



**SECURE  
METRIC**  
—BERHAD—



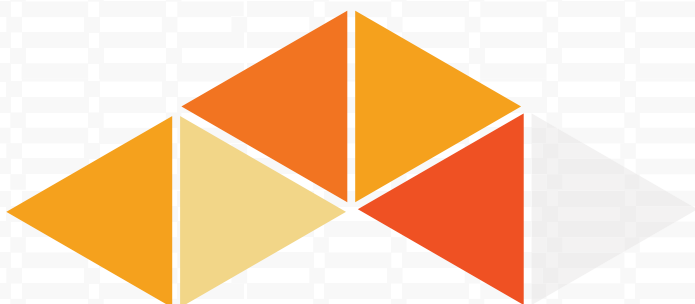
# ANNUAL REPORT 2018

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Formula For Strong Digital Security

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## “Formula For Strong Digital Security”

**Strong security methodology to effectively combat today’s increasing digital threats is our top business priority.**

Securemetric Berhad (“Securemetric” or “the Company”) and its subsidiaries (“the Group”) offer digital security solutions across South East Asia, namely Malaysia, Vietnam, The Philippines, Indonesia, and Singapore. Armed with in-house expertise in the areas of software licensing protection dongles, two-factor authentication (“2FA”), Public Key Infrastructure (“PKI”), the centralized authentication management system (“CENTAGATE®”) and electronic identification products. Customers include government organisations, financial institution, public certification authorities, software development companies and IT service providers.

As one of the regional players from Malaysia, Securemetric offers digital security solutions in a market which has traditionally been dominated by a few key multinational players. Securemetric has identified the importance of localizing both its services and solutions.

The ability to provide such customized solutions that fit clients’ needs and regulatory framework has differentiated Securemetric from other players.

### ► Vision

**To be your trusted digital security partner.**

### ► Mission

**Securing the world’s digital economy transformation today, tomorrow and beyond.**

## Corporate Information

### ► BOARD OF DIRECTORS

**Clifton Heath Fernandez**  
*Independent Non-Executive Chairman*

**Law Seeh Key**  
*Non-Independent Executive Director*

**Yong Kim Fui**  
*Non-Independent Executive Director*

**Shireen Chia Yin Ting**  
*Independent Non-Executive Director*

**Mohamad Rizatuddin Noor Bin Mohamed Ramli**  
*Independent Non-Executive Director*

### ► AUDIT COMMITTEE

**Shireen Chia Yin Ting** *Chairperson*  
**Clifton Heath Fernandez** *Member*  
**Mohamad Rizatuddin Noor Bin Mohamed Ramli** *Member*

### ► RISK MANAGEMENT COMMITTEE

**Clifton Heath Fernandez** *Chairman*  
**Shireen Chia Yin Ting** *Member*  
**Yong Kim Fui** *Member*  
**Nioo Yu Siong** *Member*

### ► REMUNERATION COMMITTEE

**Shireen Chia Yin Ting** *Chairperson*  
**Clifton Heath Fernandez** *Member*  
**Mohamad Rizatuddin Noor Bin Mohamed Ramli** *Member*

### ► NOMINATION COMMITTEE

**Mohamad Rizatuddin Noor Bin Mohamed Ramli** *Chairman*  
**Clifton Heath Fernandez** *Member*  
**Shireen Chia Yin Ting** *Member*

### ► AUDITORS

UHY Chartered Accountants  
(AF 1411)  
Suite 11.05, Level 11,  
The Gardens South Tower  
Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur, Malaysia  
Tel : 03-2279 3088  
Fax : 03-2279 3099

### ► COMPANY SECRETARY

**Wong Youn Kim** (MAICSA 7018778)

### ► SPONSOR

TA Securities Holdings Berhad  
(14948-M)  
32nd Floor, Menara TA One  
No. 22, Jalan P. Ramlee  
50250 Kuala Lumpur, Malaysia  
Tel : 03-2072 1277  
Fax : 03-2026 0127

### ► PRINCIPAL BANKERS

Malayan Banking Berhad (3813-K)  
No. 7, Jalan Kenari 1  
Bandar Puchong Jaya  
Jalan Puchong  
47100 Puchong  
Selangor Darul Ehsan, Malaysia  
Tel : 03-5882 0275  
Fax : 03-5882 0276

CIMB Bank Berhad (13491-P)  
T1 Relish Floor, Starhill Gallery  
181, Jalan Bukit Bintang  
55100 Kuala Lumpur, Malaysia  
Tel : 03-2145 2576  
Fax : 03-2142 2784

### ► SHARE REGISTRAR

Boardroom Share Registrars Sdn Bhd  
(378993-D)  
(formerly known as Symphony  
Share Registrars Sdn Bhd)  
Level 6, Symphony House  
Block D13, Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya,  
Selangor Darul Ehsan  
Tel : 03-7849 0777  
Fax : 03-7841 8151/52

### ► REGISTERED OFFICE

HMC Corporate Services Sdn. Bhd.  
Level 2, Tower 1, Avenue 5  
Bangsar South City  
59200 Kuala Lumpur, Malaysia  
Tel : 03-2241 5800  
Fax : 03-2282 5022

### ► CORPORATE OFFICE

Level 5-E-6, Enterprise 4  
Technology Park Malaysia  
Lebuhraya Sg. Besi – Puchong  
Bukit Jalil  
57000 Kuala Lumpur, Malaysia  
Tel : 03-8996 8225  
Fax : 03-8996 7225  
Website : [www.securemetric.com](http://www.securemetric.com)  
Email address : [ir@securemetric.com](mailto:ir@securemetric.com)

### ► STOCK EXCHANGE LISTING

ACE Market of Bursa Malaysia  
Securities Berhad  
Stock Name : SMETRIC  
Stock Code : 0203

## Corporate Structure



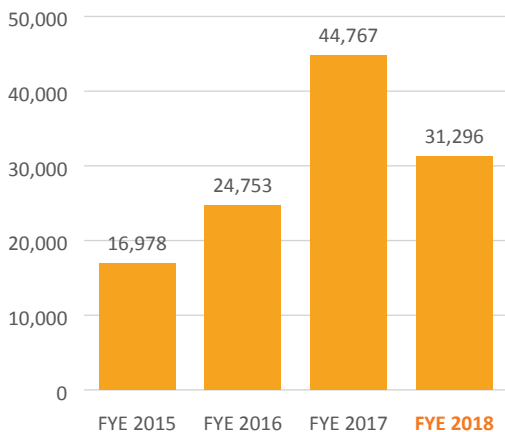
## Financial Highlights

	FYE 2015 <sup>(1)</sup>	FYE 2016 <sup>(1)</sup>	FYE 2017 <sup>(1)</sup>	FYE 2018
	RM'000	RM'000	RM'000	RM'000
<b>PROFITABILITY</b>				
Revenue	16,978	24,753	44,767	31,296
Gross profit ("GP")	9,254	12,769	21,243	17,636
Profit before tax ("PBT")	3,056	4,386	6,202	1,581
Profit after tax ("PAT")	2,927	4,338	6,082	692
Net profit attributable to owners of the Company	2,864	4,345	6,016	613
<b>FINANCIAL POSITION</b>				
Total assets	14,652	22,873	41,350	49,576
Equity attributable to owners of the Company	10,984	13,511	19,295	36,506
Total borrowings	50	2,012	2,548	2,365
Weighted average number of ordinary shares ("000")	175,600 <sup>(2)</sup>	175,600 <sup>(2)</sup>	175,600 <sup>(2)</sup>	184,729
<b>SHARE INFORMATION</b>				
Earnings per share ("EPS") (sen)	1.6	2.5	3.4	0.3
Net assets per share attributable to owners of the Company (sen)	6.3	7.7	11.0	19.8
Gross gearing ratio (times)	0.01	0.15	0.13	0.06

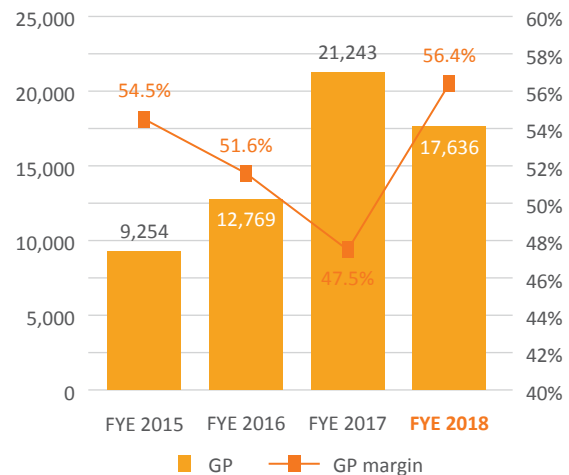
### Notes:

- <sup>(1)</sup> The financial results for the financial year ended 31 December 2015 ("FYE 2015"), 31 December 2016 ("FYE 2016") and 31 December 2017 ("FYE 2017") are based on audited combined financial statements as disclosed in Prospectus of the Company dated 23 October 2018.
- <sup>(2)</sup> Based on the number of shares assumed to be in issue before public issue in conjunction with the Company's listing on the ACE Market of Bursa Malaysia Securities Berhad.

### REVENUE (RM'000)



### GP & GP MARGIN (RM'000)

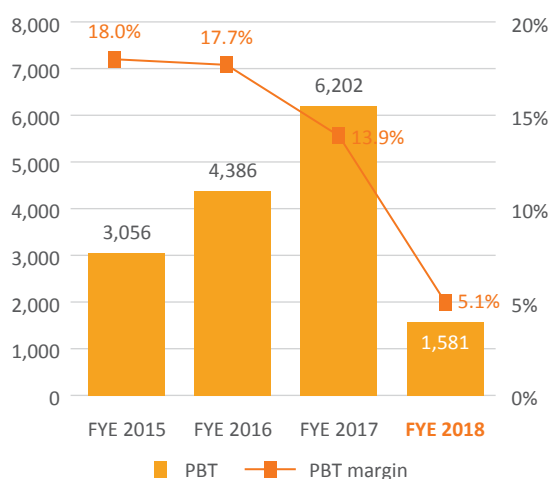


# Financial Highlights

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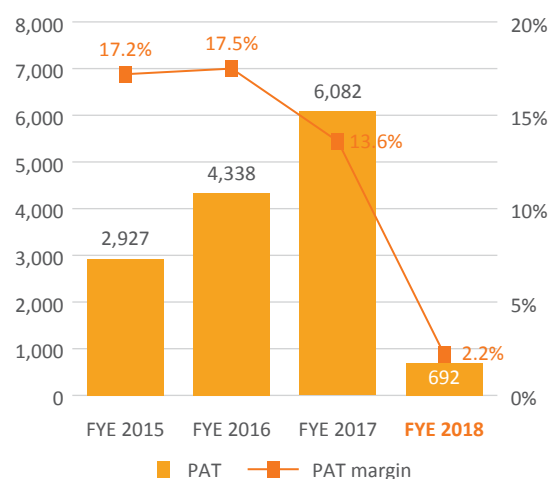
## PBT & PBT MARGIN

(RM'000)



## PAT & PAT MARGIN

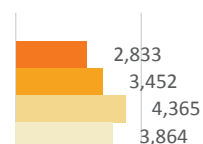
(RM'000)



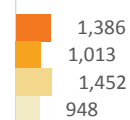
## REVENUE BY BUSINESS SEGMENTS

(RM'000)

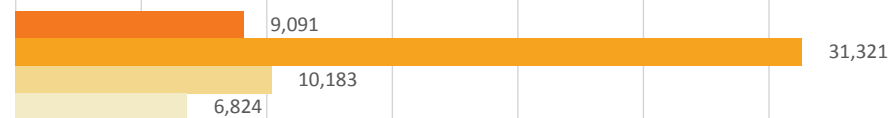
### Software licensing protection dongles



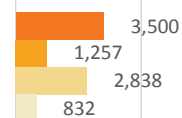
### 2FA



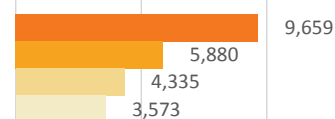
### PKI



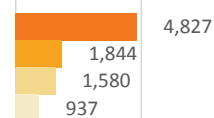
### CENTAGATE®



### Electronic identification products



### Other related services



 FYE 2018
  FYE 2017
  FYE 2016
  FYE 2015



## Chairman's Statement



# Chairman's Statement

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## OVERVIEW

Cyberterrorism in the South East Asian region has been a growing concern as the region is perceived to be lagging behind when it comes to cybersecurity. Based on a report by global management consultants, AT Kearney, the digital economy of ASEAN countries has the potential to add USD1 trillion to GDP over the next 10 years. However, cyber risks could impede trust and even prevent the region from realizing its full digital potential.

ASEAN countries have been cited as launchpads for attacks and their strategic relevance makes them vulnerable prime targets. As the region takes its position as one of the world's top digital economies, doors are also wide open for cyberattacks. An urgent call to action is required and this is where Securemetric steps in. As one of the region's trusted digital security solutions provider, we are poised to seize the opportunities available to us.

## CORPORATE HIGHLIGHTS

On 13 November 2018, Securemetric was successfully listed on the ACE Market of Bursa Malaysia Securities Berhad and raised RM17 million through the initial public offering ("IPO") to supercharge our growth plans. The IPO was one of the major milestones achieved by our Company as we crystalize our aim of becoming an established digital security solutions player in the region.

In March 2019, Feitian Technologies Co Ltd, a Shenzhen-listed company with market capitalization of 5.86 billion yuan (RM4.56 billion), acquired 20 million shares representing 8.2% of our Company's shares and this provides us with further recognition on our potential in this industry.

## FINANCIAL HIGHLIGHTS

The Group's financial year ended 31 December 2018 ("FYE 2018") revenue decreased by 30.1% from RM44.77 million to RM31.30 million as compared to the previous financial year. For FYE 2018, our Digital Security Solutions business was the main contributor to the Group's revenue. The Group reported profit after tax of RM0.69 million. The lower earnings were mainly due to expenses related to business expansion, impairments and one-off listing expenses.

## PROSPECTS

With South East Asia's GDP growth forecasted to be around 5% for 2019, we are optimistic on the outlook of ICT spending on digital security solutions by government agencies, financial institutions as well as SMEs markets in ASEAN.

ASEAN's response to the cybersecurity issue needs to be swift and comprehensive. With this, a formula for strong digital security is required. This is an indispensable need to realize the region's full potential. With our expertise in PKI and other areas of digital security such as CENTAGATE®, we are well positioned to ride on the wave of digitalization across ASEAN and play a crucial role in safeguarding cyber assets and transactions.

## APPRECIATION

This is indeed an exciting time to be part of Securemetric. We have a clear strategic plan aimed at driving sustainable long-term growth delivered by a fully-engaged and talented team.

I would like to express my appreciation to the Board of Directors ("Board") for their invaluable guidance to ensure that the Group stays on the right course to achieve its objectives. I would also like to thank the management team and valued employees for their dedication and contribution.

Finally, I would like to thank all our shareholders, principals, business partners, government agencies, financial institutions as well as other stakeholders for their continued support of the Group. We look forward to making 2019 an exciting and rewarding year for all stakeholders.

## CLIFTON HEATH FERNANDEZ

*Chairman*

# Management Discussion & Analysis

We are pleased to present our Group's Management Discussion & Analysis Statement for the FYE 2018.

## 1. OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS

### 1.1 Core Business and operations of the Group

Securemetric is principally involved in the provision of digital security solutions as well as trading of electronic identification products, and other related services. Our Group has offices in Malaysia, Vietnam, the Philippines, Indonesia and Singapore. Within our Group, Securemetric Malaysia is responsible for undertaking R&D for our Group's digital security solutions as well as being involved in sales and marketing. Securemetric Malaysia also serves as the main hub for managing the export of our digital security solutions and electronic identification products to other countries.

Securemetric Vietnam, Securemetric Philippines and Securemetric Indonesia are primarily accountable for the implementation of projects relevant to provision of digital security solutions and other related services within their respective countries as well as being responsible for the sales and marketing of our Group's electronic identification products. Softkey Indonesia and Securemetric Singapore focus only on the sales and marketing of our Group's electronic identification products and other related services in Indonesia and Singapore, respectively.

Securemetric's core business segments are as follows:

Segments	Principal activities
Digital security solutions	
<ul style="list-style-type: none"><li>Software licensing protection dongles</li></ul>	For prevention of unauthorized access, copy, imitation and distribution of software. To protect parties with exclusive rights and ensure only paying customers have access.
<ul style="list-style-type: none"><li>2FA</li></ul>	Aims to enhance access security by enforcing second authentication factor, a randomly generated One-Time Password.
<ul style="list-style-type: none"><li>PKI</li></ul>	To ensure that the sender of data is indeed the source and that the said data has not been tampered in transit.
<ul style="list-style-type: none"><li>CENTAGATE®</li></ul>	A software that manages user authentication and supports multi-factor and multi-channel authentication.
Electronic identification products	We purchase third party branded electronic identification products from product principals for onward sale to our customers.
Other related services	Maintenance services arising from service level agreements following the completion of projects, typical duration is 1 year with annual renewal option.

# Management Discussion & Analysis

cont'd

## 2. REVIEW OF FINANCIAL RESULTS

The Group registered revenue of RM31.30 million which was lower as compared to RM44.77 million in the FYE 2017. The lower revenue is mainly due to lesser contribution from digital security solutions by RM20.23 million or 54.6%. The revenue in the FYE 2017 was buoyed by a one-time bumper billing of a PKI project from Vietnam with contract value of RM16.96 million and this project was completed in October 2017. Notwithstanding the lower revenue contribution from digital security solutions, revenue from electronic identification products and maintenance services increased by RM3.78 million or 64.3% and RM2.98 million or 161.8% respectively as compared to FYE 2017.

Our GP declined by 16.9% from RM21.24 million in FYE 2017 to RM17.64 million in FYE 2018, which is lower than the decline in revenue of 30.1%. Correspondingly, the GP margin increased from 47.5% in FYE 2017 to 56.4% in FYE 2018. The increase in GP margin was driven by maintenance services which yields higher margins.

The Group reported a lower PAT of RM0.69 million in FYE 2018 against RM6.08 million in FYE 2017, translating to PAT margin of 2.2% and 13.6% respectively. The drop in PAT margin was mainly due to the one-off IPO listing expenses and an increase in taxation from Securemetric Malaysia due to the expiry of pioneer status on 5 May 2018.

Pursuant to the public issue of new IPO shares and the FYE 2018 results, the Group registered a healthy financial position with RM23.92 million in cash and cash equivalents at the end of the financial year under review. Further to this, total assets have increased to RM49.58 million from RM41.35 million recorded in the last financial year, while shareholders' equity amounted to RM36.51 million, resulting in net assets per share of 19.80 sen.

## 3. OPERATION REVIEW

Amidst challenging economic conditions, the Group continued to secure new contracts in the year to provide digital security solutions and electronic identification products across the countries we operate in and also secured support and maintenance contracts with our existing and new customers.

## 4. FUTURE PROSPECTS

Our Group expects favorable industry development in digital security solutions, electronic identification products and its related services. The Group will continue to grow its revenue via its regional offices in South East Asia countries as well as develop new digital security solutions to maintain growth and sustainability.

With population of more than 600 million and rising awareness of cyber-security, we believe the potential for South East Asia's cyber-security industry is exciting. Barring any unforeseen circumstances, we expect the prospects and future financial performance of the Group to be favorable in the long-term.

## 5. DIVIDEND POLICY

Our Group presently does not have a fixed dividend policy or pay-out ratio. However, the Board will take into consideration a number of factors including the availability of adequate distributable reserves and cash flow, our operating cash flow requirements and financing commitments, our anticipated future operating conditions, as well as future expansion, capital expenditure and investment plans, any material impact of tax laws and other regulatory requirements, and prior approval from our banks, if any is required.

The Board do not recommend the payment of any dividend in respect of the FYE 2018.

## Profile of Directors



### ► CLIFTON HEATH FERNANDEZ

*Chairman/Independent Non-Executive Chairman*

Gender	:	Male
Nationality	:	Malaysian
Age	:	47
Date of appointment	:	2 February 2018
Board attendance in FYE 2018	:	1/1

#### **Membership of Board Committees:**

Chairman of Risk Management Committee  
Member of Audit Committee  
Member of Remuneration Committee  
Member of Nomination Committee

#### **Qualification:**

He is a fellow of the Chartered Certified Accountant (ACCA,UK). He holds a Diploma in Management from The Malaysian Institute of Management (AMIM) and is a Certified Management System, Lead Auditor. He is also a Chartered Internal Auditor, IIA, CA (Mal) and a member of Chartered Quality Institute, UK.

#### **Working Experience:**

He is currently the Training and Certification Director of RCERT (SEA) Sdn Bhd. His career has encompassed a spectrum of industries, involving standards and improvement in projects, compliance, quality, financial, auditing, education, human resources and credit control. He conducts training, certification audit & placement consultancy for clients in South East Asia region.

He also acts as an independent reviewer and evaluation body to ensure that compliance issues/concerns with the organisation are being appropriately evaluated, investigated and resolved.

#### **Present Directorship in Public Company and Listed Entity:**

Analabs Resources Berhad

#### **Declaration:**

- No family relationship with any director and/or major shareholder of the Group.
- No conflict of interest with the Company.
- No conviction of offences within the last five (5) years.
- No public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

## Profile of Directors

cont'd



► **SHIREEN CHIA YIN TING**  
*Independent Non-Executive Director*

<b>Gender</b>	:	Female
<b>Nationality</b>	:	Malaysian
<b>Age</b>	:	45
<b>Date of appointment</b>	:	2 February 2018
<b>Board attendance in FYE 2018</b>	:	1/1

**Membership of Board Committees:**

Chairperson of Audit Committee  
 Chairperson of Remuneration Committee  
 Member of Risk Management Committee  
 Member of Remuneration Committee

**Qualification:**

She graduated in 1996 from Middlesex University, United Kingdom and she was certified as a Chartered Accountant by the Malaysian Institute of Accountants.

**Working Experience:**

She is currently the Chief Executive Officer and founder of SCG Advisory Services providing consultation services focusing on assisting start-up companies in reorganising corporate structure and business processes to clients and also involved in guiding senior management to create annual budgets and projections.

Her career has encompassed a spectrum of industries, involving in accounting practice with Coopers & Lybrand (now known as PricewaterhouseCoopers) as auditor. She joined Air Asia Sdn Bhd ("Air Asia") as a Management Accountant responsible in turning around the airline to be the most cost-efficient airline in the region, with lean cost structures and lowest cost per available seat kilometre (CASK). She was also in charge of the listing exercise of Air Asia in KLSE in less than 5 years, formation of joint ventures with Thailand and Indonesia and built the financial models for these joint ventures.

During her tenure in Air Asia, she led the centralised procurement division to achieve savings of more than USD 3million in areas such as fuel and spares purchasing. Her ability to diversify became more apparent when she took charge of the cost management to re-engineering of inflight services whilst leading a multi-cultural team towards streamlining the modus operandi in entirety.

She also joined Malaysia Marine and Heavy Engineering Sdn Bhd as the General Manager Business Optimisation of the Offshore Business Unit. She led the development of various business process changes and launched improvement programs to upgrade business procedures.

She was also the Group Chief Financial Officer for Tune Hotels Group of Companies and has successfully resized Finance, Legal, HR and the Procurement departments in reducing their fixed costs by 20%.

**Present Directorship in Public Company and Listed Entity:**

None

**Declaration:**

- No family relationship with any director and/or major shareholder of the Group.
- No conflict of interest with the Company.
- No conviction of offences within the last five (5) years.
- No public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

## Profile of Directors cont'd



### ▶ **MOHAMAD RIZATUDDIN NOOR BIN MOHAMED RAMLI**

*Independent Non-Executive Director*

Gender	: Male
Nationality	: Malaysian
Age	: 48
Date of appointment	: 2 February 2018
Board attendance in FYE 2018	: 1/1

#### **Membership of Board Committees:**

Chairman of Nomination Committee  
Member of Audit Committee  
Member of Remuneration Committee

#### **Qualification:**

He graduated in 1993 with a Bachelor of Science in Computer Information System and Operation from Indiana University, Bloomington, USA. In 1997, he obtained his Masters in Finance from Taylor's University, Malaysia.

#### **Working Experience:**

He has 23 years of experience in strategic consulting, business development, technical marketing and advisory services.

He is currently responsible of leading a team to develop innovative products and services for Kumpulan Perbadanan Johor Sdn Bhd.

His career has encompassed a spectrum of industries as:

- System Analyst, responsible for the design and maintenance of various business applications of the company, development and implementation of relational database for clients, site maintenance and system troubleshooting;
- Application Software Consultant, responsible for providing consultancy and support services for enterprise resource planning packages for small to medium size companies;
- Associate Product Consultant, responsible for the marketing, pre-sales and sales support of the company's products as well as the development of proposals and project consultancy;
- Business Development Manager, Oracle's business development person for Malaysia's Multimedia

Super Corridor Flagship initiatives, focusing on Telemedicine development and Electronic Government Product Management Office and Human Resource Information System projects;

- During his tenure in Multimedia Development Corporation Sdn Bhd (now known as Malaysian Digital Economy Corporation Sdn Bhd), he involved evaluating the investment propositions of technical companies to obtain the MSC status, evaluating the R&D and grant schemes applications of the technical companies, managing R&D funds and the production of creative contents, involved in the development of cluster strategies, product marketing, portfolio management and branding of MSC Malaysia developing new ICT and biotechnology policies and strategic undertakings of the Ministry;
- Executive Vice President of Special Innovation Unit of the Prime Minister's Office, pioneered Malaysia's first Census of Intellectual Property as a baseline for the country's innovation efforts; and
- Chief Executive Officer and Director, responsible for overseeing the overall development of the biotechnology park for biopharmaceutical and industrial biotechnology in Nusajaya Iskandar, Malaysia.

