



**SECURE
METRIC**
— BERHAD —



Formula For
Strong
Digital Security

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VISION

To be your trusted digital security partner.

MISSION

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

"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.

In January 2020, Securemetric has launched CENTAGATE Cloud, a Security as a Service ("SaaS") solution to the public, as one of our strategy to expand our market share from the existing solutions. At the same time, we have also made a 5% investment in PT Privy Identitas Digital ("PrivyID"), a public certification authority in Indonesia. The investment is expected to create synergies to cross-sell our products and solutions to the Indonesian market by leveraging on PrivyID's strong brand name to its existing and future client base in Indonesia. PrivyID has established a portfolio of more than 215 Indonesian companies, including the nation's largest banks and telco companies, prominent fintech startups, as well as several small-medium enterprises.

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
[Registration No.: 197301001467
(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

AmBank (M) Berhad
[Registration No.: 196901000166
(8515-D)]
24 & 26 Jalan Hujan Rahmat 2
Overseas Union Garden
Off Jalan Klang Lama
58200 Kuala Lumpur
Tel : 03-7784 7035
Fax : 03-7784 7041

CIMB Bank Berhad
[Registration No.: 197201001799
(13491-P)]
Ground Floor Wisma Genting
28, Jalan Sultan Ismail
50250 Kuala Lumpur
Wilayah Persekutuan
Tel : 03-2039 3124
Fax : 03-2031 6320

SHARE REGISTRAR

Boardroom Share Registrars Sdn. Bhd.
[Registration No.: 199601006647
(378993-D)]
11th Floor, Menara Symphony
No. 5 Jalan Prof. Khoo Kay Kim
Seksyen 13 46200 Petaling Jaya
Selangor, Malaysia.
Tel : 03-7890 4700
Fax : 03-7890 4670

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

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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
Email address : ir@securemetric.com

STOCK EXCHANGE LISTING

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

CORPORATE STRUCTURE



FINANCIAL HIGHLIGHTS

| Group financial highlight | FYE 2015 ⁽¹⁾ RM'000 | FYE 2016 ⁽¹⁾ RM'000 | FYE 2017 ⁽¹⁾ RM'000 | FYE 2018 RM'000 | FYE 2019 RM'000 |
|--|-----------------------------------|-----------------------------------|-----------------------------------|--------------------|--------------------|
| PROFITABILITY | | | | | |
| Revenue | 16,978 | 24,753 | 44,767 | 31,296 | 31,089 |
| Gross profit ("GP") | 9,254 | 12,769 | 21,243 | 17,636 | 19,119 |
| Profit before tax ("PBT") | 3,056 | 4,386 | 6,202 | 1,581 | 3,029 |
| Profit after tax ("PAT") | 2,927 | 4,338 | 6,082 | 692 | 2,013 |
| Net profit attributable to owners of the Company | 2,864 | 4,345 | 6,016 | 613 | 1,990 |
| FINANCIAL POSITION | | | | | |
| Total assets | 14,652 | 22,873 | 41,350 | 49,576 | 51,627 |
| Equity attributable to owners of the Company | 10,984 | 13,511 | 19,295 | 36,506 | 38,697 |
| Total borrowings | 50 | 2,012 | 2,548 | 2,365 | 1,019 |
| Weighted average number of ordinary shares ("000") | | | | | |
| - Before issuance of bonus shares | 175,600 ⁽²⁾ | 175,600 ⁽²⁾ | 175,600 ⁽²⁾ | 184,729 | 243,600 |
| - After issuance of bonus shares ⁽³⁾ | 419,200 | 419,200 | 419,200 | 428,329 | 487,200 |
| SHARE INFORMATION | | | | | |
| Earnings per share ("EPS") (sen) | | | | | |
| - Before issuance of bonus shares | 1.6 | 2.5 | 3.4 | 0.3 | 0.8 |
| - After issuance of bonus shares ⁽³⁾ | 0.7 | 1.0 | 1.4 | 0.1 | 0.4 |
| Net assets per share attributable to owners of the Company (sen) | 6.3 | 7.7 | 11.0 | 19.8 | 15.9 |
| Gross gearing ratio (times) | 0.01 | 0.15 | 0.13 | 0.06 | 0.03 |

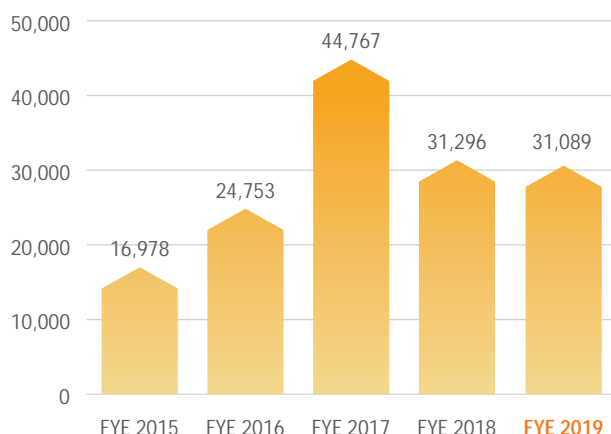
Notes:

⁽¹⁾ 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.

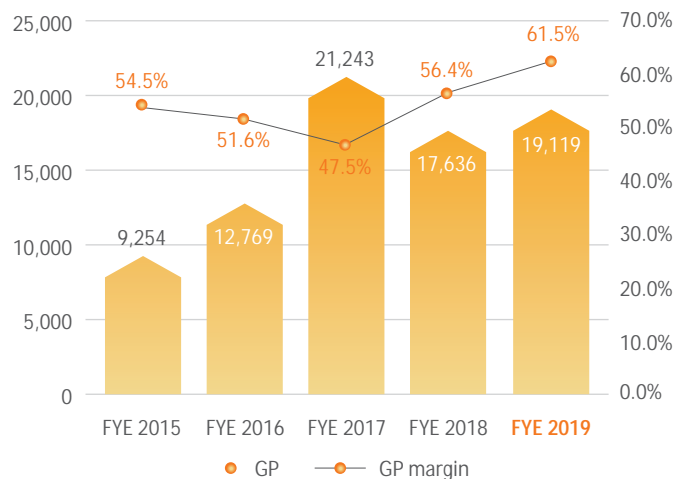
⁽²⁾ Based on the number of shares assumed to be in issue before public issue in conjunction with the Company's listing on the ACE Market of Bursa Malaysia Securities Berhad.

⁽³⁾ The weighted average number of ordinary shares issued for FYE 2015, FYE 2016, FYE 2017, FYE 2018 and FYE 2019 have been adjusted to reflect the bonus issue of 1 for 1 existing ordinary shares which was completed on 20 January 2020 as disclosed in Note 37.

REVENUE (RM'000)



GP & GP MARGIN (RM'000)

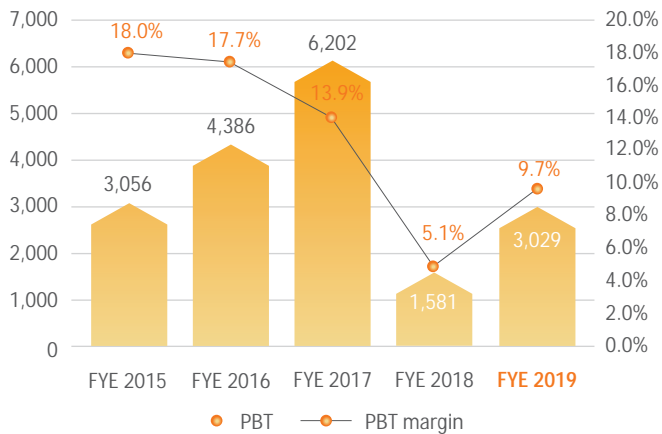


FINANCIAL HIGHLIGHTS

cont'd

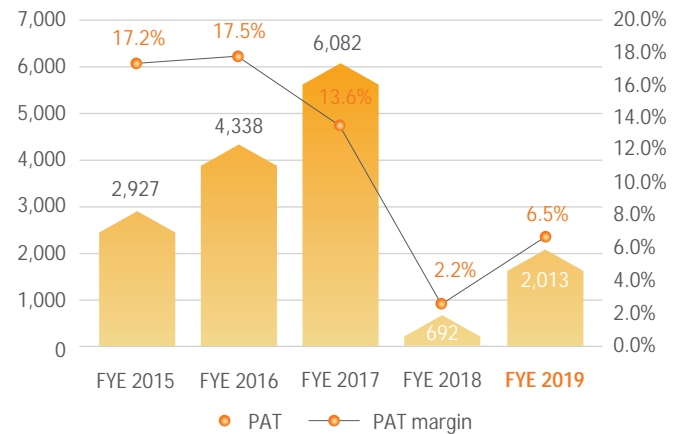
PBT & PBT MARGIN

(RM'000)



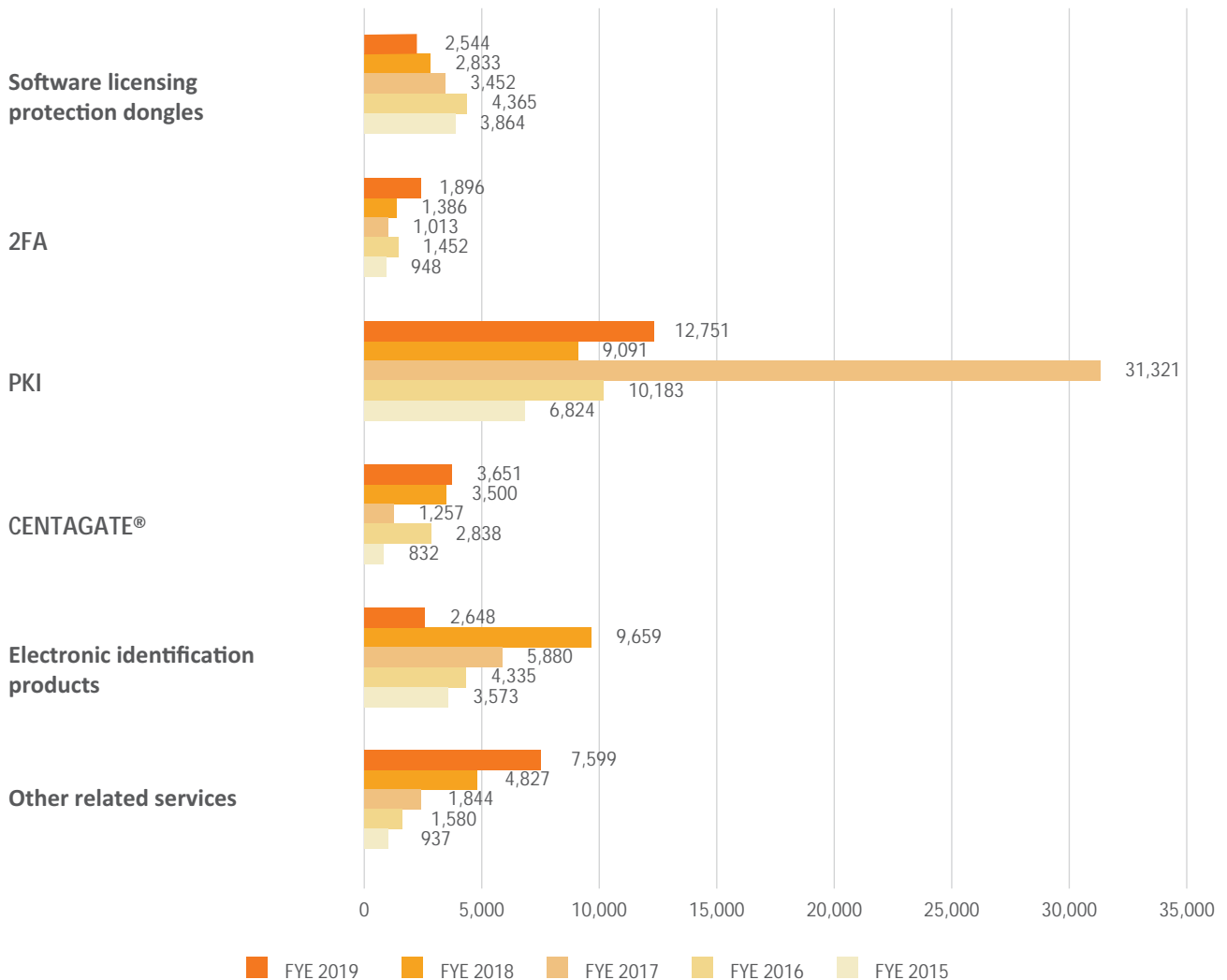
PAT & PAT MARGIN

(RM'000)



REVENUE BY BUSINESS SEGMENTS

(RM'000)





CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

cont'd

It is my pleasure, on behalf of the Board of Directors ("Board") of Securemetric to present you the Annual Report and Audited Financial Statements of the Group for the financial year ended 31 December 2019 ("FYE 2019").

OVERVIEW

FYE 2019 was a tumultuous year marred by weakened global expansion, ongoing restrictive trade policies and a slowdown in industrial production. The International Monetary Fund has marked down the global gross domestic product ("GDP") growth to 3.0% due to softening growth and weakening demand from China and broader global trade policy uncertainties affecting East Asian economies. Global trade growth was also further revised down to 1.1% after multiple downward revisions in prior world economic outlook.

On the home front, Malaysia's GDP expanded at 4.3%, 0.4 percentage points lower than the 4.7% registered in 2018. Amid the challenging operating environment, the Group kept its focus and persisted in driving more value creation and fulfilling customers' expectations and demands.

Cyber security is the practice of securing networks, devices, and programmes from various cyber-based attacks and threats. Cyber threats are an evolving danger to organisations, employees, and consumers. These threats include gaining unauthorised access, modifying or destroying sensitive information.

Today, anyone can be potential targets of a cyber-attack, and the implementation of effective cyber security measures are especially challenging as attackers are growing to be more sophisticated. Other than establishing security defences in various aspects of the organisation, security awareness should be ingrained into people via regular awareness training.

One major milestone that Securemetric has achieved is the launch of CENTAGATE Cloud. This initiative will provide an opportunity for the Group to boost its recurring revenue, rather than solely relying on project-driven revenue. We are confident that CENTAGATE Cloud would enhance shareholders' value in the long term.

CORPORATE HIGHLIGHTS

17 May 2019

Securemetric Vietnam has been awarded contracts with a combined value of approximately RM3.94 million.

1. Contract from Prognostic Services Pte. Ltd. worth RM2.46 million to supply 2FA and Hardware Security Module ("HSM") including CENTAGATE® BOX to the Joint Stock Commercial Bank for Foreign Trade of Vietnam ("Vietcombank" or "VCM") and
2. Contract from Information and Networking Technology Joint Stock Company ("INFONET") for a contract sum of RM1.48 million to supply user licenses for 2FA and installation and management of 2FA and HSM including CENTAGATE® BOX for VCB.

Vietcombank is one of the largest commercial banks by asset size based in Vietnam. It has 111 branches throughout Vietnam and listed on Ho Chi Minh City Stock Exchange with a market cap of VND247.753 trillion.

15 January 2020

Acquired 5% of the equity stake in PrivyID for RM6.03 million.

PrivyID offers a range of solutions such as Identity Verification, Address Verification and Insights, Email Verification, Internet Protocol Address Verification, Phone Verification, Social Media Intelligence, and PrivyID - Digital Signature Solution.

