due to security and privacy reasons and the disclosures presented above is sufficient to allow shareholders to make an informed decision.

Practice 7.2 & 7.3: Senior management remuneration

The range of remuneration of the top five (5) senior management's remuneration which includes salary and other emoluments are as follows:

Range of remunerations during the year	Number of senior management
RM 150,001 – RM 200,000	1
RM 250,001 – RM 300,000	2
RM 600,001 – RM 650,000	1
RM 650,001 – RM 700,000	1

Similar to the above practice, the Board is of the opinion that disclosure on named basis is not required due to security and privacy reasons and the disclosures presented above is sufficient to allow shareholders to make an informed decision.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Practice 8.1: Chairman of the Audit and Risk Management Committee

During the year, there was a change of the Chairman in the Audit and Risk Management Committee. Ms. Haida Shenny Binti Hazri, a new Independent Non-Executive Director, appointed on 9 August 2018, was re-designated from a Member of the Audit and Risk Management Committee to the Chairman effective 12 November 2018, after resignation of Mr Brian Wong Wye Pong. Ms Haslinda Bt Hassan was appointed on 12 November 2018 as a new member after retirement of Datuk Ali bin Abdul Kadir.

Practice 8.2: Former Key Audit Partner Cooling-off Period

Currently there are no members of the Audit and Risk Management Committee who are former key audit partners of the Company. At this juncture, the Board has the view that the appointment of former key audit partner may exert significant influence over the audit. Should a former key audit partner be considered as a candidate for the Audit and Risk Management Committee, a cooling off period will be required before appointment.

Practice 8.3: External Auditor

Through the Audit and Risk Management Committee, the Company has always maintained a close and transparent relationship with its external auditors in seeking professional advice and ensuring compliance with the Malaysian Financial Reporting Standards and Companies Act, 2016 in Malaysia. The interactions between the parties include the discussion of audit plan, audit findings and corrective actions, where appropriate and the conclusion of the financial statements. The Audit and Risk Management Committee meet at least two times with the external auditors without the presence of the Executive Directors and management.

The Audit and Risk Management Committee has assessed and is satisfied with the competency and independence of the external auditors. This assessment amongst others include:

I. ensuring auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners;
II. the resource capacity and competency of audit members assigned by the External Auditors;
III. the level of fees including non-audit services fees paid by the Company to the External Auditors;
IV. the timeliness and completion of the audit; and
V. obtaining written assurance from the External Auditors confirming independence throughout the conduct of the audit in accordance with the terms of all relevant professional and regulatory requirements.

The Audit and Risk Management Committee had recommended the re-appointment of the external auditors to the Board and thereafter to be tabled for the shareholders' approval at the forthcoming AGM.

Practice 8.4, 8.5 and 9.3: Audit and Risk Management Committee

As per the Terms of Reference of the Audit and Risk Management Committee, the composition of the Audit and Risk Management Committee requires a majority to be Independent Directors and at least one (1) member must be a member of the Malaysian Institute of Accountants ("MIA") or possess such qualification and/or experience as approved by Bursa Securities. The Chief Executive Officer shall not be a member of the Audit and Risk Management Committee. Having an Audit and Risk Management Committee that is financially literate and independent enable continuously application of critical and probing view on the Company's financial reporting process, transactions and other financial information, and effectively challenge management's assertions on the Company's financials.

The current Audit and Risk Management Committee comprise solely of Independent Non- Executive Directors of which two (2) members possess accounting and finance background, one of them is a member of the MIA. One of the Member of Audit and Risk Management Committee is also a Chairman of the Audit Committee of another public listed company.

Additional information, including the Terms of Reference and summary of activities of the Audit and Risk Management Committee is presented in the Audit and Risk Management Committee Report on pages 37 to 40 of this Annual Report.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

Practice 9.1 & 9.2: Risk Management and Internal Control Framework

The Board affirms its responsibility in identifying principal risks and ensuring implementation of a proper risk management system to manage such risks. The Board and the Audit and Risk Management Committee has put in place an Enterprise Risk Management ("ERM") Framework and internal control systems to effectively discharge its responsibility in managing risks and counter threats arising from these risks.

The ERM Manual is implemented with an aim to provide practical guidance for developing, implementing and enhancing the ERM framework. The ERM Manual is structured into sections to:

I. Provide a reference for the Board and Management on the concept, definition and processes of risk management of the Group;
II. Provide a guide for developing and implementing the ERM Framework to support the implementation of risk management requirements and enhance the practice of ERM throughout the Group; and
III. Provide details (including examples) of risk management processes, tools, templates and procedures that are customised for the development and implementation of the ERM Framework.

During the year, the Group undertook an exercise to update the ERM Manual including updating and assessing the risk profiles and detailed risk registers of the Group. The updated ERM Manual was used in developing the Internal Audit Plan to channel sufficient internal audit resources to high risks areas of the Group. Internal audit were carried out during the year based on the Internal Audit Plan, with results reported to the Audit and Risk Management Committee.

Practice 10.1 & 10.2: Internal Audit

The mission of the Internal Audit Function is to provide independent and objective assurance and consulting function that adds values and improve the operations of the Group. It will assist the Group to achieve its objectives through systematically evaluating and improving the risk management, internal controls and corporate governance within the Group.

In discharging the Audit and Risk Management Committee's responsibilities of ensuring that the Internal Audit Function is effective and functioning independently, the Group's Internal Audit Function is outsourced to Wensen Consulting Asia (M) Sdn. Bhd. (the "Internal Auditors"), a professional consulting firm.

An Internal Audit Charter that is reviewed and approved by the Audit and Risk Management Committee is in place that defines the purpose of the Internal Audit Function, as well as the scope, authority and responsibilities. In the performance of responsibilities, the Internal Auditors adheres to the International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors which includes the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics.

To uphold independence, the Internal Auditors independently reports directly to the Audit and Risk Management Committee and are not authorised to:

I. Perform any operational duties for the Group;
II. Initiate or approve accounting transactions; and
III. Direct the activities of the Group's employees, except to the extent that the employee has been appropriately assigned to assist the Internal Auditors.

Further details on the Internal Audit Function are reported in the Statement on Risk Management and Internal Control on page 41 to 44.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Practice 11.1: Stakeholders Communication

The Company strictly adheres to the disclosure requirements of Bursa Securities and recognises the importance of timely and equal dissemination of information to shareholders and stakeholders to fulfill transparency and accountability objectives. Corporate Disclosure Policy was established to ensure that communications to the public regarding the Group are timely, factual, accurate and complete. Another key channel of communication with the shareholders, investors and the investment community at large is the Group's investor relations function. The institutional shareholders, fund managers, research analysts and substantial shareholders have a direct channel and are able to enter into a dialogue with the Company's representatives.

The Company also maintains a website (www.privasia.com) through which shareholders and members of the public in general can gain access to information about the Group.

Practice 11.2: Integrated Reporting

Integrated reporting enables concise communication about how an organisation's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term. The Board acknowledges that having such reports benefits all stakeholders interested in an organisation's ability to create value over time, including employees, customers, suppliers, business partners, local communities, legislators, regulators and policy-makers.

The Company is not a Large Company under the Code and is not required to adopt integrated reporting. The Board will look into implementing integrated reporting in future.

Practice 12.1: Notice of Annual General Meeting

The AGM remains the principal forum for communication and dialogue with the shareholders of the Company. Shareholders are notified of the AGM and provided with a copy of the Company's Annual Report at least twenty-eight (28) days before the date of the AGM.

Practice 12.2: Directors' Attendance of Annual General Meeting

The entire Board is committed to attend the AGM. During the AGM, the Board members are prepared to respond to all queries and had undertaken to provide sufficient clarification on issues and concerns raised by the shareholders. The external auditors are also present to provide their professional and independent clarification on queries raised by shareholders. Status of all resolutions proposed at the AGM is announced to Bursa Malaysia at the end of the meeting day.

Practice 12.3: Leverage of Technology

The Company does not have AGMs in remote locations and is normally conducted within the Group's Headquarters in Petaling Jaya, Selangor. For shareholders that are not attending the AGM, they are allowed to appoint the Chairman or any person(s) as proxies to attend and vote on their behalf.

In consideration that the Company does not have a large number of shareholders, the Board is of the opinion that the use of an electronic voting system to tabulate votes for resolutions is not required at this juncture. The Board is of the opinion that the current practice of voting by poll, with an announcement of the detailed results showing the number of votes cast and against each resolution is sufficient to effectively and efficiently carry out the voting of resolutions. To foster better transparency, the poll is performed independently, with an Independent Scrutineer appointed to verify the polling procedures and observe that polling process is properly carried out. The Independent Scrutineer, will confirm the results of the polls before submission to the Chairman for announcement of the results.

ADDITIONAL INFORMATION

MEETING ATTENDANCE

The Board meets on a quarterly basis, with additional meetings convened as and when required. There were five (5) meetings held during the financial year and the attendances are as follows:

Name of Directors	Attendance
Datuk Ali Bin Abdul Kadir (retired on 29 June 2018)	3/3
Puvanesan a/l Subenthiran	5/5
Andre Anthony a/l Hubert Rene	5/5
Brian Wong Wye Pong (resigned on 5 October 2018)	4/4
Dato' Mohamed Sharil Bin Mohamed Tarmizi	5/5
Ronnie Kok Lai Huat	5/5
Haida Shenny Binti Hazri (appointed on 9 August 2018)	2/2
Haslina Bt. Hussein (appointed on 12 November 2018)	1/1

Audit & Risk Management Committee Meeting

Name of Directors	Attendance
Datuk Ali Bin Abdul Kadir (retired on 29 June 2018)	3/3
Brian Wong Wye Pong (resigned on 5 October 2018)	4/4
Ronnie Kok Lai Huat	5/5
Haida Shenny Binti Hazri (appointed on 9 August 2018)	2/2
Haslina Bt. Hussein (appointed on 12 November 2018)	1/1

Nomination and Remuneration Committee Meeting

Name of Directors	Attendance
Ronnie Kok Lai Huat	3/3
Dato' Mohamed Sharil Bin Mohamed Tarmizi	3/3
Brian Wong Wye Pong (resigned on 5 October 2018)	1/1

Investment Committee Meeting

There was no Investment Committee Meeting during the year ended 31 December 2018.

ADDITIONAL INFORMATION (CONT'D)

Directors' Training

Directors' training is an on-going process as Directors recognise the need to continually refresh and develop their knowledge and skills, and to update themselves on developments in the industry and business landscape in order for Group to remain competitive. All Directors have attended the Mandatory Accreditation Programme for Directors of PLCs.

During the financial year ended 31 December 2018, the Directors of the Company attended various forums, programmes, workshops and seminars as shown in the table below:-

Name of Directors	Details of Training Program Attended
Datuk Ali Bin Abdul Kadir (retired on 29 June 2018)	FY2018 ENRA Group Directors & Management Conference on: (i) Companies Act, 2016- Highlights of Directors' and Officers' duties and liabilities (ii) Managing your tax affairs in the current economic environment (including updates on Transfer Pricing Rules) (iii) Malaysian Code on Corporate Governance & the CG Guide 3rd Edition- Key changes and their implications to the Board, Board Committees and Management World Capital Markets Symposium 2018 MCCG Compliance Expectations - What Directors Need to Know
Puvanesan a/l Subenthiran	MCCG Compliance Expectations - What Directors Need to Know Challenging Global Leaders to Defy Convention -2018 Procurecon Asia 2018 Wild Digital Southeast Asia 2018 EPF Equity Summit 2018 NFCP Industry Consultation Session Smart Procurement Summit Apac KL Entrepreneurship Conference 2018
Andre Anthony a/l Hubert Rene	MCCG Compliance Expectations - What Directors Need to Know Global Blockchain Conference 2018 Procurecon Asia 2018
Brian Wong Wye Pong (resigned on 5 October 2018)	Trust & Integrity Conference MCCG Compliance Expectations - What Directors Need to Know Business Valuation for Tech Start-ups : Practical Approaches and Considerations Malaysian Tax Conference 2018 - Embracing the Challenges of Tomorrow
Ronnie Kok Lai Huat	MCCG Compliance Expectations - What Directors Need to Know The Essence of Independence
Dato' Mohamed Sharil Bin Mohamed Tarmizi	MCCG Compliance Expectations - What Directors Need to Know Asean Advisory, Singapore UNESCAP Meeting in Bangkok TNB Senior Management Experience Sharing Session World Bank - Public Policy in a Digital World Asean Angel Alliance Summit 2018
Haida Shenny Binti Hazri (appointed on 9 August 2018)	Launch of the Institute of Corporate Directors (ICDM) ICDM Power Talk – Effective Boards in a VUCA World Breakfast Series : Companies of the Future - The Role for Boards
Haslina Bt. Hussein (appointed on 12 November 2018)	Breakfast Series : Companies of the Future - The Role for Boards

ADDITIONAL INFORMATION (CONT'D)

Directors' Responsibility Statement in relation to the Financial Statements

The Board is aware of its responsibilities to the shareholders and the requirements to present a balanced and meaningful assessment of the Group's financial position, by means of the annual financial and quarterly report's statements and other published information.

The Directors are required to ensure that the financial statements of the Group and the Company are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016, in Malaysia so as to give a true and fair view of the state of affairs of the Group and the Company for the financial year ended 31 December 2018.

With assistance from the Audit and Risk Management Committee, the Board has reviewed both the financial and statutory compliance aspects of the Audited Financial Statements.

In preparing the financial statements, the Directors have selected and applied consistently appropriate accounting policies and made reasonable and prudent judgments and estimates.

The Directors also have a general responsibility for taking such steps that are reasonable to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Compliance with the Code

The Group has adopted in total 31 out of the total 36 practices which includes 2 out of the total 4 Step-Up practices. The explanation for departure of practices are as follows:

Practice	Explanation for departure
4.3	The Board does not have a policy which limits the tenure of its Independent Directors to nine years. In the event the Independent Directors are to remain designated as Independent Directors beyond nine (9) years, the Board shall first justify and obtain shareholders' approval.
7.1,7.2 & 7.3	Detailed disclosure on remuneration of individual directors, top five (5) senior management and each member of senior management on a named basis is not disclosed due to security and privacy reasons. The Board is of the opinion that disclosures presented above is sufficient to allow shareholders to make an informed decision.
11.2	The Company is not a Large Company under the Code and is not required to adopt integrated reporting.
12.3	The Company does not have a large number of shareholders nor conducts AGMs in remote locations.

The Board is satisfied that the Group has maintained high standards of Corporate Governance and had strived to achieve the highest level of integrity and ethical standard, in all its business dealings, including compliance with the Code throughout the financial year ended 31 December 2018.

This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors dated 19 April 2019.

Audit and Risk Management **Committee Report**

The Audit and Risk Management Committee ("the Committee") is pleased to present their report for the financial year ended 31 December 2018.

A. MEMBERSHIP

The present members of the Committee comprise:

Haida Shenny Binti Hazri	Independent Non-Executive Director, the Chairman of the Committee
Ronnie Kok Lai Huat	Independent Non-Executive Director
Haslinda Bt Hussein	Independent Non-Executive Director

B. TERMS OF REFERENCE

The terms of reference of the Committee are set out as below:

Composition

1. The Committee shall be appointed among the Board of Directors ("the Board"), a majority of whom shall be Independent Directors and at least one (1) member must be a member of the Malaysian Institute of Accountants or possess such qualification and/or experience as approved by Bursa Securities.

2. The Chief Executive Officer shall not be a member of the Committee.

3. Former key audit partners to be appointed to the Committee are required to observe a cooling-off period of at least two years before being appointed as a member of the Committee.

Chairman

1. The Chairman, who shall be appointed by the Board, shall be an Independent Director.

2. The Chairman of the Board shall not be the Chairman of the Committee.

Secretary

The Company Secretary shall be the Secretary of the Committee. The Secretary shall be responsible for keeping the minutes of the Committee's meetings and circulating them to the Committee members and to the other members of the Board.

Meetings

The Committee shall meet at least four (4) times in each financial year. The quorum for a meeting shall be two (2) members, provided that the majority of members present at the meeting shall be Independent Non-Executive Directors. All decisions at such meeting shall be decided by a show of hands on a majority of votes.

The Committee shall have the authority to convene meetings with external auditors when required, excluding the attendance of other Directors and employees of the Company.

B. TERM OF REFERENCE (CONT'D)

Authority

1. The Committee is authorised by the Board to investigate any matter within the scope of the Committee's duties. It has full and unrestricted access to any information in the Company and is authorised to call upon any employee to seek information it requires and all employees are required to co-operate with the Committee.

2. The Committee is empowered to also obtain independent professional or other advice and retain persons having special competence as necessary to assist the Committee in fulfilling its responsibility.

3. All recommendations of the Committee are subject to the endorsement of the Board.

Duties and Responsibilities

1. To recommend the appointment of the external auditors, their audit fee and any questions of their resignation or dismissal to the Board.

2. To discuss with the external auditors, their audit plan.

3. To review the financial statements of the Company and the Group before submission to the Board, focusing particularly on:

   - public announcements of results and dividend payment;
   - any changes in accounting policies and practices;
   - major judgmental areas;
   - significant adjustments resulting from the audit;
   - the going-concern assumption;
   - compliance with accounting standards; and
   - compliance with the stock exchange and legal requirements.

4. To discuss problems and reservations arising from the interim and final internal and external audits and any matters the auditors may wish to discuss (in the absence of management where necessary).

5. To keep under review the effectiveness of internal control system and, in particular, review external auditors' management letter and management's response.

6. To review any related party transactions that may arise within the Company or Group.

7. To verify the allocation of share options under the Employees Share Option Scheme of Privasia Technology Berhad.

8. To review and approve the statements of risk management and internal control to be included in the annual report concerning internal controls and risk management.

9. To monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system.

10. Ensuring that a formalised risk management framework is established that identifies, evaluates, measures, manages, reports and monitors all of the material business risks across the Group.

11. To approve the appointment and removal of the internal auditor.

12. To consider and approve the scope of the internal audit function and ensure it has appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards.

B. TERM OF REFERENCE (CONT'D)

Duties and Responsibilities (Cont'd)

13. To ensure the adequacy of the scope, function, competency and resources of the internal audit function and that it has the necessary authority to carry out its work and the function has adequate standing and is free from management or other restrictions.

14. To review and assess the annual internal audit plan.

15. To review promptly all reports on the Group from the internal auditors and review and monitor management's responsiveness to the findings and recommendations of the internal auditor.

16. To monitor the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company as compared to the overall fee income of the firm, office and partners and other related requirements.

17. To review the Group's arrangements for its employees to raise concerns, in confidence, about possible wrongdoings in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigations of such matters and appropriate follow-up actions.

18. Identifying and monitoring the key risks of the Group and evaluating the management.

19. Ensuring policies and framework are in place to manage the risks to which the Group is exposed, especially in the areas of risk concentration pertaining to the risk exposures that the subsidiaries are exposed to in their business activities, e.g. market, operational, liquidity, credit, regulatory, reputation, legal and strategic risk.