#### **Present Directorship in Public Company and Listed Entity:**

None

#### **Declaration:**

- No family relationship with any director and/or major shareholder of the Group.
- No conflict of interest with the Company.
- No conviction of offences within the last five (5) years.
- No public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

## Profile of Directors

cont'd



### ► LAW SEEH KEY

*Non-Independent Executive Director/Co-Founder/  
Chief Executive Officer*

Gender	:	Male
Nationality	:	Malaysian
Age	:	47
Date of appointment	:	2 February 2018
Board attendance in FYE 2018	:	1/1

### Membership of Board Committees:

None

He is responsible for the overall strategic direction of the Group while overseeing business development activities especially on strategic projects and partnerships. He has over 20 years of experience in the ICT and digital security industry.

### Qualification:

He graduated with a degree in Bachelor of Science in Information System from Campbell University, North Carolina, United States of America in July 1996.

### Working Experience:

He began his career with IBI Systems (M) Sdn Bhd in October 1996 as a Business Development Manager. He was responsible for setting up and managing computer retail chain outlets as well as leading the company's sales division. In February 2001, he left IBI System (M) Sdn Bhd and co-founded Softkey Malaysia, where he was responsible for leading and managing its overall business operations and strategic direction.

In January 2007, he co-founded Securemetric Malaysia and assumed the role of Chief Executive Officer.

### Present Directorship in Public Company and Listed Entity:

None

### Declaration:

- No family relationship with any director and/or major shareholder of the Group.
- No conflict of interest with the Company.
- No conviction of offences within the last five (5) years.
- No public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

## Profile of Directors cont'd



### ► YONG KIM FUI

*Non-Independent Executive Director/Chief Financial Officer*

Gender	:	Male
Nationality	:	Malaysian
Age	:	47
Date of appointment	:	2 February 2018
Board attendance in FYE 2018	:	1/1

#### **Membership of Board Committees:**

Member of Risk Management Committee

He is responsible for planning, implementing, managing and controlling financial and related activities for our Group.

#### **Qualification:**

He graduated in 1996 from the University of Southern Queensland and is a registered member of the Malaysian Institute of Accountant. He is also a Certified Practising Accountant (CPA) in Australia.

#### **Working Experience:**

He began his career in accounting practice with Coopers & Lybrand (now known as PricewaterhouseCoopers) as auditor specializing in the financial and manufacturing sectors. During his tenure, he was exposed to transactions involving review of profit and cashflow forecast for corporate restructuring, tax investigation and review of financial statements for debt facilities and bonds.

Having garnered enough experience and expertise, he subsequently founded a company rendered accounting, taxation and advisory services targeting mainly SMEs to assist and support their growth. In December 2016, he left the company and joined Securemetric

Malaysia as Chief Financial Officer overseeing the financial preparation process and issuance of financial information, tax, budgeting and capital planning, implementation of standard operating standards for the finance division, and the implementation of ISO 9001 and ISO 10002 for Securemetric Group. He was also involved in assisting our Group to obtain a grant from the Ministry of Science, Technology and Innovation and fully in charge of Securemetric's listing exercise and successfully listed Securemetric in the ACE Market of Bursa Malaysia.

#### **Present Directorship in Public Company and Listed Entity:**

G3 Global Berhad (*formerly known as Yen Global Berhad*)

#### **Declaration:**

- No family relationship with any director and/or major shareholder of the Group.
- No conflict of interest with the Company.
- No conviction of offences within the last five (5) years.
- No public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

## Profile of Key Senior Management

### ► NIOO YU SIONG

*Chief Operating Officer*

**Gender** : Male  
**Nationality** : Malaysian  
**Age** : 45  
**Date of appointment** : 17 January 2007

#### **Membership of Board Committees:**

Member of Risk Management Committee

He is responsible for our internal operations, including production planning, procurement, inventory management and logistics.

#### **Qualification:**

He graduated with a Diploma in Computer Engineering from Institut Teknologi Pertama, Kuala Lumpur in December 1995.

#### **Working Experience:**

He began his career with Computer Zone Sdn Bhd in May 1996, as a computer technician responsible for the assembly and repair of computers. In March 1997, he left Computer Zone Sdn Bhd to join PC Partners (Johor) Sdn Bhd, a subsidiary of IBI Systems, as an Assistant Technical Manager. He led technical teams to provide on-site maintenance service, repair and assembly of new computers as well as the set-up of cybercafés through the provision of computer, network cabling and management systems. In April 2000, he left PC Partners (Johor) Sdn Bhd to join IBI Systems (M) Sdn Bhd as the Technical Manager responsible for overseeing technical teams located at company headquarters and branches. In March 2003, he left IBI Systems (M) Sdn Bhd to join Softkey Malaysia as Operations Manager responsible for overall internal operations.

In January 2007, he co-founded Securemetric Malaysia and assumed the position of Chief Operating Officer.

#### **Present Directorship in Public Company and Listed Entity:**

None

#### **Declaration:**

- No family relationship with any director and/or major shareholder of the Group.
- No conflict of interest with the Company.
- No conviction of offences within the last five (5) years.
- No public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

## Profile of Key Senior Management

cont'd

### ▶ YEE WEN BIAU

*Vice President of Engineering*

Gender : Male  
Nationality : Malaysian  
Age : 36  
Date of appointment : 22 March 2010

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He is responsible for our overall product and project development from planning, development of products and solutions, testing, installation and implementation.

#### Qualification:

He graduated with a Bachelor of Science in Computing from Staffordshire University, England in April 2005. In March 2011, he received his qualification and was admitted as a member under EC-Council Certified Secure Programmer from EC-Council and in November 2015, he received his certification for completing the Certified Information System Security Professional course conducted by AKATI Consulting (M) Sdn Bhd.

#### Working Experience:

He started his career with Dayhol Sdn Bhd as a System Engineer in April 2005. He was responsible for software development, network maintenance and system support. In February 2006, he joined Chung Ching Middle School as an IT technician and Computer Teacher. He left in October 2006 to join Mach Telecommunications Systems Sdn Bhd as a Software Engineer. In February 2010, he left Mach Telecommunications Systems Sdn Bhd to join Securemetric Malaysia as a Senior Software Engineer. He was responsible for system analysis and design, system development, hardware integration with HSM and PKI tokens, and setup and maintenance of PKI systems. In January 2014, he was promoted to Software Development Manager and was subsequently promoted to our Group's Vice President of Engineering in January 2017.

#### Present Directorship in Public Company and Listed Entity:

None

#### Declaration:

- No family relationship with any director and/or major shareholder of the Group.
- No conflict of interest with the Company.
- No conviction of offences within the last five (5) years.
- No public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

## Profile of Key Senior Management

cont'd

### ► MOHD AFFENDI BIN ABDUL RAZAK

*Vice President of Sales (Pre-Sales)*

**Gender** : Male  
**Nationality** : Malaysian  
**Age** : 45  
**Date of appointment** : 3 August 2015

He is responsible for our Group's overall pre-sales, supervising the pre-sales team, engagement with the customers and interpretation of customer needs and derivation of advice for prospective products that are aligned with the customers' demands. Additionally, he is also in charge of providing technical advice to the Business Development Account Management team as part of the sales cycle.

#### Qualification:

He graduated with a Bachelor of Science in Computer Engineering from the University of Hartford, Connecticut, USA in January 2000.

#### Working Experience:

In May 2000, he joined MSCTrustgate.com Sdn Bhd as a PKI Consultant where he was responsible in providing technical consultancies focusing in PKI technology and cryptography solution. In November 2006, he was promoted to Head of Technical and was responsible for managing the technical, operation and project development team. In January 2010, he was promoted to Chief Technology Officer where his responsibilities include conducting research, developing strategies and plans to identify new project development. He was also tasked with ensuring effective internal communication with the sales, operation and project development team.

In May 2015, he left MSCTrustgate.com Sdn Bhd and took up freelance jobs such as preparing technical proposals and providing technical advices before joining Securemetric Malaysia in August 2015 as Vice President of Project Sales. As at 1 January 2019, he was re-designated to become Vice President of Sales (Pre-sales).

#### Present Directorship in Public Company and Listed Entity:

None

#### Declaration:

- No family relationship with any director and/or major shareholder of the Group.
- No conflict of interest with the Company.
- No conviction of offences within the last five (5) years.
- No public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

## Profile of Key Senior Management

cont'd

### ▶ YEN CHEE KHAN

*Vice President of Sales (Advertising & Promotion)*

**Gender** : Male  
**Nationality** : Malaysian  
**Age** : 39  
**Date of appointment** : 17 January 2007

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He is responsible for the strategic planning and coordination with each country's managers and team members for the sales and advertising & promotion (marketing) of our Group's products, leading and managing our Group's product sales and advertising & promotion team, and sourcing for new products.

#### **Qualification:**

He graduated with a Diploma in Commerce and Administration Majoring in Accounting from New Era College, Malaysia in December 2002.

#### **Working Experience:**

In March 2003, he joined Ye Chiu Metal Smelting Berhad as a Management Trainee in the Product Sourcing Department where he assisted in sourcing for raw materials.

In September 2003, he left Ye Chiu Metal Smelting Berhad and joined Softkey Malaysia as an Assistant Product Manager where he was responsible for the sales and marketing of ICT security products and coordinating with branches for stocks and technical specification requirement gathering. In August 2006, he was promoted to become a Senior Product Manager responsible for leading and managing the product sales team to market and distribute ICT security products as well as to take charge of product sourcing. In January 2008, he joined Securemetric Malaysia to lead the Malaysian product sales team and coordinate with each branch's country manager to facilitate product sales. In January 2011, he was promoted to become our Vice President of Product Sales. As at 1 January 2019, he was re-designated to become Vice President of Sales (Advertising & Promotion).

#### **Present Directorship in Public Company and Listed Entity:**

None

#### **Declaration:**

- No family relationship with any director and/or major shareholder of the Group.
- No conflict of interest with the Company.
- No conviction of offences within the last five (5) years.
- No public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

## Profile of Key Senior Management

cont'd

### ► TAN YU WIN

*Vice President of Project Management and Support*

**Gender** : Male  
**Nationality** : Malaysian  
**Age** : 40  
**Date of appointment** : 15 January 2014

He is responsible for our Group's project deliveries and post-sales customer service.

#### **Qualification:**

He graduated with a Bachelor of Science (Communication and Information Technology) from Edith Cowan University, Western Australia in October 2003.

#### **Working Experience:**

In April 2001, he joined MSCTrustgate.com Sdn Bhd as a Software Developer responsible for the analysis, design and development of systems. He implemented an alternative CA system for the company using EJBCA software which allowed the company to target new markets segments. In May 2008, he joined SignCharge Sdn Bhd as Vice President of Technology responsible for assisting the company to adopt mobile PKI technology as its core business offering in Malaysia.

In January 2011, he joined SignCharge Ltd (parent company of SignCharge Sdn Bhd) and was based in Beijing, China for 2 years as Chief Technology Officer responsible for the adaptation, integration and implementation of mobile PKI technology for telecommunication companies in Hong Kong, Macau and China.

In January 2014, he joined Securemetric Malaysia as Vice President of Project Management and Support. In the same year, he obtained a certification for Project Management Professional from Project Management Institute, USA and Project Leadership from PIKOM, Malaysia. Besides overseeing the project management team, he also personally pitched and won 3 overseas PKI projects for our Group.

#### **Present Directorship in Public Company and Listed Entity:**

None

#### **Declaration:**

- No family relationship with any director and/or major shareholder of the Group.
- No conflict of interest with the Company.
- No conviction of offences within the last five (5) years.
- No public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

## Sustainability Statement

### (i) Quality assurance

#### Physical quality control inspection

Our operations and administrative team is responsible for conducting stock check on incoming and outgoing goods. The inspections will be conducted on a sample basis to ensure that it is in accordance to our purchase order for incoming goods; while outgoing goods are inspected to ensure that it is in accordance to our customer's specifications.

#### Software quality assurance

We have a quality assurance team responsible for conducting quality assurance process to ensure all our software are tested before officially released to our clients.

#### User Acceptance Test ("UAT")

Our project team is responsible for carrying out a UAT at the client's premises prior to the implementation of our system software. A UAT is conducted to confirm that the software has been customised and implemented in accordance with our customer's requirements.

### (ii) Standards and certifications

We comply with the following local and international quality standards and were awarded the following certificates of compliance. These standards and certifications were awarded based on the scope of certification and do not have validity periods.

#### **International Standard (ISO 9001)**

Since year 2012, one of our subsidiaries, Securemetric Malaysia received ISO 9001:2008 (the international standard that specifies requirements for a quality management system) certification for the provision of sales and marketing, research and development, implementation and support services for hardware and software digital solutions. Over the years, the other subsidiaries in other regions have received ISO 9001:2008 as well. We had secured an upgrade of ISO 9001:2008 to ISO 9001:2015 in Year 2018 and our quality management system and specific quality control plans are structured to meet the ISO standards.

#### **Corporate Governance**

The Company conducts business responsibly and fairly, adhering to the long-standing business philosophy of providing our customers with the highest quality at the most competitive price. The Company upholds the principles of corporate governance, the Code of Ethics and compliance and adheres to anti-corruption and anti-trust practices. Corporate Governance is incorporated into our company's working culture to ensure sustainability.

#### **Education / Quality Training**

The Company conducted annual training plan to send employees for periodical trainings to upgrade their skills. This enhances the workers' performance and productivity while at the same time, increase their value and future marketability. Our Company utilises an integrated and accurate procurement, warehouse and accounting management system which eases and streamlines the workflow.

The Company is committed to staff development by providing on-the-job training and external training programs for all levels of staff to improve their skills and knowledge for their career advancement. The Company reviews the adequacy and suitability of the training requirements of the staff on a regular basis. Presently, we continue to support an internship program by providing industrial training to students from universities, colleges, and other technical/vocational institutions.



# Sustainability Statement

cont'd

## (ii) Standards and certifications (cont'd)

### Climate Action, Green Effort and Waste Management

As climate change affects everyone, the Company plays an active role in promoting a green and healthy living and efforts are being made to reduce wastage in the organisation. Water and electricity consumption are monitored closely. Our employees are also reminded to reduce stationeries and paper usage to protect the environment. The Company recognises the importance of pollution prevention and environmental protection by reducing the usage of hazardous compounds in materials.

### Employee Welfare, Well-being, Gender Equality and Anti-Discrimination Policies

The Company adopts a non-discriminatory policy for hiring and promoting employees. Employees are the most important assets to the Company; therefore, we offer attractive benefit packages to retain and attract staff with relevant experience and expertise to continue servicing the company.

The Company has always given focus to Employees, one of the most important stakeholder groups "internal" to the core operation of the business and its' most important investment. The Management rates the engagement with Employees as valuable and is based on relationship-building from the very beginning. The Company's Management deals with its Employees with trust, mutual respect and understanding to develop and build interactions by organising social activities such as Company Annual Dinner, Jamuan Berbuka Puasa and monthly birthday celebrations for employees.

Engagement of our workforce, the people of the Company is important and a vital part of our success. Focus on the people and the workplace culture is placed at the top of their list and believes that good performance by our Employees should always be recognised and appraised. The Company continually invests in its Employees and aids in their growth by providing the right trainings, build connection to the business, give rewards in various ways for their contribution, create career development opportunities and initiate safe working environment.

### Health and Safety

The management and employees are responsible for contributing towards a safe working environment including fostering safe working attitude to avoid workplace accidents. The floorplan of our premises are prominently displayed for evacuation purposes.

We have set up and supported employees' sport clubs to organize various activities for our employees to participate, release stress and foster positive relationship with colleagues such as conduct weekly sport event such as badminton and having an in-house staff recreation area.

The Company is committed to protect the safety, health and welfare of all people and the environment. Our safety, health and environmental objectives have equal status with our other primary business and the management is responsible for implementing them.

### Economic Growth

The Company expects a favourable industry development in the digital security solutions, electronic identification products and its other related services. The Group will continue to grow its revenue via its regional offices in South East Asia countries as well as develop new digital security solutions to maintain the Group's growth and sustainability in the industry.

The Board of the Company is of the opinion that, barring any unforeseen circumstances, the prospects of the Group for the Financial Year Ended 31 December 2019 will remain favourable.

# Corporate Governance Overview Statement

The Board of Securemetric is committed to uphold the high standards of corporate governance throughout the Group with the ultimate objective of realising long-term shareholder value while taking into account the interest of other stakeholders. This corporate governance overview statement sets out the extent to which the Company has applied the practices encapsulated in the Principles of the Malaysian Code on Corporate Governance ("MCCG") except where stated otherwise.

Details of the Group's application of each practices set out in the MCCG are disclosed in the Corporate Governance Report, which is available on the Group's website at <https://www.securemetric.com/corporate-governance/>.

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

### I. Board Responsibilities

The Board is responsible for the oversight and overall management of the Company and has developed corporate objectives and position descriptions including the limits to management's responsibilities, which the management are aware and are responsible for meeting.

The Board has a formal schedule of matters reserved to itself for decision, which includes the overall Group strategy and direction, investment policy, major capital expenditures, consideration of significant financial matters and review of the financial and operating performance of the Group.

The Board understands the principal risks of all aspects of the business that the Group is engaged in recognising that business decisions require the incurrence of risk. To achieve a proper balance between risks incurred and potential returns to shareholders, the Board ensures that there are in place systems that effectively monitor and manage these risks with a view to the long term viability of the Group.

The Board recognizes the following specific roles and responsibilities:-

- a) Establishing and reviewing the strategic direction and plans of the Company.
- b) Monitoring the implementation of strategic plans by Management.
- c) Timely review and approval of all quarter and annual financial statements for declaration to the Bursa and stakeholders. The Audit Committee reviews and recommends the financial statements prior to presentation to the Board.
- d) Overseeing and evaluating the conduct of the businesses of the Company.
- e) Evaluate performance of the Management in accordance to pre-determined set of performance measurement.
- f) Identifying and evaluating business risks and ensures implementation of a managed sound risk management framework.
- g) Reviewing the adequacy and integrity of the internal control system and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.
- h) To review and oversee the appointment, resignation or termination of Directors, Company Secretary, Auditors and key management are properly carried out and documented.



# Corporate Governance Overview Statement

cont'd

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### I. Board Responsibilities (cont'd)

The Board recognizes the following specific roles and responsibilities:- (cont'd)

- i) Ensure establishment of succession plans for the Board members and senior management.
- j) Ensure the Board is supported by at least a suitably qualified and competent Company Secretary of whom shall advise on compliance with applicable laws and any amendment to the laws and regulations related to the listing.
- k) Formalize ethical standards of conduct through a Code of Conduct for Directors and Management and ensure compliance.
- l) Developing and implementing investors' relations programme, a shareholders or stakeholders communication policy and ensure the Company's strategies to promote sustainability.

The Independent Non-Executive Directors of the Company play a key role in providing unbiased and independent views, advice and contributing their knowledge and experience toward the formulation of policies and in the decision-making process. The Board structure ensures that no individual or group of individuals dominates the Board's decision-making process. Although all the Directors have equal responsibility for the Company and the Group's operations, the role of the Independent Directors are particularly important in ensuring that the strategies proposed by the Executive Directors are deliberated on and have taken into account the interest, not only of the Company, but also that of the shareholders, employees, customers, suppliers and the community.

The Board had appropriately delegated specific tasks to four (4) Board Committees; namely Audit Committee, Risk Management Committee, Nomination Committee and Remuneration Committee. All the Board Committees have its own terms of reference and has the authority to act on behalf of the Board within the authority as laid out in the terms of reference and to report to the board with the necessary recommendation.

To ensure balance of power and authority, accountability and independent decision making, the roles of the Chairman and the Chief Executive Officer are distinct and separated.

The Chairman Mr. Clifton Heath Fernandez is responsible for leadership, ensuring effective functioning of the Board and providing oversight over the operations of the Group.

The Chief Executive Officer, Mr. Law Seeh Key supported by the senior management, is responsible for the day-to-day management of the operations of the Group, implementation of the Group's policies, business direction and development of the Group.

The Company has formalised and adopted a Board Charter which sets out a list of specific roles and functions which are reserved to the Board and other matters that are important for good corporate governance. The Board Charter is accessible through the Company's website at <https://www.securemetric.com/corporate-governance/> and will be reviewed annually to ensure it remains consistent with the Board's objectives, responsibilities and practices.

The Board has formalised a Whistle blowing Policy, with the aim to provide an avenue for raising concerns related to possible breach of business conduct, non-compliance of laws and regulatory requirements as well as other malpractices. The details of the Whistle blowing Policy are available for reference at the Company's website at <https://www.securemetric.com/corporate-governance/>.

# Corporate Governance Overview Statement

cont'd

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### I. Board Responsibilities (cont'd)

The Board is supported by qualified and competent Company Secretary who are responsible for ensuring that the Company's constitutions, procedures, policies and regulations are complied with. Also ensuring that, all obligations required by the regulatory and under the Listing requirements are fulfilled in a timely manner. The Board is regularly updated and advised by the Company Secretary on any new statutory and regulatory requirements in relation to their duties and responsibilities. The Board recognises that the Company Secretary is suitably qualified and capable of carrying out the duties required. The Board is satisfied with the service and support rendered by the Company Secretary in discharge of their functions.

Board Meetings are scheduled for every quarter with additional meetings to be convened as and when required. During the financial year under review, the Board met a total of one (1) time. The attendance of the Directors who held office during the financial year is set out below:

Names of Directors	Attendance at meeting	Percentage of Attendance
<b>Executive Directors</b>		
Law Seeh Key	1/1	100%
Yong Kim Fui	1/1	100%
<b>Non-Executive Directors</b>		
Clifton Heath Fernandez	1/1	100%
Shireen Chia Yin Ting	1/1	100%
Mohamad Rizatuddin Noor Bin Mohamed Ramli	1/1	100%

The Board is satisfied with the level of time commitment given by the Directors of the Company towards fulfilling their duties and responsibilities. This is evidenced by the attendance record of the Directors as set out herein above.

Although the Board does not have a policy requiring each Director to attend a specific number and types of training sessions each year, to keep abreast of industry developments and trends, the Directors are encouraged to attend various external professional programmes deemed necessary to ensure that they are kept abreast on various issues facing the changing business environment within which the Group operates, in order to fulfil their duties as Directors. Any Director appointed to the Board is required to complete the Mandatory Accreditation Program ("MAP") within four (4) months from the date of appointment.

During the financial year ended 31 December 2018, the Directors have attended several relevant courses as below:

Directors	Seminar / Conference / Workshop
Clifton Heath Fernandez	1) MAP 2) Cybersecurity – "it's an IT department problem or is it?" 3) 2025: Shaping our future – ACCA's strategy beyond 2020
Law Seeh Key	1) MDEC GAIN Series #3 – Growing inorganically



# Corporate Governance Overview Statement

cont'd

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### I. Board Responsibilities (cont'd)

During the financial year ended 31 December 2018, the Directors have attended several relevant courses as below: (cont'd)

Directors	Seminar / Conference / Workshop
Yong Kim Fui	1) Digitalisation Inside Out: Opportunities for Accountancy 2) Latest developments on tax incentives in Malaysia
Shireen Chia Yin Ting	1) MAP
Mohamad Rizatuddin Noor Bin Mohamed Ramli	1) MAP

### II. Board Composition

The Board currently consists of five (5) members, comprising the Independent Non-Executive Chairman, two (2) Executive Directors, and two (2) Independent Non-Executive Directors during the financial year ended 31 December 2018. 60% of the Board members are Independent Directors.

The Board is satisfied that its current size and composition reflects an appropriate balance of Executive and Non-Executive Directors which is adequate for the scope and nature of the Group's business and operations.

The Board reviews and assesses the independence of directors annually based on the criteria set by the Nomination Committee. One of the assessment criteria is the ability of the individual director to exercise objectivity in the discharge of his or her responsibilities in the interest of the Company. During the financial year, a self-declaration was conducted at each Board meeting where all Directors declared the nature of their interest in the Company, whether direct or indirect, or any circumstance which may potentially affect their independence. The Board had also carried out independence assessment of its Non-Executive Directors in terms of their relationship and dealings with the Company and the Board is of the view that all the Non-Executive Directors remain independent.

The Board is of the view that throughout their tenure, the Independent Directors had demonstrated independence in character and judgement, and had always looked out for the best interest of the Company without fear or favour. The Independent Directors had provided independent view based on their experience and knowledge that allow for diverse and objective perspectives on the Group's business and direction. The Board believes that the length of service on the Board did not impair the objectivity of these Independent Directors. Moreover, the Independent Directors had made significant contributions to the Board in view of their sufficient breadth of understanding of the Group's activities and corporate history that will continue to add value to the Board.

The Company currently does not have Independent Directors serving beyond nine (9) years. Nevertheless, pursuant to Practice 4.2 of the MCCG, the Company will seek its shareholders' approval to retain its Independent Director at the forthcoming AGM.

# Corporate Governance Overview Statement

cont'd

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### III. Remuneration

The Remuneration Committee is authorised by the Board to establish a formal and transparent procedure for developing a policy on executives' remuneration and for fixing the remuneration packages of individual Directors. The remuneration of Directors shall be the ultimate responsibility of the full Board after considering the recommendations of the Remuneration Committee.