16 January 2020

Launched cloud-based SaaS platform - CENTAGATE Cloud as an initiative by the Company to move into a recurring income business model, from the current project-driven business model. CENTAGATE Cloud is a comprehensive end-to-end customisable turnkey option that manages user authentication and supports multi-factor and multi-channel authentication. It allows enterprises to establish a single authentication platform for enterprise-wide applications.

CHAIRMAN'S STATEMENT

cont'd

With such a cloud-native platform, Securemetric will be able to meet high customer demand for a comprehensive and flexible portfolio of solutions - from on-premise services to cloud-based services and managed security services - to combat the ever-increasing cyber threat. The offering of this solution will not be restricted to the region but will be expanded globally.

16 January 2020

Entered into a Memorandum of Understanding ("MoU") with Joget, Inc ("Joget") to develop technological solutions by utilising cross-technology innovation between themselves.

Joget is primarily engaged in the business of customer onboarding software technology and workflow solution provider. Joget is the developer of the Joget open-source no-code/low-code application platform.

With more than 200,000 downloads, 2,000 installations and 10,000 community users worldwide across various industries (including finance, manufacturing and IT), Joget is a proven platform for organisations ranging from Fortune 500 companies to government agencies and small businesses.

Securemetric is looking forward to work together and enables the Joget low-code platform for workflow and application development integration with digital signing capabilities provided by Securemetric Signing Cloud.

16 January 2020

Entered into a MoU with Innov8tif Solutions Sdn. Bhd. ("Innov8tif") towards a strategic partnership to develop technological solutions by utilising cross-technology innovation between themselves.

Innov8tif is a software technology company with a common goal of helping businesses to realise their digitalisation roadmap - both in customer onboarding experience and operational efficiency. Innov8tif's EMAS eKYC (Electronic Know-Your-Customer) product provides digital ID verification to support online customer onboarding process and identity fraud management.

This corporate exercise is intended to enable Securemetric to integrate its CENTAGATE Cloud and Signing Cloud with Innov8tif Solutions' EMAS eKYC (Electronic Know-Your-Customer) which could be offered as an optional feature to customers.

20 January 2020

Completed the listing of 243,600,000 Bonus Shares on the ACE Market of Bursa Malaysia Securities Berhad.

4 February 2020

Completed the listing of 243,600,000 Warrants on the ACE Market of Bursa Malaysia Securities Berhad.

FINANCIAL HIGHLIGHTS

FYE 2019 was another year of muted economic activity marked by inelastic demand and continuing turmoil in the external markets.

In FYE 2019, the Group recorded revenue of RM31.09 million, a slight decrease of RM0.21 million from RM31.30 million recorded in FYE 2018. The decline was due to lower contribution from electronic identification products. However, this was mitigated by the improvement of revenue from the digital security solutions and maintenance services, which was also the Group's main revenue contributor, which represents more than 60% of the revenue registered in FYE 2019.

Profit after tax and after non-controlling interests ("PATAMI") stood at RM1.99 million, which increased more than three times as compared to RM0.61 million in the previous financial year. This was mainly due to lower cost of sales, higher other income, lower finance costs and increased of RM0.45 million net gain on impairment of financial instruments.

The Group's cash reserve continues to be at a healthy level of RM14.13 million with borrowings reduced to RM1.02 million, from RM2.37 million in FYE 2019. In view of this, the Group is well-positioned to not only weathering the current economic climate but also to expand its businesses, as and when opportunity arises.

CHAIRMAN'S STATEMENT

cont'd

PROSPECTS

Moving forward into 2020, the Group will continue to explore new opportunities for growth and expansion plans. Each market in South East Asia, which Securemetric is focusing on, offers a different level of cyber security readiness across both the government and business sectors. For example, Singapore is a large and competitive cyber security market servicing both local and multinational businesses. According to Singapore's Infocomm Media Development Authority ("IMDA"), Singapore's cyber security market is expected to achieve a US\$2.4 billion market size in 2030.

By contrast, large markets like Indonesia, the Philippines and Vietnam are only now experiencing rapid digitisation of core business processes in businesses and public institutions. This is driving the adoption of modern cyber security services and solutions in many institutions for the first time.

As the economies of South East Asia countries thrive, their digital threat landscape would increase as well. This has triggered the demand for all types of digital security across different organisations - from government agencies to application developers. The need to protect fast-evolving digital economies creates a vast, addressable market for digital security specialists. According to a Juniper Research report, the annual cost of worldwide data breaches will surpass US\$5 trillion by 2024.

In view of the above, Securemetric will continue to invest in research and development ("R&D") across all business segments of the Group to keep abreast with the latest technological advancement available in the digital security industry, while innovating and identifying new business models, solutions and services across our business segments.

On the other hand, the new SARS-CoV-2 virus, which causes the disease novel coronavirus ("COVID-19"), first arrived in Malaysia shores on 25 January 2020, and cases have been increasing since then. In response, Malaysian authorities issued a two-week Movement Control Order ("MCO") on 18 March 2020, which was ended on 31 March 2020 initially but it had been extended to 12 May 2020. Subsequently, the subsidiaries in overseas were affected by COVID-19 as well and their authorities carried out the same precautionary measures. Business and services, inclusive of our business, which is deemed to be non-essential were shut down during the MCO.

The Group recognises that the wellbeing of employees, as well as their families, clients, and communities around them, are of utmost priority. During the MCO period, Securemetric operates entirely on a work-from-home basis. Nevertheless, some of the business operations such as logistics and business development, were affected by the MCO, as these require our staffs to be in office to arrange for packaging and shipment as well as our salesperson to meet with prospective customers.

There is no doubt that this pandemic, where more than 175 countries and territories have reported cases, will have intensely damaging effects on hundreds of thousands of people and the global economy. The Group has stepped up precautionary measures at our offices and also formulated business continuity plans to minimise impact to operations and are ready to support our business partners and customers ride through challenges brought on by the COVID-19.

APPRECIATION

On behalf of Securemetric's Board, I would like to express our gratitude to the Management and staff of Securemetric for their continued dedication and efforts.

We would also like to express a particular word of gratitude to our customers and shareholders who have remained loyal to us. We thank you for the faith that you have put in us - as one of the key digital security players in the ASEAN region.

We remain committed to delivering long-term value for the shareholders. We will grow to the next level in this new decade together.

15 May 2020

MANAGEMENT DISCUSSION & ANALYSIS

We are pleased to present our Group's Management Discussion & Analysis Statement for the FYE 2019.

"2019 was a remarkable year for Securemetric as we further enriched and diversified our quality content, improved our innovative products and services, and strengthened our technology capabilities"

1. OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS

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 central hub for managing the exports 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 the 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. Meanwhile, 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"> Software licensing protection dongles | For prevention of unauthorised 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"> 2FA | Aims to enhance access security by enforcing a second authentication factor, a randomly generated One-Time Password. |
| <ul style="list-style-type: none"> PKI | To ensure that the sender of data is indeed the source and that the said data has not tampered in transit. |
| <ul style="list-style-type: none"> CENTAGATE® | 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, the typical duration is one year with an annual renewal option. |

MANAGEMENT DISCUSSION & ANALYSIS

cont'd

2. REVIEW OF FINANCIAL RESULTS

The Group registered total revenue of RM31.09 million in FYE 2019 as compared to RM31.30 million in the preceding financial year. On a year-on-year ("y-o-y") basis, the Group's revenue has marginally dropped by 0.7% due to lesser contribution from the electronic identification products by RM7.01 million or 72.6%.

Notwithstanding the lower revenue contribution from electronic identification products, revenue from digital security solutions and maintenance services increased by RM4.03 million or 24.0% to RM20.84 million and RM2.77 million or 57.3% to RM7.60 million y-o-y respectively.

Despite registering a 0.7% decline in revenue, our GP increased by 8.4% y-o-y from RM17.64 million in FYE 2018 to RM19.12 million in FYE 2019. Correspondingly, the GP margin increased from 56.4% in FYE 2018 to 61.5% in FYE 2019. The increase in GP margin was mainly driven by maintenance services, which generally yields higher margins.

The increase of administrative expenses by 5.3% y-o-y to RM17.27 million was mainly due to increase of headcount from 109 in FY 2018 to 120 in the financial year under review. This was mostly due to the enlarged number of engineers working with Securemetric. In line of business, the Group can only take on bigger projects and embark on new cloud-based initiatives when technical team is ready.

Despite the competitive operating environment, the Group continued to be profitable in the financial year under review. The Group recorded a PBT of RM3.03 million in FYE 2019, a 91.8% increase as compared to RM1.58 million in FYE 2018. This was mainly due to one-off listing expenses of RM1.74 million incurred by the Group in FYE 2018.

The Group reported a higher PAT of RM2.01 million in FYE 2019 against RM0.69 million in FYE 2018, translating to PAT margin of 6.5% and 2.2% respectively. The increase in PAT margin was mainly due to the increase in GP.

The Group registered a healthy financial position with RM22.61 million in cash and cash equivalents at the end of the financial year under review. Further to this, total assets have increased to RM51.63 million from RM49.58 million recorded last financial year, while shareholders' funds amounted to RM38.70 million as at 31 December 2019, resulting in a net assets per share of 15.90 sen.

The increase by RM6.00 million in trade receivables to RM17.13 million was due to higher sales in the fourth quarter ended 31 December 2019. The management is confident that this amount will be collected in Year 2020.

Geographically, Malaysia contributed around 10.0% to the Group's revenue, with the balance from Vietnam (26.6%), Singapore (24.8%), Indonesia (18.3%), the Philippines (11.4%), and others (8.9%). The Group intends to increase the domestic revenue contribution to a higher percentage amidst the new policy of Risk Management in Technology ("RMIT") introduced by Bank Negara Malaysia.

Digital Security Solutions

The digital security solutions segment remains as the biggest revenue contributor for Securemetric in FYE 2019. This segment delivered a total revenue of RM20.84 million to the Group, which is a 24.0% y-o-y increase from RM16.81 million in the preceding corresponding financial year. The increase in revenue contribution from this segment was mainly due to higher revenue contribution from PKI.

MANAGEMENT DISCUSSION & ANALYSIS

cont'd

2. REVIEW OF FINANCIAL RESULTS (cont'd)

Electronic Identification Products

For FYE 2019, the electronic identification products business segment contributed RM2.65 million to the Group's overall turnover. In comparison to the revenue posted in FYE 2018, this represents a decline of RM7.01 million or 72.6% y-o-y from RM9.66 million. The lower revenue was mainly attributable to a decrease of RM5.05 million and RM 1.95 million from Securemetric Singapore, and Softkey Indonesia, respectively.

Others

Securemetric's others business segment comprises mainly maintenance service charges to our customers. This recurring income business segment contributed RM7.60 million or 57.3% increase y-o-y from RM4.83 million in FYE 2018. The increase in revenue contribution was mainly due to the enlarged client base that the Group has established in FYE 2019.

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

In light of the impact from COVID-19 pandemic, the economic is expected to contract in 2020, however, in longer term, the Group believes that the growth in digital security solutions, electronic identification products and its related services will continue. 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 a population of more than 600 million in ASEAN 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 favourable in the long-term.

In January 2020, Securemetric has launched CENTAGATE Cloud, a Security as a Service ("SaaS") solution to the public. This is one of the strategies that the Group has embarked on expanding our market share for our existing solutions. The Group is of the view that this new source of recurring income will expand the market reach globally. The Group's direction is to grow the recurring income contribution to revenue to 50% within five years, from the current 20%.

Besides that, the Group's investment in PrivyID will create synergies between both parties to cross-sell the products and solutions to the Indonesian market.

MANAGEMENT DISCUSSION & ANALYSIS

cont'd

5. ANTICIPATED OR KNOWN RISKS

Global Economic Impacts of COVID-19 and Oil Price Wars

While there is no way to tell exactly what the economic damage from the global COVID-19 novel coronavirus pandemic will be, there is widespread agreement among economists that it will have severe negative impacts on the global economy. What was initially seen as a mostly China-centric shock is now understood to be a global crisis. The virus spread has regrettably borne out analysts' downside scenarios, with investors digesting the implications of disrupted supply chains, official containment measures, and spillovers from the real economy to financial markets. A decision by two of the world's largest energy producers to maintain current levels of production, despite falling energy prices, has further unnerved investors while questions about governments' abilities to mount an effective and coordinated response linger. The increased uncertainty has led to financial market volatility last seen during the global financial crisis.

The Group is of the view that the extent of the damage will depend on how quickly the virus to be contained, the steps to be taken by the authorities to contain it as well as economic policies and support that the governments are willing to deploy during the pandemic's immediate impact and the aftermath.

Rapid changes in technological development and technical personnel

The technology industry is a growing, and fast-changing sector and the management and operation of such businesses require the employment and retention of skilled personnel. We recognise that our Group's continuing success depends, to a significant extent, on the capabilities and continuing efforts of our key management personnel as well as our ability to retain and attract skilled technical personnel. We have currently put in place a management succession plan, which includes taking a proactive approach towards addressing talent management to ensure our Group is managed by personnel with the requisite knowledge, experience and capabilities.

We have also put in place a competitive remuneration package to reward our performing personnel and to retain their services in our Group. We also believe that by enhancing our corporate profile as a listed issuer, we will be able to attract more qualified personnel to continuously play an active role in the growth and success of our Group. However, no assurance can be given that these measures would result in the successful recruitment, retention and/or motivation of our personnel.

Fluctuation in foreign currency exchange rates

We are exposed to foreign exchange risks as part of our sales and purchases are transacted in foreign currencies. Our financial statements are prepared in RM, while our operating currencies comprise, inter alia, RM and USD. Moving forward, we expect to derive more revenue denominated in RM and USD in view of our growing presence in the overseas markets and our future plan to expand our footprint to other countries. Any significant fluctuations in the exchange rates may have a significant impact, whether positively or negatively, on our revenue and earnings.

Ability to secure new projects and customers

Our financial performance is dependent on our ability to secure contracts on a timely basis as our existing core business is mainly project-based. Whilst we are able to secured higher maintenance services (i.e. service level agreements) revenue arising from new projects in FYE 2019 to generate higher recurring income, there can be no certainty that our order book can be sustained in the future. Our inability to maintain a strong order book would have a material adverse impact on our future financial performance and prospects.

MANAGEMENT DISCUSSION & ANALYSIS

cont'd

6. 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 does not recommend the payment of any dividend in respect of FYE 2019.