20. Ensuring action plan is in place to manage the key risks to which the Group is exposed.

21. Critically assessing the Group's business strategies and plans from a risk-based and enterprise-wide perspective.

22. To carry out such other functions and consider other topics, as may be agreed upon by the Board.

C. MEETINGS AND SUMMARY OF ACTIVITIES

During the financial year ended 31 December 2018, a total of five (5) meetings were held and the details of attendances are set out below:

Name of Directors	Attendance
Ronnie Kok Lai Huat	5/5
Datuk Ali Bin Abdul Kadir (Retired on 29 June 2018)	3/3
Brian Wong Wye Pong (Resigned on 5 October 2018)	4/4
Haida Shenny Binti Hazri	2/2
Haslinda bt Hussein	1/1

The Company Secretary was present at all meetings. The meetings were appropriately structured throughout the use of agendas.

C. MEETINGS AND SUMMARY OF ACTIVITIES (CONT'D)

Summary of Activities

The following activities were carried out by the Committee during the financial year under review:

i) Reviewed the quarterly unaudited financial results and the annual audited financial statements for recommendation to the Board;

ii) Reviewed with the external auditors the Audit Planning Memorandum and the scope of work for the year;

iii) Considered the Internal Audit function of the Group;

iv) Reviewed the internal audit reports to ensure that appropriate and prompt remedial action has been taken by Management on lapses in controls or procedures identified by internal auditors;

v) Reviewed the changes in major accounting policies;

vi) Reviewed significant or unusual events;

vii) Reviewed the compliance with accounting standards and other legal requirements;

viii) Reviewed major audit findings raised by the external auditors and management's response, including the status of previous audit recommendations;

ix) Considered and recommended the appointment of internal and external auditors for the Board's approval;

x) Reviewed the Audit and Risk Management Committee Report and Statement on Risk Management and Internal Control; and

xi) Ensure outsourced internal audit function has adequate resources, consisting of people who are adequately skilled.

D. INTERNAL AUDIT FUNCTION

The Group's internal audit function is outsourced to Wensen Consulting Asia (M) Sdn. Bhd., a professional consulting firm, which provides support to the Committee in monitoring and managing risks and internal control systems of the Group.

The main role of the internal audit function is to review the effectiveness and adequacy of the existing internal control policies and procedures and to provide recommendations, if any, for the improvement of the internal control policies and procedures. All internal auditors' reports are deliberated by the Committee and recommendations made are acted upon.

Further details on the internal audit function are reported in the Statement on Risk Management and Internal Control on page 41 and 44.

The total costs incurred for the internal audit function of the Company for the financial year was RM36,000.

This report was made in accordance with a resolution of the Board passed on 19 April 2019.

Statement on Risk Management and Internal Control

INTRODUCTION

The Board of Directors ("the Board") is pleased to present its Statement on Risk Management and Internal Control for the financial year ended 31 December 2018. This Statement is prepared pursuant to paragraph 15.26(b) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, and in accordance with the Principles and Best Practices provisions relating to risk management and internal controls provided in the Malaysian Code on Corporate Governance ("Code"). This Statement is guided by the Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers.

BOARD'S RESPONSIBILITIES

The Board acknowledges its overall responsibility for the Group's system of internal controls, which includes the establishment of an appropriate risk and control framework as well as the review of its effectiveness, adequacy and integrity. It should be noted, however, that such systems are designed to manage rather than to eliminate the risk of failure to achieve business objectives. In addition, it should be noted that these systems can only provide reasonable but not absolute assurance against material misstatement or loss.

There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group in its achievement of objectives and strategies. This process includes enhancing the risk management and internal control system as and when there are changes to the business environment or regulatory guidelines. The process has been in place during the year up to the date of approval of the annual report and is subject to review by the Board.

The Board is assisted by management in implementing the Board's policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to manage and control these risks.

The key features of the risk management and internal control systems are described below:

RISK MANAGEMENT

The Board recognises that risk management should be an integral part of the business operation.

The Group has in place risk profiles of major business units. Key risks of major business units were identified, assessed and categorised to highlight the source of risk, their impacts and the likelihood of occurrence. Risk profiles for the major business units were identified.

The risk profile of the major business units of the Group are being monitored by its respective key management staff and existing Enterprise Risk Management ("ERM") Framework of the Group is continuously assessed to identify enhancement required, if any. Key risks of the Group are discussed at Management and Board Meetings.

Existing Enterprise Risk Management ("ERM") Framework of the Group has been assessed to identify enhancement required. This is to ensure a robust and sustainable ERM framework is aligned with the Group's vision and missions, as the Group firmly believes that risk management is critical for the Group's sustainability and the enhancement of shareholder value.

INTERNAL CONTROL

The Board receives and reviews quarterly reports from the management on key financial data, and regulatory matters. This is to ensure that matters that require the Board and management's attention are highlighted for review, deliberation and decision on a timely basis. The Board approves appropriate responses or amendments to the Group's policy. Besides, the results of the Group are reported quarterly and any significant fluctuations are analysed and acted on in a timely manner.

There is a budgeting system that requires preparation of the annual budget by all major business units. The annual budgets which contain financial, operating targets and performance indicators are reviewed and approved by the Executive Directors together with the management before being presented to the Board for final review and approval.

Issues relating to the business operations are highlighted to the Board's attention during Board meetings. Further independent assurance is provided by the Group internal audit function and the Audit and Risk Management Committee. The Audit and Risk Management Committee reviews internal control matters and updates the Board on significant issues for the Board's attention and action.

The other salient features of the Group's systems of internal controls are as follows:-

- Established organisation structure with clearly defined lines of responsibilities, authority limits, and accountability aligned to business and operations requirement;
- Quarterly review of the financial performance of the Group by the Board and the Audit and Risk Management Committee;
- Operations review meetings are held by the respective business units to monitor the progress of business operations, deliberate significant issues and formulate corrective measures;
- Management meetings are held where policies, decisions and expected operational performance targets and objectives set are communicated and executed;
- Risk management principles, policies, procedures are in place to reflect changing risks or resolve operational deficiencies, and to ensure relevance and compliance with current or applicable laws and regulations. Cases of non-compliance to policies and procedures are reported to the Board and Audit and Risk Committee by exception;
- Investment Committee is established to manage the Group's investment portfolios within the Group strategy and risk frameworks;
- The Group has maintained recruitment, appraisal, reward and training programmes as the Board considers the integrity of staff at all level is of utmost importance. The Group's culture and values, and the standard of ethical behaviour and conduct it expects from the directors and employees have been communicated to them via letter of appointment and employee handbook;
- Insurance and physical security of major assets are in place to ensure that the assets of the Group are sufficiently covered against any mishap that will result in material losses to the Group;
- Adopts a Whistle Blowing Policy, providing an avenue for employees to report actual or suspected misconduct, malpractices or violations of the Group's policies in a safe and confidential manner;
- Enhancing the quality and ability of employees through training and development;
- Standardised policies and procedures are implemented to the financial and operational controls of the Group; and
- As computers are used for transmitting information and storing data, the Group maintains IT security controls such as user and password access rights and backup of data.

EXTERNAL AUDIT

In the course of conducting quarterly limited review and annual statutory audit, the external auditor will highlight any significant review, audit, accounting and internal controls matters which require attention to the Board and Audit and Risk Management Committee. In the quarterly Audit and Risk Management Committee meetings, the external auditor will provide views on any related matters for the attention of the Audit and Risk Management Committee. At least twice a year, the Audit and Risk Management Committee shall meet the external auditor without the Executive Directors and management being present. This year, the Audit and Risk Management Committee met twice with the external auditor without the Executive Directors and management being present.

INTERNAL AUDIT FUNCTION

The Board acknowledges the importance of the internal audit function and has outsourced its internal audit function to a professional service firm, as part of its efforts in ensuring that the Group systems of internal controls are adequate and effective. The internal audit function assists the Board and Audit and Risk Management Committee in providing independent assessment of the effectiveness and adequacy of the Group's system of internal controls.

The internal audit function of the Group is carried out according to an annual audit plan approved by the Audit and Risk Management Committee. The internal audit function adopts a risk-based approach and prepares its audit plans based on significant risks identified. The internal audit provides an assessment of the adequacy, efficiency and effectiveness of the Group's existing internal control policies and procedures and provides recommendations, if any, for the improvement of the control policies and procedures. The results of the audit reviews are reported periodically to the Audit and Risk Management Committee.

The audit reports are reviewed by the Audit and Risk Management Committee and forwarded to the Management so that any recommended corrective actions could be undertaken. The Management is responsible for ensuring that the necessary corrective actions on reported weaknesses are taken within the required time frame.

A total of RM36,000 was spent on internal audit activities in 2018.

REVIEW BY BOARD

The Board considered the adequacy and effectiveness of the risk management and internal control process in the Group during the financial year.

A review on the adequacy and effectiveness of the risk management and internal control systems has been undertaken based on information from:

- Management within the organisation responsible for the development and maintenance of the risk management and internal control framework;
- Assessments of major business units and functional controls by respective management to complement the above input in providing a holistic view of the Group risk and control framework effectiveness; and
- The work by the internal audit function which submitted the Internal Audit Plan highlighting the key processes, which have been defined based on the Audit and Risk Management Committee's assessment on the Group's financial, operational, compliance, and information technology risks, and Internal Audit reports to the Audit and Risk Management Committee together with recommendations for improvement.

The Audit and Risk Management Committee will address and monitor the implementation of key action plans and any internal control weakness and ensure continuous process improvement.

REVIEW BY BOARD (CONT'D)

In accordance to the Bursa's Guidelines, management is responsible to the Board for:

- identifying risks relevant to the business of the Group's objectives and strategies implementation;
- designing, implementing and monitoring the risk management framework in accordance with the Group's strategic vision and overall risk appetite; and
- identifying changes to risk or emerging risks, taking action as appropriate and promptly bringing these to the attention of the Board.

There have been no significant weaknesses noted which have resulted in any material losses. The Group maintains on-going commitments to continue strengthening its risk management and internal control systems.

Before producing this Statement, the Board has also received assurance from the Chief Executive Officer and Chief Financial Officer of the Company that, to their best of their knowledge that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects.

The Board considers the system of internal controls described in this statement to be satisfactory and the risks to be at an acceptable level within the context of the Group's business environment. The Board and management will continue to take measures to strengthen the risk and control environment and monitor the health of the risk and internal controls framework.

This statement is made in accordance with a resolution of the Board of Directors passed on 19 April 2019.

Additional **Compliance Information**

The information set out below is disclosed in compliance with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

1) Utilisation of Proceeds

During the financial year, the Group did not raise any funds from the public.

2) Options, Warrants or Convertible Securities

The approval of the shareholders for the employees' share option scheme of up to ten (10) percent of the issued and paid-up share capital of the Company ('ESOS") was obtained at the extraordinary general meeting of the Company which was held on 12 March 2009. There were no options allocated during the financial year under review. Further, the Company did not issue any warrants and convertible securities during the financial year under review.

3) Non-Audit Fee

During the financial year, the non-audit fee paid to the external auditors was RM55,600.00.

4) Material Contracts

There were no material contracts subsisting at the end of the financial year ended 31 December 2018 entered into by the Company and the Group, involving the interests of the Directors and major shareholders.

5) Revaluation Policy on Landed Properties

The Group does not have a revaluation policy for its landed properties.

6) Related Party Transactions

There are no significant related party transactions other than those disclosed in Note 24 in the financial statements.

Directors' Report

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services. The principal activities of its subsidiaries are disclosed in Note 8 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
(Loss)/Profit for the financial year	(4,818,102)	376,089
Attributable to:		
Owners of the Company	(3,960,136)	376,089
Non-controlling interests	(857,966)	–
	(4,818,102)	376,089

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year.

The directors do not recommend the payment of any dividends in respect of the financial year ended 31 December 2018.

RESERVES OR PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

BAD AND DOUBTFUL DEBTS

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

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

(i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

ISSUE OF SHARES AND DEBENTURES

During the financial year, no new issue of shares or debentures were made by the Company.

DIRECTORS

The directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Ronnie Kok Lai Huat	
Puvanesan A/L Subenthiran*	
Andre Anthony A/L Hubert Rene*	
Dato' Mohamed Sharil Bin Mohamed Tarmizi	
Haida Shenny Binti Hazri	(Appointed on 9 August 2018)
Haslinda bt Hussein	(Appointed on 12 November 2018)
Datuk Ali Bin Abdul Kadir*	(Retired on 29 June 2018)
Brian Wong Wye Pong	(Resigned on 5 October 2018)

* Directors of the Company and certain subsidiaries

Other than as stated above, the names of the directors of the subsidiaries of the Company in office during the financial year and during the period from the end of the financial year to the date of the report are:

Azizul Rahman Bin Yeop Abdul Mutalib	
Cecilia Cham Hui Kung	
Prasad Kumar A/L Gnanaseygren	
Rubern A/L Perinbanayakham	
Sulaiha Binti Sawadi	
Thiagarajan A/L Tinakarun	
Datin Safira binti Mohd Arif	(Appointed on 21 February 2018)

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings required to be kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, the interests of directors in office at the end of the financial year in shares in the Company and its related corporation during the financial year were as follows:

Interest in the Company

		Number of ordinary shares			
		At 1 January 2018	**Bought**	**Sold**	**At 31 December 2018**
Direct interests:					
Puvanesan A/L Subenthiran		15,611,400	803,000	–	16,414,400
Andre Anthony A/L Hubert Rene		10,828,700	–	(654,000)	10,174,700
Dato' Mohamed Sharil Bin Mohamed Tarmizi		–	2,050,000	-	2,050,000
Indirect interests:					
Puvanesan A/L Subenthiran	*	150,885,720	–	–	150,885,720
Andre Anthony A/L Hubert Rene	*	156,549,520	–	–	156,549,520

* Shares held through company in which the director has substantial financial interests.

DIRECTORS' INTERESTS (CONT'D)

By virtue of their interests in the ordinary shares of the Company and pursuant to Section 8 of the Companies Act 2016 in Malaysia, Andre Anthony A/L Hubert Rene and Puvanesan A/L Subenthiran are deemed to have interest in the ordinary shares of the subsidiaries to the extent that the Company has an interest.

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable, by the directors as disclosed in Note 20 to the financial statements) 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.

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

INDEMNITY TO DIRECTORS AND OFFICERS

Subject to the provisions of the Companies Act 2016, every director or other officer for the time being of the Company shall be indemnified out of the assets of the Company against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgement is given in his favour or in which he is acquitted or in connection with any application under the Companies Act 2016 in which relief is granted to him by the Court in respect of any negligence, default breach of duty or breach of trust.

During the financial year, the total amount of indemnity coverage and insurance premium paid for the directors and certain officers of the Company were RM5,000,000 and RM8,500 respectively.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 8 to the financial statements.

AUDITORS' REMUNERATION

The details of the auditors' remuneration are disclosed in Note 19 to the financial statements.

INDEMNITY TO AUDITORS

The Company has agreed to indemnify the auditors of the Company as permitted under Section 289 of the Companies Act 2016 in Malaysia.

AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng PLT (converted from a conventional partnership, Baker Tilly Monteiro Heng on 5 March 2019), have expressed their willingness to continue in office.

This report was approved and signed on behalf of the Board of Directors in accordance with a resolution of the directors:

RONNIE KOK LAI HUAT
Director

PUVANESAN A/L SUBENTHIRAN
Director

Date: 19 April 2019

Statements of Financial Position

As at 31 December 2018

		Group		Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	29,530,840	38,184,326	–	–
Investment property	6	2,220,745	2,247,341	–	–
Goodwill and other intangible assets	7	41,719,336	39,441,481	–	–
Investment in subsidiaries	8	–	–	82,505,767	59,903,181
Investment in an associate	9	–	–	–	–
Other investment	10	–	–	–	–
Deferred tax assets	11	617,800	829,000	–	–
Total non–current assets		74,088,721	80,702,148	82,505,767	59,903,181
Current assets					
Inventories	12	1,320,902	1,872,966	–	–
Trade and other receivables	13	26,358,849	32,543,824	7,746,386	5,272,100
Tax assets		1,296,223	2,942,907	–	–
Deposits, cash and bank balances	14	8,269,998	12,212,854	47,517	24,444
Total current assets		37,245,972	49,572,551	7,793,903	5,296,544
TOTAL ASSETS		111,334,693	130,274,699	90,299,670	65,199,725

Statements of Financial Position
As at 31 December 2018 (cont'd)

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	15	55,820,002	55,820,002	55,820,002	55,820,002
Exchange reserve		(4,848)	–	–	–
Retained earnings		12,410,380	17,437,951	8,481,169	8,105,080
		68,225,534	73,257,953	64,301,171	63,925,082
Non-controlling interests		(1,106,873)	(61,427)	–	–
TOTAL EQUITY		67,118,661	73,196,526	64,301,171	63,925,082
Liabilities					
Non-current liabilities					
Loans and borrowings	16	14,598,298	19,533,665	–	–
Deferred tax liabilities	11	1,829,000	3,672,000	–	–
Total non-current liabilities		16,427,298	23,205,665	–	–
Current liabilities					
Loans and borrowings	16	13,925,535	17,121,617	–	–
Trade and other payables	17	13,863,199	16,750,891	25,998,499	1,274,643
Total current liabilities		27,788,734	33,872,508	25,998,499	1,274,643
TOTAL LIABILITIES		44,216,032	57,078,173	25,998,499	1,274,643
TOTAL EQUITY AND LIABILITIES		111,334,693	130,274,699	90,299,670	65,199,725

The accompanying notes form an integral part of these financial statements.

Statements of Comprehensive Income

For the Financial year Ended 31 December 2018

		Group		Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
Revenue	18	52,531,641	59,931,520	9,808,601	9,425,833
Cost of sales		(31,736,630)	(37,063,593)	–	–
Gross profit		20,795,011	22,867,927	9,808,601	9,425,833
Other income		1,410,410	790,143	86	83
Other expenses		(24,396,098)	(27,231,658)	(9,432,598)	(4,287,772)
Operating (loss)/profit		(2,190,677)	(3,573,588)	376,089	5,138,144
Finance costs		(1,525,007)	(1,728,721)	–	–
(Loss)/Profit before tax	19	(3,715,684)	(5,302,309)	376,089	5,138,144
Tax expense	21	(1,102,418)	(1,757,767)	–	–
(Loss)/Profit for the financial year		(4,818,102)	(7,060,076)	376,089	5,138,144
Other comprehensive income, net of tax					
Item that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operation		(4,848)	–	–	–
Other comprehensive loss for the financial year		(4,822,950)	–	–	–
Total comprehensive (loss)/ income for the financial year		(4,822,950)	(7,060,076)	376,089	5,138,144
(Loss)/Profit attributable to:					
- Owners of the Company		(3,960,136)	(7,183,660)	376,089	5,138,144
- Non-controlling interests		(857,966)	123,584	–	–
		(4,818,102)	(7,060,076)	376,089	5,138,144
Total comprehensive (loss)/ profit attributable to:					
- Owners of the Company		(3,964,984)	(7,183,660)	376,089	5,138,144
- Non-controlling interests		(857,966)	123,584	–	–
		(4,822,950)	(7,060,076)	376,089	5,138,144
Loss per share attributable to owners of the Company (sen):					
- Basic and diluted	22	(0.71)	(1.29)		

The accompanying notes form an integral part of these financial statements.