The Remuneration Committee was established to assist the Board in developing remuneration policies and procedures that enable the Group to attract, motivate and retain qualified Directors and key Senior Management personnel. Full details of the functions and duties of the Remuneration Committee are stated in its Terms of Reference which is available on the Company's website at <https://www.securemetric.com/corporate-governance/>.

During the financial year, the Remuneration Committee had carried out the following activities:

- reviewed and assessed the performance and the remuneration package of the Executive Directors;
- reviewed and assessed the Directors' fees and benefits payable for the financial year ended 2018;
- reviewed its Terms of Reference; and
- reviewed the Board Remuneration Policy.

The composition and range of remuneration package received by the Directors during the financial year is as follows:

- Received from the Company

	Fees (RM'000)	Salaries & other emoluments (RM'000)	Bonuses (RM'000)	EPF, SOCSSO & EIS (RM'000)	Benefit -in-Kind (RM'000)	Total (RM'000)
<b>Executive Directors</b>						
1. Law Seeh Key	28	-	-	-	-	28
2. Yong Kim Fui	28	-	-	-	-	28
<b>Non-Executive Directors</b>						
1. Clifton Heath Fernandez	21	-	-	-	-	21
2. Shireen Chia Yin Ting	19	-	-	-	-	19
3. Mohamad Rizatuddin Noor Bin Mohamed Ramli	19	-	-	-	-	19
<b>Total:</b>	<b>115</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>115</b>



# Corporate Governance Overview Statement

cont'd

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### III. Remuneration (cont'd)

(ii) Received from the subsidiaries

	Fees (RM'000)	Salaries & other emoluments (RM'000)	Bonuses (RM'000)	EPF, SOC SO & EIS (RM'000)	Benefit -in-Kind (RM'000)	Total (RM'000)
<b>Executive Directors</b>						
1. Law Seeh Key	-	492	25	63	-	580
2. Yong Kim Fui	-	318	14	41	-	373
<b>Non-Executive Directors</b>						
1. Clifton Heath Fernandez	-	-	-	-	-	-
2. Shireen Chia Yin Ting	-	-	-	-	-	-
3. Mohamad Rizatuddin Noor Bin Mohamed Ramli	-	-	-	-	-	-
<b>Total:</b>	<b>-</b>	<b>810</b>	<b>39</b>	<b>104</b>	<b>-</b>	<b>953</b>

## PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

### I. Audit Committee

The Audit Committee of the Group comprises the following members:

#### Chairperson

Shireen Chia Yin Ting

*Independent Non-Executive Director*

#### Members

Clifton Heath Fernandez

*Independent Non-Executive Chairman*

Mohamad Rizatuddin Noor Bin Mohamed Ramli

*Independent Non-Executive Director*

The Chairperson of the Audit Committee is not the Chairman of the Board. The Audit Committee Report is set out separately in this Annual Report. Full details of the Audit Committee's duties and responsibilities are stated in its Terms of Reference which is available on the Company's website.

The Board, through its Audit Committee maintains a formal and transparent relationship with its External Auditors. The Audit Committee ensured that the External Auditors work closely with the Internal Auditors to enhance the effectiveness of the overall audit process. The Audit Committee assessed the performance and effectiveness of the External Auditors annually, considering amongst others, their qualifications, effectiveness of the audit process, quality of service and their independence.

# Corporate Governance Overview Statement

cont'd

## PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

### I. Audit Committee (cont'd)

In the course of their audit, the External Auditors highlighted to the Audit Committee matters pertaining to the financial reporting. Private meetings between them will be held twice during each financial year without the presence of the Management and Executive Directors, to discuss any issues that may require the attention of the Audit Committee.

The full details of the role of the Audit Committee in relation to the External Auditors are set out in the Audit Committee Report of this Annual Report.

### II. Risk Management and Internal Control Framework

The Board is fully aware of its overall responsibility of continually maintaining a sound system of internal control, which covers not only financial controls but also operational and compliance controls as well as risk management, and the need to review its effectiveness regularly in order to safeguard shareholders' investments and the Company's assets. The internal control system is designed to identify the risks to which the Group is exposed and mitigate the impacts thereof to meet the particular needs of the Group.

As an effort to enhance the system of internal control, the Board together with the assistance of external professional Internal Audit firm will undertake to review the existing risk management process in place within the various business operations, with the aim of formalising the risk management functions across the Group. This function also acts as a source to assist the Audit Committee and the Board to strengthen and improve current management and operating style in pursuit of best practices.

## PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

### I. Communication with Stakeholders

The Company is committed to ensure that timely, accurate and complete information about the Company is provided equally to its shareholders, stakeholders and to the general investing public. Timely information is critical towards building and maintaining the Group's corporate credibility, market integrity and promotes investor confidence.

The Company also actively engages all its stakeholders through various platforms including the announcements via Bursa LINK, disclosures on Bursa Malaysia's website and engagement through the investor relation function.

### II. Conduct of General Meetings

General meetings are the important platform for the shareholders to exercise their rights in the Company, either in Annual General Meeting ("AGM") or Extraordinary General Meetings.

Shareholders are invited to the general meetings through a notice of meeting that specify the venue, day and hour of the meeting, as well as the business of the meeting. The notice of meeting together with the annual report is sent to the shareholders at least 28 days prior to the AGM, so as to maximise their attendance and to provide sufficient time for them to consider the business to be discussed at the meeting. Concurrently, the notice of AGM is advertised in a nationally circulated English daily newspaper. In order to facilitate informed decision by the shareholders, notice of meeting is also accompanied by explanatory notes on the items of business to further explain the nature of business of the meeting.



## Corporate Governance Overview Statement

cont'd

### PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (cont'd)

#### II. Conduct of General Meetings (cont'd)

The Audit Committee Chairperson, the Risk Management Committee Chairman, the Nomination Committee Chairman and the Remuneration Committee Chairperson were being informed that questions relating to the Committee under their purview will be addressed by them accordingly.

The Company conducts a poll voting on each resolution tabled during the general meetings to support shareholders participation. As the number of shareholders of the Company is not large, the Company currently conducts a manual poll voting instead of electronic poll voting. With the manual poll voting, each shareholder present in person or represented by proxy at the general meeting will be entitled to vote on a one-share, one-vote basis. At least one (1) scrutineer is appointed to validate the votes casted at the meeting.

This Corporate Governance Overview Statement is made in accordance with the resolution of the Board of Directors dated 18 April 2019.

# Audit Committee Report

The Board of the Group is pleased to present the Audit Committee Report for FYE 2018.

## MEMBERSHIP

The Audit Committee shall be appointed by the Board from amongst the directors and shall consist of not less than three (3) members, a majority of whom shall be Independent Directors. All members of the Audit Committee should be Non-Executive Directors.

The members of the Audit Committee shall elect a Chairperson from among their members who shall be an Independent Director. No alternate director shall be appointed as a member of the Audit Committee.

At least one (1) member of the Audit Committee:-

- (a) must be a member of the Malaysian Institute of Accountants; or
- (b) if he/she is not a member of the Malaysian Institute of Accountants, he/she must have at least three (3) years' working experience and:
  - he/ she must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or
  - he/ she must be a member of one (1) of the association of accountants specified in Part II of the First Schedule of the Accountants Act, 1967; or
  - fulfils such other requirement as prescribed by Bursa Malaysia Securities Berhad.

The Audit Committee of the Group comprises of the following members:

### Chairperson

Shireen Chia Yin Ting

*Independent Non-Executive Director*

### Members

Clifton Heath Fernandez

*Independent Non-Executive Chairman*

Mohamad Rizatuddin Noor Bin Mohamed Ramli

*Independent Non-Executive Director*

The Audit Committee comprises of three (3) Non-Executive Directors during FYE 2018, all of whom are Independent Directors. The Chairperson of the Audit Committee, Ms. Shireen Chia Yin Ting is certified as a Chartered Accountant by the Malaysian Institute of Accountants.

The composition of the Audit Committee and the qualification of the members comply with Paragraph 15.09 (1) of the ACE Market Listing Requirement of Bursa Securities Berhad.

## AUTHORITY

The Audit Committee is authorised by the Board to investigate any activity within its Terms of Reference and shall have unrestricted access to any information pertaining to the Group, both the internal and external auditors and to all employees of the Group. The Audit Committee is also authorised by the Board to obtain external legal or other independent professional advice as necessary in the discharge of its duties.



# Audit Committee Report

cont'd

## TERMS OF REFERENCE

The Terms of Reference of the Audit Committee are available on Securemetric's website at <https://www.securemetric.com>.

## MEETINGS AND MINUTES

Meetings shall be held not less than four (4) times a year, and will normally be attended by the Chief Financial Officer and other senior management, if necessary. The presence of external and/ or internal auditors will be requested, if required. Other members of the Board and senior management may attend meetings upon the invitation of the Audit Committee. Both the internal and/ or external auditors may request a meeting if they consider it to be necessary. The Audit Committee shall meet with the external and internal auditors at least twice a year without the presence of executive members of the Board.

The Secretary to the Audit Committee shall be the Company Secretary. The Chairperson of the Audit Committee shall report on each meeting to the Board.

During the year, the Audit Committee held a total of one (1) meeting. The Chief Financial Officer, internal auditors and external auditors have been invited to attend the Audit Committee meetings to present their audit plans and their subsequent findings.

The details of attendance of the Audit Committee members are as follows:

Committee Members	Meeting Attendance
Shireen Chia Yin Ting	1/1
Clifton Heath Fernandez	1/1
Mohamad Rizatuddin Noor Bin Mohamed Ramli	1/1

## Responsibilities and Duties

In fulfilling its primary objectives, the Audit Committee undertakes, amongst others, the following responsibilities and duties:-

- a) To discuss with the external auditors, prior to the commencement of audit, the audit plan which states the nature and scope of audit;
- b) To review major audit findings arising from the interim and final external audits, the audit report and the assistance given by the Group's officers to the external auditors;
- c) To review with the external auditors, their evaluation of the system of internal controls, their management letter and management's responses;
- d) To review the following in respect of internal audit:-
  - adequacy of scope, functions and resources of the firm of internal auditors (that was engaged to undertake the internal audit function) and that it has the necessary authority to carry out its work;
  - the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
  - the major findings of internal audit investigations and management's response, and ensure that appropriate actions are taken on the recommendations of the internal audit function;
  - review any appraisal or assessment of the performance of members of the internal audit function; and
  - review and approve any appointment or termination of the firm of the internal audit function.

## Audit Committee Report cont'd

### MEETINGS AND MINUTES (cont'd)

#### Responsibilities and Duties (cont'd)

- e) To review the quarterly reporting to Bursa Securities and year-end annual financial statements of the Group before submission to the Board, focusing on:-
  - compliance with accounting standards and regulatory requirements;
  - any major changes in accounting policies;
  - significant and unusual items and events as well as significant adjustments arising from the audit; and
  - incidences of fraud and material litigation, if any.
- f) To review any related party transactions and conflict of interest situations that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management's integrity;
- g) To consider the nomination and appointment of external auditors, as well as the audit fee;
- h) To review the resignation or dismissal of external auditors;
- i) To review whether there is reason (supported by grounds) to believe that the external auditors are not suitable for reappointment; and
- j) To promptly report to Bursa Securities if it is of the view that a matter reported by it to the Board has not been satisfactorily resolved, resulting in a breach of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

### INTERNAL AUDIT FUNCTION

The Group has appointed an established external professional Internal Audit firm namely Talent League Sdn. Bhd.. The internal audit activities were reported directly to the Audit Committee based on the approved annual Internal Audit Plan. The approved annual Internal Audit Plan is designed to cover entities across all level of operations within the Group.

Internal audit provides independent assessment on the effectiveness and efficiency of internal controls by utilizing a global audit methodology and tool to support the corporate governance framework and an efficient and effective risk management framework to provide assurance to the Audit Committee.

The internal audit fee incurred during the financial year was RM10,000.

### SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

The Audit Committees' activities during the financial year under review comprised the following:-

#### Quarterly Financial Statements and Audited Financial Statements

- reviewed the audited financial statements of the Company prior to submission to the Directors for their perusal and approval. This was to ensure compliance of the financial statements with the provisions of the Companies Act, 2016 and the applicable approved accounting standards as per Malaysian Accounting Standards Board; and



# Audit Committee Report

cont'd

## SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE (cont'd)

### Quarterly Financial Statements and Audited Financial Statements (cont'd)

- reviewed the unaudited financial results before recommending them for Board's approval, focusing particularly on:-
  - Any change in accounting policies
  - Significant adjustments arising from audit
  - Compliance with accounting standards and other legal requirements

### External Auditors

- reviewed the external audit plan, outlining the audit scope, audit process and areas of emphasis based on the external auditors' presentation of audit plan;
- reviewed the external audit review memorandum and audit planning memorandum and the response from the Management;
- consideration and recommendation to the Board for approval of the audit fees payable to the external auditors;
- reviewed the performance and effectiveness of the external auditors in the provision of statutory audit services and recommend to the Board for approval on the re-appointment of external auditors; and
- reviewed and evaluated the factors relating to the independence of the external auditors.

### Internal Auditors

The Group outsources its Internal Audit Function to a professional services firm, namely Talent League Sdn. Bhd.. The Internal Auditors were engaged to conduct regular review and appraisals of the effectiveness of the governance, risk management and internal control process within the Company and the Group.

The Internal Audit Report is presented directly to the Audit Committee, the appointed Internal Auditors are given full access to all the documents relating to the Company and Group's governance, financial statements and operational assessments.

### Internal Control and Risk Management

The internal control and risk management activities carried out during the financial year are as follows:-

- reviewed the internal audit plan for adequacy scope and coverage and risk areas;
- reviewed internal audit reports;
- reviewed the effectiveness and adequacy of risk management, operational and compliance processes;
- reviewed the adequacy and effectiveness of corrective actions taken by the Management on all significant matters raised; and
- monitored fraud cases.

## RELATED PARTY TRANSACTION AND CONFLICT OF INTEREST

At each quarterly meeting, the Audit Committee reviewed the recurrent related party transactions and conflict of interest situation that may arise within the Company and its Group including any transaction, procedure or course of conduct that raises questions of Management integrity.

The Audit Committee reviews the related party transactions and conflict of interest situation presented by the Management prior to the Company entering into such transaction. The Audit Committee also ensure that there is adequate oversight over the controls on the identification of the interested parties and possible conflict of interest situation before entering into transaction.

## Nomination Committee Report

The Board, through the Nomination Committee, ensures that it recruits to the Board only individuals of sufficient calibre, knowledge and experience to fulfil the duties of a director appropriately.

The Nomination Committee consists of three (3) Independent Non-Executive Directors and its Chairman is an Independent Non-Executive Director appointed by the Board.

The Nomination Committee comprises of the following during the FYE 2018:

### Chairman

Mohamad Rizatuddin Noor Bin Mohamed Ramli  
*Independent Non-Executive Director*

### Members

Clifton Heath Fernandez  
*Independent Non-Executive Chairman*

Shireen Chia Yin Ting  
*Independent Non-Executive Director*

### Objectives

The primary objective of the Nomination Committee is to act as a committee of the Board to assist in discharging the Board's responsibilities in: -

- (a) assessing each of the existing directors' ability to contribute to the effective decision making of the Board;
- (b) identifying, appointing and orientating new directors;
- (c) reviewing the mix of skills and experience and other qualities including core competencies the Board requires for it to function independently and efficiently;
- (d) reviewing membership of the Audit, Risk Management and Remuneration Committees and any other Board Committees as appropriate, in consultation with the chairperson of those committees;
- (e) assessing and evaluating the effectiveness of the Board as a whole and the Board Committees, assessing the performance of independence of Independent Non-Executive Directors and the Chief Executive Officer; and
- (f) identifying and recommending directors who are to be put forward for retirement by rotation in accordance with the Company's Constitution.

### Composition

The Terms of the Nomination Committee provides that the Board shall appoint members to the Nomination Committee from amongst its members. The Nomination Committee shall comprise exclusively of Non-Executive Directors with no fewer than two (2) members. Majority of the members of the Nomination Committee shall be independent. The Chairman of the Nomination Committee shall be an Independent Non-Executive Director appointed by the Board.

In the absence of the Nomination Committee Chairman, the remaining members present shall elect one of them to chair the meeting.

### Meeting and Quorum

The Nomination Committee shall meet whenever there is a need for the Committee to perform its function, and at least once every year in carrying out an annual review of the Board, its Committees and the contribution of individual directors to the Company. A member may at any time and the Secretary shall, on the requisition of a director, summon a meeting of the Nomination Committee. The quorum necessary for a meeting of the Nomination Committee shall be two (2) members.

# Nomination Committee Report

cont'd

## Reporting procedures

Minutes of the Nomination Committee's meetings shall be kept by a duly appointed secretary of the meeting (who should normally be the Company Secretary), and such minutes shall be available for inspection at any reasonable time on reasonable notice by any director.

Minutes of meetings of the Nomination Committee shall record in sufficient detail, the matters considered by the Nomination Committee and decisions reached, including any concerns raised by directors, members or dissenting views expressed. Draft and final versions of minutes of such meetings shall be sent to all members of the Nomination Committee for their comment and records respectively, in both cases within a reasonable time after such meetings.

Without prejudice to the generality of the duties of the Nomination Committee set out in these Terms, the Nomination Committee shall report back to the Board and keep the Board fully informed of its decisions and recommendations, unless there are legal or regulatory restrictions on its ability to do so.

## Responsibilities

The functions and responsibilities of the Nomination Committee are as follows:

- To make recommendations to the Board with regard to any appointment of directors considering their skills, knowledge, education, qualities, expertise and experience; professionalism; integrity, time commitment, contribution, boardroom diversity including gender, age and ethnicity diversity and other factors that will best qualify a nominee to serve on the Board, and for the position of Independent Non-Executive Directors, the ability to discharge such responsibilities/ functions as expected;
- To consider, in making its recommendations, candidates for directorships proposed by the Chief Executive Officer and within the bounds of practicability, by any other senior executive or any other director or shareholder;
- To assist the Board to regularly review the Board's structure, size and composition and the required mix of skills and experience and other qualities including core competencies which Non-Executive Directors shall bring to the Board;
- To assess the effectiveness of the Board, any other committees of the Board and the contributions of each individual director, including the independence of Independent Non-Executive Directors, as well as the Executive Directors, based on the processes and procedures laid out by the Board; and to provide the necessary feedback to directors in respect of their performance;
- To ensure proper documentation of all assessments and evaluations are carried out;
- To recommend to the Board, the directors to fill the seats on any committees of the Board. In making its recommendations, the Committee shall also consider, within the bounds of practicability, candidates proposed by any director, Chief Executive/ Senior Executive or shareholder;
- To propose to the Board, the responsibilities of Non-Executive Directors, including membership and Chairmanship of Board Committees;
- To recommend to the Board, for continuation or discontinuation in service of directors as an Executive Director or Non-Executive Director;
- To recommend to the Board, directors who are retiring by rotation to be put forward for re-election;
- To evaluate training needs for directors annually;
- To review induction programmes for newly appointed directors to familiarize themselves with the operations of the Group; and
- To carry out other responsibilities, functions or assignments as may be defined by the Board from time to time.

## Activities of Nomination Committee

The Nomination Committee did not meet during the FYE 2018 as the Company was listed on 13 November 2018.

# Statement on Risk Management and Internal Control

## INTRODUCTION

The Board of Securemetric and the Group is pleased to present the Statement on Risk Management and Internal Control which outlines the nature and scope of risk management and internal control system for the FYE 2018, pursuant to Rule 15.26(b) of Bursa Malaysia Securities ACE Market Listing Requirements, Malaysian Code on Corporate Governance issued in 2017 and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

## BOARD'S RESPONSIBILITIES

The Board acknowledges its overall responsibility for the internal control system to cover the financial, compliance and operational controls of the Group as well as reviewing the adequacy, integrity, and effectiveness of the Group's system of risk management and internal controls. The Group's system is designed to manage the key areas of risk within an acceptable risk profile, rather than eliminating, the risk of not adhering to achieve the policies and business objectives and goals. The system of risk management and internal controls of the Group provides reasonable but not absolute assurance against occurrence of any material misstatement, losses, fraud or breaches of laws or regulations.

The Board believes that the review on the adequacy and effectiveness of the system of internal control and risk management is a concerted and continuous process. Such reviews are conducted through the various committees established by the Board and Management. The Board has, through the Risk Management Committee, carried out the process of identifying, evaluating, monitoring and managing the key operational and financial risks affecting the achievement of its corporate objectives throughout the period.

The Board is of the view that the system of internal controls in place for the financial year under review is sound and adequate after taking into consideration of the costs and benefits to safeguard the Group's assets and to protect the stakeholders' interests in ensuring achievement of the business objectives and enhancing shareholder value.

## RISK MANAGEMENT

The Board recognises risk management as an integral part of system of internal control and good management practice in pursuit of its strategic objectives. The Board also acknowledges that all areas of the Group's activities do involve some degree of risk and is committed to ensure that the Group has an effective risk management framework which allows the Group to identify, evaluate, manage and monitor risks within defined risk parameters that affect the achievement of the Group's business objectives.

To carry out an effective risk management framework, the Board has oversight of the risk management through the Risk Management Committee, while Chief Operating Officer reports to the Risk Management Committee on the processes, findings and remedial actions taken by Management. The new risk will be identified by taking into consideration of the Group's business objectives, strategies and targets, and external environmental factors. This covers matters such as, responses to significant risks identified, output from monitoring processes, and changes made to the system of risk management and internal controls.

The Board has formalized an Enterprise Risk Management framework ("ERM framework" or "framework") which is based on International accepted framework. The framework aids to the achievement of Group's objectives and strategies by instilling continuous process of identifying, evaluating, profiling, mitigating, reporting and monitoring significant business risks that the Group may face.



# Statement on Risk Management and Internal Control

cont'd

## RISK MANAGEMENT (cont'd)

The Group's Framework encompasses the following:

- Risk management shall be an integral part of the Group's culture and embedded into day-to-day management of operations, processes and structures and should be extensively applied in all decision-making and strategic planning;
- To report, monitor and perform continuous review on the risk profile faced by the Group in a proactive, responsible and accountable manner;
- Continuous implementing and monitoring of underlying risk management process and practices; and
- Risk management processes should apply to aim opportunities by balancing risks incurred, managing uncertainties and minimizing threats associated to the opportunities.

The above framework facilitates and enhances the ability of the Board and Management to manage risks within defined risk parameters and risk standards at the acceptable tolerance level.

## INTERNAL AUDIT FUNCTIONS AND EFFECTIVENESS OF INTERNAL CONTROL

The Group has outsourced its internal audit function to an independent professional service provider, Talent League Sdn Bhd ("IA Consultant"). The duty of the internal audit is to examine and evaluate major processes of operations of the Group in order to assist the Board in the effective discharge of the Board's responsibilities.

The Internal Audit Consultant aims to advise management on areas for improvement, highlight on significant findings in respect of any non-compliance and subsequently perform follow-up reviews to determine the extent to which the recommendations have been implemented.

IA Consultant reports independently to the Audit Committee. In the course of performing its duties, IA Consultant has unrestricted access to all functions, records, documents, personnel, or any other resources or information, at all levels throughout the Group. Being an independent third party, the IA Consultant is able to perform the internal audit function with impartiality, proficiency and due professional care.

The IA Consultant adopts a risk-based approach and prepares its audit strategy and plan based on the risk profiles of the Group. The performance of the internal audit function is carried out as per the annual audit plan approved by the Audit Committee. The internal control findings, weaknesses and recommendations as well as the management responses and action plan were deliberated during the quarterly meetings with the Risk Management Committee. The key management team is responsible for ensuring correction, corrective actions, preventive actions and recommendations on reported weaknesses are attended within the required time frame.

During the financial year under review, the IA Consultant had conducted various risks-based internal audit ("RBIA") assignments every quarter and made recommendations in improving the system of internal controls to the Risk Management Committee. The areas of RBIA audit covered during the financial year were as follows:

- Q4 2018: Business development and credit risk management

# Statement on Risk Management and Internal Control

cont'd

## OTHER KEY INTERNAL CONTROLS

The Board is committed in maintaining a strong control structure and environment to facilitate the proper conduct of the Group's businesses and operations. The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls are as stated below:

- **Organisational Structure**

The Group has in place an organisational structure that is aligned to business efficacy and operational requirements, with clearly defined lines of accountability, responsibility and delegated authority. The Board is the pinnacle of the corporate governance structure of the Group. The Board is assisted not only by the key management team, but also by delegation of authority to the independent board committees such as the Audit, Risk Management, Nomination and Remuneration Committees in specific areas for enhanced internal control and corporate governance.

- **Executive Review and Management Meetings**

There has been active participation by the Executive Directors in the day-to-day running of business operations, and regular dialogues with senior management of the respective business units.

Management Meetings, attended by the Executive Directors and respective Heads of Departments are held on a monthly basis to identify, discuss and report on operational performance, business strategy, financial and key management issues for effective monitoring and decision making.

- **Policies, Procedures and Financial Authority Limits**

The Group has in place, documented policies and procedures to govern the financial and operational functions, and ethics of the Group. The objectives of the policies and procedures are to ensure ethical conduct, compliance with applicable laws and regulations, internal control principles and mechanisms are embedded in operations and that there is a clear line of responsibility and accountability among the business units of the Group. Some of the key policies and procedures implemented within the Group are:

- a) **Group's Authority Manual**

The Group's Authority Manual assigns authority to the Board and to the appropriate level of Management staff to exercise control on the Group's commitment of both capital and operational expenditures. It provides limits to enable decisions to be taken timely and at the same time, provides check and balance on the amounts and types of commitments that Management can undertake on behalf of the Group. The Authority Manual is approved by the Board and is regularly updated as and when is necessary, in line with the changes in the organisation.