PROFILE OF DIRECTORS



**MOHAMAD RIZATUDDIN
NOOR BIN MOHAMED RAMLI**

*Independent
Non-Executive Director*

SHIREEN CHIA YIN TING

*Independent
Non-Executive Director*

CLIFTON HEATH FERNANDEZ

*Chairman/Independent
Non-Executive Chairman*

LAW SEEH KEY

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

YONG KIM FUI

*Non-Independent Executive
Director/Chief Financial Officer*

PROFILE OF DIRECTORS

cont'd

CLIFTON HEATH FERNANDEZ

Chairman/Independent Non-Executive Chairman

| | | |
|------------------------------|-------------------|--|
| Gender | : Male | Membership of Board Committees: |
| Nationality | : Malaysian | Chairman of Risk Management Committee |
| Age | : 48 | Member of Audit Committee |
| Date of appointment | : 2 February 2018 | Member of Remuneration Committee |
| Board attendance in FYE 2019 | : 7/7 | 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 other than traffic offences, if any.
- 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

| | | |
|------------------------------|-------------------|--|
| Gender | : Female | Membership of Board Committees: |
| Nationality | : Malaysian | Chairperson of Audit Committee |
| Age | : 46 | Chairperson of Remuneration Committee |
| Date of appointment | : 2 February 2018 | Member of Risk Management Committee |
| Board attendance in FYE 2019 | : 7/7 | Member of Nomination 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 USD3 million 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 other than traffic offences, if any.
- 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 | Membership of Board Committees: |
| Nationality | : Malaysian | Chairman of Nomination Committee |
| Age | : 49 | Member of Audit Committee |
| Date of appointment | : 2 February 2018 | Member of Remuneration Committee |
| Board attendance in FYE 2019 | : 7/7 | |

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 at N2W Corporation Sdn. Bhd..

His career has encompassed a spectrum of industries as:

- System Analyst at Intel Malaysia, 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 at Dataprep Berhad, 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 at BioXCell, 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 other than traffic offences, if any.
- 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 | Membership of Board Committees: |
| Nationality | : Malaysian | None |
| Age | : 48 | |
| Date of appointment | : 2 February 2018 | |
| Board attendance in FYE 2019 | : 7/7 | |

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 other than traffic offences, if any.
- 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 | Membership of Board Committees: |
| Nationality | : Malaysian | Member of Risk Management Committee |
| Age | : 48 | |
| Date of appointment | : 2 February 2018 | |
| Board attendance in FYE 2019 | : 7/7 | |

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

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 other than traffic offences, if any.
- 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 | : | 46 |
| 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 other than traffic offences, if any.
- 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 | : | 37 |
| Date of appointment | : | 22 March 2010 |

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 other than traffic offences, if any.
- 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 | : | 46 |
| 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 other than traffic offences, if any.
- 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 | : | 40 |
| Date of appointment | : | 17 January 2007 |

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 other than traffic offences, if any.
- 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 | : | 41 |
| 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 other than traffic offences, if any.
- No public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

SUSTAINABILITY STATEMENT

Quality assurance

Physical quality control inspection

Our operations and administrative team is responsible for conducting stock check on incoming goods 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.

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 and ISO 10002)

One of our subsidiaries, Securemetric Malaysia received ISO 9001:2008 (the international standard that specifies requirements for a quality management system) for the provision of sales and marketing, research and development, implementation and support services for hardware and software digital solutions since Year 2012 and subsequently received ISO 10002:2014 in Year 2014. It has upgraded ISO 9001:2008 to ISO 9001:2015 in Year 2018. Over the years, Securemetric Vietnam, Securemetric Indonesia and Securemetric Philippines have received ISO 9001:2008 and ISO 10002:2014 respectively. All of them have secured an upgrade of ISO 9001:2008 to ISO 9001:2015 in Year 2018 and ISO 10002: 2014 to ISO 10002:2018 in Year 2019 respectively. 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 streamlines the workflow.

The Company is committed to staff development by providing on-the-job training and external training programs for all level 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 the internship program by providing industrial training to students from universities, colleges, polytechnics and other technical/vocational institutions.

SUSTAINABILITY STATEMENT

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 the 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 benefits package 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 attitudes to avoid workplace accidents. The floorplan of our premises is 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 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 Directors of the Company is of the opinion that, barring any unforeseen circumstances, the prospects of the Group for the Financial Year Ending 31 December 2020 will remain robust.

Corporate Social Responsibility

On 17 August 2019, Securemetric Malaysia collaborated in an event "Towards a Better Life with IT 1.0" initiated by Management & Science University at Taman Melati Kuala Lumpur with the objective to enhance the IT awareness and knowledge among the suburban community. The event was a hit with estimate of more than 100 people from the community and volunteers combined, the elderly group, as old as 70+ were taught to use the "new technologies", such as Canva, Wix, Social Media posting like Instagram and Facebook, while we played IT games with the youngsters.

Also, Securemetric Malaysia has contributed 2 sets of desktops, a wireless printer, 5 laptops and some other IT gadgets to the local community to set up a Mini IT Lab which could benefit the local community as well as enhance their IT awareness.

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 principal roles and responsibilities assumed by the Board are as follows:

- a. Reviewing and providing guidance on the Company's and the Group's annual budgets, development of risk policies, major capital expenditures, acquisitions and disposals;
- b. Monitoring corporate performance and the conduct of the Group's business and to ensure compliance with best practices and principles of corporate governance;
- c. Identifying and implementing appropriate systems to manage principal risks. The Board undertakes this responsibility through the Risk Management Committee;
- d. Reviewing and ensuring the adequacy and soundness of the Group's financial system, internal control systems and management information system and that they are in compliance with the applicable standards, laws and regulations;
- e. Ensuring a transparent Board nomination and remuneration process including management, ensuring the skills and experiences of the Directors are adequate for discharging their responsibilities whilst the caliber of the Independent Non-Executive Directors bring independent judgment in the decision making process;
- f. Ensuring a proper succession plan is in place;
- g. Monitoring major litigation;
- h. Approving all financial reports to be published and related stock exchange announcements;

CORPORATE GOVERNANCE

OVERVIEW STATEMENT

cont'd

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

I. Board Responsibilities (cont'd)

The principal roles and responsibilities assumed by the Board are as follows: (cont'd)

- i. Monitoring other material reporting and external communications by the Group;
- j. Reviewing the dividend policy;
- k. Appointing external auditors (subject to shareholders' approval); and
- l. Considering and reviewing the social, ethical and environmental impact of the Group's activities and determining, monitoring and reviewing standards and policies to guide the Group in this regard.

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 lay 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 is 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 seven (7) times. 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 |
|---|-----------------------|--------------------------|
| Executive Directors | | |
| Law Seeh Key | 7/7 | 100% |
| Yong Kim Fui | 7/7 | 100% |
| Non-Executive Directors | | |
| Clifton Heath Fernandez | 7/7 | 100% |
| Shireen Chia Yin Ting | 7/7 | 100% |
| Mohamad Rizatuddin Noor Bin Mohamed Ramli | 7/7 | 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 2019, the Directors have attended several relevant courses as below:

| Directors | Seminar / Conference / Workshop |
|-------------------------|---|
| Clifton Heath Fernandez | 1. Corporate Liability Under Section 17A of MACC (Amendment) Act 2019 2. Leading Digital Transformation - The Power of Digital 3. Technology and Audit 2019 - an ACCA Professional Insights |
| Law Seeh Key | 1. Corporate Liability Under Section 17A of MACC (Amendment) Act 2019 |

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 2019, the Directors have attended several relevant courses as below: (cont'd)

| Directors | Seminar / Conference / Workshop |
|---|---|
| Yong Kim Fui | <ol style="list-style-type: none"> 1. Corporate Liability Under Section 17A of MACC (Amendment) Act 2019 2. Malaysian Institute of Accountants Trust & Sustainability in a Digital 3. MIA - Managing Change and Transformational Leadership 4. MDEC GAIN Connex Thailand 2019 |
| Shireen Chia Yin Ting | <ol style="list-style-type: none"> 1. Corporate Liability Under Section 17A of MACC (Amendment) Act 2019 2. Special Invitation to Engagement Session with Audit Committee Members on Integrated Reporting |
| Mohamad Rizatuddin Noor Bin Mohamed Ramli | <ol style="list-style-type: none"> 1. Corporate Liability Under Section 17A of MACC (Amendment) Act 2019 |

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 2019. 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 favor. The Independent Directors had provided independent view based on their experience and knowledge that allow for diverse and objectives 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 enough 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 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:

- (a) reviewed and assessed the performance and the remuneration package of the Executive Directors;
- (b) reviewed and assessed the Directors' fees and benefits payable for the financial year ended 2019;
- (c) reviewed its Terms of Reference; and
- (d) reviewed the Board Remuneration Policy.

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

- (i) Received from the Company

| | | Fees (RM) | Salaries & other emoluments (RM) | Bonuses (RM) | EPF, SOCSO & EIS (RM) | Benefit -in-Kind (RM) | Total (RM) |
|--------------------------------|--|----------------|---|-----------------|--------------------------------|-----------------------------|----------------|
| Executive Directors | | | | | | | |
| 1. | Law Seeh Key | - | 300 | - | - | - | 300 |
| 2. | Yong Kim Fui | - | 300 | - | - | - | 300 |
| Non-Executive Directors | | | | | | | |
| 1. | Clifton Heath Fernandez | 42,000 | 2,100 | - | - | - | 44,100 |
| 2. | Shireen Chia Yin Ting | 36,000 | 2,100 | - | - | - | 38,100 |
| 3. | Mohamad Rizatuddin Noor Bin Mohamed Ramli | 36,000 | 2,100 | - | - | - | 38,100 |
| Total: | | 114,000 | 6,900 | - | - | - | 120,900 |

CORPORATE GOVERNANCE

OVERVIEW STATEMENT

cont'd

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

III. Remuneration (cont'd)

(ii) Received from the Subsidiaries Companies

| | Fees (RM) | Salaries & other emoluments (RM) | Bonuses (RM) | EPF, SOCSSO & EIS (RM) | Benefit -in-Kind (RM) | Total (RM) |
|---|--------------|---|-----------------|---------------------------------|-----------------------------|------------------|
| Executive Directors | | | | | | |
| 1. Law Seeh Key | - | 600,000 | - | 72,924 | - | 672,924 |
| 2. Yong Kim Fui | - | 420,000 | - | 51,324 | - | 471,324 |
| Non-Executive Directors | | | | | | |
| 1. Clifton Heath Fernandez | - | - | - | - | - | - |
| 2. Shireen Chia Yin Ting | - | - | - | - | - | - |
| 3. Mohamad Rizatuddin Noor Bin Mohamed Ramli | - | - | - | - | - | - |
| Total: | - | 1,020,000 | - | 124,248 | - | 1,144,248 |

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 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 cast at the meeting.

This Corporate Governance Overview Statement is made in accordance with the resolution of the Board of Directors dated 15 May 2020.

AUDIT COMMITTEE REPORT

The Board of Directors of the Group is pleased to present the Audit Committee Report for the FYE 2019.

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 ("Bursa Securities").

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 Audit Committee comprises three (3) Non-Executive Directors during FYE 31 December 2019, 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 Rule 15.09 (1) of the ACE Market Listing Requirement of Bursa Securities ("ACE LR").

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.

The Audit Committee will meet with the external auditors without executive board members present at least twice a year.

During the year, the Audit Committee held total of five (5) meetings. 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 (Chairperson) | 5/5 |
| Clifton Heath Fernandez | 5/5 |
| Mohamad Rizatuddin Noor Bin Mohamed Ramli | 5/5 |

Responsibilities and Duties

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

- To discuss with the external auditors, prior to the commencement of audit, the audit plan which states the nature and scope of audit;
- 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;
- To review with the external auditors, their evaluation of the system of internal controls, their management letter and management's responses;

AUDIT COMMITTEE REPORT

cont'd

MEETINGS AND MINUTES (cont'd)

Responsibilities and Duties (cont'd)

- 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.
- 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;
- 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 LR; and
- k) To review investment appraisal.

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 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 RM41,500.

AUDIT COMMITTEE REPORT

cont'd

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
- 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 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

The internal control 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 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.

AUDIT COMMITTEE REPORT

cont'd

RELATED PARTY TRANSACTION AND CONFLICT OF INTEREST

At each quarterly meeting, the Audit Committee reviewed the recurrent related party transactions ("RPT") 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 RPT 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 2019:

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 at least three (3) 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

Meeting and Quorum (cont'd)

Questions arising at any meeting of the Nomination Committee shall be decided by a majority of votes and a determination by a majority of members shall for all purposes be deemed a determination/ decision of the Nomination Committee.

In the case of an equality of votes, the Chairman of the meeting shall have a second or casting vote **PROVIDED THAT** two (2) members form a quorum. The Chairman of the meeting at which only such a quorum is present, or at which only two (2) members are competent to vote on the question at issue, shall not have a casting vote.

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 so 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;

NOMINATION COMMITTEE REPORT

cont'd

Responsibilities (cont'd)

The functions and responsibilities of the Nomination Committee are as follows: (cont'd)

- 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 met once during the financial year and all members of the Nomination Committee attended the meeting to deliberate on the following:

- Review the current Board structure, size and composition with an aim to achieving a balance of views on the Board;
- Review and assess the effectiveness of the Board as a whole, the various Board Committees as well as the contribution of each individual Director;
- Review the level of independence of Independent Directors;
- Discuss the character, experience, integrity and competence of the Directors, Chief Executive Officer or Chief Financial Officer and to ensure that they have the time to discharge their respective roles effectively; and
- Discuss on the annual retirement by rotation and re-election of Directors at the forthcoming Annual General Meeting.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Securemetric is pleased to present the Statement on Risk Management and Internal Control which outline the nature and scope of risk management and internal control system for the FYE 2019, pursuant to Rule 15.26(b) of Bursa Malaysia Securities Berhad's 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 ("the Guideline").

BOARD'S RESPONSIBILITIES

The Board acknowledges its overall responsibility for the risk management and 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 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 risk identified, output from monitoring processes, and changes made to the system of risk management and internal controls.

The Board has formalised 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 performance 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 minimising 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 IA 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 reviews with the Audit 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 year were as follows:

- Q1 2019: Project Management and Customer Service and Support
- Q2 2019: Research and Development and Management Information System
- Q3 2019: Branch Reporting (Vietnam)
- Q4 2019: Procurement and Inventory 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. These Board Committees are all governed by clearly defined terms of reference.

- **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 Head of Department 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. In addition to the regular meetings, other ad hoc meetings are convened as and when necessary to stay on course of achieving the Group's goal and objectives.

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

The Group has in place, documented policies and procedures to govern the financial and operational functions, and internal control system 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

OTHER KEY INTERNAL CONTROLS (cont'd)

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

- 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.

- 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 employee's expectations toward 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 to ensure that they stay relevant and to align with the best practices.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

OTHER KEY INTERNAL CONTROLS (cont'd)

- **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.

- **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 review any key financial and operational issues.

The Audit Management Committee reviews the quarterly financial statements with the Executive Directors before it recommends to the Board for approval to release the financial results to Bursa Malaysia. The audited financial statements are reviewed with the external auditors before recommending them to the Board for tabling them to the shareholders at the annual general meeting.

- **Investment Appraisal**

Major investment proposals on mergers and acquisitions as well as long-term business investments are thoroughly reviewed and appraised by the Audit Committee, 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 sufficiently safeguarded against any mishap that will result in material losses to the Group.

- **Regular Visits**

The Group conduct 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 were 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Rule 15.23 of the ACE Market 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 review, 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 Guideline, nor is factually inaccurate.

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 2019 Annual Report. 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 15 May 2020.