Statements of **Changes In Equity**
For the Financial year Ended 31 December 2018

	← Attributable to owners of the Company →					
	Share Capital RM	Exchange Reserve RM	Retained Earnings RM	Total RM	Non-controlling Interests RM	Total Equity RM
Group						
At 1 January 2017	55,820,002	–	24,621,611	80,441,613	(185,011)	80,256,602
Total comprehensive income for the financial year						
Loss for the financial year, representing total comprehensive income	–	–	(7,183,660)	(7,183,660)	123,584	(7,060,076)
At 31 December 2017	55,820,002	–	17,437,951	73,257,953	(61,427)	73,196,526
At 31 December 2017						
- As previously reported	55,820,002	–	17,437,951	73,257,953	(61,427)	73,196,526
- Effect of transition to MFRS - MFRS 9	–	–	(1,067,435)	(1,067,435)	–	(1,067,435)
Restated balance at 1 January 2018	55,820,002	–	16,370,516	72,190,518	(61,427)	72,129,091
Total comprehensive loss for the financial year						
Loss for the financial year	–	–	(3,960,136)	(3,960,136)	(857,966)	(4,818,102)
Other comprehensive loss for the financial year	–	(4,848)	–	(4,848)	–	(4,848)
Total comprehensive income	–	(4,848)	(3,960,136)	(3,964,984)	(857,966)	(4,822,950)
Transactions with owners						
Changes in ownership interests in a subsidiary	–	–	–	–	20	20
Dividends paid on shares	–	–	–	–	(187,500)	(187,500)
Total transactions with owners	–	–	–	–	(187,480)	(187,480)
At 31 December 2018	55,820,002	(4,848)	12,410,380	68,225,534	(1,106,873)	67,118,661

Statements of Changes in Equity
For the Financial year Ended 31 December 2018 (cont'd)

	Share Capital RM	Retained Earnings RM	Total Equity RM
Company			
At 1 January 2017	55,820,002	2,966,936	58,786,938
Total comprehensive income for the financial year			
Profit for the financial year, representing total comprehensive income	–	5,138,144	5,138,144
At 31 December 2017	55,820,002	8,105,080	63,925,082
Total comprehensive income for the financial year			
Profit for the financial year, representing total comprehensive income	–	376,089	376,089
At 31 December 2018	55,820,002	8,481,169	64,301,171

The accompanying notes form an integral part of these financial statements.

Statements of Cash Flows
For the Financial year Ended 31 December 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Cash Flows from Operating Activities					
(Loss)/Profit before tax		(3,715,684)	(5,302,309)	376,089	5,138,144
Adjustments for:					
Amortisation of intangible assets		656,270	516,099	–	–
Bad debts written off		–	3,347	–	–
Depreciation of investment property		26,596	26,595	–	–
Depreciation of property, plant and equipment		10,099,319	10,459,976	–	–
Gain on disposal of property, plant and equipment		(832,510)	(1,322)	–	–
Impairment loss on:					
- trade receivables		238,059	920,032	–	–
- amount owing by subsidiaries (trade)		–	–	356,988	–
- amount owing by subsidiaries (non-trade)		–	–	4,561,710	–
- other investment		–	500,000	–	500,000
- investment in subsidiaries		–	–	350,000	–
Interest expense		1,525,007	1,728,721	–	–
Interest income		(200,411)	(150,423)	–	–
Inventories written down		120,978	198,546	–	–
Inventories written off		185,343	26,322	–	–
Property, plant and equipment written off		7,478	4	–	–
Reversal of impairment loss on trade receivables		(56,718)	(28,158)	–	–
Unrealised loss/(gain) on foreign exchange		273,420	(271,926)	–	–
Operating profit before working capital changes		8,327,147	8,625,504	5,644,787	5,638,144
Changes in working capital:					
Inventories		245,743	252,988	–	–
Receivables		4,901,711	4,095,198	(4,212,507)	2,053,371
Payables		(3,126,623)	(5,111,543)	163,267	30,092
Net cash generated from operations		10,347,978	7,862,147	1,595,547	7,721,607
Interest paid		(1,525,007)	(1,728,721)	–	–
Interest received		200,411	150,423	–	–
Tax refunded		248,448	–	–	–
Tax paid		(1,335,982)	(2,046,352)	–	–
Net cash from operating activities		7,935,848	4,237,497	1,595,547	7,721,607

Statements of Cash Flows
For the Financial year Ended 31 December 2018 (cont'd)

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Cash Flows from Investing Activities					
Investment in a subsidiary		–	–	–	(1,500,000)
Acquisition of subsidiary, net of cash	8(f)	20	–	–	–
Proceeds from disposal of property, plant and equipment		2,886,481	2,003	–	–
Purchase of intangible assets		(2,934,125)	(2,164,161)	–	–
Purchase of property, plant and equipment		(3,507,283)	(6,865,232)	–	–
Repayments from subsidiaries		–	–	(6,228,208)	480,081
Net cash used in investing activities		(3,554,907)	(9,027,390)	(6,228,208)	(1,019,919)
Cash Flows from Financing Activities					
Withdrawal of pledged deposits		502,367	–	–	–
Dividends paid		(187,500)	–	–	–
(Repayment)/Drawdown of bankers' acceptances		(424,270)	3,695,131	–	–
Placements of pledged deposits		–	(748,265)	–	–
Proceeds from term loans		1,971,189	6,951,983	–	–
(Repayment of)/Proceeds from trade financing		(3,846,153)	3,846,153	–	–
Repayments of finance lease liabilities		(1,915,851)	(3,515,023)	–	–
Repayments of term loans		(3,856,765)	(3,933,908)	–	–
Advances/(Repayments) to subsidiaries		–	–	4,655,734	(6,695,920)
Net cash (used in)/from financing activities		(7,756,983)	6,296,071	4,655,734	(6,695,920)
Net (decrease)/increase in cash and cash equivalents		(3,376,042)	1,506,178	23,073	5,768
Cash and cash equivalents at the beginning of the financial year		3,246,242	1,740,064	24,444	18,676
Exchange rate adjustment		(4,848)	–	–	–
Cash and cash equivalents at the end of the financial year	14	(134,648)	3,246,242	47,517	24,444

(a) Reconciliation of liabilities arising from financing activities:

	1 January 2018 RM	Cash flows RM	Reclassification RM	31 December 2018 RM
Group				
Bankers' acceptances	4,019,457	(424,270)	–	3,595,187
Term loans	18,188,748	(1,885,576)	–	16,303,172
Finance lease liabilities	6,407,367	(1,915,851)	–	4,491,516
Trade financing	3,846,153	(3,846,153)	–	–
	32,461,725	(8,071,850)	–	24,389,875
Company				
Amounts owing to subsidiaries	1,152,845	4,655,734	19,904,855	25,713,434

The accompanying notes form an integral part of these financial statements.

Notes to the **Financial Statements**

1. CORPORATE INFORMATION

Privasia Technology Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the ACE Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at 62C, Jalan SS21/62, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan.

The principal place of business of the Company is located at Unit C-21-02, 3 Two Square, No.2 Jalan 19/1, 46300 Petaling Jaya, Selangor Darul Ehsan.

The principal activities of the Company are investment holding and provision of management services. The principal activities of the subsidiaries are disclosed in Note 8. There have been no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 19 April 2019.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), the International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

2.2 Adoption of amendments/improvements to MFRSs

The Group and the Company have adopted the following new MFRSs, amendments/improvements to MFRSs and new IC Int that are mandatory for the current financial year:

New MFRSs	
MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers

Amendments/Improvements to MFRSs	
MFRS 1	First-time Adoption of MFRSs
MFRS 2	Share-based Payment
MFRS 4	Insurance Contracts
MFRS 128	Investments in Associates and Joint Ventures
MFRS 140	Investment Property

New IC Int	
IC Int 22	Foreign Currency Transactions and Advance Consideration

The adoption of the above new MFRSs, amendments/improvements to MFRSs and new IC Int did not have any significant effect on the financial statements of the Group and of the Company, and did not result in significant changes to the Group's and the Company's existing accounting policies, except for those as discussed below.

2. BASIS OF PREPARATION (CONT'D)

2.2 Adoption of amendments/improvements to MFRSs (Cont'd)

MFRS 9 Financial Instruments

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

Key requirements of MFRS 9:

- MFRS 9 introduces an approach for classification and measurement of financial assets which is driven by cash flow characteristics and the business model in which an asset is held.

  In essence, if a financial asset is a simple debt instrument and the objective of the entity's business model within which it is held is to collect its contractual cash flows, the financial asset is measured at amortised cost. In contrast, if that asset is held in a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets, then the financial asset is measured at fair value in the statements of financial position, and amortised cost information is provided through profit or loss. If the business model is neither of these, then fair value information is increasingly important, so it is provided both in the profit or loss and in the statements of financial position.

- MFRS 9 introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses which replaced the "incurred loss" model in MFRS 139. Specifically, this Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The model requires an entity to recognise expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments. This model eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occurred before credit losses are recognised. Trade receivables and contract assets that do not contain a significant financing component shall always measure the loss allowance at an amount equal lifetime expected credit losses.

- MFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. In addition, as a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

The retrospective application of MFRS 9 does not require restatement of 2017 comparative financial statements. As such, the Group and the Company have not restated the comparative information, which continues to be reported under MFRS 139. The Group and the Company recognised any difference between the carrying amount of financial instruments under MFRS 139 and the restated carrying amount under MFRS 9 in the opening balance of retained earnings (or other equity components) of the annual reporting period including the date of initial application i.e. 1 January 2018.

Impact of the adoption of MFRS 9

The adoption of MFRS 9 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. Other than the enhanced new disclosures relating to financial instruments, which the Group and the Company have complied with in the current financial year, the adoption of this standard does not have any significant effect on the financial statements of the Group and the Company, except for those as discussed below.

2. BASIS OF PREPARATION (CONT'D)

2.2 Adoption of amendments/improvements to MFRSs (Cont'd)

MFRS 9 Financial Instruments (Cont'd)

Impact of the adoption of MFRS 9 (Cont'd)

(i) Classification and measurement

The following are the changes in the classification of the Group's and the Company's financial assets:

Trade and other receivables, including refundable deposits previously classified as Loans and Receivables under MFRS 139 as at 31 December 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. Accordingly, these financial assets are classified and measured as debt instruments at amortised cost beginning 1 January 2018.

In summary, upon the adoption of MFRS 9, the Group had the following required or elected reclassifications as at 1 January 2018:

MFRS 139 measurement category	RM	MFRS 9 measurement category Amortised cost RM
Financial assets		
Group		
Loans and receivables		
Trade receivables and other receivables*	32,543,824	31,476,389
Cash and short term deposits	8,269,998	8,269,998
	40,813,822	39,746,387
Financial liabilities		
Group		
Loans and borrowing	36,655,282	36,655,282
Trade and other payables	16,750,891	16,750,891
	53,406,173	53,406,173

* *The change in carrying amount is a result of additional impairment allowance. See the discussion on impairment below.*

2. BASIS OF PREPARATION (CONT'D)

2.2 Adoption of amendments/improvements to MFRSs (Cont'd)

MFRS 9 Financial Instruments (Cont'd)

Impact of the adoption of MFRS 9 (Cont'd)

(ii) Impairment

In previous financial years, trade and other receivables are impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the receivables (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the receivables ("incurred loss model"). Upon adoption of MFRS 9, the Group and the Company are recording expected credit losses on all its trade and other receivables, either on a 12-month or lifetime basis. Accordingly, the Group recognised additional impairment losses on its trade receivables and other receivables of RM1,067,435 at the date of initial application arising from application of simplified approach to record the lifetime expected credit losses.

MFRS 15 Revenue from Contracts with Customers

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:

(i) identify the contracts with a customer;
(ii) identify the performance obligation in the contract;
(iii) determine the transaction price;
(iv) allocate the transaction price to the performance obligations in the contract;
(v) recognise revenue when (or as) the entity satisfies a performance obligation.

MFRS 15 also includes new disclosures that would result in an entity providing users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The following MFRSs and IC Interpretations will be withdrawn on the application of MFRS 15:

MFRS 111	Construction Contracts
MFRS 118	Revenue
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 18	Transfers of Assets from Customers
IC Interpretation 131	Revenue – Barter Transactions Involving Advertising Services

The Group and the Company have applied MFRS 15 retrospectively with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings (or other components of equity) at the date of initial application of 1 January 2018. As such, the comparative information was not restated and continues to be reported under MFRS 111, MFRS 118 and related Interpretations. The Group and the Company have elected the practical expedient to apply the standard only to contracts that are not completed as at 1 January 2018. The Group and the Company also elected the practical expedient of not to retrospectively restate the contract for those modifications before the date of initial application, but instead, to reflect the aggregate effect of all past contract modifications when identifying the performance obligations, and determining and allocating the transaction price to the satisfied and unsatisfied performance obligations.

2. BASIS OF PREPARATION (CONT'D)

2.2 Adoption of amendments/improvements to MFRSs (Cont'd)

MFRS 15 Revenue from Contracts with Customers (Cont'd)

Impact of the adoption of MFRS 15

The adoption of MFRS 15 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. Other than the enhanced new disclosures relating to contracts with customers, which the Group and the Company have complied with in the current financial year, the adoption of this standard does not have any significant effect on the financial statements of the Group and the Company.

The adoption of MFRS 9 and MFRS 15 did not have a material impact on the Group and the Company's other comprehensive income or the Group and the Company's operating, investing and financial cash flows.

2.3 New MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") that have been issued, but yet to be effective

The Group and the Company have not adopted the following new MFRSs, amendments/improvements to MFRSs and new IC Int that have been issued, but yet to be effective:

		Effective for financial periods beginning on or after
<u>New MFRSs</u>		
MFRS 16	Leases	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2021#
MFRS 2	Share-based Payment	1 January 2020*
MFRS 3	Business Combinations	1 January 2019/ 1 January 2020*
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2021#
MFRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2020*
MFRS 7	Financial Instruments: Disclosures	1 January 2021#
MFRS 9	Financial Instruments	1 January 2019
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 11	Joint Arrangements	1 January 2019
MFRS 14	Regulatory Deferral Accounts	1 January 2020*
MFRS 15	Revenue from Contracts with Customers	1 January 2021#
MFRS 101	Presentation of Financial Statements	1 January 2020*
MFRS 107	Statements of Cash Flows	1 January 2021#
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error	1 January 2020*
MFRS 112	Income Taxes	1 January 2019
MFRS 116	Property, Plant and Equipment	1 January 2021#
MFRS 119	Employee Benefits	1 January 2019
MFRS 123	Borrowing Costs	1 January 2019
MFRS 128	Investments in Associates and Joint Ventures	1 January 2019/ Deferred
MFRS 132	Financial instruments: Presentation	1 January 2021#
MFRS 134	Interim Financial Reporting	1 January 2020*
MFRS 136	Impairment of Assets	1 January 2021#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2020*
MFRS 138	Intangible Assets	1 January 2020*
MFRS 140	Investment Property	1 January 2021#

2. BASIS OF PREPARATION (CONT'D)

2.3 New MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") that have been issued, but yet to be effective (Cont'd)

		Effective for financial periods beginning on or after
New IC Int		
IC Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to IC Int		
IC Int 12	Service Concession Arrangements	1 January 2020*
IC Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 January 2020*
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2020*
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2020*
IC Int 132	Intangible Assets – Web Site Costs	1 January 2020*

* *Amendments to References to the Conceptual Framework in MFRS Standards*
# *Amendments as to the consequence of effective of MFRS 17 Insurance Contracts*

2.3.1 The Group and the Company plan to adopt the above applicable new MFRSs, amendments/improvements to MFRSs and new IC Int when they become effective. A brief discussion on the above significant new MFRSs, amendments/improvements to MFRSs and new IC Int are summarised below.

MFRS 16 Leases

Currently under MFRS 117 Leases, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from the finance leases.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. All leases will be brought onto its statement of financial position except for short-term and low value asset leases.

On initial adoption of MFRS 16, there may be impact on the accounting treatment for leases, which the Group as a lessee currently accounts for as operating leases. On adoption of this standard, the Group will be required to capitalise its rented premises and equipment on the statements of financial position by recognising them as "rights-of-use" assets and their corresponding lease liabilities for the present value of future lease payments.

The Group and the Company plan to adopt this standard when it becomes effective in the financial year beginning 1 January 2019 by applying the transitional provisions and include the required additional disclosures in their financial statements of that year. The Group is likely electing the practical expedient not to reassess whether a contract contains a lease at the date of initial application. Accordingly, existing lease contracts that are still effective on 1 January 2019 will be accounted for as lease contracts under MFRS 16.

2. BASIS OF PREPARATION (CONT'D)

2.3 New MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") that have been issued, but yet to be effective (Cont'd)

2.3.1 (Cont'd)

MFRS 17 Insurance Contracts

MFRS 17 introduces consistent accounting for all insurance contracts. MFRS 17 requires entities that issue insurance contracts to recognise and measure a group of insurance contracts at: (i) a risk-adjusted present value of future cash flows that incorporates information that is consistent with observable market information; plus (ii) an amount representing the unearned profit in the group of contracts. Profits from the group of insurance contracts are recognised over the insurance coverage period. In addition, insurance revenue is presented separately from insurance finance income or expenses.

For insurance contracts with coverage period of one year or less, MFRS 17 allows an entity to measure the amount relating to remaining service by allocating the premium over the coverage period. This standard is not applicable to the Group.

Amendments to MFRS 3 Business Combinations and MFRS 11 Joint Arrangements

Amendments to MFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. Amendments to MFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

Amendments to MFRS 9 Financial Instruments

Amendments to MFRS 9 allow companies to measure prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income if certain conditions are met.

The amendments also clarify that when a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss should be recognised in profit or loss.

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures

These amendments address an acknowledged inconsistency between the requirements in MFRS 10 and those in MFRS 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business, as defined in MFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

Amendments to MFRS 112 Income Taxes

Amendments to MFRS 112 clarify that an entity recognises the income tax consequences of dividends in profit or loss because income tax consequences of dividends are linked more directly to past transactions than to distributions to owners, except if the tax arises from a transaction which is a business combination or is recognised in other comprehensive income or directly in equity.

2. BASIS OF PREPARATION (CONT'D)

2.3 New MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") that have been issued, but yet to be effective (Cont'd)

2.3.1 (Cont'd)

Amendments to MFRS 119 Employee Benefits

Amendments to MFRS 119 require an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability (asset).

Amendments to MFRS 123 Borrowing Costs

Amendments to MFRS 123 clarify that when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowing made specifically to obtain that qualifying asset as part of general borrowings.

Amendments to MFRS 128 Investments in Associates and Joint Ventures

Amendments to MFRS 128 clarify that companies shall apply MFRS 9, including its impairment requirements, to account for long-term interests in an associate or joint venture that, in substance, form part of the net investment in the associate or joint to which the equity method is not applied.