- b) **Operational Manuals**

Operational manuals for business units are available within the Group. It sets out policies and procedures for day-to-day operations and act as guidance to employees on the necessary steps to be taken in a given set of circumstances. The manuals enable tasks to be carried out with minimal supervision.

- c) **IT Policies and Procedures**

The IT Security Policy incorporates the Corporate Policy among others, the usage of personal computer software, E-mail and internet; management of IT assets, security implementation for the antivirus level protection and hardware systems support procedures. It is established to achieve and maintain confidentiality, integrity, availability, authenticity and reliability of information and data processing.



# Statement on Risk Management and Internal Control

cont'd

## OTHER KEY INTERNAL CONTROLS (cont'd)

- **Policies, Procedures and Financial Authority Limits (cont'd)**

- d) Whistle blowing Policy

The Group's whistle blowing policy guides employees of the Group in communicating and reporting instances of illegal or immoral conduct to the appropriate parties within the Group and at the same time, protecting these employees against victimisation, discrimination or being disadvantaged in any way arising from such communications. Arrangements are in place for the proportionate and independent investigations on all allegations or reports from within or outside the Group with appropriate follow up actions. The policy builds into the Group's culture, abhorrence for fraud, and that any conduct of this nature will not be tolerated. It also promotes a transparent and open environment for fraud reporting within the Group.

- e) Group Communication Policy

The Board has also adopted a Communication Policy to ensure that all decisions made are communicated promptly to all staff at all levels within the Group and to enable the Group to communicate effectively with its shareholders, major investors, other stakeholders and public, generally with the intention of giving them a clear picture of the Group's performance and operations.

- f) Human Resource Policy

The Group has implemented a Human Resource Policy and Code of Conduct that sets out general employment terms and conditions and sets the tone for control consciousness and employee conduct. It is designed to provide guidelines to employees with the objective of ensuring issues and matters during the tenure of their employment are properly understood by all employees. It is a written guideline which clearly defines the organisation's vision, mission, culture, values, policies, company's expectations of employees and employees' expectations towards the Company.

The Group has also incorporated Succession Planning policies and procedures within the Human Resource Policy. This is part of the Group's organisational development initiative to ensure leadership and talent continuity for all key positions and to enhance the Group's capability to systematically identify, evaluate, develop, deploy and retain those who are qualified, eligible and suitable to be potential successors for Senior Level Mission Critical Positions.

In addition, internal control procedures have been set out in a series of other standard operating practice manuals and business process manuals to serve as guidance for proper measures to be undertaken and are subject to regular review, enhancement and improvement.

- **Strategic Business Planning, Budgeting and Reporting**

A Group strategic business planning process is in place where the financial planning is correlated to the Group's strategic business plans. The Group performs an annual budgeting and forecasting exercise including development of business strategies and establishment of key performance indicators against which, units within the Group can be evaluated. The Group's strategic direction is also reviewed annually in light of the prevailing market conditions and significant market risks.

Financial performance and Monthly Management Accounts which serve as a monitoring tool are circulated to key management staff and regularly compared against budget, with detailed explanations provided for material variances, reviews of internal and external factors contributing to performance, and management actions taken to improve the results. Variances against budget are analysed and reported internally on a monthly basis in Management meetings.

# Statement on Risk Management and Internal Control

cont'd

## OTHER KEY INTERNAL CONTROLS (cont'd)

- **Performance Reporting and Monitoring**

On a quarterly and annual basis, the financial performance and progress of key projects are reported and reviewed by the Board to enable them to gauge the Group's achievement of its annual targets and to review any key financial and operational issues.

- **Investment Appraisal**

Major investment proposals on mergers and acquisitions as well as long-term business investments are thoroughly reviewed and appraised by the AC, before recommending them to the Board.

- **Insurance and Physical Safeguards**

Adequate insurance provision and security measures on major assets of the Group are provided to ensure that it is sufficiently safeguarded against any mishap that will result in material losses to the Group.

- **Regular Visits**

The Group conducts regular visits to operating units by members of the Board and senior management.

## ASSURANCE STATEMENT BY KEY MANAGEMENT TEAM

The Chief Executive Officer and Chief Financial Officer have provided assurance to the Board, to the best of their knowledge and belief, that the Group's risk management and internal control system is operating adequately and effectively in all material aspects, to meet the Group's objectives during the financial year under review until the date of this Statement.

## REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by paragraph 15.23 of the Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. As set out in their terms of engagement, the said review procedures were performed in accordance with the Audit and Assurance Practice Guide (AAPG) 3: Guidance for Auditors On Engagements To Report On The Statement On Risk Management and Internal Control Included in the Annual Report issued by the Malaysian Institute of Accountants.

AAPG 3 does not require the external auditors to consider whether this Statement covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system.

Based on their procedures performed, the external auditors have reported to the Board that nothing has come to their attention that caused them to believe that this Statement is not prepared in all material aspects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement in Risk Management and Internal Control: Guidelines for Directors of Listed Issuer, nor is factually inaccurate.



# Statement on Risk Management and Internal Control

cont'd

## CONCLUSION

The Board is of the opinion that the system of risk management and internal control that has been instituted throughout the Group is satisfactory and has not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Company's Annual Report 2018. The Board and the Management will continue to review and take measures to strengthen and improve the internal control environment from time to time based on the recommendations proposed by the IA Consultant.

The Board recognises that the development of the system of internal control is an ongoing process as part of its efforts in managing the risks faced by the Group. Consequently, the Board maintains an ongoing commitment to further strengthen the control environment within the Group.

This statement is issued in accordance with a resolution of the Board of Directors dated 18 April 2019.

## Additional Compliance Information

### UTILISATION OF PROCEEDS FROM INITIAL PUBLIC OFFERING (“IPO”)

The entire enlarged issued share capital of the Company comprising 243,600,000 ordinary shares was listed on the ACE Market of Bursa Malaysia Securities Berhad on 13 November 2018. Pursuant to the said listing, the Company had successfully raised gross proceeds of RM17.00 million from the issuance of 68,000,000 new ordinary shares in the Company at an issue price of RM0.25 per share. The gross proceeds of RM17.00 million raised from the IPO have been utilised in the following manner as at 31 December 2018:-

Details of utilisation	Proposed Utilisation RM'000	Actual Utilisation RM'000	Deviation: Surplus/(Deficit) RM'000	Balance RM'000	Estimated Timeframe for Utilisation
Business expansion	1,700	(300)	-	1,400	Within 24 months
Development of new digital security solutions	5,700	-	-	5,700	Within 24 months
Repayment of bank borrowings	1,942	-	-	1,942	Within 24 months
Working capital	5,158	(390)	163	4,931	Within 24 months
Estimated listing expenses	2,500	(2,337)	(163) <sup>(1)</sup>	-	Within 1 month
<b>TOTAL</b>	<b>17,000</b>	<b>(3,027)</b>	<b>-</b>	<b>13,973</b>	

The utilisation of proceeds as disclosed above should be read in conjunction with the Prospectus of the Company dated 23 October 2018.

#### Notes:

<sup>(1)</sup> The excess of RM0.16 million will be utilised for general working capital requirements of the Group.

### AUDIT AND NON-AUDIT FEES

During FYE 2018, the amount of audit and non-audit fees paid and payable by the Company and the Group to its External Auditors are as follows:

	Company RM'000	Group RM'000
Audit fees	65	85
Non-audit fees	5	147
(a) Professional fees for Reporting Accountant for listing exercise		
(b) Professional fees for the special audit for the four (4) months financial period ended 30 April 2018		
(c) Review of Statement on Risk Management and Internal Control		

### MATERIAL CONTRACTS

During FYE 2018, there were no material contracts entered into by the Group and its subsidiary companies involving Directors' and major shareholders.

### RECURRENT RELATED PARTY TRANSACTIONS

During FYE 2018, there was no material Recurrent Related Party Transactions of a revenue or trading nature which requires shareholders' mandate.



## Directors' Responsibility Statement

The Directors are responsible for the preparation of financial statements prepared for each financial year to give a true and accurate view of the state of the Group and the Company of the results and cash flows of the Group and the Company for the financial year then ended.

In ensuring the preparation of these financial statements, the Directors have observed the following criteria:

- Overseeing the overall conduct of the Company's business and that of the Group;
- Identifying principal risks and ensuring that an appropriate system of internal control exists to manage these risks;
- Reviewing the adequacy and integrity of Internal Controls System and Management Information System in the Company and within the Group;
- Adopting suitable accounting policies and apply them consistently;
- Prepared on a going concern basis;
- Making judgments and estimates that are reasonable and prudent; and
- Ensuring compliance with application of Approved Accounting Standards in Malaysia.

The Directors are responsible for ensuring that proper accounting and other records which are closed with reasonable accuracy at any time the financial position of the Group and ensuring that the financial statements comply with the Listing Requirements, the provisions of the Companies Act, 2016 and applicable Approved Accounting Standards in Malaysia. The Directors are also responsible for taking such reasonable steps to safeguard the assets of the Group and to minimise fraud and other irregularities.



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# Directors' Report

The Directors have pleasure in submitting 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 Company has commenced business activity during the financial year and the principal activity of the Company is that of investment holding. The principal activities of the subsidiary companies are disclosed in Note 5 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

## FINANCIAL RESULTS

	Group RM	Company RM
Profit/(Loss) for the financial year, attributable to:		
- Owners of the parent	613,150	(2,062,582)
- Non-controlling interests	79,272	-
	692,422	(2,062,582)

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

## DIVIDENDS

There were no dividends proposed, declared or paid by the Company since the end of the previous financial period. The Directors do not recommend any dividend in respect of the current financial year.

## ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company increased its issued and paid up share capital from RM2 to RM31,048,000 by way of issuance of 243,599,975 new ordinary shares as follows:

- (a) 167,549,975 new ordinary shares at an issue price of RM0.08 each for a total consideration of RM13,403,998 for the acquisition of subsidiary companies.
- (b) 8,050,000 new ordinary shares at an issue price of RM0.08 each for a total consideration of RM644,000 by way of capitalisation of amount due to shareholders of a subsidiary company as disclosed in Note 5(a)(ii).
- (c) 68,000,000 new ordinary shares at an issue price of RM0.25 each for a total cash consideration of RM17,000,000 pursuant to the initial public offering of the Company on the ACE Market of Bursa Malaysia Securities Berhad.

The new ordinary shares issued during the financial year rank parri passu in all respect with the existing ordinary shares of the Company.

There were no issuance of debentures during the financial year.

# Directors' Report

cont'd

## OPTIONS GRANTED OVER UNISSUED SHARES

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

## DIRECTORS

The Directors in office since the beginning of the current financial year until the date of this report are as follows:

Law Seeh Key *	(appointed on 02.02.2018)
Yong Kim Fui	(appointed on 02.02.2018)
Clifton Heath Fernandez	(appointed on 02.02.2018)
Shireen Chia Yin Ting	(appointed on 02.02.2018)
Mohamad Rizatuddin Nor Bin Mohamed Ramli	(appointed on 02.02.2018)
Ng Hock Tiam	(resigned on 02.02.2018, first Director)
Lam Ah Ngan	(resigned on 02.02.2018)

\* Director of the Company and its subsidiary companies

The Directors who held office in the subsidiary companies (excluding Directors who are also Directors of the Company) during the financial year up to the date of this report are:

Nioo Yu Siong  
Endah Lestari  
Leo Nugraha Kusuma  
Aimee Y. Asanza  
Marc Joseph Bautista  
William J. Dimaano  
Tan Yung Hui, Gabriel

The information required to be disclosed pursuant to Section 253 of the Companies Act, 2016 is deemed incorporated herein by such reference to the financial statements of the respective subsidiary companies and made a part hereof.

## DIRECTORS' INTERESTS

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiary companies) of those who were Directors at financial year end (including their spouses or children) according to the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares		
	At 1.1.2018	Bought Sold	At 31.12.2018
<b>Interests in the Company</b>			
<b>Direct Interests</b>			
Law Seeh Key	-	126,337,605	- 126,337,605
Yong Kim Fui	-	14,662,500	- 14,662,500

None of the other Directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.



# Directors' Report

cont'd

## DIRECTORS' BENEFITS

Since the end of the previous financial year/period, no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in Note 32(c) 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 arrangement whose object was 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 AND INSURANCE COSTS

There was no indemnity given to or insurance effected for any Directors, officers and auditors of the Company in accordance with Section 289 of the Companies Act, 2016.

## OTHER STATUTORY INFORMATION

- (a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:
  - (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no bad debts to be written off and that adequate allowance had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company have been written down to an amount which the current assets might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances:
  - (i) which would render it necessary to write off any bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
  - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
  - (iii) 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; or
  - (iv) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (c) 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; or
  - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

## Directors' Report

cont'd

### OTHER STATUTORY INFORMATION (Cont'd)

(d) In the opinion of the Directors:

- (i) no contingent liability or other liability 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 its obligations as and when they fall due;
- (ii) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (iii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely 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.

### SUBSIDIARY COMPANIES

The details of the subsidiary companies are disclosed in Note 5 to the financial statements.

### AUDITORS' REMUNERATION

The details of auditors' remuneration are disclosed in Note 25 to the financial statements.

### SUBSEQUENT EVENT

The subsequent event is disclosed in Note 36 to the financial statements.

### AUDITORS

The Auditors, Messrs. UHY, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 18 April 2019.

LAW SEEH KEY

YONG KIM FUI

KUALA LUMPUR



## Statement by Directors

Pursuant to Section 251(2) of the Companies Act, 2016

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 55 to 137 are drawn up in accordance with 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 dated 18 April 2019.

LAW SEEH KEY

YONG KIM FUI

KUALA LUMPUR

## Statutory Declaration

Pursuant to Section 251(1)(b) of the Companies Act, 2016

I, Yong Kim Fui (MIA Membership No: 16784), being the Director primarily responsible for the financial management of Securemetric Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 55 to 137 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.

Subscribed and solemnly declared by the )  
 abovenamed at Kuala Lumpur in the Federal Territory )  
 on 18 April 2019 )

YONG KIM FUI

Before me,

COMMISSIONER FOR OATHS

# Independent Auditors' Report

To the members of Securemetric Berhad  
(Company No.: 1234029-D)  
(Incorporated in Malaysia)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of Securemetric Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of profit or loss and other 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 55 to 137.

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 at 31 December 2018, and of their financial performance and their cash flows for the financial year then ended in accordance with 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence and Other Ethical Responsibilities

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.

### 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.

Key Audit Matters	How we addressed the key audit matters
<b>Impairment of trade receivables</b>	
The Group has material credit exposures in its portfolio of trade receivables amounting to RM11,130,628 as at 31 December 2018. Given the nature of these assets, the assessment of impairment involves significant estimation uncertainty, subjective assumptions and the application of significant judgement.	<p>We have performed impairment assessments on trade receivables that were either in default or overdue as at 31 December 2018.</p> <p>We obtained and evaluated the Group's credit risk policy, and tested the processes used by management to assess credit exposures.</p> <p>We also examined the recoverability by checking those subsequent receipts. We also obtained confirmation from the counterparties for selected accounts.</p> <p>We have reviewed the appropriateness of the disclosures made in accordance with MFRS 136 <i>Impairment of Assets</i>.</p>



# Independent Auditors' Report

To the members of Securemetric Berhad

(Company No.: 1234029-D)

(Incorporated in Malaysia)

cont'd

## 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 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.

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 the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 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 has no realistic alternative but to do so.

## 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 the financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment 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 the Group's and of the Company's internal control.

# Independent Auditors' Report

To the members of Securemetric Berhad  
(Company No.: 1234029-D)  
(Incorporated in Malaysia)  
cont'd

## Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:  
(Cont'd)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- 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 and 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 companies of which we have not acted as auditors, are disclosed in Note 5 to the financial statements.



## Independent Auditors' Report

To the members of Securemetric Berhad

(Company No.: 1234029-D)

(Incorporated in Malaysia)

cont'd

### 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 content of this report.

UHY

Firm Number: AF 1411

Chartered Accountants

NG WEE TEIK

Approved Number: 01817/12/2020 J

Chartered Accountant

KUALA LUMPUR

18 April 2019

# Statements of Financial Position

As at 31 December 2018

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
<b>Assets</b>					
<b>Non-Current Assets</b>					
Property, plant and equipment	4	1,481,190	745,452	-	-
Investment in subsidiary companies	5	-	-	14,047,998	-
Development expenditure	6	1,450,208	1,933,611	-	-
Other investments	7	259,555	251,137	-	-
Deferred tax assets	8	94,591	34,608	-	-
<b>Total Non-Current Assets</b>		3,285,544	2,964,808	14,047,998	-
<b>Current Assets</b>					
Inventories	9	1,504,105	2,084,349	-	-
Contract assets	10	1,835,581	-	-	-
Trade receivables	11	11,130,628	15,230,910	-	-
Other receivables	12	2,610,169	3,744,835	67,500	140
Tax recoverable		-	74,924	-	-
Other investments	7	2,530,593	-	-	-
Fixed deposits with licensed banks	13	2,763,921	2,740,295	-	-
Cash and bank balances	14	23,915,252	14,509,982	14,343,821	2
<b>Total Current Assets</b>		46,290,249	38,385,295	14,411,321	142
<b>Total Assets</b>		49,575,793	41,350,103	28,459,319	142
<b>Equity and Liabilities</b>					
<b>Equity</b>					
Share capital	15	30,453,764	2,705,441	30,453,764	2
Reserves	16	(11,141,431)	(57,430)	-	-
Retained earnings		17,193,218	16,646,642	(2,070,145)	(7,563)
Equity attributable to the owners of the parent		36,505,551	19,294,653	28,383,619	(7,561)
Non-controlling interests		322,354	252,192	-	-
<b>Total Equity</b>		36,827,905	19,546,845	28,383,619	(7,561)

# Statements of Financial Position

As at 31 December 2018  
cont'd

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
<b>Non-Current Liabilities</b>					
Employee benefit	17	195,846	-	-	-
Finance lease liability	18	301,377	-	-	-
Bank borrowings	19	1,392,972	1,995,195	-	-
<b>Total Non-Current Liabilities</b>		1,890,195	1,995,195	-	-
<b>Current Liabilities</b>					
Trade payables	20	1,336,334	8,198,005	-	-
Other payables	21	4,274,206	6,317,027	73,200	7,703
Contract liabilities	10	4,392,382	4,730,688	-	-
Finance lease liability	18	67,023	-	-	-
Bank borrowings	19	603,638	552,604	-	-
Tax payable		184,110	9,739	2,500	-
<b>Total Current Liabilities</b>		10,857,693	19,808,063	75,700	7,703
<b>Total Liabilities</b>		12,747,888	21,803,258	75,700	7,703
<b>Total Equity and Liabilities</b>		49,575,793	41,350,103	28,459,319	142

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

# Statements of Profit or Loss and Other Comprehensive Income

For the financial year ended 31 December 2018

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	Financial Period From 6 June 2017 to 31 Dec 2017 RM
Revenue	22	31,295,752	44,766,812	-	-
Cost of sales	23	(13,659,518)	(23,523,693)	-	-
Gross profit		17,636,234	21,243,119	-	-
Other income		818,909	715,325	56,170	-
Administrative expenses		(16,397,577)	(15,501,262)	(2,116,252)	(7,563)
Net loss on impairment of financial instruments		(266,862)	-	-	-
Finance costs	24	(209,803)	(255,023)	-	-
Profit/(Loss) before tax	25	1,580,901	6,202,159	(2,060,082)	(7,563)
Taxation	26	(888,479)	(119,849)	(2,500)	-
Profit/(Loss) for the financial year/period		692,422	6,082,310	(2,062,582)	(7,563)
<b>Other comprehensive income/(loss)</b>					
<b>Items that are or may be reclassified subsequently to profit or loss</b>					
Available-for-sale financial asset					
- current year/period gain		-	136,091	-	-
Exchange translation differences for foreign operations		(99,975)	(403,161)	-	-
		(99,975)	(267,070)	-	-
<b>Items that will not be reclassified subsequently to profit or loss</b>					
Net change in fair value of equity investments designated at fair value through other comprehensive income		8,418	-	-	-
Total other comprehensive income/(loss) for the financial year/period		(91,557)	(267,070)	-	-
<b>Total comprehensive income/(loss) for the financial year/period</b>		<b>600,865</b>	<b>5,815,240</b>	<b>(2,062,582)</b>	<b>(7,563)</b>

# Statements of Profit or Loss and Other Comprehensive Income

For the financial year ended 31 December 2018  
 cont'd

		Group		Company	
		2018	2017	2018	Financial Period From 6 June 2017 to 31 Dec 2017
	Note	RM	RM	RM	RM
<b>Profit/(Loss) for the financial year/period attributable to:</b>					
Owners of the parent		613,150	6,016,309	(2,062,582)	(7,563)
Non-controlling interests		79,272	66,001	-	-
		<u>692,422</u>	<u>6,082,310</u>	<u>(2,062,582)</u>	<u>(7,563)</u>
<b>Total comprehensive income/(loss) attributable to:</b>					
Owners of the parent		530,703	5,779,750	(2,062,582)	(7,563)
Non-controlling interests		70,162	35,490	-	-
		<u>600,865</u>	<u>5,815,240</u>	<u>(2,062,582)</u>	<u>(7,563)</u>
<b>Earnings per share</b>					
Basic earnings per share (sen)	27	<u>0.33</u>	<u>3.43</u>		
Diluted earnings per share (sen)	27	<u>0.33</u>	<u>3.43</u>		

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

# Statements of Changes in Equity

For the financial year ended 31 December 2018

Attributable to owners of the parent											
Group	Note	Non-Distributable				Distributable					
		Share Capital	Fair Value Adjustment Reserve	Foreign Currency Translation Reserve	Other Reserve	Merger Reserve	Retained Earnings	Total	Non-Controlling Interests	Total Equity	
		RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
At 1 January 2017		2,705,439	50,508	125,347	-	-	10,630,333	13,511,627	216,702	13,728,329	
Profit for the financial year		-	-	-	-	-	6,016,309	6,016,309	66,001	6,082,310	
Other comprehensive income/(loss) for the financial year		-	136,091	(372,650)	-	-	-	(236,559)	(30,511)	(267,070)	
Total comprehensive income/(loss) for the financial year		-	136,091	(372,650)	-	-	6,016,309	5,779,750	35,490	5,815,240	
Tax amnesty	16(c)	-	-	-	3,274	-	-	3,274	-	3,274	
<b>Transactions with owners</b>											
Issuance of ordinary shares	15	2	-	-	-	-	-	2	-	2	
At 31 December 2017		2,705,441	186,599	(247,303)	3,274	-	16,646,642	19,294,653	252,192	19,546,845	
At 1 January 2018, as previously reported		2,705,441	186,599	(247,303)	3,274	-	16,646,642	19,294,653	252,192	19,546,845	
Effect of adopting MFRS 9	2(a)(i)	-	-	3,109	-	-	(66,574)	(63,465)	-	(63,465)	
At 1 January 2018, as restated		2,705,441	186,599	(244,194)	3,274	-	16,580,068	19,231,188	252,192	19,483,380	
Profit for the financial year		-	-	-	-	-	613,150	613,150	79,272	692,422	
Other comprehensive income/(loss) for the financial year		-	8,418	(90,865)	-	-	-	(82,447)	(9,110)	(91,557)	
Total comprehensive income/(loss) for the financial year		-	8,418	(90,865)	-	-	613,150	530,703	70,162	600,865	



# Statements of Changes in Equity

For the financial year ended 31 December 2018  
 cont'd

Group		Attributable to owners of the parent									
		Non-Distributable					Distributable				
		Share Capital	Fair Value Adjustment Reserve	Foreign Currency Translation Reserve	Other Reserve	Merger Reserve	Retained Earnings	Total	Non-Controlling Interests	Total Equity	
	Note	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
<b>Transactions with owners</b>											
Increase in share capital of Securemetric Philippines	15	337,896	-	-	-	-	-	337,896	-	337,896	
Issuance of ordinary shares	15	31,047,998	-	-	-	-	-	31,047,998	-	31,047,998	
Adjustment on acquisition of subsidiary companies	15	(3,043,335)	-	-	-	(11,004,663)	-	(14,047,998)	-	(14,047,998)	
Share issuance expenses	15	(594,236)	-	-	-	-	-	(594,236)	-	(594,236)	
Total transactions with owners		27,748,323	-	-	-	(11,004,663)	-	16,743,660	-	16,743,660	
At 31 December 2018		30,453,764	195,017	(335,059)	3,274	(11,004,663)	17,193,218	36,505,551	322,354	36,827,905	

## Statements of Changes in Equity

For the financial year ended 31 December 2018  
cont'd

Company	Note	Share Capital RM	Accumulated Losses RM	Total Equity RM
At date of incorporation	15	1	-	1
Issuance of ordinary shares	15	1	-	1
Loss for the financial period, representing total comprehensive loss for the financial period		-	(7,563)	(7,563)
At 31 December 2017		2	(7,563)	(7,561)
At 1 January 2018		2	(7,563)	(7,561)
Loss for the financial year, representing total comprehensive loss for the financial year		-	(2,062,582)	(2,062,582)
<b>Transactions with owners:</b>				
Issuance of ordinary shares	15	31,047,998	-	31,047,998
Share issuance expenses		(594,236)	-	(594,236)
Total transactions with owners		30,453,762	-	30,453,762
At 31 December 2018		30,453,764	(2,070,145)	28,383,619