ADDITIONAL COMPLIANCE INFORMATION

The following disclosures are made in accordance with Part A of Appendix 9C of the Listing Requirements of Bursa Malaysia Securities Berhad:-

STATUS OF UTILISATION OF PROCEEDS

In conjunction with the Company's listing on the ACE Market of Bursa Securities on 13 November 2018, the gross proceeds from the initial public offering amounting to RM17.00 million are being utilised in the following manner:

| 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 | (839) | - | 4,861 | Within 24 months |
| Repayment of bank borrowings | 1,942 | (1,942) | - | - | Within 24 months |
| Working capital | 5,158 | (2,339) | 163 | 2,982 | Within 24 months |
| Estimated listing expenses | 2,500 | (2,337) | (163) ⁽¹⁾ | - | Within 1 month |
| Total | 17,000 | (7,757) | - | 9,243 | |

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

Note:

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

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

The Company had undertaken a Bonus Issue exercise on the basis of 1 Bonus Share for every 1 existing Securemetric Share held by the entitled shareholders of the Company, which was completed on 20 January 2020 following the listing of 243,600,000 Bonus Shares on the ACE Market of Bursa Malaysia Securities Berhad on 20 January 2020 ("Bonus Issue").

Following the Bonus Issue, the Company had issued 243,600,000 free warrants ("Warrants") on the basis of 1 Warrant for every 1 existing Securemetric Share held on the same entitlement date as the Bonus Issue, which was completed on 4 February 2020 following the listing of and quotation for the Warrants (Warrant Code: 0203WA) on the ACE Market of Bursa Malaysia Securities Berhad on 4 February 2020.

Each Warrant carries the entitlement to subscribe for 1 new ordinary share in Securemetric at the exercise price of RM0.16 at any time during the exercise period from 22 January 2020 to 21 January 2023, subject to any adjustments in accordance with the provisions of the deed poll dated 3 January 2020 constituting the Warrants.

The Warrants issued were not expected to raise any proceeds as the Warrants were issued at no cost to the shareholders of the Company. Nevertheless, the quantum of proceeds that would be raised by the Company pursuant to the exercise of the Warrants would depend on the number of Warrants exercised during the tenure of the Warrants.

As at 15 May 2020, being the date of Annual Report, 100,000 Warrants had been exercised into 100,000 Securemetric Shares with proceeds of RM16,000.

ADDITIONAL COMPLIANCE INFORMATION

cont'd

AUDIT AND NON-AUDIT FEES

During FYE 2019, 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 | 75 | 144 |
| Non-audit fee | 5 | 5 |

MATERIAL CONTRACTS

During FYE 2019, 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 2019, 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 FYE 2019.

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 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 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding. The principal activities of its subsidiary companies are disclosed in Note 6 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 | 1,989,797 | (447,465) |
| - Non-controlling interests | 23,005 | - |
| | <u>2,012,802</u> | <u>(447,465)</u> |

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 year. The Directors do not recommend any dividend in respect of the current financial year.

ISSUE OF SHARES AND DEBENTURES

There was no issuance of shares or debentures during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIRECTORS' REPORT

cont'd

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 *
Yong Kim Fui
Clifton Heath Fernandez
Shireen Chia Yin Ting
Mohamad Rizatuddin Nor Bin Mohamed Ramli

* 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) since the beginning of the current financial year until the date of this report are as follows:

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 IN SHARES

The 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 according to the Register of Directors' Shareholdings are as follows:

| | Number of ordinary shares | | |
|---------------------------------|---------------------------|----------------|------------------|
| | At 1.1.2019 | Bought Sold | At 31.12.2019 |
| Interests in the Company | | | |
| Direct Interests | | | |
| Law Seeh Key | 126,337,605 | - (10,000,000) | 116,337,605 |
| 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, 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 no allowance for doubtful debts was required; 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 to make any allowance for doubtful debts in the financial statements of the Group and of the Company; 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 6 to the financial statements.

SIGNIFICANT EVENT

The significant event is disclosed in Note 37 to the financial statements.

SUBSEQUENT EVENTS

The subsequent events are disclosed in Note 38 to the financial statements.

AUDITORS

The details of auditors' remuneration are disclosed in Note 26 to the financial statements.

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 15 May 2020.

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 64 to 143 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 2019 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 15 May 2020.

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 64 to 143 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 15 May 2020)

YONG KIM FUI

Before me,

NO. W710
MOHAN A.S. MANIAM
COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

to the members of Securemetric Berhad
[Registration No.: 201701019864 (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 2019 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 64 to 143.

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 2019, 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 |
|--|--|
| Impairment of trade receivables | |
| The Group has material credit exposures in its portfolio of trade receivables amounting to RM17,133,879 as at 31 December 2019. 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 2019.</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 the financial statements.</p> |

INDEPENDENT AUDITORS' REPORT

to the members of Securemetric Berhad
[Registration No.: 201701019864 (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 have 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 these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

INDEPENDENT AUDITORS' REPORT

to the members of Securemetric Berhad
[Registration No.: 201701019864 (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 judgement 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 6 to the financial statements.

INDEPENDENT AUDITORS' REPORT

to the members of Securemetric Berhad
[Registration No.: 201701019864 (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

LIM BEE PENG
Approved Number: 03307/06/2021 J
Chartered Accountant

KUALA LUMPUR

15 May 2020

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2019

| | Note | Group | | Company | |
|---|------|--------------|--------------|-------------|-------------|
| | | 2019 | 2018 | 2019 | 2018 |
| | | RM | RM | RM | RM |
| Restated | | | | | |
| Assets | | | | | |
| Non-Current Assets | | | | | |
| Property, plant and equipment | 4 | 1,434,798 | 1,481,190 | - | - |
| Right-of-use assets | 5 | 1,018,955 | - | - | - |
| Investment in subsidiary companies | 6 | - | - | 14,047,998 | 14,047,998 |
| Development expenditure | 7 | 966,805 | 1,450,208 | - | - |
| Other investments | 8 | 274,707 | 259,555 | - | - |
| Deferred tax assets | 9 | 89,685 | 94,591 | - | - |
| Total Non-Current Assets | | 3,784,950 | 3,285,544 | 14,047,998 | 14,047,998 |
| Current Assets | | | | | |
| Inventories | 10 | 1,169,109 | 1,504,105 | - | - |
| Contract assets | 11 | 425,759 | 1,835,581 | - | - |
| Trade receivables | 12 | 17,133,879 | 11,130,628 | - | - |
| Other receivables | 13 | 3,279,569 | 2,610,169 | 88,490 | 67,500 |
| Tax recoverable | | 369,672 | - | - | - |
| Other investments | 8 | - | 2,530,593 | - | - |
| Fixed deposits with licensed banks | 14 | 11,336,601 | 2,763,921 | 8,481,342 | - |
| Cash and bank balances | | 14,127,790 | 23,915,252 | 5,452,236 | 14,343,821 |
| Total Current Assets | | 47,842,379 | 46,290,249 | 14,022,068 | 14,411,321 |
| Total Assets | | 51,627,329 | 49,575,793 | 28,070,066 | 28,459,319 |
| Equity and Liabilities | | | | | |
| Equity | | | | | |
| Share capital | 15 | 30,453,764 | 30,453,764 | 30,453,764 | 30,453,764 |
| Reserves | 16 | (10,932,137) | (11,141,431) | - | - |
| Retained earnings | | 19,175,633 | 17,193,218 | (2,517,610) | (2,070,145) |
| Equity attributable to the owners of the parent | | 38,697,260 | 36,505,551 | 27,936,154 | 28,383,619 |
| Non-controlling interests | | 359,564 | 322,354 | - | - |
| Total Equity | | 39,056,824 | 36,827,905 | 27,936,154 | 28,383,619 |

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2019
cont'd

| | Note | Group | | Company | |
|--------------------------------------|------|-------------------|-------------------|-------------------|-------------------|
| | | 2019 | 2018 | 2019 | 2018 |
| | | RM | RM | RM | RM |
| | | | Restated | | |
| Non-Current Liabilities | | | | | |
| Employee benefit | 17 | 228,671 | 195,846 | - | - |
| Finance lease liability | 18 | - | 301,377 | - | - |
| Lease liabilities | 19 | 561,143 | - | - | - |
| Bank borrowings | 20 | - | 1,392,972 | - | - |
| Total Non-Current Liabilities | | 789,814 | 1,890,195 | - | - |
| Current Liabilities | | | | | |
| Trade payables | 21 | 1,738,252 | 1,336,334 | - | - |
| Other payables | 22 | 3,661,322 | 4,226,602 | 101,716 | 73,200 |
| Contract liabilities | 11 | 5,368,161 | 4,392,382 | - | - |
| Finance lease liability | 18 | - | 67,023 | - | - |
| Lease liabilities | 19 | 457,438 | - | - | - |
| Bank borrowings | 20 | - | 603,638 | - | - |
| Tax payable | | 555,518 | 231,714 | 32,196 | 2,500 |
| Total Current Liabilities | | 11,780,691 | 10,857,693 | 133,912 | 75,700 |
| Total Liabilities | | 12,570,505 | 12,747,888 | 133,912 | 75,700 |
| Total Equity and Liabilities | | 51,627,329 | 49,575,793 | 28,070,066 | 28,459,319 |

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 2019

| | Note | Group | | Company | |
|--|------|------------------|----------------|------------------|--------------------|
| | | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Revenue | 23 | 31,089,201 | 31,295,752 | - | - |
| Cost of sales | 24 | (11,970,117) | (13,659,518) | - | - |
| Gross profit | | 19,119,084 | 17,636,234 | - | - |
| Other income | | 1,092,456 | 818,909 | 305,684 | 56,170 |
| Administrative expenses | | (17,269,644) | (16,397,577) | (682,368) | (2,116,252) |
| Net gain/(loss) on impairment on of financial instruments | | 179,472 | (266,862) | - | - |
| Finance costs | 25 | (92,623) | (209,803) | - | - |
| Profit/(Loss) before tax | 26 | 3,028,745 | 1,580,901 | (376,684) | (2,060,082) |
| Taxation | 27 | (1,015,943) | (888,479) | (70,781) | (2,500) |
| Profit/(Loss) for the financial year | | 2,012,802 | 692,422 | (447,465) | (2,062,582) |
| Other comprehensive income/(loss) | | | | | |
| Items that are or may be reclassified subsequently to profit or loss | | | | | |
| Exchange translation differences for foreign operations | | 208,306 | (99,975) | - | - |
| Items that will not be reclassified subsequently to profit or loss | | | | | |
| Net change in fair value of equity investments designated at fair value through other comprehensive income | | 15,152 | 8,418 | - | - |
| Total other comprehensive income/(loss) for the financial year | | 223,458 | (91,557) | - | - |
| Total comprehensive income/(loss) for the financial year | | 2,236,260 | 600,865 | (447,465) | (2,062,582) |

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 31 December 2019
cont'd

| | | Group | | Company | |
|--|-------|------------------|----------------|------------------|--------------------|
| | | 2019 | 2018 | 2019 | 2018 |
| | Note | RM | RM | RM | RM |
| Profit/(Loss) for the financial year attributable to: | | | | | |
| Owners of the parent | | 1,989,797 | 613,150 | (447,465) | (2,062,582) |
| Non-controlling interests | | 23,005 | 79,272 | - | - |
| | | <u>2,012,802</u> | <u>692,422</u> | <u>(447,465)</u> | <u>(2,062,582)</u> |
| Total comprehensive income/(loss) attributable to: | | | | | |
| Owners of the parent | | 2,199,091 | 530,703 | (447,465) | (2,062,582) |
| Non-controlling interests | | 37,169 | 70,162 | - | - |
| | | <u>2,236,260</u> | <u>600,865</u> | <u>(447,465)</u> | <u>(2,062,582)</u> |
| Earnings per share (sen) | | | | | |
| Before issuance of bonus shares | | | | | |
| - Basic | 28(a) | <u>0.82</u> | <u>0.33</u> | | |
| - Diluted | 28(b) | <u>0.82</u> | <u>0.33</u> | | |
| After issuance of bonus shares | | | | | |
| - Basic | 28(a) | <u>0.41</u> | <u>0.14</u> | | |
| - Diluted | 28(b) | <u>0.41</u> | <u>0.14</u> | | |

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

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2019

| Group | Note | 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 | |
| | | RM | RM | RM | RM | RM | RM | RM | RM | RM | RM |
| At 1 January 2018 | | 2,705,441 | 186,599 | (247,303) | 3,274 | - | 16,646,642 | 19,294,653 | 252,192 | 19,546,845 | |
| Effect on adoption of MFRS 9 | | - | - | 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 | |
| Transactions with owners | | | | | | | | | | | |
| 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, 16 | (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 2019
cont'd

| Group | Note | 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 | |
| | | RM | RM | RM | RM | RM | RM | RM | RM | RM | |
| At 1 January 2019, as previously reported | | 30,453,764 | 195,017 | (335,059) | 3,274 | (11,004,663) | 17,193,218 | 36,505,551 | 322,354 | 36,827,905 | |
| Effect on adoption of MFRS 16 | 2(a) | - | - | - | - | - | (7,382) | (7,382) | - | (7,382) | |
| At 1 January 2019, as restated | | 30,453,764 | 195,017 | (335,059) | 3,274 | (11,004,663) | 17,185,836 | 36,498,169 | 322,354 | 36,820,523 | |
| Profit for the financial year | | - | - | - | - | - | 1,989,797 | 1,989,797 | 23,005 | 2,012,802 | |
| Other comprehensive income for the financial year | | - | 15,152 | 194,142 | - | - | - | 209,294 | 14,164 | 223,458 | |
| Total comprehensive income for the financial year | | - | 15,152 | 194,142 | - | - | 1,989,797 | 2,199,091 | 37,169 | 2,236,260 | |
| Transactions with owners | | | | | | | | | | | |
| Capital contribution from non-controlling interests | | - | - | - | - | - | - | - | 41 | 41 | |
| At 31 December 2019 | | 30,453,764 | 210,169 | (140,917) | 3,274 | (11,004,663) | 19,175,633 | 38,697,260 | 359,564 | 39,056,824 | |

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2019
cont'd

| Company | Note | Share Capital RM | Accumulated Losses RM | Total Equity RM |
|---|------|---------------------|--------------------------|--------------------|
| 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) |
| Transactions with owners: | | | | |
| Issuance of ordinary shares | 15 | 31,047,998 | - | 31,047,998 |
| Share issuance expenses | 15 | (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 |
| At 1 January 2019 | | 30,453,764 | (2,070,145) | 28,383,619 |
| Loss for the financial year, representing total comprehensive loss for the financial year | | - | (447,465) | (447,465) |
| At 31 December 2019 | | 30,453,764 | (2,517,610) | 27,936,154 |

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

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2019

| | Group | | Company | |
|---|-------------|-------------|-----------|-------------|
| | 2019 | 2018 | 2019 | 2018 |
| | RM | RM | RM | RM |
| | Restated | | | |
| Cash Flows From Operating Activities | | | | |
| Profit/(Loss) before tax | 3,028,745 | 1,580,901 | (376,684) | (2,060,082) |
| 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 | (169,828) | (41,502) | - | - |
| Inventories written off | 19,099 | 20 | - | - |
| Depreciation of | | | | |
| - property, plant and equipment | 490,873 | 307,429 | - | - |
| - right-of-use assets | 546,679 | - | - | - |
| Government grant income | (450,035) | (450,035) | - | - |
| Fair value gain on financial asset at fair value through profit or loss | (9,644) | (759) | - | - |
| Finance costs | 92,623 | 209,803 | - | - |
| Dividend income from unit trust | (39,672) | (29,834) | - | - |
| Interest income | (525,431) | (191,721) | (305,684) | (14,838) |
| Loss/(Gain) on disposal of property, plant and equipment | 4 | (511) | - | - |
| Unrealised loss on foreign exchange | 121,490 | 2,118 | 227 | - |
| Property, plant and equipment written off | 4,415 | - | - | - |
| Operating profit/(loss) before working capital changes | 3,592,721 | 2,237,109 | (682,141) | (2,074,920) |
| Changes in working capital: | | | | |
| Inventories | 149,049 | 521,550 | - | - |
| Receivables | (6,681,929) | 4,926,336 | (20,990) | (67,360) |
| Payables | 256,032 | (7,963,135) | 28,516 | 65,497 |
| Contract assets/(liabilities) | 2,385,601 | (2,173,887) | - | - |
| | (3,891,247) | (4,689,136) | 7,526 | (1,863) |