IC Int 23 Uncertainty over Income Tax Treatments

IC Int 23 clarifies that where there is uncertainty over income tax treatments, an entity shall:

(i) assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations.
(ii) reflect the effect of uncertainty in determining the related tax position (using either the most likely amount or the expected value method) if it concludes it is not probable that the taxation authority will accept an uncertain tax treatment.

Amendments to References to the Conceptual Framework in MFRS Standards

The Malaysian Accounting Standards Board has issued a revised Conceptual Framework for Financial Reporting and amendments to fourteen Standards under the Malaysian Financial Reporting Standards Framework on 30 April 2018.

The revised Conceptual Framework comprises a comprehensive set of concepts of financial reporting. It is built on the previous version of the Conceptual Framework issued in 2011. The changes to the chapters on the objective of financial reporting and qualitative characteristics of useful financial information are limited, but with improved wordings to give more prominence to the importance of providing information need to assess management's stewardship of the entity's economic resources.

Other improvements of the revised Conceptual Framework include a new chapter on measurement, guidance on reporting financial performance, improved definitions and guidance – in particular the definition of a liability – and clarifications in important areas, such as the role of prudence and measurement uncertainty in financial reporting.

The amendments to the fourteen Standards are to update the references and quotations in these Standards which include MFRS 2, MFRS 3, MFRS 6, MFRS 14, MFRS 101, MFRS 108, MFRS 134, MFRS 137, MFRS 138, IC Int 12, IC Int 19, IC Int 20, IC Int 22 and IC Int 132.

2. BASIS OF PREPARATION (CONT'D)

2.3 New MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") that have been issued, but yet to be effective (Cont'd)

2.3.1 (Cont'd)

Amendments as to the consequence of effective of MFRS 17 Insurance Contracts

The amendments to the nine Standards are a consequence of MFRS 17 with an effective date on or after 1 January 2021, which include MFRS 1, MFRS 5, MFRS 7, MFRS 15, MFRS 107, MFRS 116, MFRS 132, MFRS 136 and MFRS 140.

2.3.2 The Group is currently performing a detailed analysis to determine the election of the practical expedients and to quantify the financial effects arising from the adoption of the new MFRSs, amendments/improvements to MFRSs and new IC Int.

2.4 Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which they operate ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

2.5 Basis of measurement

The financial statements of the Group and of the Company have been prepared on the historical cost basis, except as otherwise disclosed in Note 3.

2.6 Use of estimates and judgement

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reporting period. It also requires directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates that are significant to the financial statements are disclosed in Note 4.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial years presented in the financial statements of the Group and of the Company.

3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries and an associate used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (Cont'd)

(a) Subsidiaries and business combination

Subsidiaries are entities (including structured entities) over which the Group is exposed, or has rights, to variable returns from its involvement with the acquirees and has the ability to affect those returns through its power over the acquirees.

The financial statements of subsidiaries are included in the consolidated financial statements from the date the Group obtains control of the acquirees until the date the Group loses control of the acquirees.

The Group applies the acquisition method to account for business combinations from the acquisition date.

For a new acquisition, goodwill is initially measured at cost, being the excess of the following:

- the fair value of the consideration transferred, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Any amounts that relate to pre-existing relationships or other arrangements before or during the negotiations for the business combination, that are not part of the exchange for the acquiree, will be excluded from the business combination accounting and be accounted for separately; plus
- the recognised amount of any 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 (the choice of measurement basis is made on an acquisition-by-acquisition basis); plus
- if the business combination is achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree; less
- the net fair value of the identifiable assets acquired and the liabilities (including contingent liabilities) assumed at the acquisition date.

The accounting policy for goodwill is set out in Note 3.8(a).

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

If the business combination is achieved in stages, the Group remeasures the previously held equity interest in the acquiree to its acquisition-date fair value, and recognises the resulting gain or loss, if any, in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss or transferred directly to retained earnings on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (Cont'd)

(a) Subsidiaries and business combination (Cont'd)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group uses provisional fair value amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date, including additional assets or liabilities identified in the measurement period. The measurement period for completion of the initial accounting ends as soon as the Group receives the information it was seeking about facts and circumstances or learns that more information is not obtainable, subject to the measurement period not exceeding one year from the acquisition date.

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 gain or loss 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 associate, a joint venture, an available-for-sale financial asset or a held for trading financial asset.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the Group's share of net assets before and after the change, and the fair value of the consideration received or paid, is recognised directly in equity.

(b) Non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company and are presented separately in the consolidated statement of financial position within equity.

Losses attributable to the non-controlling interests are allocated to the non-controlling interests even if the losses exceed the non-controlling interests.

(c) Associates

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

Investment in associates are accounted for in the consolidated financial statements using the equity method.

Under the equity method, the investment in associates are initially recognised at cost. The cost of investment includes transaction costs. Subsequently, the carrying amount is adjusted to recognise changes in the Group's share of net assets of the associate.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (Cont'd)

(c) Associates (Cont'd)

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 an available-for-sale financial asset or a held for trading financial asset. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal 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 remeasured. 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 the 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.

(d) 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 and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Separate financial statements

In the Company's statement of financial position, investment in subsidiaries and an associate are measured at cost less any accumulated impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs. The policy for the recognition and measurement of impairment losses shall be applied on the same basis as would be required for impairment of non-financial assets as disclosed in Note 3.11(b).

Contributions to subsidiaries are amounts for which the settlement is neither planned nor likely to occur in the foreseeable future is, in substance, considered as part of the Company's investment in the subsidiaries.

3.3 Foreign currency transactions and operations

(a) Translation of foreign currency transactions

Foreign currency transactions are translated to the respective functional currencies of the Group entities using the exchange rates prevailing at the transaction dates.

At the end of each reporting date, monetary items denominated in foreign currencies are retranslated at the exchange rates prevailing at the reporting date.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the dates the fair values were determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the historical rates as at the dates of the initial transactions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Foreign currency transactions and operations (Cont'd)

(a) Translation of foreign currency transactions (Cont'd)

Foreign exchange differences arising on settlement or retranslation of monetary items are recognised in profit or loss except for monetary items that are designated as hedging instruments in either a cash flow hedge or a hedge of the Group's net investment of a foreign operation. When settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences are recognised in profit or loss in the separate financial statements of the parent company or the individual financial statements of the foreign operation. In the consolidated financial statements, the exchange differences are considered to form part of a net investment in a foreign operation and are recognised initially in other comprehensive income until its disposal, at which time, the cumulative amount is reclassified to profit or loss.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

(b) Translation of foreign operations

The assets and liabilities of foreign operations denominated in the functional currency different from the presentation currency, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated at exchange rates at the dates of the transactions.

Exchange differences arising on the translation are recognised in other comprehensive income. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in foreign exchange translation reserves related to that foreign operation is reclassified to profit or loss. For a partial disposal not involving loss of control of a subsidiary that includes a foreign operation, the proportionate share of cumulative amount in foreign exchange translation reserve is reattributed to non-controlling interests. For partial disposals of associates or joint ventures that do not result in the Group losing significant influence or joint control, the proportionate share of the cumulative amount in foreign exchange translation reserve is reclassified to profit or loss.

3.4 Financial instruments

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

<u>Accounting policies applied from 1 January 2018</u>

Except for the trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the financial instruments are recognised initially at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset and financial liability. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (Cont'd)

Accounting policies applied from 1 January 2018 (Cont'd)

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract; it is a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

(a) Subsequent measurement

The Group and the Company categorise the financial instruments as follows:

(i) Financial assets

For the purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses upon derecognition
- Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss

The classification depends on the entity's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets.

The Group and the Company reclassify financial assets when and only when their business models for managing those assets change.

Debt instruments

Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(a). Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

Equity instruments

The Group and the Company subsequently measure all equity investments at fair value. Upon initial recognition, the Group and the Company can make an irrevocable election to classify its equity investments that is not held for trading as equity instruments designated at FVOCI. The classification is determined on an instrument by-instrument basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (Cont'd)

Accounting policies applied from 1 January 2018 (Cont'd)

(a) Subsequent measurement (Cont'd)

(i) Financial assets (Cont'd)

Equity instruments (Cont'd)

Gains and losses on these financial assets are not recycled to profit or loss. Dividends are recognised as other income in the profit or loss when the right of payment has been established, except when the Group and the Company benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at FVOCI are not subject to impairment assessment.

(ii) Financial liabilities

The Group and the Company classify their financial liabilities at amortised cost.

Financial liabilities at amortised cost

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using effective interest method. Gains and losses are recognised in profit or loss when the financial liablities are derecognised and through the amortisation process.

(b) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the amount of the loss allowance determined in accordance with Section 5.5 of MFRS 9 and the amount initially recognised, when appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15.

(c) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting (i.e. the date the Group and the Company commit themselves to purchase or sell an asset).

Trade date accounting refers to:
(i) the recognition of an asset to be received and the liability to pay for it on the trade date; and
(ii) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Generally, interest does not start to accrue on the asset and corresponding liability until the settlement date when title passes.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (Cont'd)

Accounting policies applied from 1 January 2018 (Cont'd)

(d) Derecognition

A financial asset or a part of it is derecognised when, and only when:

(i) the contractual rights to receive cash flows from the financial asset expire, or
(ii) the Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

The Group and the Company evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of their continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

On derecognition of a financial asset, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

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

(e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (Cont'd)

Accounting policies applied until 31 December 2017

Financial instruments are recognised initially at fair value, except for financial instruments not measured at fair value through profit or loss, they are measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instruments.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

(a) Subsequent measurement

The Group and the Company categorise the financial instruments as follows:

(i) Financial assets

Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(a). Gains and losses are recognised in profit or loss through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets comprise investment in equity and debt securities that are designated as available for sale or are not classified in any of the three preceding categories.

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair values hedges which are recognised in profit or loss.

The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

Unquoted equity instruments carried at cost

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 less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(a).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (Cont'd)

Accounting policies applied until 31 December 2017 (Cont'd)

(a) Subsequent measurement (Cont'd)

(ii) Financial liabilities

Same accounting policies applied until 31 December 2017 and from 1 January 2018.

(b) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

(c) Regular way purchase or sale of financial assets

Same accounting policies applied until 31 December 2017 and from 1 January 2018.

(d) Derecognition

A financial asset or a part of it is derecognised when, and only when, the contractual rights to receive 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 other comprehensive income is recognised in profit or loss.

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

(e) Offsetting of financial instruments

Same accounting policies applied until 31 December 2017 and from 1 January 2018.

3.5 Property, plant and equipment

(a) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(b).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Property, plant and equipment (Cont'd)

(a) Recognition and measurement (Cont'd)

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are 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 cost of materials, direct labour, and any other direct attributable costs but excludes internal profits. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs in Note 3.16.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as a separate item of property, plant and equipment.

(b) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss as incurred.

(c) Depreciation

All property, plant and equipment are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives.

	Useful lives (years)
Buildings	95 years
Computer equipment	3 – 5 years
Telecommunication and other equipment	3 – 5 years
Renovation	3 – 5 years
Motor vehicles	5 years
Other assets	1 year

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

(d) Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

(a) Lessee accounting

If an entity in the Group is a lessee in a finance lease, it capitalises the leased asset and recognises the related liability. The amount recognised at the inception date is the fair value of the underlying leased asset or, if lower, 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 assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge 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 charged as expenses in the periods in which they are incurred.

The capitalised leased asset is classified by nature as property, plant and equipment or investment property.

For operating leases, the Group does not capitalise the leased asset or recognise the related liability. Instead lease payments under an operating lease are recognised as an expense on the straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

Any upfront lease payments are classified as land use rights within intangible assets.

(b) Lessor accounting

If an entity in the Group is a lessor in a finance lease, it derecognises the underlying asset and recognises a lease receivable at an amount equal to the net investment in the lease. Finance income is recognised in profit or loss based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

If an entity in the Group is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the statement of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Investment properties

Investment properties are properties held to earn rental income or for capital appreciation or both.

Investment properties are initially measured at cost, including transaction costs. The Group uses the cost model to measure their investment properties after initial recognition. Accordingly, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(b).

Cost includes purchase price and any directly attributable costs incurred to bring the property to its present location and condition intended for use as an investment property. The cost of a self-constructed investment property includes the cost of material, direct labour and any other direct attributable costs. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs in Note 3.16.

For buildings, depreciation is charged to profit or loss on a straight line basis over the estimated useful lives of 95 years.

An investment property is derecognised on their disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gains and losses arising from derecognition of the asset is recognised in profit or loss.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property carried at fair value to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, any difference arising on the date of change in use between the carrying amount of the item immediately prior to the transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment.

3.8 Goodwill and other intangible assets

(a) Goodwill

Goodwill arising from business combinations is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. After initially recognition, goodwill is measured at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(b).

In respect of equity-accounted associates and joint venture, goodwill is included in the carrying amount of the investment and is not tested for impairment individually. Instead, the entire carrying amount of the investment is tested for impairment as a single asset when there is objective evidence of impairment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Goodwill and other intangible assets (Cont'd)

(b) Development costs

An intangible asset arising from development is recognised when the following criteria are met:
(i) it is technically feasible to complete the intangible asset so that it will be available for use or sale;
(ii) management intends to complete the intangible asset and use or sell it;
(iii) there is an ability to use or sell the asset;
(iv) it can be demonstrated how the intangible asset will generate future economic benefits;
(v) adequate resources to complete the development and to use or sell the intangible asset are available; and
(vi) the expenditures attributable to the intangible asset during its development can be reliably measured.

Other development costs that do not meet these criteria are recognised in profit or loss as incurred. Development costs previously recognised as an expense are not recognised as an intangible asset in a subsequent period.

Capitalised development costs are measured at cost less accumulated amortisation and accumulated impairment losses. The policy for the recognition and measurement of impairment of any losses is in accordance with Note 3.11(b).

(c) Computer software

Computer software that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and any accumulated impairment losses.

Computer software are amortised from the date that they are available for use. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets for 3 to 5 years. Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

The policy for the recognition and measurement of impairment of any losses is in accordance with Note 3.11(b).

3.9 Inventories

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

Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:
- raw materials: purchase costs on weighted average costs basis.
- finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average cost basis.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand, bank balances and deposits and other short-term, highly liquid investments with a maturity of three months or less, that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

3.11 Impairment of assets

(a) Impairment of financial assets

Accounting policies applied from 1 January 2018

Financial assets measured at amortised cost, will be subject to the impairment requirement in MFRS 9 which is related to the accounting for expected credit losses on the financial assets. Expected credit loss is the weighted average credit losses on the financial assets. Expected credit loss is the weighted average of credit losses with the respective risks of a default occurring as the weights.

The Group and the Company measure loss allowance at an amount equal to lifetime expected credit loss, except for the following, which are measured as 12-month expected credit loss:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

For trade receivables, contract assets and lease receivables, the Group and the Company apply the simplified approach permitted by MFRS 9 to measure the loss allowance at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment and including forward-looking information.

The Group and the Company assume that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group and the Company consider a financial asset to be in default when:

- the borrower is unable to pay its credit obligations to the Group and the Company in full, without taking into account any credit enhancements held by the Group and the Company; or
- the contractual payment of the financial asset is more than 90 days past due unless the Group and the Company have reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Impairment of assets (Cont'd)

(a) Impairment of financial assets (Cont'd)

Accounting policies applied from 1 January 2018 (Cont'd)

12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

Expected credit losses are discounted at the effective interest rate of the financial assets.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default of past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The amount of expected credit losses (or reversal) shall be recognised in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or source of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Company's procedure for recovery of amounts due.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Impairment of assets (Cont'd)

(a) Impairment of financial assets (Cont'd)

Accounting policies applied until 31 December 2017

At each reporting date, all financial assets (except for financial assets categorised as fair value through profit or loss and investment in subsidiaries, associates and joint ventures) are assessed 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 financial asset that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables

The Group and the Company first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If no objective evidence for impairment exists for an individually assessed financial asset, whether significant or not, the Group and the Company may include the financial asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Financial assets that are individually assessed for impairment for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

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

If, in a subsequent period, the amount of the impairment loss decreases due to an event occurring after the impairment that was recognised, the previously recognized impairment loss is then reversed by adjusting an allowance account to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group and the Company. If a write-off is later recovered, the recovery is credited to the profit or loss.

Available-for-sale financial assets

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment. The Group and the Company use their judgement to determine what is considered as significant or prolonged decline, evaluating past volatility experiences and current market conditions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Impairment of assets (Cont'd)

(a) Impairment of financial assets (Cont'd)

Accounting policies applied until 31 December 2017 (Cont'd)

Available-for-sale financial assets (Cont'd)

Where there is objective evidence that the asset is impaired, the decline in the fair value of an available-for-sale financial asset together with the cumulative loss recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. The amount of cumulative loss that is reclassified from equity to profit or loss shall be the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognized in profit or loss.

Impairment losses on available-for-sale equity investments are not reversed through profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss, is recognised in other comprehensive income.

For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to a loss event occurring after the recognition of the impairment loss in profit or loss.

Unquoted equity instruments carried at cost

In the case of unquoted equity instruments carried at cost, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

(b) Impairment of non-financial assets

The carrying amounts of non-financial 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, the Group and the Company make an estimate of the asset's recoverable amount. For goodwill and intangible assets that have indefinite useful life and are not yet available for use, the recoverable amount is estimated at each reporting date.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of non-financial assets or cash-generating units ("CGUs"). Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGUs 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 a CGU or a group of CGUs that are expected to benefit from the synergies of business combination.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Impairment of assets (Cont'd)

(b) Impairment of non-financial assets (Cont'd)

The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future 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 CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Where the carrying amount of an asset exceed its recoverable amount, the carrying amount of asset is reduced to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss, except for assets that were previously revalued with the revaluation surplus recognised in other comprehensive income. In the latter case, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

Impairment losses in respect of goodwill are not reversed. For other assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets 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 previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

3.12 Share capital

Ordinary shares are equity instruments. An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3.13 Employee benefits

(a) Short-term employee benefits

Short-term employee benefit obligations in respect of wages, salaries, social security contributions, annual bonuses, paid annual leave, sick level and non-monetary benefits are recognised as an expense in the financial year where the employees have rendered their services to the Group.

(b) Defined contribution plan

As required by law, the Group contributes to the Employees Provident Fund ("EPF"), the national defined contribution plan. Such contributions are recognised as an expense in profit or loss in the period in which the employees render their services.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

If the effect of the time value of money is material, provisions that are determined based on the expected future cash flows to settle the obligation are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provisions due to passage of time is recognised as finance costs.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

3.15 Revenue and other income

<u>Accounting policies applied from 1 January 2018</u>

The Group and the Company recognise revenue that depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those goods or services.

Revenue recognition of the Group and the Company are applied for each contract with a customer or a combination of contracts with the same customer (or related parties of the customer).

The Group and the Company measure revenue from sale of good or service at its transaction price, being the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised good or service to a customer, excluding amounts collected on behalf of third parties.

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer, i.e. when or as a performance obligation in the contract with customer is satisfied. A performance obligation is satisfied when or as the customer obtains control of the good or service underlying the particular performance obligation, which the performance obligation may be satisfied at a point in time or over time.