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

# Statements of Cash Flows

For the financial year ended 31 December 2018

	Group		Company	
	2018	2017	2018	Financial Period From 6 June 2017 to 31 Dec 2017
	RM	RM	RM	RM
<b>Cash Flows From Operating Activities</b>				
Profit/(Loss) before tax	1,580,901	6,202,159	(2,060,082)	(7,563)
Adjustments for:				
Amortisation of development expenditure	483,403	483,403	-	-
Allowance for slow moving inventories	58,674	-	-	-
Impairment losses on trade receivables	309,123	-	-	-
Reversal of impairment losses on trade receivables	(41,502)	-	-	-
Inventories written off	20	74,557	-	-
Depreciation of property, plant and equipment	307,429	203,321	-	-
Government grant income	(450,035)	(450,035)	-	-
Fair value gain in financial asset recognised in profit or loss	(759)	-	-	-
Finance costs	209,803	255,023	-	-
Dividend income from unit trust	(29,834)	-	-	-
Interest income	(191,721)	(146,456)	(14,838)	-
Gain on disposal of property, plant and equipment	(511)	(749)	-	-
Unrealised loss on foreign exchange	2,118	334,575	-	-
Property, plant and equipment written off	-	11,012	-	-
Operating profit/(loss) before working capital changes	2,237,109	6,966,810	(2,074,920)	(7,563)
Changes in working capital:				
Inventories	521,550	(185,385)	-	-
Receivables	4,926,336	(8,961,010)	(67,360)	(140)
Payables	(7,915,531)	8,149,501	65,497	7,703
Contract assets/(liabilities)	(2,173,887)	3,725,561	-	-
	(4,641,532)	2,728,667	(1,863)	7,563
Cash (used in)/generated from operations	(2,404,423)	9,695,477	(2,076,783)	-
Interest paid	(209,803)	(255,023)	-	-
Interest received	191,721	146,456	14,838	-
Tax refund	22,570	-	-	-
Tax paid	(737,177)	(125,802)	-	-
Exchange fluctuation adjustment	(89,235)	(383,452)	-	-
Net cash (used in)/from operating activities	(3,226,347)	9,077,656	(2,061,945)	-

# Statements of Cash Flows

For the financial year ended 31 December 2018  
cont'd

	Group		Company	
	2018	2017	2018	Financial Period From 6 June 2017 to 31 Dec 2017
	RM	RM	RM	RM
<b>Cash Flows From Investing Activities</b>				
Additional development expenditure	-	(87,000)	-	-
Payment for tax amnesty	-	3,274	-	-
Purchase of other investment	(2,500,000)	-	-	-
Purchase of property, plant and equipment [Note 4(b)]	(683,324)	(473,683)	-	-
Proceeds from disposal of property, plant and equipment	1,160	2,009	-	-
Net cash used in investing activities	(3,182,164)	(555,400)	-	-
<b>Cash Flows From Financing Activities</b>				
Repayment of term loans	(551,189)	(452,201)	-	-
Drawdown of term loan	-	1,000,000	-	-
Proceeds from issue of shares	17,000,000	2	17,000,000	1
Grant received	-	1,002,459	-	-
Increase in fixed deposits pledged	(23,626)	(2,585,879)	-	-
Payment of share issuance expenses	(594,236)	-	(594,236)	-
Repayment of finance lease liability	-	(12,172)	-	-
Net cash from/(used in) financing activities	15,830,949	(1,047,791)	16,405,764	1
<b>Net increase in cash and cash equivalents</b>	9,422,438	7,474,465	14,343,819	1
<b>Cash and cash equivalents at the beginning of the financial year/date of incorporation</b>	14,509,982	7,243,757	2	1
<b>Effect of exchange translation differences on cash and cash equivalents</b>	(17,168)	(208,240)	-	-
<b>Cash and cash equivalents at the end of the financial year/period</b>	23,915,252	14,509,982	14,343,821	2
<b>Cash and cash equivalents at the end of the financial year/period comprises:</b>				
Cash and bank balances	23,915,252	14,509,982	14,343,821	2
Fixed deposits with licensed banks	2,763,921	2,740,295	-	-
	26,679,173	17,250,277	14,343,821	2
Less: Fixed deposits pledged to licensed banks	(2,763,921)	(2,740,295)	-	-
	23,915,252	14,509,982	14,343,821	2

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



# Notes to the Financial Statements

31 December 2018

## 1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia. On 13 November 2018, the Company's entire enlarged issued and paid-up share capital was listed on the ACE Market of Bursa Malaysia Securities Berhad.

The principal place of business of the Company is located at Level 5-E-6, Enterprise 4, Technology Park Malaysia, Lebuhraya Sg. Besi-Puchong, Bukit Jalil, 57000 Kuala Lumpur.

The registered office of the Company is located at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur.

The Company has commenced its business activity during the financial year and the principal activity of the Company is that of investment holding. The principal activities of its subsidiary companies are disclosed in Note 5. There have been no significant changes in the nature of these activities of the Company and its subsidiary companies during the financial year.

## 2. BASIS OF PREPARATION

### (a) Statement of compliance

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

During the financial year, the Company completed the acquisition of its subsidiary companies by way of issuance of 175,599,975 new ordinary shares for a total consideration of RM14,047,998 to the vendors of its subsidiary companies. The vendors have the same interest in the Company as they had in its subsidiary companies and there is no change to the assets and liabilities as a result of establishment of the Company.

This is the first financial statements on the consolidated results for the financial year ended 31 December 2018. The acquisition of its subsidiary companies is a business combination under common control. Accordingly, the Group is regarded as a continuing entity and the merger method of accounting is used.

Under the merger method of accounting, the financial statements of the subsidiary companies are included in the consolidated financial statements as if the business combination had occurred from the earliest date presented and that the Group has operated as a single economic entity throughout the financial years presented in the consolidated financial statements.

The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise indicated in the significant accounting policies below.

# Notes to the Financial Statements

31 December 2018  
cont'd

## 2. BASIS OF PREPARATION (Cont'd)

### (a) Statement of compliance (Cont'd)

#### Adoption of new and amended standards

During the financial year, the Group and the Company have adopted the following new standards and amendments to standards issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for current financial year:

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)
MFRS 15	Revenue from Contracts with Customers
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4	Applying MFRS 9 <i>Financial Instruments</i> with MFRS 4 <i>Insurance Contracts</i>
Amendments to MFRS 15	Clarifications to MFRS 15
Amendments to MFRS 140	Transfers of Investment Property

Annual Improvements to MFRSs 2014 - 2016 Cycle:

- Amendments to MFRS 1
- Amendments to MFRS 128

The adoption of the new standards and amendments to standards did not have any significant impact on the financial statements of the Group and of the Company, except for:

#### (i) MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014)

The adoption of MFRS 9 resulted in changes in accounting policies and adjustments to the financial statements.

The accounting policies that relate to the recognition, classification, measurement and derecognition of financial instruments and impairment of financial assets are amended to comply with the provisions of this Standard, while the hedge accounting requirements under this Standard are not relevant to the Group and to the Company.

The Group and the Company applied MFRS 9 retrospectively, and have elected not to restate the comparative periods in the financial year of initial adoption as permitted under MFRS 9 transitional provision. The impact arising from MFRS 9 adoption were included in the opening retained earnings at the date of initial application, 1 January 2018.



# Notes to the Financial Statements

31 December 2018

cont'd

## 2. BASIS OF PREPARATION (Cont'd)

- (a) Statement of compliance (Cont'd)

### Adoption of new and amended standards (Cont'd)

The adoption of the new standards and amendments to standards did not have any significant impact on the financial statements of the Group and of the Company, except for: (Cont'd)

- (i) MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014) (Cont'd)

- (a) Classification of financial assets and liabilities

#### Financial assets

MFRS 9 contains three (3) principal classification categories for financial assets:

- (i) measured at amortised cost ("AC");
- (ii) fair value through other comprehensive income ("FVTOCI"); and
- (iii) fair value through profit or loss ("FVTPL").

The standard replaces the existing MFRS 139 *Financial Instruments: Recognition and Measurement* categories of loans and receivables, held-to-maturity and available-for-sale. Classification under MFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flows characteristics.

Investments in equity instruments are always measured at FVTPL with an irrevocable option at inception to present changes in other comprehensive income (provided the instruments is not held for trading). The Group changed the measurement of the investment in equity instrument currently held as available-for-sale to FVTOCI.

#### Financial liabilities

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities. There were no changes to the classification and measurements of financial liabilities to the Group and to the Company.

- (b) Impairment

MFRS 9 requires impairment assessments to be based on an Expected Credit Loss ("ECL") model, replacing the incurred loss model under MFRS 139. The Group is required to record ECL on all of its debt instruments, loans and receivables, either on a 12-months or lifetime basis. The Group applied the simplified approach and record lifetime expected losses on all receivables. Based on readily information as at the date of this report, the Group does not expect any significant increase in impairment losses.

# Notes to the Financial Statements

31 December 2018  
cont'd

## 2. BASIS OF PREPARATION (Cont'd)

### (a) Statement of compliance (Cont'd)

#### Adoption of new and amended standards (Cont'd)

The adoption of the new standards and amendments to standards did not have any significant impact on the financial statements of the Group and of the Company, except for: (Cont'd)

#### (i) MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014) (Cont'd)

#### (c) Effect of changes in classification and measurement of financial assets are as follows:

	As at 31.12.2017 RM	MFRS 9 measurement categories	
		AC RM	FVTOCI RM
<b>MFRS 139 measurement categories</b>			
<b>Group</b>			
<b>Financial assets</b>			
<u>Loans and receivables</u>			
Trade receivables	15,230,910	15,230,910	-
Other receivables which are financial assets	615,799	615,799	-
Fixed deposits with licensed banks	2,740,295	2,740,295	-
Cash and bank balances	14,509,982	14,509,982	-
	33,096,986	33,096,986	-
<u>Available-for-sale</u>			
Other investment			
- Quoted shares, in Malaysia	251,137	-	251,137
<b>Company</b>			
<b>Financial assets</b>			
<u>Loans and receivables</u>			
Cash and bank balances	2	2	-

#### (d) Effect of impairment allowances on 1 January 2018 are as follows:

	Group RM
<b>Impairment of financial assets</b>	
Balance under MFRS 139 as at 31 December 2017	-
Impairment losses on trade receivables	63,465
Balance under MFRS 9 as at 1 January 2018	63,465



# Notes to the Financial Statements

31 December 2018

cont'd

## 2. BASIS OF PREPARATION (Cont'd)

### (a) Statement of compliance (Cont'd)

#### Adoption of new and amended standards (Cont'd)

The adoption of the new standards and amendments to standards did not have any significant impact on the financial statements of the Group and of the Company, except for: (Cont'd)

#### (ii) MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a five-step model that will apply to recognition of revenue arising from contracts with customers, and provide a more structured approach in measuring and recognising revenue. Revenue is recognised when a customer obtains control of a good or service, at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Group adopted MFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, MFRS 15 can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date.

The adoption of MFRS 15 has no material financial impact other than the disclosures made in the financial statements.

Impact arising from adoption of MFRS 9 and MFRS 15 on the Group's financial statements are as follows:

#### Statements of Financial Position

	As at 31.12.2017	MFRS 15 adjustments	MFRS 9 adjustments	As at 1.1.2018
	RM	RM	RM	RM
<b>Group</b>				
<b>Current Asset</b>				
Trade receivables	15,230,910	-	(63,465)	15,167,445
<b>Current Liabilities</b>				
Amount due to customers on contracts	270,898	(270,898)	-	-
Other payables	10,776,817	(4,459,790)	-	6,317,027 *
Contract liabilities	-	4,730,688	-	4,730,688 *
<b>Equity</b>				
Foreign currency currency translation reserve	(247,303)	-	3,109	(244,194)
Retained earnings	16,646,642	-	(66,574)	16,580,068

# Notes to the Financial Statements

31 December 2018  
cont'd

## 2. BASIS OF PREPARATION (Cont'd)

### (a) Statement of compliance (Cont'd)

#### Adoption of new and amended standards (Cont'd)

Impact arising from adoption of MFRS 9 and MFRS 15 on the Group's financial statements are as follows:  
(Cont'd)

#### Statements of Cash Flows

	As at 31.12.2017 RM	MFRS 15 adjustments RM	As at 1.1.2018 RM
<b>Group</b>			
Changes in working capital:			
Payables	11,604,164	(3,454,663)	8,149,501*
Amount due to customers on contracts	270,898	(270,898)	-
Contract liabilities	-	3,725,561	3,725,561*

\* The comparatives have been reclassified to conform with current year presentation.

There is no MFRS 9 and MFRS 15 impact on the Company level.

#### Standards issued but not yet effective

The Group and the Company have not applied the following new standards and amendments to standards that have been issued by the MASB but are not yet effective for the Group and for the Company:

		Effective dates for financial periods beginning on or after
MFRS 16	Leases	1 January 2019
IC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to MFRSs 2015 - 2017 Cycle:		
•	Amendments to MFRS 3	1 January 2019
•	Amendments to MFRS 11	1 January 2019
•	Amendments to MFRS 112	1 January 2019
•	Amendments to MFRS 123	1 January 2019



# Notes to the Financial Statements

31 December 2018

cont'd

## 2. BASIS OF PREPARATION (Cont'd)

### (a) Statement of compliance (Cont'd)

#### Standards issued but not yet effective (Cont'd)

The Group and the Company have not applied the following new standards and amendments to standards that have been issued by the MASB but are not yet effective for the Group and for the Company: (Cont'd)

		Effective dates for financial periods beginning on or after
Amendments to References to the Conceptual Framework in MFRS Standards		1 January 2020
Amendments to MFRS 3	Definition of a Business	1 January 2020
Amendments to MFRS 101	Definition of Material	1 January 2020
MFRS 17	Insurance Contracts	1 January 2020
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

The initial application of the abovementioned new standards and amendments to standards are not expected to have any significant impacts on the financial statements of the Group and of the Company except as mentioned below:

#### MFRS 16 Leases

MFRS 16, which upon the effective date will supersede MFRS 117 *Leases*, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under MFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, MFRS 117.

In respect of the lessor accounting, MFRS 16 substantially carries forward the lessor accounting requirements in MFRS 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The impact of the new standards and amendments to standards on the financial statements of the Group and of the Company are currently being assessed by management.

### (b) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest RM except when otherwise stated.

# Notes to the Financial Statements

31 December 2018  
cont'd

## 2. BASIS OF PREPARATION (Cont'd)

### (c) Significant accounting judgements, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

#### Judgments

##### Satisfaction of performance obligations in relation to contracts with customers

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method for recognising revenue. This assessment was made based on the terms and conditions of the contracts, and the provisions of relevant laws and regulations.

The Group recognises revenue over time in the following circumstances:

- (a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- (b) the Group does not create an asset with an alternative use to the Group and has an enforceable right to payment for performance completed to date; and
- (c) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

Where the above criteria are not met, revenue is recognised at a point in time. Where revenue is recognised at a point of time, the Group assesses each contract with customers to determine when the performance obligation of the Group under the contract is satisfied.

#### Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are set out below:

##### Useful lives of property, plant and equipment

The Group regularly review the estimated useful lives of property, plant and equipment based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the value of property, plant and equipment. The carrying amount at the reporting date for property, plant and equipment is disclosed in Note 4.



# Notes to the Financial Statements

31 December 2018

cont'd

## 2. BASIS OF PREPARATION (Cont'd)

- (c) Significant accounting judgements, estimates and assumptions (Cont'd)

### **Key sources of estimation uncertainty (Cont'd)**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are set out below: (Cont'd)

#### Development expenditure

The Group capitalises development expenditure for a project in accordance with the accounting policy. Initial capitalisation of development expenditure is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, the management is required to comply with the specifications as set out by Government of Malaysia under Kementerian Sains, Teknologi and Inovasi ("MOSTI"). The carrying amount at the reporting date for development expenditure is disclosed in Note 6.

#### Amortisation of development expenditure

Changes in the expected level of usage and technological development could impact the economic useful lives, therefore future amortisation charges could be revised.

#### Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the unused tax losses, unabsorbed capital allowances and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of recognised and unrecognised deferred tax assets are disclosed in Note 8.

#### Inventories valuation

Inventories are measured at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected sales prices. Demand levels and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories. Details of inventories are disclosed in Note 9.

#### Determination of transaction prices

There is no estimation required in determining the transaction price, as revenue from sale of goods and rendering of services are based on invoiced values. Discounts are not considered as they are only given in rare circumstances.

# Notes to the Financial Statements

31 December 2018  
cont'd

## 2. BASIS OF PREPARATION (Cont'd)

### (c) Significant accounting judgements, estimates and assumptions (Cont'd)

#### Key sources of estimation uncertainty (Cont'd)

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are set out below: (Cont'd)

#### Impairment of loans and receivables

The Group reviews the recoverability of its receivables at each reporting date to assess whether an impairment loss should be recognised. The impairment provisions for receivables are based on assumptions about risk of default and expected loss rates. The customer's credit worthiness is evaluated by reviewing, amongst others, the Group's historical collection experience.

The carrying amounts at the reporting date for trade receivables are disclosed in Note 11.

#### Defined benefit liability

Management estimates the defined benefit liability annually with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The estimate is based on standard rates of inflation, medical cost trends and mortality. It also takes into account the Group's specific anticipation of future salary increases. Discount factors are determined close to each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. Estimation uncertainties exist particularly with regard to medical cost trends, which may vary significantly in future appraisals of the Group's defined benefit obligations. The defined benefit liability of the Group at the reporting date is disclosed in Note 17.

#### Income taxes

Judgment is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group recognises liabilities for tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these tax matters is different from the amounts that were initially recognised, such differences will impact the income tax and/or deferred tax provisions in the period in which such determination is made. As at 31 December 2018, the Group has tax recoverable and tax payable of RMNil (2017: RM74,924) and RM184,110 (2017: RM9,739) respectively. The Company has tax payable of RM2,500 (2017: RM Nil).

#### Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments where active market quotes are not available. Details of the assumptions used are given in the Note 34(c) regarding financial assets and liabilities. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.



# Notes to the Financial Statements

31 December 2018

cont'd

## 3. SIGNIFICANT ACCOUNTING POLICIES

The Group and the Company apply the significant accounting policies set out below, consistently throughout all periods presented in the financial statements unless otherwise stated.

### (a) Basis of consolidation

#### (i) Subsidiary companies

Subsidiary companies are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Subsidiary companies are consolidated using merger method of accounting as the business combination of the subsidiary companies involved entities under common control.

Under the merger method of accounting, the results of subsidiary companies are presented as if the merger had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting credit differences is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any reserves which are attributable to share capital of the merged entities, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other reserves.

Acquisition-related costs are expensed in profit or loss as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is re-measured at its acquisition-date fair value and the resulting gain or loss is recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (which cannot exceed one year from the acquisition date), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date, if known, would have affected the amounts recognised at that date.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Unrealised losses are eliminated only if there is no indication of impairment. Where necessary, accounting policies of subsidiary companies have been changed to ensure consistency with the policies adopted by the Group.

# Notes to the Financial Statements

31 December 2018  
cont'd

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (a) Basis of consolidation (Cont'd)

#### (i) Subsidiary companies (Cont'd)

In the Company's separate financial statements, investments in subsidiary companies are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(l)(i) on impairment of non-financial assets.

#### (ii) Changes in ownership interests in subsidiary companies without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary company is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

#### (iii) Disposal of subsidiary companies

If the Group loses control of a subsidiary company, the assets and liabilities of the subsidiary company, including merger reserve, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in profit or loss. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

### (b) Foreign currency translation

#### (i) Foreign currency transactions and balances

Transactions in foreign currency are recorded in the functional currency of the respective Group entities using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are included in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.



# Notes to the Financial Statements

31 December 2018

cont'd

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (b) Foreign currency translation (Cont'd)

#### (i) Foreign currency transactions and balances (Cont'd)

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the reporting period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised in other comprehensive income.

#### (ii) Foreign operations

The assets and liabilities of foreign operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at the rate of exchange prevailing at the reporting date, except for goodwill and fair value adjustments arising from business combinations before 1 January 2012 (the date of transition to MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. However, if the operation is a non-wholly owned subsidiary company, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed off such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related that foreign operations reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary company that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to noncontrolling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

### (c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 3(l)(i) on impairment on non-financial assets.

#### (i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

# Notes to the Financial Statements

31 December 2018  
cont'd

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (c) Property, plant and equipment (Cont'd)

#### (i) Recognition and measurement (Cont'd)

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

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

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

#### (ii) Subsequent costs

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

#### (iii) Depreciation

Depreciation is recognised in the profit or loss on straight line basis to write off the cost of each asset to its residual value over its estimated useful life.

Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Office equipment	10%
Computer and Information Technology (IT) equipment	33%
Exhibition equipment	20%
Furniture and fittings	10%
Renovation	10%
Motor vehicles	20%
Hostel equipment	10%

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and year of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the property, plant and equipment.



# Notes to the Financial Statements

31 December 2018

cont'd

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (d) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

#### As lessee

#### (i) Finance lease

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

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

#### (ii) Operating lease

Leases, where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statements of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

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

#### As lessor

Leases in which the Group or the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

# Notes to the Financial Statements

31 December 2018  
cont'd

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (e) Intangible assets

#### (i) Internally-generated intangible assets – research and development expenditure

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- its intention to complete and its ability and intention to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete; and
- the ability to measure reliably the expenditure during development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. Amortisation is recognised on a straight-line basis over a period of five years. The estimated useful lives and amortisation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

#### (ii) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful lives and amortisation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

#### (iii) Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

See accounting policy Note 3(l)(i) on impairment of non-financial assets.



# Notes to the Financial Statements

31 December 2018

cont'd

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (f) Financial assets

#### *Policy applicable from 1 January 2018*

##### Recognition and initial measurement

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

At initial recognition, the Group or the Company measures a financial asset at its fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance of the financial instruments. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

##### Financial instrument categories and subsequent measurement

The Group and the Company determine the classification of financial assets at initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

### (i) Financial assets at amortised cost

The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Any gain and loss on derecognition is recognised in profit or loss.

The Group's and the Company's financial assets at amortised cost include other investments, trade and other receivables, fixed deposits with licensed banks and cash and bank balances.

# Notes to the Financial Statements

31 December 2018  
cont'd

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (f) Financial assets (Cont'd)

#### *Policy applicable from 1 January 2018 (Cont'd)*

#### Financial instrument categories and subsequent measurement (Cont'd)

#### (ii) Financial assets at fair value through other comprehensive income

##### (a) Debt investments

A debt investment is measured at FVTOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The debt investment is not designated as at fair value through profit or loss. Interest income calculated using effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income.

On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

##### (b) Equity investments

This category comprises investment in equity investment that is not held for trading. The Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represent a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income.

On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

#### (iii) Financial assets at fair value through profit or loss

All financial assets not classified as measured at amortised cost or FVTOCI, as described above are measured at FVTPL. This includes derivative financial assets (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as FVTPL are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income are recognised in the profit or loss.



# Notes to the Financial Statements

31 December 2018

cont'd

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (f) Financial assets (Cont'd)

#### ***Policy applicable from 1 January 2018 (Cont'd)***

All financial assets, except for those measured at FVTPL and equity investments measured at FVTOCI, are subject to impairment assessment as disclosed in Note 2(l)(ii).

#### Regular way purchase or sale of financial assets

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

#### Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to receive cash flows from the financial asset expire or transferred, 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 of the financial assets and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

#### ***Policy applicable before 1 January 2018***

Financial assets are recognised on 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.

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately in profit or loss.

The Group and the Company classify its financial assets depends on the purpose for which the financial assets were acquired at initial recognition, into the following categories:

### (i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those maturing later than 12 months after the end of the reporting period which are classified as non-current assets.

After initial recognition, financial assets categorised as loans and receivables are measured at amortised cost using the effective interest method, less impairment losses. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

# Notes to the Financial Statements

31 December 2018  
cont'd

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (f) Financial assets (Cont'd)

#### *Policy applicable before 1 January 2018 (Cont'd)*

The Group and the Company classify its financial assets depends on the purpose for which the financial assets were acquired at initial recognition, into the following categories: (Cont'd)

#### (ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the end of the reporting period.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method 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 from an available-for-sale equity instrument are recognised in profit or loss when the Group's right to receive payment is established.

Investment 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 impairment loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received for financial instrument is recognised in profit or loss.

### (g) Financial liabilities

#### *Policy applicable from 1 January 2018*

#### Recognition and initial measurement

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

At initial recognition, the Group or the Company measures a financial liability at its fair value less, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance of the financial instruments.

The Group's and the Company's financial liabilities include trade and other payables and loans and borrowings.



# Notes to the Financial Statements

31 December 2018

cont'd

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (g) Financial liabilities (Cont'd)

#### ***Policy applicable from 1 January 2018 (Cont'd)***

##### Financial instrument categories and subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

#### (i) Financial liabilities at fair value through profit or loss

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

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses recognised in the profit or loss.

The Group and the Company have not designated any financial liabilities as FVTPL.

#### (ii) Financial liabilities at amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

The Group's and the Company's financial liabilities designated as amortised cost comprise trade and other payables and loans and borrowings.

##### Derecognition

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

#### ***Policy applicable before 1 January 2018***

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definition of financial liabilities.

Financial liabilities are recognised on 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.

The Group and the Company classify its financial liabilities at initial recognition into financial liabilities measured at amortised cost.

The Group's financial liabilities comprise trade and other payables and loans and borrowings.