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2019
cont'd

| | Group | | Company | |
|---|-------------|-------------|-----------|-------------|
| | 2019 | 2018 | 2019 | 2018 |
| | RM | RM | RM | RM |
| | Restated | | | |
| Cash Flows From Operating Activities (Cont'd) | | | | |
| Cash used in operations | (298,526) | (2,452,027) | (674,615) | (2,076,783) |
| Interest paid | (92,623) | (209,803) | - | - |
| Interest received | 525,431 | 191,721 | 305,684 | 14,838 |
| Tax refund | 214,614 | 22,570 | - | - |
| Tax paid | (1,269,317) | (689,573) | (41,085) | - |
| Exchange fluctuation adjustment | 199,706 | (89,235) | - | - |
| Net cash used in operating activities | (720,715) | (3,226,347) | (410,016) | (2,061,945) |
| Cash Flows From Investing Activities | | | | |
| Purchase of other investment | - | (2,500,000) | - | - |
| Proceeds from disposal of other investment | 2,579,909 | - | - | - |
| Purchase of property, plant and equipment [Note 4(b)] | (608,028) | (683,324) | - | - |
| Proceeds from disposal of property, plant and equipment | 4,956 | 1,160 | - | - |
| Capital contribution from non-controlling interests | 41 | - | - | - |
| Net cash from/(used in) investing activities | 1,976,878 | (3,182,164) | - | - |
| Cash Flows From Financing Activities | | | | |
| Repayment of term loans | (1,996,610) | (551,189) | - | - |
| Drawdown of term loan | - | - | - | - |
| Proceeds from issue of shares | - | 17,000,000 | - | 17,000,000 |
| Increase in fixed deposits pledged | (91,338) | (23,626) | - | - |
| Payment of share issuance expenses | - | (594,236) | - | (594,236) |
| Repayment of lease liabilities | (449,999) | - | - | - |
| Net cash (used in)/from financing activities | (2,537,947) | 15,830,949 | - | 16,405,764 |

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2019
cont'd

| | Group | | Company | |
|---|-------------|-------------|------------|------------|
| | 2019 | 2018 | 2019 | 2018 |
| | RM | RM | RM | RM |
| | Restated | | | |
| Net (decrease)/increase in cash and cash equivalents | (1,281,784) | 9,422,438 | (410,016) | 14,343,819 |
| Cash and cash equivalents at the beginning of the financial year | 23,915,252 | 14,509,982 | 14,343,821 | 2 |
| Effect of exchange translation differences on cash and cash equivalents | (24,336) | (17,168) | (227) | - |
| Cash and cash equivalents at the end of the financial year | 22,609,132 | 23,915,252 | 13,933,578 | 14,343,821 |
| Cash and cash equivalents at the end of the financial year comprises: | | | | |
| Cash and bank balances | 14,127,790 | 23,915,252 | 5,452,236 | 14,343,821 |
| Fixed deposits with licensed banks | 11,336,601 | 2,763,921 | 8,481,342 | - |
| | 25,464,391 | 26,679,173 | 13,933,578 | 14,343,821 |
| Less: Fixed deposits pledged to licensed banks | (2,855,259) | (2,763,921) | - | - |
| | 22,609,132 | 23,915,252 | 13,933,578 | 14,343,821 |

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the ACE Market of Bursa Malaysia Securities Berhad.

The 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 principal activity of the Company is that of investment holding. The principal activities of its subsidiary companies are disclosed in Note 6. 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.

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.

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 16 | Leases |
| IC Interpretation 23 | Uncertainty over Income Tax Treatments |
| Amendments to MFRS 9 | Prepayment Features with Negative Compensation |
| Amendments to MFRS 119 | Plan Amendment, Curtailment or Settlement |
| Amendments to MFRS 128 | Long-term Interests in Associates and Joint Ventures |

Annual Improvements to MFRSs 2015 - 2017 Cycle:

- Amendments to MFRS 3
- Amendments to MFRS 11
- Amendments to MFRS 112
- Amendments to MFRS 123

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
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:

MFRS 16 Leases

MFRS 16, which upon the effective date will supersede MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Leases - Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

As a result of the adoption of MFRS 16, the existing requirements for a lessee to distinguish between finance leases and operating leases under the MFRS 117 *Leases* are no longer required. MFRS 16 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 ("ROU") 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 ROU 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 statements of cash flows.

The ROU 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.

As permitted by the transitional provision of MFRS 16, the Group has elected to adopt a simplified transition approach where cumulative effects of initial application are recognised on 1 January 2019 as an adjustment to the opening balance of retained earnings.

For leases that were classified as finance lease under MFRS 117, the carrying amounts of the ROU asset and the lease liability at 1 January 2019 are determined to be the same as the carrying amount of the lease asset and lease liability under MFRS 117 immediately before that date.

The Group has also applied the following practical expedients when applying MFRS 16 to lease previously classified as operating lease under MFRS 117:

- Applied a single discount rate to portfolio of leases with reasonably similar characteristics.
- The Group does not apply the standard to leases which lease terms end within 12 months from 1 January 2019.
- No adjustments are made on transition for leases for which the underlying assets are of low value.
- Excluded initial direct costs from measuring the ROU assets at the date of initial application.
- The Group uses hindsight in determining lease terms for contracts that contain options for extension.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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)

MFRS 16 Leases (Cont'd)

Impact arising from the adoption of MFRS 16 on the financial statements of the Group are as follows:

| | As at 31.12.2018 RM | Effect on adoption of MFRS 16 RM | As at 01.01.2019 RM |
|---|---------------------------|---|---------------------------|
| Statements of Financial Position | | | |
| Non-Current Assets | | | |
| Property, plant and equipment | 1,481,190 | (396,665) | 1,084,525 |
| Right-of-use assets | - | 964,810 | 964,810 |
| Current Assets | | | |
| Other receivables | 2,610,169 | (74,917) | 2,535,252 |
| Non-Current Liabilities | | | |
| Finance lease liability | 301,377 | (301,377) | - |
| Lease liabilities | - | 537,696 | 537,696 |
| Current Liabilities | | | |
| Finance lease liability | 67,023 | (67,023) | - |
| Lease liabilities | - | 327,714 | 327,714 |
| Equity | | | |
| Retained earnings | 17,193,218 | (7,382) | 17,185,836 |

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
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)

MFRS 16 Leases (Cont'd)

The following table explains the difference between operating lease commitments disclosed applying MFRS 117 at 31 December 2018, and lease liabilities recognised in the statements of financial position at 1 January 2019.

| | Group RM |
|--|----------------|
| Operating lease commitment as at 31 December 2018 | 682,811 |
| Discounted using the incremental borrowings rate at 1 January 2019 | (87,089) |
| Add: Transfer from finance lease obligations upon initial application of MFRS 16 | 368,400 |
| Less: Short-term leases recognised on a straight-line as expense | (98,712) |
| Lease liabilities recognised as at 1 January 2019 | <u>865,410</u> |

The weighted average incremental borrowing rate applied to lease liabilities on 1 January 2019 was 2.30%.

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 |
|---|--|
| 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 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform | 1 January 2020 |
| Amendments to MFRS 101 and MFRS 108 Definition of Material | 1 January 2020 |
| MFRS 17 Insurance Contracts | 1 January 2021 |
| Amendments to MFRS 101 Classification of Liabilities as Current or Non-current | 1 January 2022 |
| 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 |

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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 intend to adopt the above new standards and amendments to standards, if applicable, when they become effective.

The initial application of the above-mentioned 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.

(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.

(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.

Judgements

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements:

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
cont'd

2. BASIS OF PREPARATION (Cont'd)

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

Judgements (Cont'd)

Determining the lease term of contracts with renewal options - the Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised.

The Group has several lease contracts that include extension options. The Group applies judgement in evaluating whether to exercise the option to renew the lease. It considers all relevant factors that create an economic incentive for it to exercise the renewal option. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew.

The Group includes the renewal period as part of the lease term for such leases. The Group typically exercises its option to renew for those leases with renewal option.

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 and right-of-use ("ROU") assets

The Group regularly reviews the estimated useful lives of property, plant and equipment and ROU assets 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 and ROU assets would increase the recorded depreciation and decrease the value of property, plant and equipment and ROU assets. The carrying amount at the reporting date for property, plant and equipment and ROU assets are disclosed in Notes 4 and 5 respectively.

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 7.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

cont'd

2. BASIS OF PREPARATION (Cont'd)

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

Key sources of estimation uncertainty (Cont'd)

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 9.

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 10.

Determination of transaction prices

The Group is required to determine the transaction price in respect of each of its contracts with customers. In making such judgement, the Group assesses the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component and any non-cash consideration in the contract.

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.

Provision for expected credit loss of financial assets at amortised cost

The Group uses a provision matrix to calculate expected credit loss for trade receivables. The provision rates are based on number of days past due.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and expected credit loss is a significant estimate. The Group's historical credit loss experience and forecast of economic conditions may not be representative of customer's actual default in the future. Information about the expected credit loss on the Group's trade receivables is disclosed in Note 12.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
cont'd

2. BASIS OF PREPARATION (Cont'd)

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

Key sources of estimation uncertainty (Cont'd)

Discount rate used in leases

Where the interest rate implicit in the lease cannot be readily determined, the Group uses the incremental borrowing rate to measure the lease liabilities. The incremental borrowing rate is the interest rate that the Group would have to pay to borrow over a similar term, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Therefore, the incremental borrowing rate requires estimation, particularly when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs when available and is required to make certain entity-specific estimates.

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

Judgement 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 2019, the Group has tax recoverable and tax payable of RM369,672 (2018: RMNil) and RM555,518 (2018: RM231,714) respectively. As at 31 December 2019, the Company has tax payable of RM32,196 (2018: RM2,500).

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 2019

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 2019
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, investment in subsidiary companies are stated at cost less accumulated impairment losses. On disposal of such investment, 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 2019

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 are translated to RM at the rate of exchange prevailing at the reporting date. 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 non-controlling interests.

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

(i) Recognition and measurement (Cont'd)

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.

(d) Leases

Policy applicable after 1 January 2019

The Group recognises a ROU asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located, less any lease incentives received.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(d) Leases (Cont'd)

Policy applicable after 1 January 2019 (Cont'd)

The ROU asset is subsequently measured at cost less any accumulated depreciation, accumulated impairment loss and, if applicable, adjusted for any remeasurement of lease liabilities. The policy of recognition and measurement of impairment losses is in accordance with Note 3(l)(i) on impairment on non-financial assets.

The ROU asset under cost model is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The estimated useful lives of the ROU assets are determined on the same basis as those of property, plant and equipment as follows:

| | |
|---------------|--|
| Buildings | Over the lease term |
| Motor vehicle | 20% or over the lease term, if shorter |

The ROU assets are subject to impairment.

The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted using the respective Group entities' incremental borrowing rates. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the Group is reasonably certain to exercise.

Variable lease payments that do not depend on an index or a rate and are dependent on a future activity are recognised as expenses in profit or loss in the period in which the event or condition that triggers the payment occurs.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate, or if the Group changes its assessment of whether it will exercise an extension or termination option.

Lease payments associated with short-term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less and do not contain a purchase option. Low value assets are those assets valued at less than RM20,000 each when purchased new.

Policy applicable before 1 January 2019

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(d) Leases (Cont'd)

Policy applicable before 1 January 2019 (Cont'd)

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 the leased assets are not recognised on the statements of financial position.

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(e) Intangible assets (Cont'd)

(i) Internally-generated intangible assets - research and development expenditure (Cont'd)

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) 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.

(f) Financial assets

Recognition and initial measurement

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

At initial recognition, the Group and the Company measure 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 fair value through profit or loss ("FVTPL") are expensed in profit or loss.

Financial asset 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 and the Company change 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(f) Financial assets (Cont'd)

Financial asset categories and subsequent measurement (Cont'd)

(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 trade and other receivables, fixed deposits with licensed banks and cash and bank balances.

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(f) Financial assets (Cont'd)

Financial asset categories and subsequent measurement (Cont'd)

(ii) Financial assets at fair value through other comprehensive income ("FVTOCI") (Cont'd)

(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 and 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.

All financial assets, except for those measured at FVTPL and equity investments measured at FVTOCI, are subject to impairment assessment as disclosed in Note 3(I)(ii) on impairment of financial assets.

Regular way purchase or sale of financial assets

Regular way purchase or sale are purchase or sale of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchase or sale 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(g) Financial liabilities

Recognition and initial measurement

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

At initial recognition, the Group and the Company measure 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.

Financial liability categories and subsequent measurement

The Group and the Company classify its financial liabilities 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, finance lease liability, lease liabilities and bank 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(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 of inventories comprise cost of purchase and other costs incurred in bringing it to their present location and condition are 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, 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 pledged deposits.

(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 asset is reclassified to trade receivables at the point at which invoices have been billed to 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. Contract liabilities are recognised as revenue when the Group performs its obligation under the contracts.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(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

The Group and the Company recognise an allowance for expected credit losses ("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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(n) Employee benefits (Cont'd)

(iii) Defined benefit plans (Cont'd)

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 service 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.

The Group recognises revenue from the following major sources:

(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 Group 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(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.

(q) Borrowing costs

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(r) Income taxes (Cont'd)

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.

(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.