A contract modification is a change in the scope or price (or both) of a contract that is approved by the parties to the contract. A modification exists when the change either creates new or changes existing enforceable rights and obligations of the parties to the contract. The Group and the Company have assessed the type of modification and accounted for as either creates a separate new contract, terminates the existing contract and creation of a new contract; or forms a part of the existing contracts.

(a) Rental income

Rental income is recognised on a straight-line basis over the term of the lease.

(b) Rendering of Services

Revenue from a contract to provide services is recognised over time as the services are rendered because the customer receives and uses the benefits simultaneously. This is determined based on the time elapsed (output method).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 Revenue and other income

Accounting policies applied from 1 January 2018 (Cont'd)

(c) Sale of goods

Revenue from sale of goods are recognised at a point in time when control of the products has been transferred, being when the customer accepts the delivery of the goods.

A receivable is recognised when the customer accepts the delivery of the goods as the consideration is unconditional other than the passage of time before the payment is due.

(d) Interest income

Interest income is recognised using the effective interest method.

(e) Dividend income

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

(f) Management fee income

Revenue is recognised at a point in time when services are rendered.

Accounting policies applied until 31 December 2017

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of discounts, rebates, returns and taxes.

(a) Rental income

Rental income from investment property is recognised on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(b) Rendering of services

Revenue 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.

(c) Sales of goods

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised upon delivery of goods and when the significant risks and rewards of ownership have been transferred to the buyer, 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 Revenue and other income (Cont'd)

Accounting policies applied until 31 December 2017 (Cont'd)

(d) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

(e) Dividend income

Same accounting policies applied until 31 December 2017 and from 1 January 2018.

(f) Management fee income

Revenue is recognised when services are rendered.

3.16 Borrowing costs

Borrowing costs are interests and other costs that the Group incurs in connection with borrowing of funds.

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 that are 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, until such time as the assets are substantially ready for their intended use or sale.

The Group begins capitalising borrowing costs when the Group has incurred the expenditures for the asset, incurred related borrowing costs and undertaken activities that are necessary to prepare the asset for its intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

3.17 Taxes

(a) Income tax

Income tax expense in profit or loss comprises current and deferred tax. Current 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.

(i) Current tax

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 Taxes (Cont'd)

(a) Income tax (Cont'd)

(ii) Deferred tax

Deferred tax is recognised using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the statements of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unutilised tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and an associate, except where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 Taxes (Cont'd)

(b) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST") except:

- where the GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

3.18 Earnings per share

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

3.19 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Chief Executive Officer of the Group, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision maker that makes strategic decisions.

3.20 Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, 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 a 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 and the Company use observable market data as far as possible. Fair value is 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 and the Company 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 and the Company recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.21 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and of the Company.

Contingent liability is also referred as a present obligation that arises from past events but is not recognised because:
(a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
(b) the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities and assets are not recognised in the statements of financial position.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amount recognised in the financial year include the following:

(a) Impairment of goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires an estimation of the value-in-use of the cash generating units to which goodwill is allocated. When value-in-use calculations are undertaken, the Group uses its judgement to decide the discount rates to be applied in the recoverable amount calculation and assumptions supporting the underlying cash flow projections, including forecast growth rates and gross profit margin. Cash flows that are projected based on those inputs or assumptions may have a significant effect on the Group's financial position and results if the actual cash flows are less than the expected.

The carrying amount of the Group's goodwill and key assumptions used to determine the recoverable amount for different cash-generating units, including sensitivity analysis, are disclosed in Note 7.

(b) Impairment of financial assets

The impairment provisions for financial assets and contract assets are based on assumptions about risk of default and expected loss rate. The Group and the Company use judgement in making these assumptions and selecting inputs to the impairment calculation, based on the Group's and the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The assessment of the correlation between historical observed default rates, forward-looking estimates and expected credit losses is a significant estimate. The amount of expected credit loss is sensitive to changes in circumstances and of forecast economic conditions over the expected lives of the financial assets and contract assets. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The information about the expected credit losses on the Group's and the Company's financial assets and contract assets are disclosed in Note 26.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D)

(c) Impairment of non-financial assets

The Group and the Company assess impairment of non-financial assets whenever the events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable i.e. the carrying amount of the asset is more than the recoverable amount.

Recoverable amount is measured at the higher of the fair value less costs of disposal for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flows derived from that asset discounted at an appropriate discount rate. The Group and the Company use their judgement to decide the discount rates applied in the recoverable amount calculation and assumptions supporting the underlying cash flow projections, including forecast growth rates, inflation rates and gross profit margin. Cash flows that are projected based on those inputs or assumptions may have a significant effect on the Group's and the Company's financial positions and results if the actual cash flows are less than the expected.

5. PROPERTY, PLANT AND EQUIPMENT

	Buildings RM	Computer equipment RM	Telecom-munication and other equipment RM	Renovation RM	Motor vehicles RM	Other assets RM	Total RM
Group							
Cost							
At 1.1.2018	12,000,000	47,183,885	35,396,696	675,171	127,658	226,469	95,609,879
Additions	–	2,425,650	908,864	118,337	–	54,432	3,507,283
Disposals	–	(214,545)	(8,546,666)	–	(88,080)	–	(8,849,291)
Written off	–	(28,725)	(59,611)	–	–	(1,209)	(89,545)
At 31.12.2018	12,000,000	49,366,265	27,699,283	793,508	39,578	279,692	90,178,326
Accumulated depreciation							
At 1.1.2018	1,212,766	32,682,478	22,584,085	640,543	92,727	212,954	57,425,553
Charge for the financial year	127,660	5,246,961	4,593,207	61,361	8,060	62,070	10,099,319
Disposals	–	(213,053)	(6,494,188)	–	(88,078)	–	(6,795,319)
Written off	–	(28,712)	(52,148)	–	–	(1,207)	(82,067)
At 31.12.2018	1,340,426	37,687,674	20,630,956	701,904	12,709	273,817	60,647,486
Net carrying amount							
At 31.12.2018	10,659,574	11,678,591	7,068,327	91,604	26,869	5,875	29,530,840

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Buildings RM	Computer equipment RM	Telecom-munication and other equipment RM	Renovation RM	Motor vehicles RM	Other assets RM	Total RM
Group							
Cost							
At 1.1.2017	12,000,000	44,549,392	34,021,917	670,334	87,355	140,625	91,469,623
Additions	–	2,648,223	4,440,542	4,837	40,303	85,844	7,219,749
Disposals	–	(13,730)	(3,061,072)	–	–	–	(3,074,802)
Written off	–	–	(4,691)	–	–	–	(4,691)
At 31.12.2017	12,000,000	47,183,885	35,396,696	675,171	127,658	226,469	95,609,879
Accumulated depreciation							
At 1.1.2017	1,085,107	26,795,620	21,340,220	618,792	71,933	132,713	50,044,385
Charge for the financial year	127,659	5,900,172	4,309,359	21,751	20,794	80,241	10,459,976
Disposals	–	(13,314)	(3,060,807)	–	–	–	(3,074,121)
Written off	–	–	(4,687)	–	–	–	(4,687)
At 31.12.2017	1,212,766	32,682,478	22,584,085	640,543	92,727	212,954	57,425,553
Net carrying amount							
At 31.12.2017	10,787,234	14,501,407	12,812,611	34,628	34,931	13,515	38,184,326

(a) During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM3,507,283 (2017: RM7,219,749) which are satisfied by the following:

	Group 2018 RM	2017 RM
Finance lease arrangements	–	354,517
Cash payments	3,507,283	6,865,232
	3,507,283	7,219,749

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(b) The carrying amount of assets of the Group under finance lease arrangements are as follows:

	Group 2018 RM	Group 2017 RM
Computer equipment	4,721,224	6,387,532
Telecommunication and other equipment	271,674	617,085
Motor vehicles	26,869	34,929
	5,019,767	7,039,546

(c) Buildings of the Group with carrying amount of RM10,659,574 (2017: RM10,787,234) have been pledged as security to secure the term loans granted to a subsidiary as disclosed in Note 16.

(d) The disposal of the property, plant and equipment with net book value of RM2,052,477 (2017: RM Nil) is in discharging process of the financing bank.

6. INVESTMENT PROPERTY

	Group 2018 RM	Group 2017 RM
At cost		
At 1 January/31 December	2,500,000	2,500,000
Accumulated depreciation		
At 1 January	252,659	226,064
Charge for the financial year	26,596	26,595
At 31 December	279,255	252,659
Net carrying amount		
At 31 December	2,220,745	2,247,341

The Group's investment property comprises a commercial property (2017: a commercial property) that is leased to a third party.

The investment property of the Group with carrying amount of RM2,220,745 (2017: RM2,247,341) has been pledged as security for term loans as disclosed in Note 16.

6. INVESTMENT PROPERTY (CONT'D)

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

	Group 2018 RM	Group 2017 RM
Rental income	194,184	194,184
Direct operating expenses	(37,247)	(36,693)

Fair value of investment property is categorised as follows:

	Group Level 2 RM	Group Level 3 RM	Group Total RM
31.12.2018			
Leasehold buildings	2,224,162	–	2,224,162
31.12.2017			
Leasehold buildings	–	2,503,597	2,503,597

(a) Fair value information

The fair value of investment property as at 31 December 2018 is determined based on the valuation performed by the independent professional valuers with relevant experience in the location and categories of property being valued. The fair value of investment property is measured at Level 2 hierarchy.

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the property, either directly or indirectly.

Level 2 fair values of buildings have been generally derived using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant inputs into this valuation approach is price per square foot of comparable properties.

The valuation of investment property as at 31 December 2017 is determined by directors' estimation based on the indicative market price of similar properties in the vicinity.

There are no Level 1 investment property during the financial years ended 31 December 2018 and 31 December 2017. During the financial year, there is a transfer between Level 2 and Level 3 due to change of valuation method. In the previous financial year, there was no transfer between Level 2 and Level 3.

7. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill RM	Development costs RM	Computer software RM	Total RM
Group				
Cost				
At 1.1.2017	36,005,230	8,506,130	4,256,390	48,767,750
Additions				
- developed internally	–	1,779,838	–	1,779,838
- acquired separately	–	–	384,323	384,323
	–	1,779,838	384,323	2,164,161
At 31.12.2017	36,005,230	10,285,968	4,640,713	50,931,911
Additions				
- developed internally	–	2,919,725	–	2,919,725
- acquired separately	–	–	14,400	14,400
	–	2,919,725	14,400	2,934,125
At 31.12.2018	36,005,230	13,205,693	4,655,113	53,866,036
Accumulated amortisation				
At 1.1.2017	320,000	7,397,102	3,257,229	10,974,331
Charge for the financial year	–	165,299	350,800	516,099
At 31.12.2017	320,000	7,562,401	3,608,029	11,490,430
Charge for the financial year	–	288,028	368,242	656,270
At 31.12.2018	320,000	7,850,429	3,976,271	12,146,700
Net carrying amounts				
At 31.12.2017	35,685,230	2,723,567	1,032,684	39,441,481
At 31.12.2018	35,685,230	5,355,264	678,842	41,719,336

(a) Amortisation

The amortisation of development costs and computer software of the Group amounting to RM288,028 (2017: RM165,299) and RM368,242 (2017: RM350,800) respectively are included in cost of sales and administrative expenses respectively.

(b) Development costs

Development costs represent software under development. It is reasonably anticipated that the costs will be recovered through future commercial activities.

7. GOODWILL AND OTHER INTANGIBLE ASSETS (CONT'D)

(c) Computer software

It represents software acquired that is not integral to the functionality of equipment.

(d) Impairment of goodwill

Directors review the business performance based on the type of products and services of the strategic business units which represent its reportable operating segments. For the purpose of impairment testing, goodwill acquired through business combinations is allocated to the following Group's cash generating units ("CGUs") which are also reportable operating segments, which represent the lowest level within the Group at which the goodwill is monitored for internal reporting purposes.

Goodwill arising from business combination has been allocated to the Group's CGUs identified according to the following segments for impairment testing:

	Group	
	2018 RM	**2017 RM**
Group		
Cash-generating unit		
Information Technology ("IT")	31,189,056	31,189,056
Information and Communication Technology ("ICT")	4,027,178	4,027,178
Satellite-based network services ("SAT")	468,996	468,996
	35,685,230	35,685,230

The recoverable amount of CGUs has been determined based on value-in-use calculations using cash flows projection from financial budget and forecasts approved by directors covering a five-year period. The same method has also been used in the previous financial year.

For each of the CGUs with significant amount of goodwill, the value-in-use calculation is most sensitive to the following key assumptions:

2018

Revenue (% of annual growth rate)	5% - 76%
Operating expenses (% of annual growth rate)	5%
Gross margin (% of revenue)	24% - 48%
Discount rate	9% - 14%

2017

Revenue (% of annual growth rate)	5% - 33%
Operating expenses (% of annual growth rate)	3% - 10%
Gross margin (% of revenue)	25% - 65%
Discount rate	14% - 19%

7. GOODWILL AND OTHER INTANGIBLE ASSETS (CONT'D)

(d) Impairment of goodwill (Cont'd)

Gross margin is the forecasted margin as a percentage of revenue over the five year projection period. These are increased over the projection period for anticipated efficiency improvements.

Discount rate was estimated based on the industry weighted average cost of capital. The discount rate applied to the cash flow projections is pre-tax and reflects directors' estimate of the risks specific to the CGUs at the date of assessment.

Directors believe that there is no reasonably possible change in the key assumptions that would cause the carrying value of the CGUs to exceed their recoverable amount. As a result of the analysis, directors did not identify an impairment for the goodwill.

8. INVESTMENT IN SUBSIDIARIES

		Company	
	Note	2018 RM	2017 RM
Unquoted shares, at cost		59,903,181	58,403,181
Add: Addition during the financial year		80	1,500,000
Less: Impairment loss	(a)	(350,000)	–
		59,553,261	59,903,181
Loans that are part of net investments	(b)	22,952,506	–
At end of the financial year		82,505,767	59,903,181

(a) The Company's investment in subsidiaries that are impaired at the reporting date and the reconciliation of movement in the impairment of investment in subsidiaries is as follows:

	Company	
	2018 RM	2017 RM
At the beginning of the financial year	–	–
Charge for the financial year - Impairment loss	350,000	–
At the end of the financial year	350,000	–

(b) Loans that are part of net investments represent amount owing by subsidiaries which are non-trade in nature, unsecured and non-interest bearing. The settlement of the amounts are neither planned nor likely to occur in the foreseeable future as it is the intention of the Company to treat these amounts as a long-term source of capital to the subsidiaries. As these amounts are, in substance, a part of the Company's net investment in the subsidiaries, they are stated at cost less accumulated impairment loss, if any.

8. INVESTMENT IN SUBSIDIARIES (CONT'D)

(c) Details of the subsidiaries are as follows:

Name of Company	Ownership interest 2018 %	2017 %	Principal activities
Privasia Sdn. Bhd.	100	100	Outsourcing, consultation, e-procurement and related functions
Privanet Sdn. Bhd.	100	100	Provision of total wireless and communication solutions
Privasat Sdn. Bhd.	100	100	Providing high speed internet broadband access (satellite services)
Spring Reach Distribution Sdn. Bhd.	70	70	Trading of electronic and telecommunication equipment
Privagen Sdn. Bhd.	60	60	Trading of information technology equipment and software
Privarail Sdn. Bhd.	80	–	Provision of the railway system, engineering and related services, and information technology and communication services.
Subsidiaries of Privasia Sdn. Bhd.			
Privasia (Sabah) Sdn. Bhd.	100	100	Provision of supplying, testing and commissioning of IT active equipment
Privacom Sdn. Bhd.	100	100	Dealer in data processing equipment, computer system and provision of telecommunication and computer network consultancy services, temporarily ceased operations
Subsidiaries of Privanet Sdn. Bhd.			
Privatel Sdn. Bhd.	75	75	Provision of network engineering services
Privasia IOT Sdn. Bhd. (f.k.a Scantel Sdn. Bhd.)	100	100	Provision of communication solutions
Subsidiaries of Privatel Sdn. Bhd.			
Privatel (Singapore) Pte. Ltd ^	75	–	Provision of network engineering services

^ Consolidated using unaudited management financial statements, auditor's report is not available.

8. INVESTMENT IN SUBSIDIARIES (CONT'D)

(d) Non-controlling interests ("NCI") in subsidiaries

The financial information of the Group's subsidiaries that have NCI are as follows:

	Spring Reach Distribution Sdn. Bhd. RM	Privagen Sdn. Bhd. RM	Privatel Sdn. Bhd. RM	Privatel (Singapore) Pte. Ltd. RM	Privarail Sdn. Bhd. RM	Total RM
2018						
NCI percentage of ownership	30%	40%	25%	25%	20%	
Carrying amount of NCI	(475,478)	(200,712)	(336,901)	(88,527)	(5,255)	(1,106,873)
(Loss)/Profit allocated to NCI	(92,939)	6,779	(678,004)	(88,527)	(5,275)	(857,966)
2017						
NCI percentage of ownership	30%	40%	25%	NA	NA	
Carrying amount of NCI	(382,539)	(207,491)	528,603	–	–	(61,427)
(Loss)/Profit allocated to NCI	(86,168)	(28,592)	238,344	–	–	123,584

(e) Summarised financial information of non-controlling interests

The summarised financial information (before intra-group elimination) of the Group's subsidiaries that have NCI are as follows:

	Spring Reach Distribution Sdn. Bhd. RM	Privagen Sdn. Bhd. RM	Privatel Sdn. Bhd. RM	Privatel (Singapore) Pte. Ltd. RM	Privarail Sdn. Bhd. RM
2018					
Summarised statements of financial position					
Non-current assets	625	2	850,311	2,076	–
Current assets	3,123,163	175,679	8,977,674	721,289	7,125
Non-current liabilities	–	–	(37,359)	–	–
Current liabilities	(4,708,716)	(677,464)	(11,138,227)	(1,082,318)	(33,399)
Net (liabilities)/assets	(1,584,928)	(501,783)	(1,347,601)	(358,953)	(26,274)
Summarised statements of comprehensive income					
Revenue	128,062	131,944	11,503,473	691,908	–
(Loss)/Profit for the financial year	(309,796)	16,948	(2,712,014)	(354,108)	(26,374)
Total comprehensive (loss)/income	(309,796)	16,948	(2,712,014)	(354,108)	(26,374)

8. INVESTMENT IN SUBSIDIARIES (CONT'D)

(e) Summarised financial information of non-controlling interests (Cont'd)

The summarised financial information (before intra-group elimination) of the Group's subsidiaries that have NCI are as follows (Cont'd):

	Spring Reach Distribution Sdn. Bhd. RM	Privagen Sdn. Bhd. RM	Privatel Sdn. Bhd. RM	Privatel (Singapore) Pte. Ltd. RM	Privarail Sdn. Bhd. RM
2018					
Summarised cash flow information					
Net cash (used in)/from operating activities	(1,533)	115,717	6,204,995	(611,307)	(21,382)
Net cash from/(used in) investing activities	88,713	–	517,354	(2,184)	–
Net cash (used in)/from financing activities	(310,643)	(34,293)	(8,429,084)	618,338	28,487
Net (decrease)/increase in cash and cash equivalents	(223,463)	81,424	(1,706,735)	4,847	7,105
Dividends paid to NCI	–	–	187,500	–	–

	Spring Reach Distribution Sdn. Bhd. RM	Privagen Sdn. Bhd. RM	Privatel Sdn. Bhd. RM
2017			
Summarised statements of financial position			
Non-current assets	130	2	1,183,539
Current assets	3,744,443	193,818	15,273,801
Non-current liabilities	–	–	(126,968)
Current liabilities	(5,019,705)	(712,551)	(14,215,959)
Net (liabilities)/assets	(1,275,132)	(518,731)	2,114,413
Summarised statements of comprehensive income			
Revenue	82,779	260,316	19,705,390
(Loss)/Profit for the financial year	(287,226)	(71,482)	953,376
Total comprehensive (loss)/income	(287,226)	(71,482)	953,376
Summarised cash flow information			
Net cash from/(used in) operating activities	82,709	(85,700)	(4,890,772)
Net cash from/(used in) investing activities	92,035	–	(1,210,679)
Net cash (used in)/from financing activities	(142,294)	148,514	7,672,187
Net increase in cash and cash equivalents	32,450	62,814	1,570,736

8. INVESTMENT IN SUBSIDIARIES (CONT'D)

(f) On 21 February 2018, the Company incorporated a subsidiary, namely Privarail Sdn. Bhd. ("PRIVARAIL"). The issued share capital of PRIVARAIL is RM100 comprising 100 ordinary shares. The Company had subscribed for 80% of the issued share capital of PRIVARAIL in cash. The intended principal activity of PRIVARAIL is the provision of the railway system, engineering and related services, and information technology and communication services.