# Notes to the Financial Statements

31 December 2018  
cont'd

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (g) Financial liabilities (Cont'd)

#### *Policy applicable before 1 January 2018 (Cont'd)*

The Company's financial liabilities comprise of other payables.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Gains and losses on financial liabilities measured at amortised cost are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

### (h) Offsetting of financial instruments

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

### (i) Inventories

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

Cost is determined on first-in-first-out 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.

### (j) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdrafts and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.



# Notes to the Financial Statements

31 December 2018

cont'd

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (k) Contract assets and liabilities

Contract assets represent the Group's right to consideration in exchange for goods or services that the Group has transferred to the customers. Contract assets are subjected to impairment in accordance with MFRS 9, *Financial Instruments*. The contract assets of the Group comprise of amount due from customers on contracts which is the excess of cumulative revenue earned over the billings to-date and accrued revenue relate to Group's rights to consideration for work completed but not yet billed to the customers.

Contract liabilities represent the Group's obligation to transfer goods or services to customers for which the Group has received the consideration or has billed to the customer. The contract liabilities of the Group comprise of amount due to customers on contracts which is the excess of billings to-date over the cumulative revenue earned and deferred revenue where the Group has billed or has collected the payment before the goods are delivered or services are provided to the customers.

### (l) Impairment of assets

#### (i) 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 asset's recoverable amount is estimated.

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 other assets or cash-generating units. The recoverable amount of an asset or cash-generating unit is the greater of its value-in-use and its fair value less costs of disposal. 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 cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amounts of the assets in the cash-generating unit (group of cash-generating units).

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss.

#### (ii) Financial assets

##### ***Policy applicable from 1 January 2018***

The Group and the Company recognise an allowance for ECL for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

# Notes to the Financial Statements

31 December 2018  
cont'd

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

- (i) Impairment of assets (Cont'd)
- (ii) Financial assets (Cont'd)

### *Policy applicable from 1 January 2018 (Cont'd)*

For trade receivables and other receivables and contract assets, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company have established a provision matrix that is based on its historical credit loss experience and the economic environment.

### *Policy applicable before 1 January 2018*

All financial assets, other than those categorised as fair value through profit or loss, are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

#### Financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit year and observable changes in national or local economic conditions that correlate with defaults on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of impairment loss is recognised in profit or loss. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery.

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

#### Available-for-sale financial assets

Significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired. A significant or prolonged decline in the fair value of investments in equity instruments below its cost is also an objective evidence of impairment.



# Notes to the Financial Statements

31 December 2018

cont'd

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (l) Impairment of assets (Cont'd)

#### (ii) Financial assets (Cont'd)

#### *Policy applicable before 1 January 2018 (Cont'd)*

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

If an available-for-sale financial asset is impaired, the amount of impairment loss is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised. When a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent years. Increase in fair value of equity instrument, if any, subsequent to impairment loss is recognised other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

### (m) Share capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are equity instruments. Ordinary shares are recorded at the proceeds received, net of direct attributable incremental transaction costs. Ordinary shares are classified as equity.

Dividend distribution to the Company's shareholders is recognised as a liability in the period they are approved by the Board of Directors except for the final dividend which is subject to approval by the Company's shareholders.

### (n) Employee benefits

#### (i) Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the reporting period in which the associated services are rendered by employees of the Group. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

# Notes to the Financial Statements

31 December 2018  
cont'd

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (n) Employee benefits (Cont'd)

#### (ii) Defined contribution plans

As required by law, companies in Malaysia contribute to the state pension scheme, the Employee Provident Fund ("EPF"). Some of the Group's foreign subsidiary companies also make contributions to their respective countries' pension scheme. Such contributions are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the Group has no further payment obligations.

#### (iii) Defined benefit plans

A defined benefit plan is a pension plan that is not a defined contribution plan. Defined benefit plan is an approved fund independent of the Group's finances and defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability in respect of a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for actuarial gains/losses and unrecognised past service cost. The Group determines the present value of the defined benefit obligation and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of reporting period.

The defined benefit obligation, calculated annually using the Projected Unit Credit Method, is determined by independent actuaries, considering the estimated future cash outflows using market yields at reporting date of Government securities which have currency and terms to maturity approximating the terms of the related liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. The actuarial gains and losses are not subsequently reclassified to profit or loss in subsequent period.

Past-service costs are recognised immediately in profit or loss.

The Group recognises gains and losses on the settlement of a defined benefit plan when settlement occurs.

### (o) Revenue recognition

#### (i) Revenue from contracts with customers

Revenue is recognised when the Group satisfied a performance obligation ("PO") by transferring a promised good or services to the customer, which is when the customer obtains control of the good or service. A PO may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied PO.



# Notes to the Financial Statements

31 December 2018

cont'd

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (o) Revenue recognition (Cont'd)

#### (i) Revenue from contracts with customers (Cont'd)

##### (a) Sales of goods

The Group is involved in the trading of electronic identification products. Sales are recognised in the accounting period when control of the products has been transferred, being when the products are delivered to the customer. Delivery occurs when the products have been shipped to the designated location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

##### (b) Rendering of services

Revenue from services rendered is recognised in the profit or loss based on the value of services performed and invoiced to customers or in proportion to the stage of completion of the transaction during the reporting period. The stage of completion is assessed by reference to the proportion that costs incurred to date that reflect services performed bear to the total estimated costs of the transaction. Where the outcome of the transaction cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

#### (ii) Interest income

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

#### (iii) Dividend income

Dividend income is recognised when the Group and the Company's right to receive payment is established.

### (p) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

When the grant relates to an expense item, it is recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Where the grant relates to an asset, it is recognised as deferred income and transferred to profit or loss on a systematic basis over the useful lives of the related asset.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Where the Group receives non-monetary government grants, the asset and the grant are recorded at nominal amount and transferred to profit or loss on a systematic basis over the life of the depreciable asset by way of a reduced depreciation charge.

# Notes to the Financial Statements

31 December 2018  
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## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (q) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets, which are assets that necessarily take a substantial year of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

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

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.

### (r) Income taxes

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

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

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

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

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



# Notes to the Financial Statements

31 December 2018

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## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (s) Segments reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments and make overall strategic decisions. The Group's operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

### (t) Contingencies

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

# Notes to the Financial Statements

31 December 2018  
cont'd

## 4. PROPERTY, PLANT AND EQUIPMENT

	Office equipment RM	Computer and IT equipment RM	Exhibition equipment RM	Furniture and fittings RM	Renovation RM	Motor vehicles RM	Hostel equipment RM	Total RM
<b>Group 2018</b>								
<b>Cost</b>								
At 1 January 2018	118,967	953,524	8,484	120,801	65,742	182,970	12,748	1,463,236
Additions	71,182	334,026	-	103,541	141,279	401,696	-	1,051,724
Disposals	(949)	(18,253)	-	(220)	(1,915)	-	-	(21,337)
Reclassification	(4,238)	-	-	4,238	-	-	-	-
Exchange differences	(941)	(2,168)	-	(1,223)	(1,547)	(4,039)	-	(9,918)
At 31 December 2018	184,021	1,267,129	8,484	227,137	203,559	580,627	12,748	2,483,705
<b>Accumulated depreciation</b>								
At 1 January 2018	47,744	508,192	8,484	48,342	31,486	68,611	4,925	717,784
Charge for the financial year	15,935	232,874	-	12,557	14,057	30,733	1,273	307,429
Disposals	(642)	(17,960)	-	(215)	(1,871)	-	-	(20,688)
Reclassification	(3,406)	-	-	3,406	-	-	-	-
Exchange differences	(191)	(525)	-	(257)	(201)	(836)	-	(2,010)
At 31 December 2018	59,440	722,581	8,484	63,833	43,471	98,508	6,198	1,002,515
<b>Carrying amount</b>								
At 31 December 2018	124,581	544,548	-	163,304	160,088	482,119	6,550	1,481,190



# Notes to the Financial Statements

31 December 2018

cont'd

## 4. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	Office equipment RM	Computer and IT equipment RM	Exhibition equipment RM	Furniture and fittings RM	Renovation RM	Motor vehicles RM	Hostel equipment RM	Total RM
<b>Group 2017</b>								
<b>Cost</b>								
At 1 January 2017	128,353	743,700	8,484	126,423	21,502	178,287	12,748	1,219,497
Additions	18,840	383,067	-	10,538	44,438	16,800	-	473,683
Disposals	-	(97,964)	-	-	-	-	-	(97,964)
Written off	(25,933)	(64,461)	-	(12,356)	-	-	-	(102,750)
Exchange differences	(2,293)	(10,818)	-	(3,804)	(198)	(12,117)	-	(29,230)
At 31 December 2017	118,967	953,524	8,484	120,801	65,742	182,970	12,748	1,463,236
<b>Accumulated depreciation</b>								
At 1 January 2017	46,629	547,991	8,484	48,052	19,568	43,965	3,652	718,341
Charge for the financial year	17,966	130,656	-	13,096	12,738	27,592	1,273	203,321
Disposals	-	(96,704)	-	-	-	-	-	(96,704)
Written off	(15,812)	(64,201)	-	(11,725)	-	-	-	(91,738)
Exchange differences	(1,039)	(9,550)	-	(1,081)	(820)	(2,946)	-	(15,436)
At 31 December 2017	47,744	508,192	8,484	48,342	31,486	68,611	4,925	717,784
<b>Carrying amount</b>								
At 31 December 2017	71,223	445,332	-	72,459	34,256	114,359	7,823	745,452

# Notes to the Financial Statements

31 December 2018  
cont'd

## 4. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

- (a) The carrying amount of property, plant and equipment of the Group acquired under finance lease financing are as follows:

	Group	
	2018	2017
	RM	RM
Motor vehicles	396,665	14,250

Leased assets are pledged as security for the related finance lease liability.

- (b) The aggregate cost for the property, plant and equipment of the Group during the financial year under finance lease financing and cash payments are as follows:

	Group	
	2018	2017
	RM	RM
Aggregate costs	1,051,724	473,683
Less: Finance lease financing	(368,400)	-
Cash payments	683,324	473,683

## 5. INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	2018	2017
	RM	RM
<b>Unquoted shares, at cost</b>		
In Malaysia	9,916,998	-
Outside Malaysia	4,131,000	-
	14,047,998	-



# Notes to the Financial Statements

31 December 2018

cont'd

## 5. INVESTMENT IN SUBSIDIARY COMPANIES (Cont'd)

Details of the subsidiary companies are as follows:

Name of company	Place of business/ Country of incorporation	Effective interest (%)		Principal activities
		2018	2017	
<b>Direct holding</b>				
Securemetric Technology Sdn. Bhd. (“Securemetric Malaysia”)	Malaysia	100	-	Provision of digital security solutions as well as trading of electronic identification products, and other related services
Securemetric Technology Co., Ltd (“Securemetric Vietnam”) *	Vietnam	100	-	Provision of digital security solutions as well as trading of electronic identification products, and other related services
Securemetric Technology, Inc. (“Securemetric Philippines”) *	Philippines	99.997	-	Provision of digital security solutions as well as trading of electronic identification products, and other related services
PT Securemetric Technology (“Securemetric Indonesia”) *	Indonesia	100	-	Provision of digital security solutions as well as trading of electronic identification products, and other related services
Securemetric Technology Ptd. Ltd. (“Securemetric Singapore”) *	Singapore	100	-	Trading of electronic identification products and other related services
PT Softkey Indonesia (“Softkey Indonesia”) *	Indonesia	80	-	Trading of electronic identification products and other related services

\* Audited by member firm of UHY International Limited

# Notes to the Financial Statements

31 December 2018  
cont'd

## 5. INVESTMENT IN SUBSIDIARY COMPANIES (Cont'd)

### (a) Acquisition of subsidiary companies

On 2 February 2018, the Company entered into conditional share sale and purchase agreements (as supplemented by the supplemental agreement dated 19 July 2018) ("the Acquisitions") to acquire the equity interest in Securemetric Malaysia, Securemetric Vietnam, Securemetric Philippines, Securemetric Indonesia, Securemetric Singapore and Softkey Indonesia. The purchase consideration for the Acquisitions was satisfied by the issuance of new ordinary shares in the Company ("Securemetric Shares").

The details of the Acquisitions are as follows:

- (i) Acquisition of 1,000,000 ordinary shares in Securemetric Malaysia from Law Seeh Key ("Mr. Law") and Nioo Yu Siong ("Mr. Nioo"), representing 100% of issued share capital of Securemetric Malaysia for a purchase price of RM9,916,998, satisfied via the issuance of 123,962,475 Securemetric Shares at an issue price of RM0.08 for each Securemetric Shares.

The acquisition was completed on 31 July 2018 and consequently, Securemetric Malaysia became a wholly-owned subsidiary company of the Company.

- (ii) Acquisition of Securemetric Vietnam's entire USD100,000 contributed charter capital from Mr. Law, Li Jianjun ("Mr Li") and Mr. Nioo, representing 100% of the issued share capital of Securemetric Vietnam, satisfied through a total cash consideration of USD 165,192 (equivalent to RM644,000 at the exchange rate of USD1.00: RM3.89850 as mutually agreed in the agreements). These advances were capitalised via the issuance of 8,050,000 Securemetric Shares at an issue price of RM0.08 for each Securemetric Shares.

The acquisition was completed on 4 September 2018 and consequently, Securemetric Vietnam became a wholly-owned subsidiary company of the Company.

- (iii) Acquisition of 99,997 ordinary shares in Securemetric Philippines from Mr. Nioo and Mr. Law, representing 99.997% of issued share capital of Securemetric Philippines for a purchase price of RM681,000, satisfied via the issuance of 8,512,500 Securemetric Shares at an issue price of RM0.08 for each Securemetric Shares.

The acquisition was completed on 4 September 2018 and consequently, Securemetric Philippines became 99.997% owned subsidiary company of the Company.

- (iv) Acquisition of 100,000 ordinary shares in Securemetric Indonesia from Mr. Law, Mr. Nioo and Mr. Li, representing 100% of issued share capital of Securemetric Indonesia for a purchase price of RM1,358,000, satisfied via the issuance of 16,975,000 Securemetric Shares at an issue price of RM0.08 for each Securemetric Shares.

The acquisition was completed on 4 September 2018 and consequently, Securemetric Indonesia became a wholly-owned subsidiary company of the Company.

- (v) Acquisition of 50,000 ordinary shares in Securemetric Singapore from Mr. Law and Mr. Nioo, representing 100% of issued share capital of Securemetric Singapore for a purchase price of RM275,000, satisfied via the issuance of 3,437,500 Securemetric Shares at an issue price of RM0.08 for each Securemetric Shares.

The acquisition was completed on 4 September 2018 and consequently, Securemetric Singapore became a wholly-owned subsidiary company of the Company.



# Notes to the Financial Statements

31 December 2018

cont'd

## 5. INVESTMENT IN SUBSIDIARY COMPANIES (Cont'd)

### (a) Acquisition of subsidiary companies (Cont'd)

The details of the Acquisitions are as follows: (Cont'd)

- (vi) Acquisition of 80,000 ordinary shares in Softkey Indonesia from Yong Kim Fui, representing 80% of issued share capital of Softkey Indonesia for a purchase price of RM1,173,000, satisfied via the issuance of 14,662,500 Securemetric Shares at an issue price of RM0.08 for each Securemetric Shares.

The acquisition was completed on 4 September 2018 and consequently, Softkey Indonesia became 80% owned subsidiary company of the Company.

### (b) Material partly-owned subsidiary company

The summarised financial information of the Group's subsidiary company that have material non-controlling interests (amount before inter-company elimination) is as follows:

Name of company	Proportion of ownership, interest and voting rights held by non-controlling interests		Profit allocated to non- controlling interests		Accumulated non- controlling interests	
	2018	2017	2018	2017	2018	2017
	%	%	RM	RM	RM	RM
Softkey Indonesia	20	20	79,272	66,001	322,354	252,192

### (i) Summarised Statement of Financial Position

	2018	2017
	RM	RM
Non-current asset	87,316	34,624
Current assets	2,951,180	1,682,329
Current liabilities	(894,891)	(70,465)
Net assets	2,143,605	1,646,488

### (ii) Summarised Statement of Profit or Loss and Other Comprehensive Income

	2018	2017
	RM	RM
Revenue	3,483,609	1,815,041
Total comprehensive income for the financial year	396,360	330,005

# Notes to the Financial Statements

31 December 2018  
cont'd

## 5. INVESTMENT IN SUBSIDIARY COMPANIES (Cont'd)

(b) Material partly-owned subsidiary company (Cont'd)

(iii) Summarised Statement of Cash Flows

	2018 RM	2017 RM
Net cash (used in)/generated from operating activities	(929,461)	1,000,391
Net cash used in investing activities	(8,578)	(1,511)
Net cash generated from/(used in) financing activities	321,078	(475,346)
Net (decrease)/increase in cash and cash equivalents	(616,961)	523,534

There are no significant restrictions on the ability of the subsidiary companies to transfer funds to the Group in the form of cash dividends or repayment of loans and advances.

## 6. DEVELOPMENT EXPENDITURE

	Group	
	2018 RM	2017 RM
<b>Cost</b>		
At 1 January	2,417,014	2,330,014
Addition	-	87,000
At 31 December	2,417,014	2,417,014
<b>Accumulated amortisation</b>		
At 1 January	483,403	-
Charge for the financial year	483,403	483,403
At 31 December	966,806	483,403
<b>Carrying amount</b>		
At 31 December	1,450,208	1,933,611

The development expenditure incurred for research and development of in-house developed centralised authentication management system ("CENTAGATE®"), which is funded through government grant received by the Group as disclosed in Note 21(b).



# Notes to the Financial Statements

31 December 2018

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## 7. OTHER INVESTMENTS

	Group	
	2018 RM	2017 RM
<b><u>Non-current</u></b>		
<b>Financial asset at fair value through other comprehensive income</b>		
Quoted shares, in Malaysia, at market value	259,555	-
<b>Available-for-sale financial asset</b>		
Quoted shares, in Malaysia, at market value	-	251,137
	<u>259,555</u>	<u>251,137</u>
<b><u>Current</u></b>		
<b>Financial asset at fair value through profit or loss</b>		
Unit trust	<u>2,530,593</u>	<u>-</u>

The fair value of the quoted shares and unit trust were determined by reference to the quoted price in the share market.

## 8. DEFERRED TAX ASSETS

	Group	
	2018 RM	2017 RM
At 1 January	34,608	42,197
Recognised in profit or loss	59,706	(1,674)
Exchange differences	277	(5,915)
At 31 December	<u>94,591</u>	<u>34,608</u>

The net deferred tax assets and liabilities shown on the statements of financial position after appropriate offsetting are as follows:

	Group	
	2018 RM	2017 RM
Deferred tax assets	122,078	51,547
Deferred tax liabilities	<u>(27,487)</u>	<u>(16,939)</u>
	<u>94,591</u>	<u>34,608</u>

# Notes to the Financial Statements

31 December 2018  
cont'd

## 8. DEFERRED TAX ASSETS (Cont'd)

The components and movements of deferred tax assets and liabilities are as follows:

### Deferred tax assets

	Others RM	Total RM
<b>Group</b>		
At 1 January 2018	51,547	51,547
Recognised in profit or loss	62,398	62,398
Under provision in prior year	7,856	7,856
Exchange differences	277	277
At 31 December 2018	122,078	122,078
At 1 January 2017	75,095	75,095
Recognised in profit or loss	(52,914)	(52,914)
Under provision in prior year	35,281	35,281
Exchange differences	(5,915)	(5,915)
At 31 December 2017	51,547	51,547

### Deferred tax liabilities

	Accelerated capital allowances RM	Others RM	Total RM
<b>Group</b>			
At 1 January 2018	16,939	-	16,939
Recognised in profit or loss	964	1,728	2,692
Under provision in prior year	7,856	-	7,856
At 31 December 2018	25,759	1,728	27,487
At 1 January 2017	17,518	15,380	32,898
Recognised in profit or loss	(543)	(17,799)	(18,342)
(Over)/Under provision in prior year	(36)	2,419	2,383
At 31 December 2017	16,939	-	16,939



# Notes to the Financial Statements

31 December 2018

cont'd

## 8. DEFERRED TAX ASSETS (Cont'd)

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2018	2017
	RM	RM
Other deductible temporary differences	414,296	211,275

Deferred tax assets have not been recognised in respect of these items as they may not have sufficient taxable profits to be used to offset.

## 9. INVENTORIES

	Group	
	2018	2017
	RM	RM
<b>At cost</b>		
Finished goods	1,504,105	2,084,349
<b>Recognised in profit or loss</b>		
Inventories recognised as cost of sales	11,323,611	11,020,471
Inventories written down	58,674	-
Inventories written off	20	74,557

## 10. CONTRACT ASSETS/(LIABILITIES)

(a) Contract assets

		Group	
		2018	2017
	Note	RM	RM
Amount due from customers on contracts	(i)	734,741	-
Software, consultancy and installation services	(ii)	1,100,840	-
		1,835,581	-

# Notes to the Financial Statements

31 December 2018

cont'd

## 10. CONTRACT ASSETS/(LIABILITIES) (Cont'd)

### (a) Contract assets (Cont'd)

#### (i) Amount due from customers on contracts

	Group	
	2018	2017
	RM	RM
Contract costs incurred to date	1,128,229	223,482
Attributable profits	1,477,856	66,725
	2,606,085	290,207
Less: Progress billings	(1,871,344)	(561,105)
	734,741	(270,898)
Presented as:		
Contract assets	734,741	-
Contract liabilities	-	(270,898)
	734,741	(270,898)

Amount due from customers on contracts relates to the Group's rights to consideration for work completed but not billed at the reporting date. Amount due from customers on contracts are transferred to trade receivables at the point at which it is invoiced to the customer.

#### (ii) Software, consultancy and installation services

This represents Group's rights to consideration for work completed but not yet billed at the reporting date.

### (b) Contract liabilities

		Group	
		2018	2017
	Note	RM	RM
Amount due to customers on contracts	(i)	-	270,898
Deferred revenue	(ii)	4,392,382	4,459,790
		4,392,382	4,730,688

(i) Amount due to customers on contracts relate to billings in excess of revenue recognised, for which revenue is recognised over time when the Group progressively satisfies its performance obligation.

(ii) Deferred revenue represents advance consideration received (or an amount of consideration is due) from the customer in respect of services which are yet to be provided. The deferred revenue will be recognised as revenue when the related services is rendered.



# Notes to the Financial Statements

31 December 2018

cont'd

## 10. CONTRACT ASSETS/(LIABILITIES) (Cont'd)

### (c) Unsatisfied performance obligation

As of the reporting date, revenue expected to be recognised in the future relating to performance obligations that are unsatisfied (or partially unsatisfied) is RM13,841,098. The Group expects to recognise this revenue upon the completion of contracts which is expected to occur over the next twelve months.

## 11. TRADE RECEIVABLES

	Group	
	2018 RM	2017 RM
Trade receivables	10,361,255	14,153,200
Retention sum	1,101,535	1,077,710
	11,462,790	15,230,910
Less: Accumulated impairment losses	(332,162)	-
	11,130,628	15,230,910

Trade receivables are non-interest bearing and are on 30 to 90 days (2017: 30 to 90 days) term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Movements in the allowance for impairment losses is as follows:

	Lifetime allowance RM	Credit Impaired RM	Loss allowance RM
<b>Group</b>			
At 1 January 2018	-	-	-
Effect of adopting MFRS 9 [Note 2(a)(i)]	63,465	-	63,465
Impairment losses recognised	165,724	143,399	309,123
Impairment losses reversed	(41,502)	-	(41,502)
Exchange differences	1,076	-	1,076
At 31 December 2018	188,763	143,399	332,162

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

# Notes to the Financial Statements

31 December 2018  
cont'd

## 11. TRADE RECEIVABLES (Cont'd)

The ageing analysis of trade receivables at the end of the reporting period are as follows:

	Gross amount RM	Loss allowance RM	Net amount RM
<b>Group</b>			
<b>2018</b>			
Neither past due nor impaired	5,461,636	(114,665)	5,346,971
Past due but not impaired			
Less than 30 days	2,282,589	(49,386)	2,233,203
31 to 60 days	249,692	(3,236)	246,456
61 to 90 days	1,133,147	(614)	1,132,533
More than 90 days	2,192,327	(20,862)	2,171,465
	5,857,755	(74,098)	5,783,657
<b>Credit impaired</b>			
Individually impaired	143,399	(143,399)	-
	11,462,790	(332,162)	11,130,628
<b>2017</b>			
Neither past due nor impaired	3,370,432	-	3,370,432
Past due but not impaired			
Less than 30 days	10,123,184	-	10,123,184
31 to 60 days	122,382	-	122,382
61 to 90 days	140,095	-	140,095
More than 90 days	1,474,817	-	1,474,817
	11,860,478	-	11,860,478
	15,230,910	-	15,230,910

# Notes to the Financial Statements

31 December 2018

cont'd

## 11. TRADE RECEIVABLES (Cont'd)

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

As at 31 December 2018, the Group has trade receivables amounting to RM5,783,657 (2017: RM11,860,478) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default but with slower repayment records.

As at 31 December 2018, included in trade receivables that are past due but not impaired more than 90 days are retention sum of RM1,101,535 (2017: RM1,077,710).

The Group has 4 customers (2017: 1 customer) that owed to the Group for approximately 50% (2017: 66%) of total trade receivables at the end of the reporting period.