(u) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs when the guaranteed debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as financial liabilities at fair value, net of transaction costs. Subsequently, the liability is measured at the higher of:

- The amount of the loss allowances; and
- The amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance the principles of MFRS 15 *Revenue from Contracts with Customers*.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
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 |
|--|---------------------------|---------------------------------------|-------------------------------|------------------------------------|------------------|-------------------------|---------------------------|-------------|
| Group | | | | | | | | |
| 2019 | | | | | | | | |
| Cost | | | | | | | | |
| as 1 January 2019, as previously stated | 184,021 | 1,267,129 | 8,484 | 227,137 | 203,559 | 580,627 | 12,748 | 2,483,705 |
| Effect on adoption of MFRS 16 | - | - | - | - | - | (400,537) | - | (400,537) |
| At 1 January 2019, as restated | 184,021 | 1,267,129 | 8,484 | 227,137 | 203,559 | 180,090 | 12,748 | 2,083,168 |
| Additions | 23,999 | 649,859 | - | 1,980 | - | 1,437 | - | 677,275 |
| Disposals | (1,482) | (13,353) | - | - | - | - | - | (14,835) |
| Written off | (3,073) | (104,922) | - | - | - | - | - | (107,995) |
| Transferred from inventories | - | 166,848 | - | - | - | - | - | 166,848 |
| Exchange differences | 513 | 4,751 | - | 1,415 | 1,481 | 4,079 | - | 12,239 |
| At 31 December 2019 | 203,978 | 1,970,312 | 8,484 | 230,532 | 205,040 | 185,606 | 12,748 | 2,816,700 |

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
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 |
|---|---------------------------|---------------------------------------|-------------------------------|------------------------------------|------------------|-------------------------|---------------------------|-------------|
| Group | | | | | | | | |
| 2019 | | | | | | | | |
| Accumulated depreciation | | | | | | | | |
| as 1 January 2019, as previously stated | 59,440 | 722,581 | 8,484 | 63,833 | 43,471 | 98,508 | 6,198 | 1,002,515 |
| Effect on adoption of MFRS 16 | - | - | - | - | - | (3,872) | - | (3,872) |
| At 1 January 2019, as restated | 59,440 | 722,581 | 8,484 | 63,833 | 43,471 | 94,636 | 6,198 | 998,643 |
| Charge for the financial year | 18,624 | 400,661 | - | 21,271 | 25,053 | 23,991 | 1,273 | 490,873 |
| Disposals | (283) | (9,592) | - | - | - | - | - | (9,875) |
| Written off | (1,353) | (102,227) | - | - | - | - | - | (103,580) |
| Exchange differences | 50 | 2,398 | - | 549 | 893 | 1,951 | - | 5,841 |
| At 31 December 2019 | 76,478 | 1,013,821 | 8,484 | 85,653 | 69,417 | 120,578 | 7,471 | 1,381,902 |
| Carrying amount | | | | | | | | |
| At 31 December 2019 | 127,500 | 956,491 | - | 144,879 | 135,623 | 65,028 | 5,277 | 1,434,798 |

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
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 |
|-------------------------------------|---------------------------|---------------------------------------|-------------------------------|------------------------------------|------------------|-------------------------|---------------------------|-------------|
| Group | | | | | | | | |
| 2018 | | | | | | | | |
| Cost | | | | | | | | |
| 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 |
| Accumulated depreciation | | | | | | | | |
| 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 |
| Carrying amount | | | | | | | | |
| 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 2019
cont'd

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

- (a) At 31 December 2018, the net carrying amount of leased motor vehicle of the Group was RM396,665. Leased asset is pledged as security for the related finance lease liability.

Following the adoption of MFRS 16 on 1 January 2019, the Group has reclassified the carrying amount of leased asset to ROU assets as disclosed in Note 5.

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

| | Group | |
|-------------------------------|----------|-----------|
| | 2019 | 2018 |
| | RM | RM |
| Aggregate costs | 677,275 | 1,051,724 |
| Less: Finance lease financing | - | (368,400) |
| Set off with other payables | (69,247) | - |
| Cash payments | 608,028 | 683,324 |

5. RIGHT-OF-USE ASSETS

| | Motor vehicle | Buildings | Total |
|---|---------------|-----------|-----------|
| | RM | RM | RM |
| 2019 | | | |
| Cost | | | |
| At 1 January 2019, as previously reported | - | - | - |
| Effect on adoption of MFRS 16 | 400,537 | 997,998 | 1,398,535 |
| At 1 January 2019, as restated | 400,537 | 997,998 | 1,398,535 |
| Additions | - | 603,170 | 603,170 |
| Expiration of lease contracts | - | (404,244) | (404,244) |
| Exchange differences | - | (411) | (411) |
| At 31 December 2019 | 400,537 | 1,196,513 | 1,597,050 |
| Accumulated depreciation | | | |
| At 1 January 2019, as previously reported | - | - | - |
| Effect on adoption of MFRS 16 | 3,872 | 429,853 | 433,725 |
| At 1 January 2019, as restated | 3,872 | 429,853 | 433,725 |
| Charge for the financial year | 80,107 | 466,572 | 546,679 |
| Expiration of lease contracts | - | (404,244) | (404,244) |
| Exchange differences | - | 1,935 | 1,935 |
| At 31 December 2019 | 83,979 | 494,116 | 578,095 |

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
cont'd

5. RIGHT-OF-USE ASSETS (Cont'd)

| | Motor vehicle RM | Buildings RM | Total RM |
|------------------------|------------------------|-----------------|-------------|
| Carrying amount | | | |
| At 31 December 2019 | 316,558 | 702,397 | 1,018,955 |

Included in the above, motor vehicle of the Group with carrying amount of RM316,558 is pledged as security for the related lease liability.

6. INVESTMENT IN SUBSIDIARY COMPANIES

| | Company | |
|---------------------------------|-------------------|-------------------|
| | 2019 RM | 2018 RM |
| Unquoted shares, at cost | | |
| In Malaysia | 9,916,998 | 9,916,998 |
| Outside Malaysia | 4,131,000 | 4,131,000 |
| | <u>14,047,998</u> | <u>14,047,998</u> |

Details of the subsidiary companies are as follows:

| Name of company | Place of business/ Country of incorporation | Effective interest (%) | | Principal activities |
|---|--|---------------------------|--------|---|
| | | 2019 | 2018 | |
| <i>Direct holding</i> | | | | |
| Securemetric Technology Sdn. Bhd. ("Securemetric Malaysia") | Malaysia | 100 | 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 | 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 | 99.997 | Provision of digital security solutions as well as trading of electronic identification products, and other related services |

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
cont'd

6. INVESTMENT IN SUBSIDIARY COMPANIES (Cont'd)

| Name of company | Place of business/ Country of incorporation | Effective interest (%) | | Principal activities |
|--|--|------------------------|------|--|
| | | 2019 | 2018 | |
| PT Securemetric Technology ("Securemetric Indonesia") * | Indonesia | 99.99 | 100 | Provision of digital security solutions as well as trading of electronic identification products, and other related services |
| Securemetric Technology Pte. Ltd. ("Securemetric Singapore") * | Singapore | 100 | 100 | Trading of electronic identification products and other related services |
| PT Softkey Indonesia ("Softkey Indonesia") * | Indonesia | 80 | 80 | Trading of electronic identification products and other related services |

* Audited by member firm of UHY International Limited

(a) 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 | |
|-------------------|---|------|---|--------|---------------------------------------|---------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | % | % | RM | RM | RM | RM |
| Softkey Indonesia | 20 | 20 | 23,005 | 79,272 | 359,564 | 322,354 |

(i) Summarised Statement of Financial Position

| | 2019 | 2018 |
|-----------------------|-----------|-----------|
| | RM | RM |
| Non-current asset | 76,692 | 87,316 |
| Current assets | 2,661,032 | 2,951,180 |
| Non-current liability | (170,209) | (146,354) |
| Current liabilities | (384,418) | (894,891) |
| Net assets | 2,183,097 | 1,997,251 |

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

cont'd

6. INVESTMENT IN SUBSIDIARY COMPANIES (Cont'd)

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

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

| | 2019 RM | 2018 RM |
|--|------------|------------|
| Revenue | 1,536,200 | 3,483,609 |
| Profit for the financial year | 115,027 | 396,360 |
| Other comprehensive income/(loss) for the financial year | 70,819 | (45,552) |
| Total comprehensive income for the financial year | 185,846 | 350,808 |

(iii) Summarised Statement of Cash Flows

| | 2019 RM | 2018 RM |
|---|------------|------------|
| Net cash used in operating activities | (299,153) | (929,461) |
| Net cash used in investing activities | (195) | (8,578) |
| Net cash from financing activities | - | 321,078 |
| Net decrease in cash and cash equivalents | (299,348) | (616,961) |

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. Generally, for all subsidiary companies which are not wholly-owned by the Company, non-controlling shareholders hold protective rights restricting the Company's ability to use the assets of the subsidiary companies and settle the liabilities of the Group, unless approval is obtained from non-controlling shareholders.

7. DEVELOPMENT EXPENDITURE

| | Group | |
|---------------------------------|------------|------------|
| | 2019 RM | 2018 RM |
| Cost | | |
| At 1 January/31 December | 2,417,014 | 2,417,014 |
| Accumulated amortisation | | |
| At 1 January/31 December | 966,806 | 483,403 |
| Charge for the financial year | 483,403 | 483,403 |
| At 31 December | 1,450,209 | 966,806 |
| Carrying amount | | |
| At 31 December | 966,805 | 1,450,208 |

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
cont'd

7. DEVELOPMENT EXPENDITURE (Cont'd)

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 a subsidiary company as disclosed in Note 22(a).

8. OTHER INVESTMENTS

| | Group | |
|---|---------|-----------|
| | 2019 | 2018 |
| | RM | RM |
| Non-current | | |
| Financial asset at fair value through other comprehensive income | | |
| Quoted shares, in Malaysia, at market value | 274,707 | 259,555 |
| Current | | |
| Financial asset at fair value through profit or loss | | |
| Unit trust | - | 2,530,593 |

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

9. DEFERRED TAX ASSETS

| | Group | |
|------------------------------|---------|--------|
| | 2019 | 2018 |
| | RM | RM |
| At 1 January | 94,591 | 34,608 |
| Recognised in profit or loss | (7,108) | 59,706 |
| Exchange differences | 2,202 | 277 |
| At 31 December | 89,685 | 94,591 |

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

| | Group | |
|--------------------------|----------|----------|
| | 2019 | 2018 |
| | RM | RM |
| Deferred tax assets | 132,832 | 122,078 |
| Deferred tax liabilities | (43,147) | (27,487) |
| | 89,685 | 94,591 |

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
cont'd

9. 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 |
|-------------------------------|--------------|-------------|
| Group | | |
| At 1 January 2019 | 122,078 | 122,078 |
| Recognised in profit or loss | (12,295) | (12,295) |
| Under provision in prior year | 20,847 | 20,847 |
| Exchange differences | 2,202 | 2,202 |
| At 31 December 2019 | 132,832 | 132,832 |
| 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 |

Deferred tax liabilities

| | Accelerated capital allowances RM | Others RM | Total RM |
|-------------------------------|--|--------------|-------------|
| Group | | | |
| At 1 January 2019 | 25,759 | 1,728 | 27,487 |
| Recognised in profit or loss | 4,179 | (1,728) | 2,451 |
| Under provision in prior year | 13,209 | - | 13,209 |
| At 31 December 2019 | 43,147 | - | 43,147 |
| 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 |

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9. DEFERRED TAX ASSETS (Cont'd)

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

| | Group | |
|--|----------------|---------------|
| | 2019 | 2018 |
| | RM | RM |
| Other deductible temporary differences | 175,010 | 51,415 |
| Unabsorbed capital allowance | 382,710 | - |
| Unutilised business losses | 220,104 | - |
| | <u>777,824</u> | <u>51,415</u> |

With effect from year of assessment 2019, the unutilised business losses are allowed to be carried forward up to a maximum of seven consecutive years of assessment under the current tax legislation. The other temporary differences do not expire under current tax legislation.

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.

10. INVENTORIES

| | Group | |
|--|------------------|------------------|
| | 2019 | 2018 |
| | RM | RM |
| At cost | | |
| Finished goods | <u>1,169,109</u> | <u>1,504,105</u> |
| Transferred to property, plant and equipment | <u>166,848</u> | <u>-</u> |
| Recognised in profit or loss | | |
| Inventories recognised as cost of sales | 8,258,953 | 11,323,611 |
| Inventories written down | - | 58,674 |
| Inventories written off | <u>19,099</u> | <u>20</u> |

11. CONTRACT ASSETS/(LIABILITIES)

(a) Contract assets

| | | Group | |
|---|------|----------------|------------------|
| | | 2019 | 2018 |
| | Note | RM | RM |
| Amount due from customers on contracts | (i) | 263,026 | 734,741 |
| Software, consultancy and installation services | (ii) | 162,733 | 1,100,840 |
| | | <u>425,759</u> | <u>1,835,581</u> |

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11. CONTRACT ASSETS/(LIABILITIES) (Cont'd)

(a) Contract assets (Cont'd)

(i) Amount due from customers on contracts

| | Group | |
|---------------------------------|-------------|-------------|
| | 2019 | 2018 |
| | RM | RM |
| Contract costs incurred to date | 1,234,698 | 1,128,229 |
| Attributable profits | 3,620,930 | 1,477,856 |
| | 4,855,628 | 2,606,085 |
| Less: Progress billings | (4,592,602) | (1,871,344) |
| | 263,026 | 734,741 |
| Presented as: | | |
| Contract assets | 263,026 | 734,741 |

Amount due from customers on contracts relates to the Group's rights to consideration for work completed but not billed at the reporting date. This amount will be transferred to trade receivables when the rights become unconditional.

(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 | |
|------------------|-----------|-----------|
| | 2019 | 2018 |
| | RM | RM |
| Deferred revenue | 5,368,161 | 4,392,382 |

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.

(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 RM8,970,956 (2018: RM13,841,098). The Group expects to recognise this revenue upon the completion of contracts which is expected to occur over the next 12 to 72 months.

NOTES TO THE FINANCIAL STATEMENTS

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12. TRADE RECEIVABLES

| | Group | |
|-------------------------------------|------------|------------|
| | 2019 | 2018 |
| | RM | RM |
| Trade receivables | 16,207,184 | 10,361,255 |
| Retention sum | 1,090,570 | 1,101,535 |
| | 17,297,754 | 11,462,790 |
| Less: Accumulated impairment losses | (163,875) | (332,162) |
| | 17,133,879 | 11,130,628 |

Trade receivables are non-interest bearing and are on 30 to 90 days (2018: 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 are as follows:

| | Lifetime allowance | Credit Impaired | Loss allowance |
|------------------------------|--------------------|-----------------|----------------|
| | RM | RM | RM |
| Group | | | |
| At 1 January 2019 | 188,763 | 143,399 | 332,162 |
| Impairment losses reversed | (169,828) | - | (169,828) |
| Exchange differences | 1,541 | - | 1,541 |
| At 31 December 2019 | 20,476 | 143,399 | 163,875 |
| At 1 January 2018 | - | - | - |
| Effect on adoption of MFRS 9 | 63,465 | - | 63,465 |
| | 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

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12. 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 |
|------------------------|-----------------------|-------------------------|---------------------|
| Group | | | |
| 2019 | | | |
| Not past due | 3,192,137 | (10,444) | 3,181,693 |
| Past due | | | |
| Less than 30 days | 3,909,028 | (3,271) | 3,905,757 |
| 31 to 60 days | 966,013 | (4,429) | 961,584 |
| 61 to 90 days | 1,617,686 | (404) | 1,617,282 |
| More than 90 days | 7,469,491 | (1,928) | 7,467,563 |
| | 13,962,218 | (10,032) | 13,952,186 |
| Credit impaired | | | |
| Individually impaired | 143,399 | (143,399) | - |
| | <u>17,297,754</u> | <u>(163,875)</u> | <u>17,133,879</u> |
| 2018 | | | |
| Not past due | 5,461,636 | (114,665) | 5,346,971 |
| Past due | | | |
| 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 |
| Credit impaired | | | |
| Individually impaired | 143,399 | (143,399) | - |
| | <u>11,462,790</u> | <u>(332,162)</u> | <u>11,130,628</u> |

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

As at 31 December 2019, the Group has trade receivables amounting to RM13,952,186 (2018: RM5,783,657) were past due but not individually impaired. These relate to a number of independent customers from whom there is no recent history of default but with slower repayment records.