On 14 March 2018, the Company's subsidiary, Privatel Sdn. Bhd. incorporated a subsidiary, namely Privatel (Singapore) Pte. Ltd. ("PSPL") in Singapore Companies Act. The issued share capital of PSPL is SGD1 comprising of 1 ordinary share, wholly-owned by Privatel. PSPL is an indirect 75% owned subsidiary of the Company. The intended principal activity of PSPL is the provision of network engineering services.

9. INVESTMENT IN AN ASSOCIATE

	Group	
	2018 RM	2017 RM
Unquoted shares at cost	30	30
Share of post acquisition reserves	(30)	(30)
	–	–

(a) There is no quoted market price available for the associate as this is a private company.

(b) Details of the associate, which is incorporated in Malaysia is as follows:

Name of company	Ownership interest 2018	Ownership interest 2017	Principal activities
Infocrats Sdn. Bhd.	30%	30%	Provision of systems development in computer software solutions and packages.

(c) The summarised financial information of the Group's associate is as follows:

	2018 RM	2017 RM
Infocrats Sdn. Bhd.		
Liabilities		
Current liabilities	36,135	27,344
Net liabilities	36,135	27,344
Results		
Loss for the financial year, representing total comprehensive loss for the financial year	(7,725)	(5,639)

9. INVESTMENT IN AN ASSOCIATE (CONT'D)

(d) The reconciliation of net assets of the associate to the carrying amount of the investment in an associate is as follows:

	2018 RM	2017 RM
Infocrats Sdn. Bhd.		
Share of net assets at the acquisition date	30	30
Share of post-acquisition losses	(30)	(30)
Carrying amount in the consolidated statement of financial position	–	–
Group's share of results	(2,318)	(1,692)

The Group's share of accumulated losses in the associate is restricted to the Group's cost of investment in the associate. Accordingly, the Group has excluded its current year's share of losses of associate amounting to RM2,318 (2017: RM1,692) from its financial statements.

As at 31 December 2018, the cumulative unrecognised share of losses of the associate is RM7,393 (2017: RM5,075).

10. OTHER INVESTMENT

	Group/Company	
	2018 RM	2017 RM
Financial assets at fair value through other comprehensive income ("FVOCI")		
At fair value:		
- Unquoted equity security	–	–
At cost:		
- Unquoted equity security	–	500,000
Less: Impairment loss	–	(500,000)
	–	–

11. DEFERRED TAX ASSETS/(LIABILITIES)

	Group	
	2018 RM	2017 RM
At 1 January	(2,843,000)	(1,525,013)
Recognised in profit or loss (Note 21)	1,631,800	(1,317,987)
At 31 December	(1,211,200)	(2,843,000)

11. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

Presented after appropriate offsetting as follows:

	Group	
	2018 RM	**2017 RM**
Deferred tax assets	617,800	829,000
Deferred tax liabilities	(1,829,000)	(3,672,000)
	(1,211,200)	(2,843,000)

This is in respect of estimated deferred tax assets/(liabilities) arising from temporary differences as follows:

	Group	
	2018 RM	**2017 RM**
Deferred tax assets		
Unutilised tax losses	1,166,978	1,686,692
Unabsorbed capital allowance	–	28,950
	1,166,978	1,715,642
Deferred tax liabilities		
Differences between carrying amounts of property, plant and equipment and their tax base	(2,378,178)	(4,558,642)
	(1,211,200)	(2,843,000)

The deferred tax assets and liabilities are not available for set-off as they arise from different taxable entities within the Group.

11. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

The estimated amounts of temporary differences for which no deferred tax assets is recognised in the financial statement are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Unutilised tax losses	38,380,663	35,018,269	1,198,260	1,177,828
Unabsorbed capital allowances	6,676,655	5,046,467	–	–
	45,057,318	40,064,736	1,198,260	1,177,828

The availability of unused tax losses for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to requirements under the Income Tax Act, 1967 and guidelines issued by the tax authority.

12. INVENTORIES

	Group	
	2018 RM	2017 RM
At cost		
Finished goods	1,320,902	883,903
Spares	–	585,153
	1,320,902	1,469,056
At net realisable value		
Finished goods	–	403,910
	1,320,902	1,872,966

During the financial year, inventories of the Group recognised as cost of sales amounted to RM111,390 (2017: RM278,145). In addition, the amounts recognised in the cost of sales including the following:

	Group	
	2018 RM	2017 RM
Inventories written down	120,978	198,546
Inventories written off	185,343	26,322
	306,321	224,868

13. TRADE AND OTHER RECEIVABLES

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Current					
Trade					
Trade receivables					
- Third parties		17,474,097	22,505,892	–	–
- Subsidiaries		–	–	6,680,194	2,467,784
		17,474,097	22,505,892	6,680,194	2,467,784
Less: Impairment losses for					
- Third parties		(6,276,318)	(5,027,542)	–	–
- Subsidiaries		–	–	(356,988)	–
		11,197,779	17,478,350	6,323,206	2,467,784
Accrued revenue		4,876,140	5,704,719	–	–
Total trade receivables	(a)	16,073,919	23,183,069	6,323,206	2,467,784
Non-trade					
Amounts owing by subsidiaries	(b)	–	–	5,982,793	2,802,316
Other receivables		7,025,888	4,464,080	97	–
Deposits		615,413	902,348	2,000	2,000
Prepayments		2,651,629	4,002,327	–	–
		10,292,930	9,368,755	5,984,890	2,804,316
Less: Impairment losses for					
- Other receivables	(c)	(8,000)	(8,000)	–	–
- Subsidiaries	(c)	–	–	(4,561,710)	–
Total other receivables		10,284,930	9,360,755	1,423,180	2,804,316
Total trade and other receivables		26,358,849	32,543,824	7,746,386	5,272,100

The foreign currency exposure profiles of trade and other receivables of the Group is as follows:

	Group 2018 RM	Group 2017 RM
United States Dollar	155,248	768,861
Singapore Dollar	721,289	–
	876,537	768,861

13. TRADE AND OTHER RECEIVABLES (CONT'D)

(a) The Group's and the Company's normal trade credit term extended to customers ranging from 7 to 90 days (2017: 7 to 90 days). Other credit terms are assessed and approved on a case by case basis.

Receivables that are impaired

The Group's and the Company's trade receivables that are impaired at the reporting date and the reconciliation of movement in the impairment of trade receivables are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
At 1 January	5,027,542	4,135,668	–	–
Effect of adoption of MFRS 9	1,067,435	–	–	–
	6,094,977	4,135,668	–	–
Charge for expected credit losses				
- Individually assessed	238,059	920,032	356,988	–
Reversal of impairment losses	(56,718)	(28,158)	–	–
At 31 December	6,276,318	5,027,542	356,988	–

Loss allowance disclosed in comparative period is based on incurred loss model in accordance with MFRS 139 *Financial Instruments: Recognition and Measurement*.

The information about the credit exposures are disclosed in Note 26(i) to the financial statements.

(b) Amounts owing by subsidiaries represent advances which are unsecured, non-interest bearing, repayable on demand and is expected to be settled in cash.

(c) The Group's and the Company's other receivables that are impaired at the reporting date and the reconciliation of movement in the impairment of other receivables are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
At 1 January	8,000	8,000	–	–
Charge for expected credit losses				
- Individually assessed	–	–	4,561,710	–
At 31 December	8,000	8,000	4,561,710	–

14. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash and bank balances	3,744,397	7,116,245	47,517	24,444
Deposits with licensed banks	4,525,601	5,096,609	–	–
Cash and cash equivalents as reported in the statements of financial position	8,269,998	12,212,854	47,517	24,444
Less: - Bank overdrafts (Note 16)	(4,133,958)	(4,193,557)	–	–
Less: - Deposits pledged as security	(4,270,688)	(4,773,055)	–	–
Cash and cash equivalents as reported in the statements of cash flows	(134,648)	3,246,242	47,517	24,444

Deposits with licensed banks are placements with period of three months or less, depending on the immediate cash requirements of the Group and bear interests at rates ranging from 3.15% to 3.35% (2017: 3.00% to 3.30%) per annum.

Included in the deposits with licensed banks of the Group is an amount of RM4,270,688 (2017: RM4,773,055) pledged as security for bank overdrafts, bankers' acceptances and trade financing granted to subsidiaries as disclosed in Note 16.

In prior financial year, included in deposits pledged as security of the Group are amounts of RM500,000 and RM70,066 respectively held in trust by a director of a subsidiary and a director of the Company respectively as security for term loans granted to subsidiaries as disclosed in Note 16.

15. SHARE CAPITAL

	Group/Company			
	Number of ordinary shares		Amounts	
	2018 Unit	2017 Unit	2018 RM	2017 RM
Issued and fully paid:				
At beginning/end of the financial year	558,200,020	558,200,020	55,820,002	55,820,002

The holders of ordinary shares are entitled to receive dividends from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

16. LOANS AND BORROWINGS

	Note	Group 2018 RM	Group 2017 RM
Non-current:			
Term loan I	(a)	3,828,478	5,841,872
Term loan II	(a)	8,073,682	8,533,003
Term loan III	(a)	–	679,537
Finance lease liabilities	(b)	2,696,138	4,479,253
		14,598,298	19,533,665
Current:			
Term loan I	(a)	2,020,171	1,914,801
Term loan II	(a)	490,758	469,533
Term loan III	(a)	589,539	750,002
Term loan IV	(a)	1,300,544	–
Finance lease liabilities	(b)	1,795,378	1,928,114
Trade financing	(c)	–	3,846,153
Bankers' acceptances	(c)	3,595,187	4,019,457
Bank overdrafts	(c)	4,133,958	4,193,557
		13,925,535	17,121,617
Total loans and borrowings:			
Term loans	(a)	16,303,172	18,188,748
Finance lease liabilities	(b)	4,491,516	6,407,367
Trade financing	(c)	–	3,846,153
Bankers' acceptances	(c)	3,595,187	4,019,457
Bank overdrafts	(c)	4,133,958	4,193,557
		28,523,833	36,655,282

(a) Term loans

Term loans I, II and IV of a subsidiary bear interest at rates of 5.27%, 4.74% and 5.91% (2017: 5.27%, 4.74% and 0%) per annum respectively and are repayable over 5 years, 15 years and 5 years respectively commencing the day of first drawdown and are secured and supported as follows:

(i) Legal charge over the buildings of a subsidiary as disclosed in the Note 5;
(ii) Legal charge over the investment property of a subsidiary as disclosed in Note 6;
(iii) All contract proceeds from the major customer and its related companies;
(iv) Debenture by way of a fixed and floating charge over the specific assets of a subsidiary;
(v) Corporate guarantee of the Company; and
(vi) Joint and several guarantee of two directors.

16. LOANS AND BORROWINGS (CONT'D)

(a) Term loans (Cont'd)

Term loans I, II and IV require the subsidiary to maintain a debt to equity ratio of not exceeding 1.25.

Term loan III of a subsidiary bears interest at a rate of 8.25% per annum (2017: 8.25%) and is repayable over five years commencing the day of first drawdown and is secured and supported as follows:

(i) Debenture creating a first rank fixed and floating charge over the assets of a subsidiary, present and future;
(ii) General deed of assignment of the contract proceeds in relation to a project of a subsidiary;
(iii) Assignment over the Insurance/Takaful Policy over the equipment in relation to a project of a subsidiary;
(iv) Corporate guarantee of the Company; and
(v) Memorandum of deposit of sinking fund to be built up to maximum amount of RM180,000 only by way of quarterly sinking fund of RM45,000 only.

(b) Finance lease liabilities

Future minimum lease payments under finance leases together with the present value of net minimum lease payments are as follows:

	Group	
	2018 RM	2017 RM
Minimum lease payments		
Not later than one year	1,966,448	2,140,668
Later than one year and not later than 5 years	2,747,320	4,688,862
	4,713,768	6,829,530
Less: Future finance charges	(222,252)	(422,163)
Present value of minimum lease payments	4,491,516	6,407,367
Present value of minimum lease payments		
Not later than one year	1,795,378	1,928,114
Later than one year and not later than 5 years	2,696,138	4,479,253
	4,491,516	6,407,367
Less: Amount due within 12 months	(1,795,378)	(1,928,114)
Amount due after 12 months	2,696,138	4,479,253

The finance lease liabilities bear effective interest at rates ranging from 3.83% to 7.68% (2017: 3.83% to 7.68%) per annum.

16. LOANS AND BORROWINGS (CONT'D)

(c) Bank overdrafts, bankers' acceptances and trade financing

The bank overdrafts, bankers' acceptances and trade financing of the Group are secured by way of:
(i) Corporate guarantee of the Company;
(ii) Joint and several guarantee by directors;
(iii) A deposit placed with a licensed bank;
(iv) Deed of assignment of benefits of contract proceeds from all contracts of a subsidiary financed by bank;
(v) Charge over a subsidiary's designated escrow account ("DEA"), fixed deposit and sinking fund account maintained; and
(vi) Memorandum of charge over fixed deposits by a subsidiary in respect of sinking fund in the form of fixed deposits via 5% deduction from each contract proceeds received up to RM500,000 together with all interest accruing from time to time.

17. TRADE AND OTHER PAYABLES

		Group		Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
Trade					
Trade payables					
Third parties	(a)	6,973,877	9,759,098	–	–
Subsidiaries		–	–	36,486	–
		6,973,877	9,759,098	36,486	–
Non-trade					
Other payables					
Third parties		2,264,091	900,109	131,179	31,598
GST payable		53,969	37,604	–	–
Amounts owing to subsidiaries	(b)	–	–	25,713,434	1,152,845
Deposits and accruals		4,571,262	6,054,080	117,400	90,200
		6,889,322	6,991,793	25,962,013	1,274,643
Total trade and other payables		13,863,199	16,750,891	25,998,499	1,274,643

17. TRADE AND OTHER PAYABLES (CONT'D)

The foreign currency exposure profile of trade and other payables is as follows:

	Group	
	2018 RM	2017 RM
United States Dollar	5,462,964	3,608,636
Singapore Dollar	463,983	–
	5,926,947	3,608,636

(a) The normal trade credit term granted by the trade creditors to the Group ranging from 30 to 60 days (2017: 30 to 60 days).

(b) The amounts owing to subsidiaries are unsecured, non-interest bearing and repayable upon demand.

18. REVENUE

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Timing of revenue recognition:				
At a point in time				
Dividend income	–	–	6,000,000	6,000,000
Sales of goods	251,340	342,394	–	–
Over time				
Information technology services	36,883,118	36,140,405	–	–
Information communication technology services	12,323,507	20,135,233	–	–
Management fees	–	–	3,808,601	3,425,833
Satellite-based network services	3,073,676	3,313,488	–	–
	52,531,641	59,931,520	9,808,601	9,425,833

19. (LOSS)/PROFIT BEFORE TAX

Other than disclosed elsewhere in the financial statements, the following items have been charged/(credited) in arriving at (loss)/profit before tax:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Amortisation of intangible assets	656,270	516,099	–	–
Auditors' remuneration:				
- statutory audit				
- current year	162,974	138,000	45,000	43,000
- underprovision in prior financial year	–	2,400	–	–
- non-statutory audit fees	55,600	47,000	55,600	43,000
Bad debts written off	–	3,347	–	–
Depreciation of investment property	26,596	26,595	–	–
Depreciation of property, plant and equipment	10,099,319	10,459,976	–	–
Employee benefits expense (Note 20)	16,190,185	17,281,438	292,500	230,000
Gain on disposal of property, plant and equipment	(832,510)	(1,322)	–	–
Impairment loss on:				
- trade receivables	238,059	920,032	–	–
- amount owing by subsidiaries (trade)	–	–	356,988	–
- amount owing by subsidiaries (non-trade)	–	–	4,561,710	–
- other investment	–	500,000	–	500,000
- investment in subsidiaries	–	–	350,000	–
Interest expenses:				
- bankers' acceptances and bank overdrafts	420,678	447,450	–	–
- finance lease payables	199,911	291,828	–	–
- term loans	904,418	933,306	–	–
- others	–	56,137	–	–
Interest income	(200,411)	(150,423)	–	–
Inventories written down	120,978	198,546	–	–
Inventories written off	185,343	26,322	–	–
(Gain)/Loss on foreign exchange				
- realised	(93,341)	423,379	–	–
- unrealised	273,420	(271,926)	–	–
Property, plant and equipment written off	7,478	4	–	–
Rental expenses	195,315	211,058	–	–
Rental income	(204,992)	(208,766)	–	–
Reversal of impairment loss on trade receivables	(56,718)	(28,158)	–	–

20. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Salaries and wages	12,495,619	13,766,327	–	–
Defined contribution plan	1,195,798	1,188,203	–	–
Directors' remuneration (Note (i))	2,498,768	2,326,908	292,500	230,000
	16,190,185	17,281,438	292,500	230,000

(i) The aggregate amounts of emoluments received and receivable by directors of the Group and of the Company during the financial year are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Directors of the Company				
- fees	278,000	216,000	278,000	216,000
- other emoluments	1,265,139	1,250,373	14,500	14,000
	1,543,139	1,466,373	292,500	230,000
Directors of the subsidiaries				
- other emoluments	955,629	860,535	–	–
Total directors' remuneration	2,498,768	2,326,908	292,500	230,000

21. TAX EXPENSE

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Current income tax:				
Based on results of the financial year	1,874,777	608,000	–	–
Over/(Under) provision in prior financial years	859,441	(168,220)	–	–
	2,734,218	439,780	–	–
Deferred tax: (Note 11)				
Origination of temporary differences	(986,372)	813,682	–	–
(Over)/Under provision in prior financial years	(645,428)	504,305	–	–
	(1,631,800)	1,317,987	–	–
Tax expense recognised in profit or loss	1,102,418	1,757,767	–	–

21. TAX EXPENSE (CONT'D)

The reconciliations from the tax amount at statutory income tax rate to the Group's and the Company's tax expense are as follows:

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
(Loss)/Profit before tax	(3,715,684)	(5,302,309)	376,089	5,138,144
Tax at Malaysian statutory income tax rate of 24% (2017: 24%)	(891,764)	(1,272,554)	90,261	1,233,155
Income not subject to tax	(1,286)	(52,072)	–	–
Non-deductible expenses	583,235	1,087,523	1,344,835	178,416
Exempted income	–	–	(1,440,000)	(1,440,000)
Deferred tax not recognised on unutilised tax losses and unabsorbed capital allowances	1,198,220	1,658,785	4,904	28,429
(Over)/Under provision in prior financial year				
- current tax	859,441	(168,220)	–	–
- deferred tax	(645,428)	504,305	–	–
Tax expense recognised in profit or loss	1,102,418	1,757,767	–	–

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% (2017: 24%) of the estimated assessable profit for the financial year.