The foreign currency exposure profile is as follows:

	Group	
	2018 RM	2017 RM
Singapore Dollar	878	-
United States Dollar	3,500,844	12,059,474
Euro	85,095	98,008
	<u>3,586,817</u>	<u>12,157,482</u>

## 12. OTHER RECEIVABLES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Other receivables	281,175	511,416	-	-
Deferred costs	1,410,038	2,014,951	-	-
Deposits	133,167	104,383	-	-
Prepayments	783,172	1,067,799	67,500	140
GST receivables	2,617	46,286	-	-
	<u>2,610,169</u>	<u>3,744,835</u>	<u>67,500</u>	<u>140</u>

# Notes to the Financial Statements

31 December 2018

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## 13. FIXED DEPOSITS WITH LICENSED BANKS

	Group	
	2018 RM	2017 RM
Deposits with tenures of less than 3 months	-	63,000
Deposits with tenures of more than 3 months	2,763,921	2,677,295
	<u>2,763,921</u>	<u>2,740,295</u>

The fixed deposits of the Group bear interest ranging from 3.10% to 6.80% (2017: 3.05% to 6%) per annum with maturity period of 12 months (2017: ranging from 2 to 12 months).

Included in fixed deposits with licensed banks of the Group is an amount of RM165,412 (2017: RM159,769) which has been pledged to a licensed bank as security for credit facility granted to the Group.

Included in fixed deposits with licensed banks of the Group is an amount of RM2,598,509 (2017: RM2,580,526) which has been pledged to a licensed bank as security for bank guarantee facilities granted to the Group.

## 14. CASH AND BANK BALANCES

The foreign currency exposure profile is as follows:

	Group	
	2018 RM	2017 RM
Singapore Dollar	38,594	2,135
United States Dollar	2,041,778	3,832,759
Euro	117,468	21,968
	<u>2,197,840</u>	<u>3,856,862</u>

# Notes to the Financial Statements

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## 15. SHARE CAPITAL

	Note	2018			2017			2018			2017		
		Group			Group			Company			Company		
		Number of shares	Amount RM	Number of shares	Amount RM	Number of shares	Amount RM	Number of shares	Amount RM	Number of shares	Amount RM	Number of shares	Amount RM
Issued and fully paid ordinary shares													
At 1 January/At date of incorporation		1,406,687 *	2,705,441	1,406,680	2,705,439	25	2	1	1				
Sub-division of ordinary shares	(a)	-	-	-	-	-	-	-	23				
Issuance in share capital by Securemetric Philippines		43,320	337,896	-	-	-	-	-	-				
Issuance of ordinary shares	(b)												
- acquisition of subsidiary companies		175,599,975	14,047,998	7	2	175,599,975	14,047,998	1	1				
- for initial public offering		68,000,000	17,000,000	-	-	68,000,000	17,000,000	-	-				
Adjustment on acquisition of subsidiary companies		(1,449,982)	(3,043,335)	-	-	-	-	-	-				
Share issuance expenses		-	(594,236)	-	-	-	(594,236)	-	-				
At 31 December		243,600,000	30,453,764	1,406,687	2,705,441	243,600,000	30,453,764	25	2				

\* The share capital as at 31 December 2017 represent the issued and paid up share capital of the Company, Securemetric Malaysia, Securemetric Vietnam, Securemetric Philippines, Securemetric Indonesia, Securemetric Singapore and Softkey Indonesia.

(a) In previous financial period, the Company subdivide the issued and paid up share capital of RM2 comprising 2 ordinary shares of RM1.00 each into RM2 comprising of 25 ordinary shares of RM0.08 each.

(b) During the financial year, the Company increased its issued and paid up share capital from RM2 to RM31,048,000 by way of issuance of 243,599,975 new ordinary shares as follows:

(i) 175,599,975 new ordinary shares at an issue price of RM0.08 each for a total consideration of RM14,047,998 for the acquisition of subsidiary companies as disclosed in Note 5(a).

(ii) 68,000,000 new ordinary shares at an issue price of RM0.25 each for a total cash consideration of RM17,000,000 pursuant to the initial public offering of the Company on the ACE Market of Bursa Malaysia Securities Berhad.

# Notes to the Financial Statements

31 December 2018  
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## 15. SHARE CAPITAL (Cont'd)

The new ordinary shares issued rank pari passu in all respects with the existing ordinary shares of the Company.

The holders of ordinary shares is entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

## 16. RESERVES

	Note	Group	
		2018 RM	2017 RM
Fair value adjustment reserve	(a)	195,017	186,599
Foreign currency translation reserve	(b)	(335,059)	(247,303)
Tax amnesty	(c)	3,274	3,274
Merger reserve	(d)	(11,004,663)	-
		<u>(11,141,431)</u>	<u>(57,430)</u>

### (a) Fair value adjustment reserve

Fair value adjustment reserve represents the cumulative net change in the fair value of financial asset at fair value through other comprehensive income (2017: available-for-sale financial assets) until they are derecognised or impaired.

### (b) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

### (c) Tax amnesty

The subsidiary companies, namely Securemetric Indonesia and Softkey Indonesia participated in the Tax Amnesty Program in accordance with Law No. 11/2016. Both subsidiary companies paid the related redemption money amounting to RM3,274 (2017: RM3,274) and recorded the declared tax amnesty assets under other reserve.

### (d) Merger reserve

The merger reserve arises from the difference between the nominal value of shares issued by the Company and the nominal value of shares of the subsidiary company acquired under the merger method of accounting.



# Notes to the Financial Statements

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## 17. EMPLOYEE BENEFIT

### Retirement benefit plans

The subsidiary companies in Indonesia operate an unfunded defined benefit scheme for its employees based on the provisions of Labour Law No. 13/2003.

The amounts of unfunded defined benefit recognised in the statements of financial position of the Group are determined as follows:

	Group	
	2018	2017
	RM	RM
Present value of funded obligations	195,846	-

### Retirement benefit plans

The movement in the present value of defined benefit obligations is:

	Group	
	2018	2017
	RM	RM
At 1 January	-	-
Recognised in profit or loss:		
- Current service costs	191,343	-
Exchange differences	4,503	-
At 31 December	195,846	-

The principal actuarial assumptions used in respect of the Group's unfunded defined benefit plan at the end of the reporting period are as follows:

	Group	
	2018	2017
	RM	RM
Discount rate at 31 December	10%	-
Future salary increases	3%	-
Normal retirement age	55 years	-

# Notes to the Financial Statements

31 December 2018  
cont'd

## 17. EMPLOYEE BENEFIT (Cont'd)

The sensitivity of the defined benefit obligation to changes in the principal assumptions are as follows:

	Group	
	+1%	-1%
	RM	RM
(Decrease)/Increase of present value of the unfunded obligations		
- Discount rates	(29,702)	29,702
- Expected salary	37,974	(37,974)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

## 18. FINANCE LEASE LIABILITY

	Group	
	2018	2017
	RM	RM
<b>Minimum lease payments</b>		
Within one year	82,164	-
Later than one year but not later than two years	82,164	-
Later than two years but not later than five years	246,438	-
	410,766	-
Less: Future finance charges	(42,366)	-
Present value of minimum lease payments	368,400	-
<b>Present value of minimum lease payments</b>		
Within one year	67,023	-
Later than one year but not later than two years	70,357	-
Later than two years but not later than five years	231,020	-
	368,400	-
<b>Analysed as:</b>		
Repayable within twelve months	67,023	-
Repayable after twelve months	301,377	-
	368,400	-

The Group leases motor vehicle under finance lease as disclosed in Note 4(a). There are no restrictive covenants imposed by the lease agreement and no agreements have been entered into for contingent rental payments.

The interest rate of finance lease liability is 2.30% per annum.



# Notes to the Financial Statements

31 December 2018  
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## 19. BANK BORROWINGS

	Group	
	2018 RM	2017 RM
<b>Secured</b>		
Term loans	1,996,610	2,547,799
<b>Secured</b>		
Term loans		
- Non-current	1,392,972	1,995,195
- Current	603,638	552,604
	1,996,610	2,547,799

The above credit facilities obtained from licensed banks are secured on the followings:

- (a) Credit Guarantee Corporation Malaysia Berhad guarantee under the Portfolio Guarantee Scheme;
- (b) guaranteed by a Director of the Company; and
- (c) guaranteed by a Director of a subsidiary company.

The maturities of bank borrowings are as follows:

	Group	
	2018 RM	2017 RM
Within 1 year	603,638	552,604
Between 1 to 2 years	660,034	603,823
Between 2 to 3 years	637,997	660,243
Between 3 to 4 years	94,941	638,931
Between 4 to 5 years	-	92,198
	1,996,610	2,547,799

The range of interest rates per annum at the reporting date is as follows:

	Group	
	2018 %	2017 %
Term loans	7.95 - 11.15	7.70 - 11.15

# Notes to the Financial Statements

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## 20. TRADE PAYABLES

The trade credit terms granted to the Group ranged from 30 to 90 days (2017: 30 to 90 days) depending on the terms of the contracts.

The foreign currency exposure profile is as follows:

	Group	
	2018 RM	2017 RM
United States Dollar	1,130,445	7,532,412
Euro	166,848	-
	<u>1,297,293</u>	<u>7,532,412</u>

## 21. OTHER PAYABLES

		Group		Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
Other payables	(c)	782,844	3,137,456	-	5,703
Amount due to a Director	(a)	-	368,135	-	-
Deferred capital grant	(b)	1,350,104	1,800,139	-	-
Accruals		2,141,200	818,407	73,200	2,000
GST payables		58	192,890	-	-
		<u>4,274,206</u>	<u>6,317,027</u>	<u>73,200</u>	<u>7,703</u>

### (a) Amount due to a Director

In previous financial year, the amount due to a Director represents advances and payment on behalf which is unsecured, non-interest bearing and repayable on demand.

### (b) Deferred capital grant

Deferred capital grant refers to government grant received from Government of Malaysia under Kementerian Sains, Teknologi and Inovasi ("MOSTI") for the new technology project research and development activities. There are no unfulfilled conditions or contingencies attached to this grant. The grant is to be amortised over the useful life of the technology and recognised as other income in profit or loss upon the completion of the project.



# Notes to the Financial Statements

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## 21. OTHER PAYABLES (Cont'd)

### (b) Deferred capital grant (Cont'd)

The movement of the deferred capital grant is as follows:

	Group	
	2018	2017
	RM	RM
At 1 January	1,800,139	1,247,715
Grant received during the financial year	-	1,002,459
Amortised during the financial year	(450,035)	(450,035)
At 31 December	1,350,104	1,800,139

### (c) Other payables

The foreign currency exposure profile is as follows:

	Group	
	2018	2017
	RM	RM
United States Dollar	-	2,302,020
Canadian Dollar	-	323,000
	-	2,625,020

## 22. REVENUE

	Group	
	2018	2017
	RM	RM
<b>Revenue from contracts with customers</b>		
- Sales of goods	19,411,173	24,285,809
- Rendering of services	11,884,579	20,481,003
	31,295,752	44,766,812
<b>Timing of revenue recognition</b>		
At a point in time	26,858,411	43,107,071
Over time	4,437,341	1,659,741
Total revenue from contracts with customers	31,295,752	44,766,812

# Notes to the Financial Statements

31 December 2018  
cont'd

## 22. REVENUE (Cont'd)

Set below is the disaggregation of the Group's revenue from contracts with customers:

	Digital security solutions RM	Electronic identification products RM	Others RM	Total RM
<b>Group</b>				
<b>2018</b>				
<b>Type of goods and services</b>				
Sale of goods	9,754,007	9,656,725	441	19,411,173
Rendering of services	7,055,939	1,983	4,826,657	11,884,579
Total revenue from contracts with customers	16,809,946	9,658,708	4,827,098	31,295,752
<b>Geographical market</b>				
Malaysia	2,696,468	851,646	869,101	4,417,215
Vietnam	4,612,647	153,954	586,673	5,353,274
Philippines	446,511	87,545	1,232,306	1,766,362
Indonesia	3,443,131	3,207,774	671,605	7,322,510
United States	249,726	5,330,418	7,966	5,588,110
Singapore	1,721,603	23,553	1,048,601	2,793,757
Canada	1,029,483	-	-	1,029,483
Others	2,610,377	3,818	410,846	3,025,041
	16,809,946	9,658,708	4,827,098	31,295,752
<b>Timing of revenue recognition</b>				
At a point in time	16,809,946	9,658,708	389,757	26,858,411
Over time	-	-	4,437,341	4,437,341
Total revenue from contracts with customers	16,809,946	9,658,708	4,827,098	31,295,752
<b>2017</b>				
<b>Type of goods and services</b>				
Sale of goods	18,406,001	5,879,808	-	24,285,809
Rendering of services	18,636,449	-	1,844,554	20,481,003
Total revenue from contracts with customers	37,042,450	5,879,808	1,844,554	44,766,812

# Notes to the Financial Statements

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## 22. REVENUE (Cont'd)

Set below is the disaggregation of the Group's revenue from contracts with customers: (Cont'd)

	Digital security solutions RM	Electronic identification products RM	Others RM	Total RM
<b>Group</b>				
<b>2017</b>				
<b>Geographical market</b>				
Malaysia	4,383,664	1,026,502	33,176	5,443,342
Vietnam	21,866,058	215,463	4,738	22,086,259
Philippines	562,813	447,611	477,444	1,487,868
Indonesia	2,603,423	1,493,390	533,666	4,630,479
United States	247,919	2,665,473	19,131	2,932,523
Singapore	4,977,088	24,290	47,080	5,048,458
Others	2,401,485	7,079	729,319	3,137,883
	<u>37,042,450</u>	<u>5,879,808</u>	<u>1,844,554</u>	<u>44,766,812</u>
<b>Timing of revenue recognition</b>				
At a point in time	37,042,450	5,879,808	184,813	43,107,071
Over time	-	-	1,659,741	1,659,741
Total revenue from contracts with customers	<u>37,042,450</u>	<u>5,879,808</u>	<u>1,844,554</u>	<u>44,766,812</u>

## 23. COST OF SALES

	Group	
	2018 RM	2017 RM
Sales of goods	11,323,611	11,020,471
Services rendered	2,335,907	12,503,222
	<u>13,659,518</u>	<u>23,523,693</u>

## 24. FINANCE COSTS

	Group	
	2018 RM	2017 RM
Interest expenses on:		
Bank guarantee	-	35,748
Finance lease liability	-	348
Term loans	209,803	218,927
	<u>209,803</u>	<u>255,023</u>

# Notes to the Financial Statements

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## 25. PROFIT/(LOSS) BEFORE TAX

Profit/(Loss) before tax is derived at after charging/(crediting):

	Group		Company	
	2018	2017	2018	Financial Period From 6 June 2017 to 31 Dec 2017
	RM	RM	RM	RM
Auditors' remuneration				
- statutory				
- UHY	85,000	14,000	65,000	2,000
- member firms of UHY International Limited	74,038	-	-	-
- others	-	67,026		
- non-statutory	5,000	8,213	5,000	-
Allowance for slow moving inventories	58,674	-	-	-
Amortisation of development expenditure	483,403	483,403	-	-
Depreciation of property, plant and equipment	307,429	203,321	-	-
Fair value gain on financial asset recognised in profit or loss	(759)	-	-	-
Dividend income from unit trust	(29,834)	-	-	-
Listing expenses	1,742,344	-	1,742,344	-
Non-executive Directors' remuneration				
- fees	59,500	-	59,500	-
Impairment losses on trade receivables	309,123	-	-	-
Reversal of impairment losses on trade receivables	(41,502)	-	-	-
Incorporation fee	-	1,550	-	1,550
Inventories written off	20	74,557	-	-
Property, plant and equipment written off	-	11,012	-	-
Loss on foreign exchange				
- unrealised	2,118	334,575	-	-
- realised	27,247	378,743	41,431	-
Rental expenses				
- office	433,279	434,902	-	-
- hostel	-	28,900	-	-



# Notes to the Financial Statements

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## 25. PROFIT/(LOSS) BEFORE TAX (Cont'd)

Profit/(Loss) before tax is derived at after charging/(crediting): (Cont'd)

	Group		Company	
	2018	2017	2018	Financial Period From 6 June 2017 to 31 Dec 2017
	RM	RM	RM	RM
Gain on disposal of property, plant and equipment	(511)	(749)	-	-
Government grant income	(450,035)	(450,035)	-	-
Interest income	(191,721)	(146,456)	(14,838)	-

## 26. TAXATION

	Group		Company	
	2018	2017	2018	Financial Period From 6 June 2017 to 31 Dec 2017
	RM	RM	RM	RM
<b>Tax expenses recognised in profit or loss</b>				
Current tax provision				
- Malaysian tax	469,500	-	2,500	-
- Foreign tax	460,469	118,499	-	-
Under/(Over) provision in prior years	18,216	(324)	-	-
	948,185	118,175	2,500	-
<b>Deferred tax (Note 8):</b>				
Relating to origination and reversal of temporary differences	(59,706)	34,572	-	-
Over provision in prior years	-	(32,898)	-	-
	(59,706)	1,674	-	-
	888,479	119,849	2,500	-

Malaysian income tax is calculated at the statutory tax rate of 18% (2017: 18%) on the first RM500,000 and 24% (2017: 24%) on the balance of chargeable income of the estimated assessable profits for the financial year. Taxation for other jurisdiction is calculated at the rates prevailing in the respective jurisdictions.

# Notes to the Financial Statements

31 December 2018  
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## 26. TAXATION (Cont'd)

A reconciliation of income tax expense applicable to profit/(loss) before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2018	2017	2018	Financial Period From 6 June 2017 to 31 Dec 2017
	RM	RM	RM	RM
Profit/(Loss) before tax	1,580,901	6,202,159	(2,060,082)	(7,563)
At Malaysian statutory tax rate of 24% (2017: 24%)	379,416	1,488,518	(494,420)	(1,815)
Tax incentive obtained from differential tax rate of 18% (2017: 18%)	(35,418)	-	(846)	-
Effect of different tax rate in other jurisdictions	(183,719)	(298,267)	-	-
Expenses not deductible for tax purposes	984,560	224,052	507,686	1,815
Income not subject to tax	(299,662)	(159,706)	(9,920)	-
Income exempted under pioneer status	-	(2,002,956)	-	-
Income under tax exemption scheme	(23,639)	-	-	-
Deferred tax assets not recognised	48,725	901,430	-	-
Under/(Over) provision in prior years				
- income tax	18,216	(324)	-	-
- deferred tax	-	(32,898)	-	-
	888,479	119,849	2,500	-

Securemetric Malaysia was awarded with the Multimedia Super Corridor ("MSC") status by the Government on 6 May 2008. Securemetric Malaysia was granted MSC status by the Ministry of International Trade and Industry for services under Section 4A of the Promotion of Investment Act 1986 in which the statutory income was exempted from tax for a period of 5 years since 6 May 2008. The pioneer status was extended for another 5 years on 6 May 2013, and had expired on 5 May 2018.



# Notes to the Financial Statements

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## 27. EARNINGS PER SHARE

### (a) Basic earnings per share

The basic earnings per share are calculated based on the consolidated profit for the financial year attributable to owners of the parent and the weighted average number of ordinary shares in issue during the financial year as follows:

	Group	
	2018	2017
	RM	RM
Profit for the financial year, attributable to owners of the parent (RM)	613,150	6,016,309
	unit	unit
Weighted average number of ordinary shares in issue		
Ordinary shares in issue at 1 January/6 June 2017 (date of incorporation)	175,600,000	1
Effect of ordinary shares issued during the financial year	9,128,767	175,599,999
Weighted average number of ordinary shares at 31 December	184,728,767	175,600,000*
Basic earnings per ordinary share (sen)	0.33	3.43

\* In the calculation of earnings per share for the financial year ended 31 December 2017, it is assumed that 175,600,000 ordinary shares were in issue as the acquisition of subsidiary companies as disclosed in Note 5(a) was accounted for under merger method of accounting.

### (b) Diluted earnings per share

The Group and the Company have no dilution in their earnings per ordinary share as there are no dilutive potential ordinary shares. There have been no other transactions involving ordinary shares or potential ordinary shares since the end of the reporting period and before the authorisation of these financial statements.

# Notes to the Financial Statements

31 December 2018  
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## 28. STAFF COSTS

	Group		Company	
	2018	2017	2018	Financial Period From 6 June 2017 to 31 Dec 2017
	RM	RM	RM	RM
Salaries, wages and other emoluments	7,543,840	6,288,552	55,000	-
Defined contribution plans	721,859	571,909	-	-
Social security contributions	69,723	62,662	-	-
Other benefits	417,554	123,204	-	-
Defined benefit plans	191,343	-	-	-
	8,944,319	7,046,327	55,000	-

Included in staff costs is aggregate amount of remuneration received and receivable by the Executive Directors of the Company and of the subsidiary companies during the financial year as below:

	Group		Company	
	2018	2017	2018	Financial Period From 6 June 2017 to 31 Dec 2017
	RM	RM	RM	RM
Directors' fees	55,000	-	55,000	-
Salaries, wages and other emoluments	849,000	868,830	-	-
Defined contribution plans	101,880	69,966	-	-
Social security contributions	1,658	1,657	-	-
Other benefits	190	-	-	-
	1,007,727	940,453	55,000	-



# Notes to the Financial Statements

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## 29. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the liabilities of the Group arising from financing activities, both cash and non-cash changes:

	Note	At 1 January	Financing cash flows (i)	New finance lease [Note 4(b)]	At 31 December
<b>Group</b>					
<b>2018</b>					
Finance lease liability	18	-	-	368,400	368,400
Term loans	19	2,547,799	(551,189)	-	1,996,610
		2,547,799	(551,189)	368,400	2,365,010
<b>2017</b>					
Finance lease liability	18	12,172	(12,172)	-	-
Term loans	19	2,000,000	547,799	-	2,547,799
		2,012,172	535,627	-	2,547,799

(i) The cash flows from finance lease liability and bank borrowings make up the net amount of proceeds from or repayments of borrowings in the statements of cash flows.

## 30. OPERATING LEASE COMMITMENTS – AS LESSEE

The future minimum lease payments payable under non-cancellable operating leases are:

	Group	
	2018	2017
	RM	RM
Within one year	361,100	222,263
Later than one year but not later than two years	196,766	69,000
Later than two years but not later than three years	124,945	-
	682,811	291,263

The Group leases a number of offices under non-cancellable operating lease agreements. The lease terms are between 1 to 3 years, and the majority of lease agreements are renewable at the end of the lease period at market rate. None of the leases includes contingent rentals.

# Notes to the Financial Statements

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## 31. FINANCIAL GUARANTEE

	Group	
	2018	2017
	RM	RM
<b>Unsecured</b>		
Performance guarantee extended to third parties in respect of a contract entered into by the Group	-	2,424,726

## 32. RELATED PARTY DISCLOSURES

### (a) Identifying related parties

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

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

### (b) Significant related party transactions

Other than related party balances disclosed elsewhere in the financial statements, the Group and the Company do not have any significant related party transactions during the financial year.

### (c) Compensation of key management personnel

Remuneration of Directors and other members of key management are as follows:

	2018	2017	2018	Period From 6 June 2017 to 31 Dec 2017
	RM	RM	RM	RM
Fees	114,500	-	114,500	-
Salaries and others emoluments	1,971,800	2,167,474	-	-
Defined contribution plans	236,690	22,229	-	-
Social security contributions	5,800	11,202	-	-
Others	664	29,647	-	-
	2,329,454	2,230,552	114,500	-



# Notes to the Financial Statements

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## 33. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and service as follows:

Digital security solutions	Provision of digital security solutions
Electronic identification products	Sales of smart cards, smart card readers, finger print readers, barcode scanners and barcode printers
Others	Provision of support and maintenance services, labelling and packaging

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Transactions between segments are carried out on agreed terms between both parties. The effects of such inter-segment transactions are eliminated on consolidation. The measurement basis and classification are consistent with those adopted in the previous financial year.

Information about segment assets and liabilities are neither included in the internal management reports nor provided regularly to the management. Hence, no disclosures are made on segment assets and liabilities.

	Digital security solutions RM	Electronic identification products RM	Others RM	Total RM
<b>2018</b>				
Total revenue	20,158,813	9,767,031	5,771,060	35,696,904
Inter-segment revenue	(3,348,867)	(108,323)	(943,962)	(4,401,152)
Revenue from external customers	16,809,946	9,658,708	4,827,098	31,295,752
Cost of sales	(4,353,094)	(7,460,299)	(1,846,125)	(13,659,518)
Segment gross profit	12,456,852	2,198,409	2,980,973	17,636,234
Other income				818,909
Administrative expenses				(16,397,577)
Net loss on impairment of financial instruments				(266,862)
Finance costs				(209,803)
Profit before tax				1,580,901
Taxation				(888,479)
Profit for the financial year				692,422

# Notes to the Financial Statements

31 December 2018  
cont'd

## 33. SEGMENT INFORMATION (Cont'd)

	Digital security solutions RM	Electronic identification products RM	Others RM	Total RM
<b>2017</b>				
Total revenue	40,423,126	6,407,600	2,069,302	48,900,028
Inter-segment revenue	(3,380,676)	(527,792)	(224,748)	(4,133,216)
Revenue from external customers	37,042,450	5,879,808	1,844,554	44,766,812
Cost of sales	(18,143,287)	(3,974,188)	(1,406,218)	(23,523,693)
Segment gross profit	18,899,163	1,905,620	438,336	21,243,119
Other income				715,325
Administrative expenses				(15,501,262)
Finance costs				(255,023)
Profit before tax				6,202,159
Taxation				(119,849)
Profit for the financial year				6,082,310

(a) Adjustments and eliminations

Interest income, finance costs, depreciation and amortisation and other non-cash items are not allocated to individual segments as the underlying instruments are managed on a group basis.