As at 31 December 2019, included in trade receivables that are past due but not individually impaired more than 90 days are retention sum of RM1,090,570 (2018: RM1,101,535).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
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12. TRADE RECEIVABLES (Cont'd)

The trade receivables of the Group that are individually assessed to be impaired amounting to RM143,399 (2018: RM143,399), relate to customers that are in financial difficulties and have defaulted on payments. These balances are expected to be recovered through the debts recovery process.

The Group has 4 customers (2018: 4 customer) that owed to the Group for approximately 57% (2018: 50%) of total trade receivables at the end of the reporting period.

13. OTHER RECEIVABLES

| | Group | | Company | |
|-------------------|-----------|-----------|---------|--------|
| | 2019 | 2018 | 2019 | 2018 |
| | RM | RM | RM | RM |
| Other receivables | 43,313 | 281,175 | - | - |
| Deferred costs | 1,231,236 | 1,410,038 | - | - |
| Deposits | 1,041,554 | 133,167 | - | - |
| Prepayments | 962,951 | 783,172 | 88,490 | 67,500 |
| GST receivables | 515 | 2,617 | - | - |
| | 3,279,569 | 2,610,169 | 88,490 | 67,500 |

14. FIXED DEPOSITS WITH LICENSED BANKS

| | Group | | Company | |
|---------------------------|------------|-----------|-----------|------|
| | 2019 | 2018 | 2019 | 2018 |
| | RM | RM | RM | RM |
| Deposits with tenures of: | | | | |
| - less than 3 months | 8,481,342 | - | 8,481,342 | - |
| - more than 3 months | 2,855,259 | 2,763,921 | - | - |
| | 11,336,601 | 2,763,921 | 8,481,342 | - |

The fixed deposits of the Group bear interest range from 2.75% to 4.09% (2018: 3.10% to 6.80%) per annum with maturity period of 12 months (2018: 12 months).

The fixed deposits of the Company bear interest range from 2.75% to 3.48% (2018: Nil) per annum with maturity period of 3 months (2018: Nil).

Included in fixed deposits with licensed banks of the Group is an amount of RM172,022 (2018: RM165,412) 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 RM2,683,237 (2018: RM2,598,509) which has been pledged to a licensed bank as security for bank guarantee facilities granted to the Group.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
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15. SHARE CAPITAL

| | Group | | | | Company | | | |
|---|------------------|------------|------------------|-------------|------------------|------------|------------------|------------|
| | 2019 | | 2018 | | 2019 | | 2018 | |
| | Number of shares | Amount RM | Number of shares | Amount RM | Number of shares | Amount RM | Number of shares | Amount RM |
| Note | Units | | Units | | Units | | Units | |
| Issued and fully paid ordinary shares | | | | | | | | |
| At 1 January/At date of incorporation | 243,600,000 | 30,453,764 | 1,406,687 | 2,705,441 | 243,600,000 | 30,453,764 | 25 | 2 |
| Issuance in share capital by Securemetric Philippines | - | - | 43,320 | 337,896 | - | - | - | - |
| Issuance of ordinary shares (a) | | | | | | | | |
| - acquisition of subsidiary companies | - | - | 175,599,975 | 14,047,998 | - | - | 175,599,975 | 14,047,998 |
| - 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 | 243,600,000 | 30,453,764 | 243,600,000 | 30,453,764 | 243,600,000 | 30,453,764 |

(a) In previous 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.
- (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 2019
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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 are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regards to the Company's residual assets.

16. RESERVES

| | | Group | |
|--------------------------------------|------|---------------------|---------------------|
| | | 2019 | 2018 |
| | Note | RM | RM |
| Fair value adjustment reserve | (a) | 210,169 | 195,017 |
| Foreign currency translation reserve | (b) | (140,917) | (335,059) |
| Tax amnesty | (c) | 3,274 | 3,274 |
| Merger reserve | (d) | (11,004,663) | (11,004,663) |
| | | <u>(10,932,137)</u> | <u>(11,141,431)</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 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 (2018: 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

31 December 2019
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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 | |
|-------------------------------------|---------|---------|
| | 2019 | 2018 |
| | RM | RM |
| Present value of funded obligations | 228,671 | 195,846 |

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

| | Group | |
|-------------------------------|---------|---------|
| | 2019 | 2018 |
| | RM | RM |
| At 1 January | 195,846 | - |
| Recognised in profit or loss: | | |
| - Current service costs | 25,637 | 191,343 |
| Exchange differences | 7,188 | 4,503 |
| At 31 December | 228,671 | 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 | |
|------------------------------|----------|----------|
| | 2019 | 2018 |
| | RM | RM |
| Discount rate at 31 December | 10% | 10% |
| Future salary increases | 3% | 3% |
| Normal retirement age | 55 years | 55 years |

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
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17. EMPLOYEE BENEFIT (Cont'd)

Retirement benefit plans (Cont'd)

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

| | Group | |
|--|---------|-----------|
| | +1% | -1% |
| | RM | RM |
| Increase/(Decrease) of present value of the unfunded obligations | | |
| - Discount rates | 169,250 | (169,250) |
| - Expected salary | 245,851 | (245,851) |

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 RM |
|--|---------------------|
| Minimum lease payments | |
| 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 |
| Present value of minimum lease payments | |
| 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 |
| Analysed as: | |
| Repayable within twelve months | 67,023 |
| Repayable after twelve months | 301,377 |
| | 368,400 |

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
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18. FINANCE LEASE LIABILITY (Cont'd)

In the previous financial year, 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.

In the previous financial year, the interest rate of finance lease liability is 2.30% per annum.

19. LEASE LIABILITIES

| | Group 2019 RM |
|--------------------------------|---------------------|
| At 1 January 2019 | - |
| Effect on adoption of MFRS 16 | 865,410 |
| At 1 January 2019, as restated | 865,410 |
| Addition | 603,170 |
| Accretion of interest | 31,820 |
| Payment | (481,819) |
| At 31 December 2019 | <u>1,018,581</u> |
| Presented as: | |
| Non-current | 561,143 |
| Current | <u>457,438</u> |
| | <u>1,018,581</u> |

The maturity analysis of lease liabilities of the Group at the end of the reporting period:

| | Group 2019 RM |
|--|---------------------|
| Within one year | 481,756 |
| Later than one year but not later than two years | 415,478 |
| Later than two years but not later than five years | 164,274 |
| | <u>1,061,508</u> |
| Less: Future finance charges | (42,927) |
| Present value of lease liabilities | <u>1,018,581</u> |

The Group leases buildings and motor vehicle. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The weighted average incremental borrowing rate applied to lease liabilities at the reporting date was 2.30%.

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31 December 2019
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20. BANK BORROWINGS

| | Group | |
|----------------|-------|-----------|
| | 2019 | 2018 |
| | RM | RM |
| Secured | | |
| Term loans | - | 1,996,610 |
| Secured | | |
| Term loans | | |
| - Non-current | - | 1,392,972 |
| - Current | - | 603,638 |
| | - | 1,996,610 |

During the financial year, the term loans have been fully settled.

In the previous financial year, 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 | |
|----------------------|-------|-----------|
| | 2019 | 2018 |
| | RM | RM |
| Within 1 year | - | 603,638 |
| Between 1 to 2 years | - | 660,034 |
| Between 2 to 3 years | - | 637,997 |
| Between 3 to 4 years | - | 94,941 |
| | - | 1,996,610 |

In the previous financial year, the interest rate of bank borrowing range from 7.95% to 11.15% per annum.

21. TRADE PAYABLES

The trade credit terms granted to the Group range from 30 to 90 days (2018: 30 to 90 days) depending on the terms of the contracts.

NOTES TO THE FINANCIAL STATEMENTS

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cont'd

22. OTHER PAYABLES

| | Note | Group | | Company | |
|------------------------|------|-----------|-----------|---------|--------|
| | | 2019 | 2018 | 2019 | 2018 |
| | | RM | RM | RM | RM |
| | | | Restated | | |
| Other payables | | 1,057,213 | 735,240 | 9,637 | - |
| Deferred capital grant | (a) | 900,069 | 1,350,104 | - | - |
| Accruals | | 1,704,040 | 2,141,200 | 92,079 | 73,200 |
| GST payable | | - | 58 | - | - |
| | | 3,661,322 | 4,226,602 | 101,716 | 73,200 |

(a) 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.

The movement of the deferred capital grant is as follows:

| | Group | |
|-------------------------------------|-----------|-----------|
| | 2019 | 2018 |
| | RM | RM |
| At 1 January | 1,350,104 | 1,800,139 |
| Amortised during the financial year | (450,035) | (450,035) |
| At 31 December | 900,069 | 1,350,104 |

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
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23. REVENUE

| | Group | |
|--|-------------------|-------------------|
| | 2019 | 2018 |
| | RM | RM |
| Revenue from contracts with customers | | |
| Sales of goods | 16,842,729 | 19,411,173 |
| Rendering of services | 14,246,472 | 11,884,579 |
| | <u>31,089,201</u> | <u>31,295,752</u> |
| Timing of revenue recognition | | |
| At a point in time | 20,296,355 | 26,858,411 |
| Over time | 10,792,846 | 4,437,341 |
| Total revenue from contracts with customers | <u>31,089,201</u> | <u>31,295,752</u> |

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 |
|---|--|--|------------------|-------------------|
| Group | | | | |
| 2019 | | | | |
| Type of goods and services | | | | |
| Sale of goods | 14,194,513 | 2,648,170 | 46 | 16,842,729 |
| Rendering of services | 6,646,755 | - | 7,599,717 | 14,246,472 |
| Total revenue from contracts with customers | <u>20,841,268</u> | <u>2,648,170</u> | <u>7,599,763</u> | <u>31,089,201</u> |
| Geographical market | | | | |
| Malaysia | 1,845,731 | 485,711 | 785,976 | 3,117,418 |
| Vietnam | 6,976,803 | 123,483 | 1,160,745 | 8,261,031 |
| Philippines | 1,457,134 | 533,313 | 1,550,401 | 3,540,848 |
| Indonesia | 2,005,392 | 1,266,039 | 2,426,653 | 5,698,084 |
| United States | 175,500 | 227,746 | 12,969 | 416,215 |
| Singapore | 6,444,928 | 3,515 | 1,257,816 | 7,706,259 |
| Others | 1,935,780 | 8,363 | 405,203 | 2,349,346 |
| | <u>20,841,268</u> | <u>2,648,170</u> | <u>7,599,763</u> | <u>31,089,201</u> |

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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23. 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 |
|---|--|--|--------------|-------------|
| Group | | | | |
| 2019 | | | | |
| Timing of revenue recognition | | | | |
| At a point in time | 17,269,419 | 2,648,170 | 378,766 | 20,296,355 |
| Over time | 3,571,849 | - | 7,220,997 | 10,792,846 |
| Total revenue from contracts with customers | 20,841,268 | 2,648,170 | 7,599,763 | 31,089,201 |
| 2018 | | | | |
| Type of goods and services | | | | |
| 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 |
| Geographical market | | | | |
| 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 |
| Timing of revenue recognition | | | | |
| 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 |

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
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24. COST OF SALES

| | Group | |
|-------------------|-------------------|-------------------|
| | 2019 | 2018 |
| | RM | RM |
| Sales of goods | 8,258,953 | 11,323,611 |
| Services rendered | 3,711,164 | 2,335,907 |
| | <u>11,970,117</u> | <u>13,659,518</u> |

25. FINANCE COSTS

| | Group | |
|-----------------------|---------------|----------------|
| | 2019 | 2018 |
| | RM | RM |
| Interest expenses on: | | |
| Lease liabilities | 31,820 | - |
| Term loans | 60,803 | 209,803 |
| | <u>92,623</u> | <u>209,803</u> |

26. PROFIT/(LOSS) BEFORE TAX

Profit/(Loss) before tax is arrived at after charging/(crediting):

| | Group | | Company | |
|---|---------|---------|---------|--------|
| | 2019 | 2018 | 2019 | 2018 |
| | RM | RM | RM | RM |
| Auditors' remuneration | | | | |
| - statutory | | | | |
| - UHY | 95,000 | 85,000 | 75,000 | 65,000 |
| - member firms of UHY International Limited | 48,541 | 74,038 | - | - |
| - non-statutory | 5,000 | 5,000 | 5,000 | 5,000 |
| Allowance for slow moving inventories | - | 58,674 | - | - |
| Amortisation of development expenditure | 483,403 | 483,403 | - | - |
| Depreciation of : | | | | |
| - property, plant and equipment | 490,873 | 307,429 | - | - |
| - right-of-use assets | 546,679 | - | - | - |

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cont'd

26. PROFIT/(LOSS) BEFORE TAX (Cont'd)

Profit/(Loss) before tax is arrived at after charging/(crediting): (Cont'd)

| | Group | | Company | |
|---|-----------|-----------|-----------|-----------|
| | 2019 | 2018 | 2019 | 2018 |
| | RM | RM | RM | RM |
| Non-executive Directors' remuneration | | | | |
| - fees | 114,000 | 59,500 | 114,000 | 59,500 |
| - allowances | 6,300 | - | 6,300 | - |
| Impairment losses on trade receivables | - | 309,123 | - | - |
| Inventories written off | 19,099 | 20 | - | - |
| Listing expenses | - | 1,742,344 | - | 1,742,344 |
| Loss on foreign exchange | | | | |
| - unrealised | 121,490 | 2,118 | 227 | - |
| - realised | 15,681 | 27,247 | 534 | 41,431 |
| Property, plant and equipment written off | 4,415 | - | - | - |
| Lease expenses relating to short-term leases | | | | |
| - office | 108,372 | - | - | - |
| - hostel | 29,400 | - | - | - |
| Rental expenses | | | | |
| - office | - | 433,279 | - | - |
| Loss/(Gain) on disposal of property, plant and equipment | 4 | (511) | - | - |
| Dividend income from unit trust | (39,672) | (29,834) | - | - |
| Fair value gain on financial asset at fair value through profit or loss | (9,644) | (759) | - | - |
| Government grant income | (450,035) | (450,035) | - | - |
| Interest income | (525,431) | (191,721) | (305,684) | (14,838) |
| Reversal of impairment losses on trade receivables | (169,828) | (41,502) | - | - |

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27. TAXATION

| | Group | | Company | |
|---|-----------|----------|---------|-------|
| | 2019 | 2018 | 2019 | 2018 |
| | RM | RM | RM | RM |
| Tax expenses recognised in profit or loss | | | | |
| Current tax provision | | | | |
| - Malaysian tax | 100,024 | 469,500 | 69,696 | 2,500 |
| - Foreign tax | 968,298 | 460,469 | - | - |
| (Over)/Under provision in prior years | (59,487) | 18,216 | 1,085 | - |
| | 1,008,835 | 948,185 | 70,781 | 2,500 |
| Deferred tax (Note 9): | | | | |
| Relating to origination and reversal of temporary differences | 14,746 | (59,706) | - | - |
| Over provision in prior year | (7,638) | - | - | - |
| | 7,108 | (59,706) | - | - |
| | 1,015,943 | 888,479 | 70,781 | 2,500 |

Malaysian income tax is calculated at the statutory tax rate of 24% (2018: 18% on the first RM500,000 and 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.