22. LOSS PER SHARE

(a) Basic loss per share is based on the loss for the financial year attributable to owners of the Company and the weighted average number of ordinary shares outstanding during the financial year, calculated as follows:

	Group	
	2018 RM	**2017 RM**
Loss for the financial year attributable to owners of the Company	(3,960,136)	(7,183,660)
Weighted average number of ordinary shares for basic (loss)/earnings per share computation	558,200,020	558,200,020
Basic/Diluted loss per ordinary share (sen)	(0.71)	(1.29)

(b) The diluted loss per share of the Group for the financial years ended 31 December 2018 and 31 December 2017 are the same as the basic loss per share of the Group as the Group has no dilutive potential ordinary shares.

23. SEGMENT INFORMATION

The Group prepared the following segment information in accordance with MFRS 8 Operating Segments based on the internal reports of the Group's strategic business units which are regularly reviewed by the Group's Chief Executive Officer ("CEO") for the purpose of making decisions about resource allocation and performance assessment.

The four reportable operating segments are as follows:

Segments	Product and services
Information Technology ("IT")	Comprise 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.
Investment holding	Investment holding and provision of management services

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.

<u>Segment assets and liabilities</u>

The total 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.

23. SEGMENT INFORMATION (CONT'D)

	Note	IT RM	ICT RM	SAT RM	Investment holding RM	Adjustments and eliminations RM	Total RM
2018							
Revenue:							
Revenue from external customers	(a)	37,015,062	12,442,903	3,073,676	–	–	52,531,641
Inter-segment revenue		–	1,386,165	209,741	9,808,602	(11,404,508)	–
Total revenue		37,015,062	13,829,068	3,283,417	9,808,602	(11,404,508)	52,531,641
Results:							
Included in the measure of segment profit/(loss) are:							
Amortisation of intangible assets		(655,898)	(372)	–	–	–	(656,270)
Depreciation of investment property		(26,596)	–	–	–	–	(26,596)
Depreciation of property, plant and equipment		(8,463,414)	(577,866)	(1,058,039)	–	–	(10,099,319)
Employee benefits expense		(8,120,818)	(7,034,112)	(742,755)	(292,500)	–	(16,190,185)
Gain on disposal of property, plant and equipment		832,491	19	–	–	–	832,510
Impairment loss on trade and other receivables		(94,988)	(33,694)	(109,377)	–	–	(238,059)
Impairment loss on investment in subsidiaries		–	–	–	(350,000)	350,000	–
Interest expense		(1,290,691)	(359,262)	(128,115)	–	253,061	(1,525,007)
Interest income		182,382	256,263	14,827	–	(253,061)	200,411
Inventories written down		–	(120,978)	–	–	–	(120,978)
Inventories written off		–	(183,645)	(1,698)	–	–	(185,343)
Property, plant and equipment written off		1,312	13	6,153	–	–	7,478
Rental expenses		(72,694)	(89,393)	(162,925)	–	119,698	(205,314)
Rental income		324,911	(221)	–	–	(119,698)	204,992
Reversal of impairment loss on trade receivables		–	130,098	–	–	(73,380)	56,718
Segment profit/(loss)		4,641,536	(2,933,106)	(4,506,402)	5,644,788	(6,562,500)	(3,715,684)
Tax expense		(900,249)	9,031	(211,200)	–	–	(1,102,418)
Profit/(Loss) for the financial year		3,741,287	(2,924,075)	(4,717,602)	5,644,788	(6,562,500)	(4,818,102)
Segment assets		83,375,639	17,968,067	6,248,205	75,663,513	(71,920,731)	111,334,693
Segment liabilities		37,324,587	29,465,789	21,217,356	6,093,643	(49,885,343)	44,216,032

23. SEGMENT INFORMATION (CONT'D)

	Note	IT RM	ICT RM	SAT RM	Investment holding RM	Adjustments and eliminations RM	Total RM
2017							
Revenue:							
Revenue from external customers	(a)	36,140,405	20,135,233	3,655,882	–	–	59,931,520
Inter-segment revenue		700	2,240,035	57,657	9,425,833	(11,724,225)	–
Total revenue		36,141,105	22,375,268	3,713,539	9,425,833	(11,724,225)	59,931,520
Results:							
Included in the measure of segment profit/(loss) are:							
Amortisation of intangible assets		(515,602)	(497)	–	–	–	(516,099)
Depreciation of investment property		(26,595)	–	–	–	–	(26,595)
Depreciation of property, plant and equipment		(8,683,468)	(613,495)	(1,163,013)	–	–	(10,459,976)
Employee benefits expense		(8,664,061)	(7,185,060)	(1,202,317)	(230,000)	–	(17,281,438)
Gain on disposal of property, plant and equipment		728	594	–	–	–	1,322
Impairment loss on trade and other receivables		(28,764)	(563,302)	(327,966)	–	–	(920,032)
Impairment loss on other investment		–	–	–	(500,000)	–	(500,000)
Interest expenses		(1,401,328)	(301,384)	(197,833)	–	171,824	(1,728,721)
Interest income		124,183	174,819	23,245	–	(171,824)	150,423
Inventories written down		–	(198,546)	–	–	–	(198,546)
Inventories written off		(10,835)	(15,487)	–	–	–	(26,322)
Rental expenses		(79,012)	(92,977)	(220,380)	–	181,311	(211,058)
Reversal of impairment loss on trade receivables		–	28,158	–	–	–	28,158
Segment profit/(loss)		1,482,315	(642,950)	(5,763,801)	5,138,144	(5,516,017)	(5,302,309)
Tax expense		(1,210,897)	(301,883)	(244,987)	–	–	(1,757,767)
Profit/(Loss) for the financial year		271,418	(944,883)	(6,008,788)	5,138,144	(5,516,017)	(7,060,076)
Segment assets		88,933,783	26,301,465	8,024,786	65,199,725	(58,185,060)	130,274,699
Segment liabilities		39,955,996	33,720,954	18,276,335	1,274,643	(36,149,755)	57,078,173

23. SEGMENT INFORMATION (CONT'D)

(a) Inter-segment revenue are eliminated on consolidation.

(b) The Group operates predominantly in Malaysia and hence, no geographical segment is presented.

(c) The following are major customers with revenue equal or more than 10% of the Group revenue:

	Revenue		Segment
	2018 RM	2017 RM	
Customer A	35,891,349	33,390,000	IT
Customer B	7,730,521	17,338,000	ICT

24. RELATED PARTIES

(a) Identity of related parties

Parties are considered to be related to the Group if the Group has the ability to directly 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.

Related parties of the Group include:
(i) Subsidiaries;
(ii) Associate;
(iii) Entities in which directors have substantial financial interests; and
(iv) Key management personnel of the Group and of the Company, comprise persons having the authority and responsibility for planning, directing and controlling the activities directly or indirectly.

(b) Significant related party transactions

Significant related party transactions other than disclosed elsewhere in the financial statements are as follows:

	Company	
	2018 RM	2017 RM
Subsidiaries		
Management fee received/receivable	(3,807,643)	(3,424,874)
Secondment fee paid/payable	3,429,271	3,110,312
A director's related company		
Professional fees	32,300	35,700

24. RELATED PARTIES (CONT'D)

(c) Compensation of key management personnel

Key management personnel includes personnel having authority and responsibility for planning, directing and controlling the activities of the entities, directly or indirectly, including any director of the Group and of the Company.

The remuneration of the key management personnel is as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Short-term employee benefits	2,498,768	2,326,908	292,500	230,000

25. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned:

<u>From 1 January 2018:</u>
(i) Amortised cost ("AC")

<u>On or before 31 December 2017:</u>
(i) Loan and receivables ("L&R")
(ii) Other financial liabilities ("FL")

	Carrying Amount RM	AC RM
At 31 December 2018		
Financial assets		
Group		
Trade and other receivables, net of prepayments	23,707,220	23,707,220
Deposits, cash and bank balances	8,269,998	8,269,998
	31,977,218	31,977,218
Company		
Trade and other receivables, net of prepayments	7,746,386	7,746,386
Deposits, cash and bank balances	47,517	47,517
	7,793,903	7,793,903

25. FINANCIAL INSTRUMENTS (CONT'D)

(a) Categories of financial instruments (Cont'd)

	Carrying Amount RM	AC RM
At 31 December 2018		
Financial liabilities		
Group		
Loans and borrowings	(28,523,833)	(28,523,833)
Trade and other payables, net of GST payable	(13,820,060)	(13,820,060)
	(42,343,893)	(42,343,893)
Company		
Trade and other payables	(25,998,499)	(25,998,499)

	Carrying Amount RM	L&R/ (FL) RM
At 31 December 2017		
Financial assets		
Group		
Trade and other receivables, net of prepayments	28,541,497	28,541,497
Deposits, cash and bank balances	12,212,854	12,212,854
	40,754,351	40,754,351
Company		
Trade and other receivables, net of prepayments	5,272,100	5,272,100
Deposits, cash and bank balances	24,444	24,444
	5,296,544	5,296,544
At 31 December 2017		
Financial liabilities		
Group		
Loans and borrowings	(36,655,282)	(36,655,282)
Trade and other payables, net of GST payable	(16,713,287)	(16,713,287)
	(53,368,569)	(53,368,569)
Company		
Trade and other payables	(1,274,643)	(1,274,643)

25. FINANCIAL INSTRUMENTS (CONT'D)

(b) Fair value measurement

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

There have been no transfers between Level 1 and Level 2 during the financial years ended 31 December 2018 and 31 December 2017.

The following table provides the fair value measurement hierarchy of the Group's financial instruments:

	Carrying amount RM	Fair value of financial instruments not carried at fair value Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Group					
31 December 2018					
Financial liabilities					
Amortised cost					
- finance lease liabilities	4,491,516	–	4,099,611	–	4,099,611
31 December 2017					
Financial liabilities					
Other financial liabilities					
- finance lease liabilities	6,407,367	–	5,742,700	–	5,742,700

Level 2 fair value

Fair value of financial instruments not carried at fair value

The fair value of liability component of loans and borrowings is calculated based on the present value of future principal and interest cash flows, discounted at the market interest rate of similar liabilities that do not have a conversion option.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's and the Company's activities are exposed to a variety of financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, foreign currency risk and interest rate risk. The Group's and the Company's overall financial risk management objective is to optimise value for their shareholders. The Group and the Company do not trade in financial instruments.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are exercised by the Executive Directors and the Chief Financial Officer. The Audit Committee provides independent oversight to the effectiveness of the risk management process.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

The Group's and the Company's exposure to the financial risks and the objectives, policies and processes put in place to manage these risks are discussed below:

(i) Credit risk

Credit risk is the risk of financial loss to the Group and the Company that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. The Group and the Company have a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

Trade and other receivables

As at end of the reporting date, the maximum exposure to credit risk arising from trade and other receivables is represented by their carrying amounts in the statements of financial position.

In determining the recoverability of these receivables, the Group and the Company consider any change in the credit quality of the receivables from the date the credit was initially granted up to the reporting date. The Group and the Company have adopted policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

Credit risk concentration profile

At the end of the reporting period, 92% (2017: 56%) of the Group's trade receivables was due from five (2017: five) major customers.

The Group applies the simplified approach to providing for impairment losses prescribed by MFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables and contract assets. To measure the impairment losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The impairment losses also incorporate forward looking information.

The following table provides information about the exposure to credit risk and expected losses for trade receivables as at 31 December 2018:

	Expected credit loss rate	Gross carrying amount RM	Expected credit losses RM	Net balance RM
Group				
At 31 December 2018				
Current	0%	7,735,785	–	7,735,785
1 to 30 days past due	0%	126,127	–	126,127
31 to 60 days past due	0%	349,453	–	349,453
61 to 90 days past due	0%	151,545	–	151,545
More than 91 days past due	0%	2,845,699	–	2,845,699
Credit impaired				
Individually impaired		6,276,318	6,276,318	–
		17,484,927	6,276,318	11,208,609

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(i) Credit risk (Cont'd)

Trade and other receivables (Cont'd)

As at 31 December 2017, the ageing analysis of the Group's and Company's trade receivables were as follows:

	Group 2017 RM	Company 2017 RM
Neither past due nor impaired	10,302,600	280,093
1 to 30 days past due not impaired	2,001,478	278,927
31 to 60 days past due not impaired	173,371	278,374
61 to 90 days past due not impaired	84,740	290,379
More than 91 days past due not impaired	4,916,161	1,340,011
	7,175,750	2,187,691
Impaired - individually	5,027,542	–
	22,505,892	2,467,784

Other receivables and other financial assets

For other receivables and other financial assets (including investment securities, cash and cash equivalents and derivatives), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, the Group's and the Company's maximum exposure to credit risk arising from other receivables and other financial assets is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower

Some intercompany loans between entities within the Group are repayable on demand. For loans that are repayable on demand, impairment losses are assessed based on the assumption that repayment of the loan is demanded at the reporting date. If the borrower does not have sufficient highly liquid resources when the loan is demanded, the Group and the Company will consider the expected manner of recovery and recovery period of the intercompany loan.

Refer to Note 3.11(a) for the Group's and the Company's other accounting policies for impairment of financial assets.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(i) Credit risk (Cont'd)

Financial guarantees

The Company is exposed to credit risk in relation to financial guarantees given to banks in respects of loans granted to certain subsidiaries. The Company monitors the results of the subsidiaries and their repayment on an on-going basis. The maximum exposure to credit risks amounts to RM24,032,317 (2017: RM30,247,915) representing the maximum amount the Company could pay if the guarantee is called. As at the reporting date, there was no indication that the subsidiaries would default on repayment.

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

(ii) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations when they fall due. The Group's and the Company's exposure to liquidity risk arise primarily from mismatches of the maturities between financial assets and liabilities. The Group's and the Company's exposure to liquidity risk arise principally from trade and other payables and borrowings.

The Group and the Company maintain a level of cash and cash equivalents 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.

Maturity analysis

The maturity analysis of the Group's and of the Company's financial liabilities by their relevant maturity at the reporting date are based on contractual undiscounted repayment obligations are as follows:

		Contractual cash flows			
	Carrying amount RM	On demand or within 1 year RM	Between 1 and 5 years RM	More than 5 years RM	Total RM
Group					
2018					
Trade and other payables, net of GST payable	13,820,060	13,820,060	–	–	13,820,060
Loans and borrowings	28,523,833	14,809,836	10,558,341	6,779,719	32,147,896
	42,343,893	28,629,896	10,558,341	6,779,719	45,967,956
2017					
Trade and other payables, net of GST payable	16,713,287	16,713,287	–	–	16,713,287
Loans and borrowings	36,655,282	18,203,742	16,108,616	6,986,907	41,299,265
	53,368,569	34,917,029	16,108,616	6,986,907	58,012,552

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(ii) Liquidity risk (Cont'd)

Maturity analysis (Cont'd)

	Carrying amount RM	Contractual cash flows: On demand or within 1 year RM	Between 1 and 5 years RM	More than 5 years RM	Total RM
Company					
2018					
Trade and other payables	25,998,499	25,998,499	–	–	25,998,499
Financial guarantee contracts *	–	16,303,172	–	–	16,303,172
	25,998,499	42,301,671	–	–	42,301,671
2017					
Trade and other payables	1,274,643	1,274,643	–	–	1,274,643
Financial guarantee contracts *	–	30,247,915	–	–	30,247,915
	1,274,643	31,522,558	–	–	31,522,558

* The Company has given corporate guarantee to banks on behalf of certain subsidiaries for banking facilities. The potential exposure of the financial guarantee contract is equivalent to the amount of the banking facilities being utilised by the said subsidiaries.

(iii) Foreign currency risk

Foreign currency risk is the risk of fluctuation in fair value or future cash flows of a financial instrument as a result of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates related primarily to the Group's operating activities (when sales and purchases are denominated in a foreign currency).

The Group did not hedge any foreign trade receivables or payables denominated in foreign currencies during the financial year. The Group ensures that the net exposure is kept to an acceptable level.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(iii) Foreign currency risk (Cont'd)

The Group's unhedged financial assets of that are not denominated in their functional currency are as follows:

	Group	
	2018 RM	2017 RM
Trade receivables		
United States Dollar ("USD")	155,248	768,861
Singapore Dollar ("SGD")	230,270	–
	385,518	768,861
Other receivables		
Singapore Dollar ("SGD")	491,019	–
Trade payables		
United States Dollar ("USD")	(5,462,964)	(3,608,636)
Singapore Dollar ("SGD")	(125,864)	–
	(5,588,828)	(3,608,636)
Other payables		
Singapore Dollar ("SGD")	(338,119)	–

Sensitivity analysis for foreign currency risk

The Group's principal foreign currency exposure relates to United States Dollar ("USD") and Singapore Dollar ("SGD").

The following table demonstrates the sensitivity to a reasonably possible change in the USD and SGD, with all other variables held constant on the Group's profit for the financial year.

	Change in rate	Effect on profit for the financial year RM
2018		
- USD	+10%	(403,386)
	-10%	403,386
- SGD	+10%	19,555
	-10%	(19,555)
2017		
- USD	+10%	(215,823)
	-10%	215,823

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(iv) Interest rate risk

Interest rate risk is the risk of fluctuation in fair value or future cash flows of the Group's financial instruments as a result of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from their long-term borrowings with floating interest rates. The Group manages the net exposure to interest rate risks by maintaining sufficient lines of credit to obtain acceptable lending costs and by monitoring the exposure to such risks on an ongoing basis. The Group does not enter into interest rate hedging transactions since it considers that the cost of such instruments outweigh the potential risk of interest rate fluctuation.

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant on the Group's profit for the financial year.

	Change in basis point	Effect on profit for the financial year RM
Group		
31 December 2018	+50	(61,952)
	-50	61,952
31 December 2017	+50	(114,942)
	-50	114,942

27. OPERATING LEASES

(a) Operating lease commitments – as lessee

The Group leases a number of premises under operating leases for average lease term between one to three years, with option to renew the lease at the end of the lease term.