Current taxes and deferred taxes are not allocated to individual segments as the underlying instruments are managed on a group basis.

Inter-segment revenue are eliminated on consolidation.



# Notes to the Financial Statements

31 December 2018

cont'd

## 33. SEGMENT INFORMATION (Cont'd)

### (b) Geographic information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2018	2017	2018	2017
	RM	RM	RM	RM
Malaysia	4,417,215	5,443,342	2,627,775	2,403,090
Vietnam	5,353,274	22,086,259	79,472	82,372
Philippines	1,766,362	1,487,868	35,232	32,562
Indonesia	7,322,510	4,630,479	188,919	161,039
United States	5,588,110	2,932,523	-	-
Singapore	2,793,757	5,048,458	-	-
Canada	1,029,483	-	-	-
Others	3,025,041	3,137,883	-	-
	31,295,752	44,766,812	2,931,398	2,679,063

Non-current assets for this purpose consist of property, plant and equipment and development expenditure.

### (c) Major customers

Revenue from major customers with revenue equal or more than 10% of the Group's revenue are as follows:

	2018	2017
	RM	RM
Company A	5,320,042	-
Company B	-	16,961,815
	5,320,042	16,961,815

# Notes to the Financial Statements

31 December 2018

cont'd

## 34. FINANCIAL INSTRUMENTS

### (a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 3 describe how the classes of the financial instruments are measured and how income and expenses including fair values gain or loss are recognised.

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned and therefore by the measurement basis:

	Financial asset at FVTOCI RM	Financial asset at FVTPL RM	Financial assets at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
<b>Group</b>					
<b>2018</b>					
<b>Financial Assets</b>					
Other investments	259,555	2,530,593	-	-	2,790,148
Trade receivables	-	-	11,130,628	-	11,130,628
Other receivables	-	-	414,342	-	414,342
Fixed deposits with licensed banks	-	-	2,763,921	-	2,763,921
Cash and bank balances	-	-	23,915,252	-	23,915,252
	259,555	2,530,593	38,224,143	-	41,014,291
<b>Group</b>					
<b>2018</b>					
<b>Financial Liabilities</b>					
Trade payables	-	-	-	1,336,334	1,336,334
Other payables	-	-	-	2,924,044	2,924,044
Employee benefits	-	-	-	195,846	195,846
Finance lease liability	-	-	-	368,400	368,400
Bank borrowings	-	-	-	1,996,610	1,996,610
	-	-	-	6,821,234	6,821,234



# Notes to the Financial Statements

31 December 2018

cont'd

## 34. FINANCIAL INSTRUMENTS (Cont'd)

### (a) Classification of financial instruments (Cont'd)

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned and therefore by the measurement basis: (Cont'd)

	Available- for-sale RM	Loans and receivables RM	Financial liabilities at amortised cost RM	Total RM
<b>Group</b>				
<b>2017</b>				
<b>Financial Assets</b>				
Other investment	251,137	-	-	251,137
Trade receivables	-	15,230,910	-	15,230,910
Other receivables	-	615,799	-	615,799
Fixed deposits with licensed banks	-	2,740,295	-	2,740,295
Cash and bank balances	-	14,509,982	-	14,509,982
	<u>251,137</u>	<u>33,096,986</u>	<u>-</u>	<u>33,348,123</u>
<b>Financial Liabilities</b>				
Trade payables	-	-	8,198,005	8,198,005
Other payables	-	-	4,323,998	4,323,998
Bank borrowings	-	-	2,547,799	2,547,799
	<u>-</u>	<u>-</u>	<u>15,069,802</u>	<u>15,069,802</u>
		Financial asset at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
<b>Company</b>				
<b>2018</b>				
<b>Financial Asset</b>				
Cash and bank balances		<u>14,343,821</u>	<u>-</u>	<u>14,343,821</u>
<b>Financial Liability</b>				
Other payables		<u>-</u>	<u>73,200</u>	<u>73,200</u>

# Notes to the Financial Statements

31 December 2018  
cont'd

## 34. FINANCIAL INSTRUMENTS (Cont'd)

### (a) Classification of financial instruments (Cont'd)

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned and therefore by the measurement basis: (Cont'd)

	Loans and receivables RM	Financial liabilities at amortised cost RM	Total RM
<b>Company</b>			
<b>2017</b>			
<b>Financial Asset</b>			
Cash and bank balances	2	-	2
<b>Financial Liability</b>			
Other payables	-	7,703	7,703

### (b) Financial risk management objectives and policies

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its credit, liquidity, foreign currency, interest rate and market price risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

The following sections provide details regarding the Group's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

#### (i) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and deposits with banks. The Company's exposure to credit risk arises principally from deposits with banks. There are no significant changes as compared to prior periods.

The Group has adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposit with banks with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.



# Notes to the Financial Statements

31 December 2018

cont'd

## 34. FINANCIAL INSTRUMENTS (Cont'd)

### (b) Financial risk management objectives and policies (Cont'd)

#### (i) Credit risk (Cont'd)

At each reporting date, the Group assesses whether any of the receivables and contract assets are credit impaired.

The gross carrying amounts of credit impaired trade receivables and contract assets are written off (either partial or full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the reporting period represent the Group's and the Company's maximum exposure to credit risk.

There are no significant changes as compared to previous financial year.

The Group has no significant concentration of credit risks except as disclosed in Note 11.

#### (ii) Liquidity risk

Liquidity risk refers to the risk that the Group or the Company will encounter difficulty in meeting its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. The Group finances its liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

# Notes to the Financial Statements

31 December 2018

cont'd

## 34. FINANCIAL INSTRUMENTS (Cont'd)

### (b) Financial risk management objectives and policies (Cont'd)

#### (ii) Liquidity risk (Cont'd)

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years RM	Total contractual cash flows RM	Total carrying amount RM
<b>Group</b>					
<b>2018</b>					
<b>Non-derivative financial liabilities</b>					
Trade payables	1,336,334	-	-	1,336,334	1,336,334
Other payables	2,924,044	-	-	2,924,044	2,924,044
Finance lease liability	82,164	82,164	246,438	410,766	368,400
Bank borrowings	761,460	761,460	774,881	2,297,801	1,996,610
	<u>5,104,002</u>	<u>843,624</u>	<u>1,021,319</u>	<u>6,968,945</u>	<u>6,625,388</u>
<b>2017</b>					
<b>Non-derivative financial liabilities</b>					
Trade payables	8,198,005	-	-	8,198,005	8,198,005
Other payables	4,323,998	-	-	4,323,998	4,323,998
Bank borrowings	761,042	761,460	1,534,211	3,056,713	2,547,799
	<u>13,283,045</u>	<u>761,460</u>	<u>1,534,211</u>	<u>15,578,716</u>	<u>15,069,802</u>
<b>Company</b>					
<b>2018</b>					
<b>Non-derivative financial liabilities</b>					
Other payables	<u>73,200</u>	<u>-</u>	<u>-</u>	<u>73,200</u>	<u>73,200</u>
<b>2017</b>					
<b>Non-derivative financial liabilities</b>					
Other payables	<u>7,703</u>	<u>-</u>	<u>-</u>	<u>7,703</u>	<u>7,703</u>



# Notes to the Financial Statements

31 December 2018

cont'd

## 34. FINANCIAL INSTRUMENTS (Cont'd)

### (b) Financial risk management objectives and policies (Cont'd)

#### (iii) Market risks

##### (1) Foreign currency risk

The Group is exposed to foreign currency risk on transactions that are denominated in currencies other than the functional currencies of Group entities. The currencies giving rise to this risk are primarily Singapore Dollar (SGD), United States Dollar (USD), Euro (EUR) and Canadian Dollar (CAD).

The Group has not entered into any derivative instruments for hedging or trading purposes as the net exposure to foreign currency risk is not significant. However, the exposure to foreign currency risk is monitored from time to time by management.

The carrying amounts of the Group's foreign currency denominated financial assets and financial liabilities at the end of the reporting period are as follows:

	SGD RM	USD RM	EUR RM	CAD RM	Total RM
<b>Group</b>					
<b>2018</b>					
Trade receivables	878	3,500,844	85,095	-	3,586,817
Cash and bank balances	38,594	2,041,778	117,468	-	2,197,840
Trade payables	-	(1,130,445)	(166,848)	-	(1,297,293)
	39,472	4,412,177	35,715	-	4,487,364
<b>Group</b>					
<b>2017</b>					
Trade receivables	-	12,059,474	98,008	-	12,157,482
Cash and bank balances	2,135	3,832,759	21,968	-	3,856,862
Trade payables	-	(7,532,412)	-	-	(7,532,412)
Other payables	-	(2,302,020)	-	(323,000)	(2,625,020)
	2,135	6,057,801	119,976	(323,000)	5,856,912

# Notes to the Financial Statements

31 December 2018

cont'd

## 34. FINANCIAL INSTRUMENTS (Cont'd)

### (b) Financial risk management objectives and policies (Cont'd)

#### (iii) Market risks (Cont'd)

##### (1) Foreign currency risk (Cont'd)

##### Foreign currency sensitivity analysis

Foreign currency risk arises from Group entities which have a RM functional currency. The exposure to currency risk of Group entities which do not have a RM functional currency is not material and hence, sensitivity analysis is not presented.

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the SGD, USD, EUR and CAD exchange rates against RM, with all other variables held constant.

Group	Change in currency rate	2018 Effect on profit before tax RM	Change in currency rate	2017 Effect on profit before tax RM
SGD	Strengthened 10%	3,947	Strengthened 1%	214
	Weakened 10%	<u>(3,947)</u>	Weakened 1%	<u>(214)</u>
USD	Strengthened 10%	441,218	Strengthened 1%	605,780
	Weakened 10%	<u>(441,218)</u>	Weakened 1%	<u>(605,780)</u>
EUR	Strengthened 10%	3,572	Strengthened 1%	11,998
	Weakened 10%	<u>(3,572)</u>	Weakened 1%	<u>(11,998)</u>
CAD	Strengthened 10%	-	Strengthened 1%	(32,300)
	Weakened 10%	<u>-</u>	Weakened 1%	<u>32,300</u>

##### (2) Interest rate risk

The Group's fixed rate deposits placed with licensed banks and borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.



# Notes to the Financial Statements

31 December 2018

cont'd

## 34. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risks (Cont'd)

(2) Interest rate risk (Cont'd)

The Group manages the interest rate risk of its deposits with licensed banks by placing them at the most competitive interest rates obtainable, which yield better returns than cash at bank and maintaining a prudent mix of short and long-term deposits.

The Group manages its interest rate risk exposure from interest bearing borrowings by obtaining financing with the most favourable interest rates in the market. The Group constantly monitors its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained. The Group does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

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

	Group	
	2018	2017
	RM	RM
<b>Fixed rate instruments</b>		
Fixed deposits with licensed banks	2,763,921	2,740,295
Finance lease liability	(368,400)	-
	<u>2,395,521</u>	<u>2,740,295</u>
<b>Floating rate instruments</b>		
Term loans	<u>(1,996,610)</u>	<u>(2,547,799)</u>

### Interest rate risk sensitivity analysis

#### Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

#### Cash flow sensitivity analysis for floating rate instruments

A change in 1% interest rate at the end of the reporting period would have increased/ (decreased) the Group's profit before tax by RM19,966 (2017: RM25,478), arising mainly as a result of lower / higher interest expense on floating rate loans and borrowings. This analysis assumes that all other variables remain constant. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

# Notes to the Financial Statements

31 December 2018

cont'd

## 34. FINANCIAL INSTRUMENTS (Cont'd)

### (b) Financial risk management objectives and policies (Cont'd)

#### (iv) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group is exposed to equity price risk arising from its investment in quoted instruments. These investments are listed on Bursa Malaysia Securities Berhad and are classified as FVTOCI/FVTPL or available-for-sale financial assets.

### (c) Fair value of financial instruments

The carrying amounts of short-term receivables and payables, cash and cash equivalents and short-term loans and borrowings approximate their fair value due to the relatively short-term nature of these financial instruments and insignificant impact of discounting.

The carrying amount of long-term floating rate loans approximate their fair value as the loans will be re-priced to market interest rate on or near reporting date.

It was not practical to estimate fair value of investment in unquoted equity due to the lack of comparable quoted prices in active market and the fair value cannot be reliably estimated.

The table below analyses financial instruments not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
<b>Group</b>										
<b>2018</b>										
<b>Financial assets</b>										
Quoted shares	259,555	-	-	259,555	-	-	-	-	259,555	259,555
Unit trust	2,530,593	-	-	2,530,593	-	-	-	-	2,530,593	2,530,593
<b>Financial liability</b>										
Finance lease liability (Non- current)	-	-	-	-	-	284,457	-	284,457	284,457	301,377
<b>2017</b>										
<b>Financial asset</b>										
Quoted shares	251,137	-	-	251,137	-	-	-	-	251,137	251,137



## Notes to the Financial Statements

31 December 2018

cont'd

### 34. FINANCIAL INSTRUMENTS (Cont'd)

#### (c) Fair value of financial instruments (Cont'd)

##### (i) Policy on transfer between levels

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

There were no transfers between levels during current and previous financial years.

##### (ii) Level 1 fair value

Level 1 fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

##### (iii) Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

##### Non-derivative financial instruments

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

##### (iv) Level 3 fair value

Level 3 fair values for the financial assets and liabilities are estimated using unobservable inputs.

### 35. CAPITAL MANAGEMENT

The Group's and the Company's objectives when managing capital are to safeguard the Group's and the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group and the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

# Notes to the Financial Statements

31 December 2018  
cont'd

## 35. CAPITAL MANAGEMENT (Cont'd)

The Group and the Company monitors capital using a gearing ratio. The Group's and the Company's policy is to maintain a prudent level of gearing ratio that complies with debt covenants and regulatory requirements. The gearing ratios at the end of the reporting period are as follows:

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Total loans and borrowings	2,365,010	2,547,799	-	-
Less: Cash and cash equivalents	(23,915,252)	(14,509,982)	(14,343,821)	(2)
Excess funds	(21,550,242)	(11,962,183)	(14,343,821)	(2)
Total equity	36,827,905	19,546,845	28,383,619	(7,561)
Gearing ratio (times)	N/A	N/A	N/A	N/A

N/A – the gearing ratio may not provide a meaningful indicator of the risk of borrowings.

There were no changes in the Group's and the Company's approach to capital management during the financial year.

## 36. SUBSEQUENT EVENT

Subsequent to the financial year, Securemetric Indonesia, a wholly-owned subsidiary company, received additional share capital of USD 10 or equivalent to IDR 141,540. Consequently, the Company's shareholdings in Securemetric Indonesia decreased from 100% to 99.999%.

## 37. DATE OF AUTHORISATION FOR ISSUE

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution Directors on 18 April 2019.

# Analysis of Shareholdings

As at 3 April 2019

## SHARE CAPITAL

Total Number of Issued Shares	:	243,600,000 Shares
Issued Share Capital	:	RM31,048,000.00
Class of Shares	:	Ordinary Shares
Voting Rights	:	Every member of the Company, present in person or by proxy, shall have on a show of hands, one (1) vote or on a poll, one (1) vote for each share held

## DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Holders	%	No. of Shares	%
1 to 999	49	9.76	14,600	0.01
1,000 to 10,000	304	60.56	1,572,500	0.65
10,001 to 100,000	118	23.50	3,903,700	1.60
100,001 to less than 5% of issued shares	27	5.38	54,521,200	22.38
5% and above of issued shares	4	0.80	183,588,000	75.36
<b>Total</b>	<b>502</b>	<b>100.00</b>	<b>243,600,000</b>	<b>100.00</b>

## DIRECTORS' SHAREHOLDINGS

Name of Directors	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Clifton Heath Fernandez	-	-	-	-
Law Seeh Key	126,337,605	51.86	-	-
Yong Kim Fui	14,662,500	6.02	-	-
Shireen Chia Yin Ting	-	-	-	-
Mohamad Rizatuddin Noor Bin Mohamed Ramli	-	-	-	-

## SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

Name of Shareholders	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Law Seeh Key	126,337,605	51.86	-	-
Nioo Yu Siong	22,587,895	9.27	-	-
Phillip Securities (Hong Kong) Ltd	20,000,000	8.21	-	-
Affin Hwang Nominees (Asing) Sdn. Bhd.	-	-	-	-
Yong Kim Fui	14,662,500	6.02	-	-

# Analysis of Shareholdings

As at 3 April 2019  
cont'd

## THIRTY (30) LARGEST SHAREHOLDERS AS AT 3 APRIL 2019

No.	Name of Shareholders	No. of Shares	%
1	Law Seeh Key	126,337,605	51.86
2	Nioo Yu Siong	22,587,895	9.27
3	Affin Hwang Nominees (Asing) Sdn. Bhd. <i>Exempt An For Phillip Securities (Hong Kong) Ltd (Clients' Account)</i>	20,000,000	8.21
4	Yong Kim Fui	14,662,500	6.02
5	Li Jianjun	12,012,000	4.93
6	Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Lim Bee Wan</i>	7,669,500	3.15
7	Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Valhalla Capital Sdn Bhd</i>	6,403,000	2.63
8	Citigroup Nominees (Tempatan) Sdn Bhd <i>Exempt An For OCBC Securities Private Limited (CLIENT A/C-R ES)</i>	5,650,500	2.32
9	Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Cha Weay Chia</i>	4,038,400	1.66
10	Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Fresh Gear Sdn Bhd</i>	3,150,000	1.29
11	Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Chan Swee Ying</i>	3,109,400	1.28
12	Landasan Simfoni Sdn Bhd	3,103,100	1.27
13	Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Kon Tek Yoong</i>	1,650,000	0.68
14	Alliance Group Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Chin Boon Long (7002618)</i>	1,400,000	0.57
15	Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Global Man Capital Sdn Bhd</i>	890,000	0.37
16	Lai Ngan Foong	800,000	0.33
17	Pentagon Parade Sdn Bhd	619,300	0.25
18	Grandstead Sdn Bhd	582,500	0.24
19	Tai Kiat Siong	515,000	0.21
20	Tay Hun Loon	500,000	0.21
21	Leong Seng Wui	480,000	0.20
22	Nur Syahidah Binti Abdullah	430,000	0.18
23	Ching Hean Chong	230,000	0.09
24	Tan Kian Hock	229,000	0.09
25	Goh Soh Chin	200,000	0.08
26	Lai Ngan Foong	200,000	0.08
27	Sophie Lee	200,000	0.08
28	Chong Ching Yee	120,000	0.05
29	Tey Yee Yee	120,000	0.05
30	Ter Poh Yin	116,000	0.05
<b>Total</b>		<b>238,005,700</b>	<b>97.70</b>



# Notice of Second Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Second Annual General Meeting of the Company will be held at Unity II & III, Palace of the Golden Horses, Jalan Kuda Emas, Mines Wellness City, 43300 Seri Kembangan, Selangor Darul Ehsan on Wednesday, 29 May 2019 at 3.00 p.m., for the following purposes:-

## A G E N D A

### ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 together with the Directors' and Audit Reports thereon. *Please refer to Explanatory Note 1*
2. To approve the following payments :-
  - (a) Directors' fees to the Non-Executive Directors of up to RM180,000.00 from 1 January 2019 until the next Annual General Meeting. *Ordinary Resolution 1*
  - (b) Directors' allowances to the Non-Executive Directors of up to RM10,000.00 from 1 January 2019 until the next Annual General Meeting. *Ordinary Resolution 2*
3. To re-elect the following Directors who are retiring in accordance with Clause 97 of the Company's Constitution:-
  - (a) Mr. Clifton Heath Fernandez *Ordinary Resolution 3*
  - (b) Mr. Law Seeh Key *Ordinary Resolution 4*
4. To re-appoint Messrs. UHY as the Company's Auditors for the ensuing year and to authorise the Directors to fix their remuneration. *Ordinary Resolution 5*

### SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary Resolution:-

5. **Authority to Issue and Allot Shares Pursuant to Section 76 of the Companies Act 2016** *Ordinary Resolution 6*

**"THAT** subject always to the Companies Act 2016 ("Act"), Constitution of the Company, ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of the relevant authorities, 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 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 pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company at the time of issue **AND THAT** the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares to be issued on Bursa Malaysia Securities Berhad ("Bursa Securities") **AND FURTHER THAT** such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

*Please refer to Explanatory Note 2*
6. To transact any other business of the Company of which due notice shall be given in accordance with the Company's Constitution and the Companies Act 2016.

# Notice of Second Annual General Meeting

cont'd

By Order of the Board  
**SECUREMETRIC BERHAD**

**WONG YOUN KIM**  
Company Secretary

Kuala Lumpur

Dated this 30th day of April, 2019

## **NOTES:**

1. *A member of the Company entitled to be present and vote at the meeting is entitled to appoint a proxy/proxies, to attend and vote instead of him. A proxy may but need not be a member of the Company and need not be an advocate, an approved company auditor or a person appointed by the Registrar of Companies.*
2. *A member shall be entitled to appoint more than two (2) proxies to attend and vote at the same meeting.*
3. *Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
4. *If the appointer is a corporation, the Form of Proxy must be executed under its Common Seal or under the hand of its attorney.*
5. *Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), as defined under the Securities Industry (Central Depositories) Act, 1991 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. *A proxy appointed to attend and vote in a meeting of the Company shall have the same rights as the member to speak at the meeting.*
7. *The duly completed Form of Proxy must be deposited at the registered office of the Company at HMC Corporate Services Sdn Bhd, Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur not less than twenty-four (24) hours before the time for holding the meeting or any adjournment thereof.*
8. **General Meeting Record of Depositors**

*For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn Bhd in accordance with Article 55(3) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 23 May 2019. Only a depositor whose name appears on the Record of Depositors as at 23 May 2019 shall be entitled to attend this meeting or appoint proxy/proxies to attend and/or vote in his stead.*



# Notice of Second Annual General Meeting

cont'd

## EXPLANATORY NOTES ON SPECIAL BUSINESS

### 1. **Item 1 of the Agenda - Audited Financial Statement for the Financial Year Ended 31 December 2018**

*The Audited Financial Statements are for discussion only as the approval of the shareholders is not required pursuant to the provisions of Section 340(1)(a) of the Companies Act 2016. Hence, this Agenda is not put forward for voting by the shareholders of the Company.*

### 2. **Ordinary Resolution 6 - Authority to Issue and Allot Shares pursuant to Section 76 of the Companies Act 2016**

*The proposed Resolution 6 under item 5 above, if passed, will empower the Directors of the Company, from the date of the above Annual General Meeting, with the authority to issue and allot shares in the Company up to an amount not exceeding 10% of the total number of issued shares of the Company for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting.*

*The general mandate is to provide flexibility to the Company to issue new shares without the need to convene a separate general meeting to obtain shareholders' approval so as to avoid incurring cost and time. The purpose of this general mandate is for fund raising exercises including but not limited to further placement of shares for the purpose of funding current and/or future investment projects, working capital and/or acquisitions.*

# Proxy Form

## SECUREMETRIC BERHAD

(Company No. 1234029-D)

(Incorporated in Malaysia)

NUMBER OF SHARES	
CDS A/C No.	

I/We \_\_\_\_\_

(FULL NAME IN BLOCK LETTERS)

of \_\_\_\_\_

(FULL ADDRESS)

being a member/members of SECUREMETRIC BERHAD, hereby appoint the following person(s) or failing him, the Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf, at the Second Annual General Meeting of the Company to be held at Unity II & III, Palace of the Golden Horses, Jalan Kuda Emas, Mines Wellness City, 43300 Seri Kembangan, Selangor Darul Ehsan on Wednesday, 29 May 2019 at 3.00 p.m. and any adjournment thereof:-

Name of Proxy, NRIC No. & Address		No. of Shares to be represented by Proxy
1.	Name : NRIC No. : Address :	
2.	Name : NRIC No. : Address :	

NO. RESOLUTIONS			FOR	AGAINST
1.	Approval of the following payments :- (a) Directors' fees to the Non-Executive Directors of up to RM180,000.00 from 1 January 2019 until the next Annual General Meeting (b) Directors' allowances to the Non-Executive Directors of up to RM10,000.00 from 1 January 2019 until the next Annual General Meeting	Ordinary Resolution 1 Ordinary Resolution 2		
2.	Re-election of Mr. Clifton Heath Fernandez	Ordinary Resolution 3		
3.	Re-election of Mr. Law Seeh Key	Ordinary Resolution 4		
4.	Re-appointment of Messrs. UHY as Auditors	Ordinary Resolution 5		
5.	Authority to allot and issue shares pursuant to Section 76 of the Companies Act 2016	Ordinary Resolution 6		

Please indicate with an "X" in the appropriate boxes on how you wish your vote to be cast on the Resolutions specified in the Notice of Meeting. Unless voting instructions are indicated in the space above, the proxy will vote as he/she thinks fit.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Shareholder

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AFFIX  
STAMP

The Company Secretary

**SECUREMETRIC BERHAD** (1234029-D)  
Level 2, Tower 1, Avenue 5  
Bangsar South City  
59200 Kuala Lumpur  
Malaysia

Then fold here

**NOTES:**

1. A member of the Company entitled to be present and vote at the meeting is entitled to appoint a proxy/proxies, to attend and vote instead of him. A proxy may but need not be a member of the Company and need not be an advocate, an approved company auditor or a person appointed by the Registrar of Companies.
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Fold this flap for sealing



**SECUREMETRIC BERHAD** (Company No. 1234029-D)

Level 5-E-6, Enterprise 4, Technology Park Malaysia  
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[www.securemetric.com](http://www.securemetric.com)