Future minimum rental payable under the non-cancellable operating lease at the reporting date is as follows:

	Group 2018 RM	Group 2017 RM
Not more than one year	177,954	174,610
Later than one year and not later than five years	289,489	37,968
	467,443	212,578

27. OPERATING LEASES (CONT'D)

(b) Operating lease commitments – as lessor

The Group leases an investment property which has remaining lease term of three years. There are no restrictions placed upon the Company by entering into this lease.

Future minimum rental receivable under the non-cancellable operating lease at the reporting date is as follows:

	Group	
	2018 RM	2017 RM
Not more than one year	194,184	194,184
Later than one year and not later than five years	388,368	8,091
	582,552	202,275

28. CAPITAL MANAGEMENT

The primary objective of the Group's and the Company's capital management is to ensure that they maintain a strong credit rating and healthy capital ratio in order to support its business and maximise shareholder value. The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the financial years ended 31 December 2018 and 31 December 2017.

The Group and the Company monitor capital using gearing ratio, which is net debt divided by total capital plus net debt. Net debt comprises borrowings, less deposits, cash and bank balances where total capital comprises the equity attributable to owners of the Group and of the Company. The gearing ratio at 31 December 2018 and 31 December 2017 are as follows:

		Group		Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
Loans and borrowings	16	28,523,833	36,655,282	–	–
Less:					
Deposits, cash and bank balances	14	(8,269,998)	(12,212,854)	(47,517)	(24,444)
Net debts		20,253,835	24,442,428	(47,517)	(24,444)
Total equity		67,118,661	73,196,526	64,301,171	63,925,082
Total net debt plus equity		87,372,496	97,638,954	64,253,654	63,900,638
Gearing ratio		23%	25%	*	*

* Not meaningful.

Other than as disclosed in Note 16, the Company is also required to comply with the disclosure and necessary capital requirement as prescribed in the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Company has complied with these requirements for the financial years ended 31 December 2018 and 31 December 2017.

Statement by **Directors**

(Pursuant to Section 251(2) of the Companies Act 2016)

We, **RONNIE KOK LAI HUAT** and **PUVANESAN A/L SUBENTHIRAN**, being two of the directors of Privasia Technology Berhad, do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 51 to 129 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 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 2018 and of their financial performance and cash flows for the financial year then ended.

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

RONNIE KOK LAI HUAT
Director

PUVANESAN A/L SUBENTHIRAN
Director

Kuala Lumpur

Date: 19 April 2019

Statutory **Declaration**

(Pursuant to Section 251(1) of the Companies Act 2016)

I, **CHUAN MEI LING**, being the officer primarily responsible for the financial management of Privasia Technology Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 51 to 129 are 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.

CHUAN MEI LING
MIA Membership No: 13773

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 19 April 2019.

Before me,

ABDUL SHUKOR BIN MD NOOR (NO.W725)
Commissioner for Oaths

Independent **Auditors' Report**

To the members of Privasia Technology Berhad
(Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Privasia Technology Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 51 to 129.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as 31 December 2018, and of their financial performance and their cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Group

Goodwill (Note 7 to the financial statements)

The Group has significant goodwill mainly arising from acquisition of three operating segments. The goodwill is tested for impairment annually. We focused on this area because this assessment requires significant judgements by the directors on the discount rates applied in the recoverable amount calculation and assumptions supporting the underlying cash flow projections, including forecast growth rates, inflation rates and gross profit margin.

Our response:
Our audit procedures included, among others:
- assessing the valuation methodology adopted by the Group;
- comparing the actual results with previous budget to assess the performance of the business and reliability of forecasting process;
- testing the mathematical accuracy of the impairment assessment; and
- performing a sensitivity analysis around the key inputs that are expected to be most sensitive to the recoverable amount.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Group (Cont'd)

Trade receivables (Note 13 to the financial statements)

The Group has significant trade receivables as at 31 December 2018 which include certain amounts which are long outstanding. We focused on this area because the directors made significant judgements over assumptions about risk of default and expected loss rate. In making the assumptions, the directors selected inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of the reporting period.

Our response:
Our audit procedures included, among others:
- reviewing the design and assessing the implementation of controls associated with monitoring and impairment assessment of receivables that were either in default or significantly overdue;
- understanding of significant credit exposures which were significantly overdue or deemed to be in default through analysis of ageing reports and other collection reports prepared by the Group;
- obtaining confirmation of balances from selected samples of receivables;
- reviewing subsequent receipts, customer correspondence, and explanation on recoverability of significantly past due balances; and
- reviewing the impairment charges for the identified credit exposures.

Company

Investment in subsidiaries and amounts owing by subsidiaries (Notes 8 and 13 to the financial statements)

As at the end of the financial year, the Company determined whether there is any indication of impairment in investment in subsidiaries and amounts owing by subsidiaries.

We focused on this area because the directors' assessment of the recoverable amount involved significant judgement. The recoverable amounts of investment in subsidiaries and amounts owing by subsidiaries respectively were determined based on value-in-use which includes the discount rates applied in the recoverable amount calculation and the assumption supporting the underlying cash flow projections which include future sales, gross profit margin and operating expenses.

Our response:
Our audit procedures included, among others:
- comparing the actual results with previous budget to assess the performance of the business and reliability of the forecasting process;
- comparing the Company's assumptions to our assessments in relation to key assumptions to assess their reasonableness and achievability of the projections;
- testing the mathematical accuracy of the impairment assessment; and
- performing a sensitivity analysis around the key assumptions.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Information Other than the Financial Statements and Auditors' Report Thereon (Cont'd)

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditors, is disclosed in Note 8 to the financial statements.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

Baker Tilly Monteiro Heng PLT
LLP0019411-LCA & AF 0117
Chartered Accountants

Kenny Yeoh Khi Khen
No. 03229/09/2020 J
Chartered Accountant

Kuala Lumpur

Date: 19 April 2019

Analysis of **Shareholding**
As at 29 March 2019

Issued Share Capital	: RM55,820,002.00 comprising 558,200,010 ordinary shares
Class of Shares	: Ordinary Shares
Voting Rights	: Every member of the Company, present in person and entitled to vote, or by proxy or by attorney or other duly authorised representative, shall have one (1) vote for each ordinary share held

Number of shareholders:

Analysis by Size of Shareholdings

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Shareholdings
Less than 100	23	0.64	717	0.00
100 – 1,000	223	6.20	133,583	0.02
1,001 – 10,000	1,054	29.30	7,169,500	1.29
10,001 – 100,000	1,820	50.58	78,220,400	14.01
100,001 - 27,910,000 *	475	13.20	244,953,800	43.88
27,910,001 and above **	3	0.08	227,722,020	40.80
TOTAL	**3,598**	**100.00**	**558,200,020**	**100.00**

Note : * Less than 5% of issued holdings
** 5% and above of issued holdings

List of Substantial Shareholders (5% and above)

No.	Names of Substantial Shareholders	No. of Shares	%
1	Anyotech Sdn. Bhd.	79,713,220	14.28
2	Radiant Principles Sdn. Bhd.	76,836,300	13.77
3	Pancarthiran Sdn. Bhd.	71,172,500	12.75

Directors' Shareholding
(According to the Register of Directors' Shareholdings)

No.	Names of Directors	SHAREHOLDINGS			
		Direct	%	Indirect	%
1	*PUVANESAN A/L SUBENTHIRAN			150,885,720	27.03
	<u>*Share held through:-*</u>				
	Individual Account	15,581,400	2.79		
	Maybank Securities Nominees (Tempatan) Sdn. Bhd.	1,027,800	0.19		
		16,609,200	2.98		
2	**ANDRE ANTHONY A/L HUBERT RENE	10,174,700	1.82	156,549,520	28.05
3	RONNIE KOK LAI HUAT	–	–	–	–
4	DATO' MOHAMED SHARIL BIN MOHAMED TARMIZI	2,300,000	0.41	–	–
5	HAIDA SHENNY BINTI HAZRI	–	–	–	–
6	HASLINDA BT HUSSEIN	–	–	–	–

* Deemed interest under Section 8(4) of the Act by virtue of shares held by Anyotech Sdn Bhd and Pancarthiran Sdn Bhd.

** Deemed interest under Section 8(4) of the Act by virtue of shares held by Anyotech Sdn Bhd and Radiant Principles Sdn Bhd.

List of Thirty (30) Largest Securities Account Holders
(According to the Record of Depositors)

No	Names	Shareholdings	%
1.	Anyotech Sdn. Bhd.	79,713,220	14.28
2.	Radiant Principles Sdn. Bhd.	76,836,300	13.77
3.	Pancarthiran Sdn. Bhd.	71,172,500	12.75
4.	Puvanesan a/l Subenthiran	15,581,400	2.79
5.	AmBank (M) Berhad *Pledged Securities Account for Datuk Ali Bin Abdul Kadir (SMART)*	12,521,400	2.24
6.	Kenanga Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Lim Yeow Kim (MG0000137)*	12,254,300	2.20
7.	Andre Anthony a/l Hubert Rene	10,174,700	1.82
8.	Kenanga Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Datuk Mohd Aqliff Shane Abdullah*	7,790,000	1.40
9.	CIMSEC Nominees (Tempatan) Sdn. Bhd. *CIMB for Datuk Ali Bin Abdul Kadir (PB)*	4,484,000	0.80
10.	Ulaganathan a/l Muthu Pandithan	3,499,400	0.63
11.	Lee Siew Lin	3,320,000	0.59
12.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Lok Huey Ming*	3,100,000	0.56
13.	Firmansyah Aang Bin Muhamad	2,846,900	0.51
14.	Shaiful Zahrin Bin Subhan	2,846,900	0.51
15.	Ong Yew Beng	2,700,000	0.48
16.	Sua Yong Chin	2,500,000	0.45
17.	RHB Capital Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Datuk Mohd Aqliff Shane Abdullah*	2,366,100	0.42
18.	JF Apex Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Lee Chee Keong (STA 5)*	2,300,000	0.41
19.	Dato' Mohamed Sharil Bin Mohamed Tarmizi	2,300,000	0.41
20.	Md Luckmal Hakim Bin Zubit @ Zubir	1,770,700	0.32
21.	Goh Buck Chooi	1,750,000	0.31
22.	Kenanga Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Sim Peng Kai (MG0000119)*	1,702,400	0.30
23.	Tiong Yeng Huang	1,675,000	0.30
24.	Rio Capital Sdn. Bhd.	1,666,000	0.30
25.	Chen King Ken	1,556,300	0.28
26.	Datuk Ali Bin Abdul Kadir	1,525,000	0.27
27.	RHB Capital Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Salbiah Binti Shuib (CEB)*	1,500,000	0.27
28.	Nicole Wong Yinmun	1,400,000	0.25
29.	Sim Yi Chian	1,400,000	0.25
30.	Public Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Chia Song Meng (E-KPG)*	1,390,000	0.25

Property of The Group

Location	Description/ Existing Use	Built up area of building (sq. ft)	Age of Building (years)	Tenure	Net Book Value as at 31.12.18	Date of Acquisition
Privasia Sdn Bhd Unit C-21-01 to 07, 3 Two Square, No. 2 Jalan 19/1 46300 Petaling Jaya, Selangor Darul Ehsan. Strata title held under PN50495, Bangunan M1-C/2/130, Lot 103, Seksyen 36, Bandar Petaling Jaya, Daerah Petaling, Selangor Darul Ehsan.	1st Storey: Retail Lot – Tenanted 2nd -7th Storey: Office Use	1,798 23,508	10	99 years lease expiring on 6 September 2106	12,880,319	28.03.2008

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PRIVASIA

PRIVASIA TECHNOLOGY BERHAD
(Company No. 825092-U)
(Incorporated in Malaysia)

Form of Proxy

Number of Shares held	CDS Account No.
	– –

I/We, ____ NRIC/CompanyNo. ____________________
(FULL NAME AS PER NRIC/CERTIFICATE OF INCORPORATION IN BLOCK LETTERS)

(Tel No: ____________________) of ____
(FULL ADDRESS)

being a member/members of **PRIVASIA TECHNOLOGY BERHAD**, hereby appoint the following:

Name of Proxy	NRIC/Passport No.	No. of Shares	Proportion of Shareholdings (%)
and/or failing him/her			

or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Eleventh Annual General Meeting ("11th AGM") of the Company to be held at C-21-02, 3 Two Square, No. 2, Jalan 19/1, 46300 Petaling Jaya, Selangor Darul Ehsan on **Thursday, 20 June 2019 at 10.00 a.m.** and at any adjournment thereof.

My/our proxy is to vote on the resolutions as indicated by an "X" in the appropriate spaces below. If this form is returned without any indication as to how the proxy shall vote, the proxy shall vote or abstain as he/she thinks fit.

Ordinary Resolution		**For**	**Against**
1.	To re-elect Andre Anthony a/l Hubert Rene as Director.		
2.	To re-elect Ronnie Kok Lai Huat as Director.		
3.	To re-elect Haida Shenny Binti Hazri as Director.		
4.	To re-elect Haslinda Bt Hussein as Director.		
5.	To approve the payment of Directors' benefits for the financial year ended 31 December 2018.		
6.	To approve the payment of Directors' fees and allowances for the period commencing from the date of the forthcoming Annual General Meeting ("AGM") until next AGM in the year 2020.		
7.	To re-appoint Messrs Baker Tilly Monteiro Heng PLT as Auditors and to authorise the Directors to fix their remuneration		
8.	To authorise the Directors to issue shares pursuant to Section 76 of the Companies Act 2016.		
Special Resolution			
1.	Proposed alteration of Existing Memorandum and Articles of Association in its entirety and substituting it with a new Constitution of the Company.		

Dated this ______ day of ______________, 2019

____
Signature
(If Shareholder is a corporation,
this part should be executed under seal)

NOTES TO FORM OF PROXY:-

1. For the purpose of determining a member who shall be entitled to attend the 11th AGM, the Company shall request Bursa Malaysia Depository Sdn. Bhd. to issue a Record of Depositors as at 12 June 2019. A Depositor whose name appears as such Record of Depositors shall be entitled to attend the Meeting.
2. A member entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote on his/her behalf. Where a member appoints two (2) proxies, the appointments shall be invalid unless the proportion of the shareholdings to be represented by each proxy is specified.
3. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a Meeting shall have the same rights as the Member to speak at the Meeting.
4. Where a Member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
5. Where a Member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
6. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
7. For a proxy form to be valid, it must be deposited at the Registered Office of the Company at 62C, Jalan SS21/62, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty eight (48) hours before time appointed for the Meeting or any adjournments thereof.
8. Pursuant to Paragraph 8.31A(1) of the Ace Market Listing Requirement, all the resolutions at the 11th AGM of the Company shall be put to vote by way of poll.

Personal Data Privacy:
By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 30 April 2019.

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AFFIX
STAMP

The Company Secretary
PRIVASIA TECHNOLOGY BERHAD
(Company No. 825092-U)
No.62C, Jalan SS21/62,
Damansara Utama,
47400 Petaling Jaya,
Selangor Darul Ehsan, Malaysia

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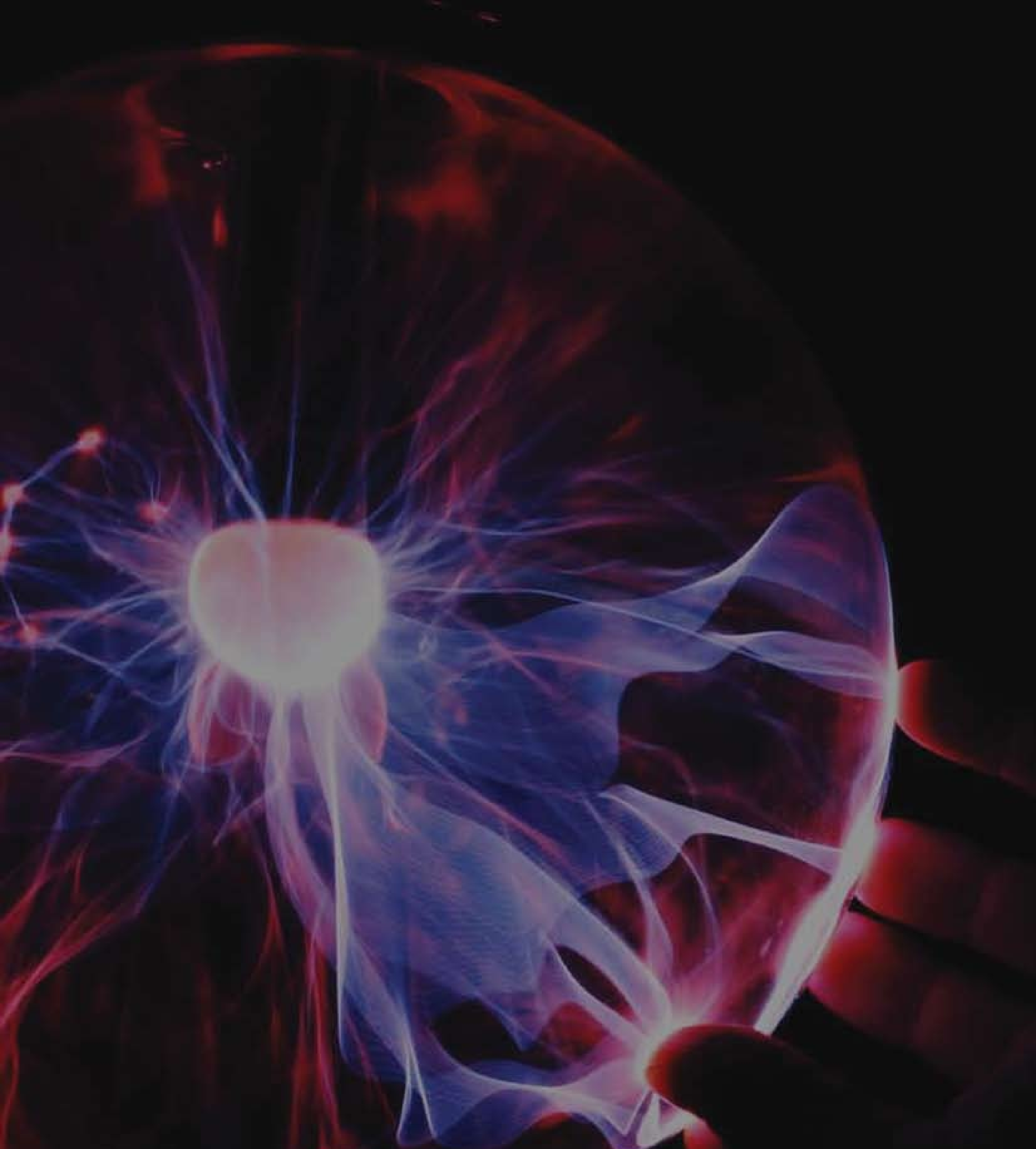

PRIVASIA
TECHNOLOGY BERHAD

PRIVASIA TECHNOLOGY BERHAD (Incorporated in Malaysia) (825092-U)
C-21-02, 3 Two Square, No.2 Jalan 19/1,
46300 Petaling Jaya, Selangor Darul Ehsan.
Tel: +603 7967 9600 Fax: +603 7967 9797 Email: info@privasia.com

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