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 | |
|--|-----------|-----------|-----------|-------------|
| | 2019 | 2018 | 2019 | 2018 |
| | RM | RM | RM | RM |
| Profit/(Loss) before tax | 3,028,745 | 1,580,901 | (376,684) | (2,060,082) |
| At Malaysian statutory tax rate of 24% (2018: 24%) | 726,899 | 379,416 | (90,404) | (494,420) |
| Tax incentive obtained from differential tax rate of 17% (2018: 18%) | - | (35,418) | - | (846) |
| Effect of different tax rate in other jurisdictions | (326,668) | (183,719) | - | - |
| Expenses not deductible for tax purposes | 881,469 | 984,560 | 160,100 | 507,686 |
| Income not subject to tax | (372,970) | (299,662) | - | (9,920) |
| Income under tax exemption scheme | - | (23,639) | - | - |
| Deferred tax assets not recognised | 174,338 | 48,725 | - | - |
| (Over)/Under provision of income tax in prior years | (59,487) | 18,216 | 1,085 | - |
| Over provision of deferred tax in prior year | (7,638) | - | - | - |
| | 1,015,943 | 888,479 | 70,781 | 2,500 |

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27. TAXATION (Cont'd)

The Group has the following estimated unutilised capital allowances and unutilised tax losses available for set-off against future taxable profits. The said amounts are subject to approval by the tax authorities.

| | Group | |
|-------------------------------|----------------|----------|
| | 2019 | 2018 |
| | RM | RM |
| Unutilised capital allowances | 382,710 | - |
| Unutilised tax losses | 220,104 | - |
| | <u>602,814</u> | <u>-</u> |

28. 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 | |
|--|--------------------|--------------------|
| | 2019 | 2018 |
| | RM | RM |
| Profit for the financial year, attributable to owners of the parent | 1,989,797 | 613,150 |
| | <u>units</u> | <u>units</u> |
| Weighted average number of ordinary shares in issue | | |
| Ordinary shares in issue at 1 January | 243,600,000 | 175,600,000 |
| Bonus issue subsequent to year end (Note 37) | 243,600,000 | 243,600,000 |
| Effect of ordinary shares issued during the financial year | - | 9,128,767 |
| Adjusted weighted average number of ordinary shares issue and issuable as at 31 December | <u>487,200,000</u> | <u>428,328,767</u> |
| Basic earnings per ordinary share | | |
| - before issuance of bonus shares (sen) | 0.82 | 0.33 |
| - after issuance of bonus shares (sen) | <u>0.41</u> | <u>0.14</u> |

The weighted average number of ordinary shares issued as at 31 December 2019 and 31 December 2018 have been adjusted to reflect the bonus issue of 1 for 1 existing ordinary shares which was completed on 20 January 2020 as disclosed in Note 37.

(b) Diluted earnings per share

The Group has 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 other than bonus issue which was completed on 20 January 2020 as disclosed in Note 37.

NOTES TO THE FINANCIAL STATEMENTS

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29. STAFF COSTS

| | Group | | Company | |
|--------------------------------------|------------|-----------|---------|--------|
| | 2019 | 2018 | 2019 | 2018 |
| | RM | RM | RM | RM |
| Salaries, wages and other emoluments | 9,324,263 | 7,543,840 | 600 | 55,000 |
| Defined contribution plans | 881,396 | 721,859 | - | - |
| Social security contributions | 91,170 | 69,723 | - | - |
| Other benefits | 249,604 | 417,554 | - | - |
| Defined benefit plans | 25,637 | 191,343 | - | - |
| | 10,572,070 | 8,944,319 | 600 | 55,000 |

Included in staff costs is aggregate amount of remuneration received by the Executive Directors of the Company and of the subsidiary companies during the financial year as below:

| | Group | | Company | |
|--------------------------------------|-----------|-----------|---------|--------|
| | 2019 | 2018 | 2019 | 2018 |
| | RM | RM | RM | RM |
| Directors' fees | - | 55,000 | - | 55,000 |
| Salaries, wages and other emoluments | 1,020,600 | 849,000 | 600 | - |
| Defined contribution plans | 122,400 | 101,880 | - | - |
| Social security contributions | 1,658 | 1,658 | - | - |
| Other benefits | 190 | 190 | - | - |
| | 1,144,848 | 1,007,727 | 600 | 55,000 |

30. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below show the details changes in the liabilities of the Group arising from financing activities, both cash and non-cash changes:

| | Note | At 1 January RM | Effect on adoption of MFRS 16 [Note 2(a)] RM | Financing cash flows (i) RM | New lease liability [Note 4(b),5] RM | At 31 December RM |
|-------------------------|------|-----------------------|--|-----------------------------------|---|-------------------------|
| Group | | | | | | |
| 2019 | | | | | | |
| Finance lease liability | 18 | 368,400 | (368,400) | - | - | - |
| Lease liabilities | 19 | - | 865,410 | (449,999) | 603,170 | 1,018,581 |
| Term loans | 20 | 1,996,610 | - | (1,996,610) | - | - |
| | | 2,365,010 | 497,010 | (2,446,609) | 603,170 | 1,018,581 |

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30. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (Cont'd)

The table below show the details changes in the liabilities of the Group arising from financing activities, both cash and non-cash changes: (Cont'd)

| | Note | At 1 January RM | Effect on adoption of MFRS 16 [Note 2(a)] RM | Financing cash flows (i) RM | New lease liability [Note 4(b),5] RM | At 31 December RM |
|-------------------------|------|-----------------------|--|-----------------------------------|---|-------------------------|
| Group | | | | | | |
| 2018 | | | | | | |
| Finance lease liability | 18 | - | - | - | 368,400 | 368,400 |
| Term loans | 20 | 2,547,799 | - | (551,189) | - | 1,996,610 |
| | | <u>2,547,799</u> | <u>-</u> | <u>(551,189)</u> | <u>368,400</u> | <u>2,365,010</u> |

(i) The financing cash flows represents repayment of finance lease liability, lease liabilities and term loans in the statements of cash flows.

31. OPERATING LEASE COMMITMENTS - AS LESSEE

The future minimum lease payments payable under non-cancellable operating leases are:

| | Group 2018 RM |
|---|---------------------|
| Within one year | 361,100 |
| Later than one year but not later than two years | 196,766 |
| Later than two years but not later than three years | 124,945 |
| | <u>682,811</u> |

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
cont'd**32. RELATED PARTY DISCLOSURES (Cont'd)****(a) Identifying related parties (Cont'd)**

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:

| | Group | | Company | |
|--------------------------------|-----------|-----------|---------|---------|
| | 2019 | 2018 | 2019 | 2018 |
| | RM | RM | RM | RM |
| Fees | 114,000 | 114,500 | 114,000 | 114,500 |
| Salaries and others emoluments | 2,166,616 | 1,971,800 | 6,900 | - |
| Defined contribution plans | 256,740 | 236,690 | - | - |
| Social security contributions | 5,800 | 5,800 | - | - |
| Others | 664 | 664 | - | - |
| | 2,543,820 | 2,329,454 | 120,900 | 114,500 |

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.

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33. SEGMENT INFORMATION (Cont'd)

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 |
|---|--|--|--------------|--------------|
| 2019 | | | | |
| Total revenue | 25,805,327 | 3,107,584 | 9,238,150 | 38,151,061 |
| Inter-segment revenue | (4,964,059) | (459,413) | (1,638,388) | (7,061,860) |
| Revenue from external customers | 20,841,268 | 2,648,171 | 7,599,762 | 31,089,201 |
| Cost of sales | (7,855,455) | (1,355,199) | (2,759,463) | (11,970,117) |
| Segment gross profit | 12,985,813 | 1,292,972 | 4,840,299 | 19,119,084 |
| Other income | | | | 1,092,456 |
| Administrative expenses | | | | (17,269,644) |
| Net gain on impairment of financial instruments | | | | 179,472 |
| Finance costs | | | | (92,623) |
| Profit before tax | | | | 3,028,745 |
| Taxation | | | | (1,015,943) |
| Profit for the financial year | | | | 2,012,802 |
| 2018 | | | | |
| 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 |

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33. SEGMENT INFORMATION (Cont'd)

(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.

(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 | |
|---------------|------------|------------|--------------------|-----------|
| | 2019 | 2018 | 2019 | 2018 |
| | RM | RM | RM | RM |
| Malaysia | 3,117,418 | 4,417,215 | 3,042,380 | 2,627,775 |
| Vietnam | 8,261,031 | 5,353,274 | 104,259 | 79,472 |
| Philippines | 3,540,848 | 1,766,362 | 53,613 | 35,232 |
| Indonesia | 5,698,084 | 7,322,510 | 216,564 | 188,919 |
| United States | 416,215 | 5,588,110 | - | - |
| Singapore | 7,706,259 | 2,793,757 | 3,742 | - |
| Canada | - | 1,029,483 | - | - |
| Others | 2,349,346 | 3,025,041 | - | - |
| | 31,089,201 | 31,295,752 | 3,420,558 | 2,931,398 |

Non-current assets for this purpose consist of property, plant and equipment, ROU assets 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:

| | 2019 | 2018 |
|-----------|-----------|-----------|
| | RM | RM |
| Company A | - | 5,320,042 |
| Company B | 3,357,183 | - |
| | 3,357,183 | 5,320,042 |

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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 assets at amortised cost RM | Financial liabilities at amortised cost RM | Total RM |
|------------------------------------|---------------------------------------|---|--|-------------|
| Group | | | | |
| 2019 | | | | |
| Financial Assets | | | | |
| Other investments | 274,707 | - | - | 274,707 |
| Trade receivables | - | 17,133,879 | - | 17,133,879 |
| Other receivables | - | 1,084,867 | - | 1,084,867 |
| Fixed deposits with licensed banks | - | 11,336,601 | - | 11,336,601 |
| Cash and bank balances | - | 14,127,790 | - | 14,127,790 |
| | 274,707 | 43,683,137 | - | 43,957,844 |
| Group | | | | |
| 2019 | | | | |
| Financial Liabilities | | | | |
| Trade payables | - | - | 1,738,252 | 1,738,252 |
| Other payables | - | - | 2,761,253 | 2,761,253 |
| Lease liabilities | - | - | 1,018,581 | 1,018,581 |
| | - | - | 5,518,086 | 5,518,086 |

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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)

| | Financial asset at FVTOCI RM | Financial asset at FVTPL RM | Financial assets at amortised cost RM | Financial liabilities at amortised cost RM | Total RM |
|---------------------------------------|---------------------------------------|--------------------------------------|---|--|-------------|
| Group | | | | | |
| 2018 | | | | | |
| Financial Assets | | | | | |
| 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 |
| Group | | | | | |
| 2018 | | | | | |
| Financial Liabilities | | | | | |
| Trade payables | - | - | - | 1,336,334 | 1,336,334 |
| Other payables | - | - | - | 2,876,440 | 2,876,440 |
| Finance lease liability | - | - | - | 368,400 | 368,400 |
| Bank borrowings | - | - | - | 1,996,610 | 1,996,610 |
| | - | - | - | 6,577,784 | 6,577,784 |

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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)

| | Financial assets at amortised cost RM | Financial liabilities at amortised cost RM | Total RM |
|------------------------------------|---|--|-------------------|
| Company | | | |
| 2019 | | | |
| Financial Assets | | | |
| Cash and bank balances | 5,452,236 | - | 5,452,236 |
| Fixed deposits with licensed banks | 8,481,342 | - | 8,481,342 |
| | <u>13,933,578</u> | <u>-</u> | <u>13,933,578</u> |
| Financial Liability | | | |
| Other payables | - | 101,716 | 101,716 |
| | <u>-</u> | <u>101,716</u> | <u>101,716</u> |
| 2018 | | | |
| Financial Asset | | | |
| Cash and bank balances | 14,343,821 | - | 14,343,821 |
| | <u>14,343,821</u> | <u>-</u> | <u>14,343,821</u> |
| Financial Liability | | | |
| Other payables | - | 73,200 | 73,200 |
| | <u>-</u> | <u>73,200</u> | <u>73,200</u> |

(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 years.

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34. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(i) Credit risk (Cont'd)

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 deposits 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.

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 12.

(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 and the Company'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.

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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 |
|---|--|-----------------------|-----------------------|--|-----------------------------------|
| Group | | | | | |
| 2019 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Trade payables | 1,738,252 | - | - | 1,738,252 | 1,738,252 |
| Other payables | 2,761,253 | - | - | 2,761,253 | 2,761,253 |
| Lease liabilities | 481,756 | 415,478 | 164,274 | 1,061,508 | 1,018,581 |
| | 4,981,261 | 415,478 | 164,274 | 5,561,013 | 5,518,086 |
| | | | | | |
| | 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 |
| Group | | | | | |
| 2018 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Trade payables | 1,336,334 | - | - | 1,336,334 | 1,336,334 |
| Other payables | 2,876,440 | - | - | 2,876,440 | 2,876,440 |
| 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 |
| | 5,056,398 | 843,624 | 1,021,319 | 6,921,341 | 6,577,784 |

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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. (Cont'd)

| | 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 |
|---|--|-----------------------|-----------------------|--|-----------------------------------|
| Company | | | | | |
| 2019 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Other payables | 101,716 | - | - | 101,716 | 101,716 |
| 2018 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Other payables | 73,200 | - | - | 73,200 | 73,200 |

(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), and Euro (EUR).

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.

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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)

The carrying amounts of the Group's and the Company'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 | Total RM |
|------------------------|-----------|-------------|---------------------------|-------------|
| Group | | | | |
| 2019 | | | | |
| Trade receivables | - | 164,802 | 5,919,243 | 6,084,045 |
| Cash and bank balances | - | 2,508,085 | 146,180 | 2,654,265 |
| Trade payables | - | (788,855) | - | (788,855) |
| | - | 1,884,032 | 6,065,423 | 7,949,455 |
| 2018 | | | | |
| 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 |
| | | | Denominated in USD | |
| | | | 2019 | 2018 |
| | | | RM | RM |
| Company | | | | |
| Cash and bank balances | | | 9,592 | - |

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
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 (Cont'd)

The following table demonstrates the sensitivity of the Group's and the Company's profit before tax to a reasonably possible change in the SGD, USD, and EUR exchange rates against RM, with all other variables held constant.

| | Change in currency rate | 2019 Effect on profit before tax RM | Change in currency rate | 2018 Effect on profit before tax RM |
|----------------|----------------------------|---|----------------------------|---|
| Group | | | | |
| SGD | Strengthened 10% | - | Strengthened 1% | 3,947 |
| | Weakened 10% | - | Weakened 1% | (3,947) |
| USD | Strengthened 10% | 188,403 | Strengthened 1% | 441,218 |
| | Weakened 10% | (188,403) | Weakened 1% | (441,218) |
| EUR | Strengthened 10% | 606,542 | Strengthened 1% | 3,572 |
| | Weakened 10% | (606,542) | Weakened 1% | (3,572) |
| Company | | | | |
| USD | Strengthened 10% | 959 | Strengthened 1% | - |
| | Weakened 10% | (959) | Weakened 1% | - |

(2) Interest rate risk

The Group's and the Company's investment in 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.

The Group and the Company manage 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
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 interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

| | 2019 RM | 2018 RM |
|---|-------------------|------------------|
| Group | | |
| <i>Fixed rate instruments</i> | | |
| Fixed deposits with licensed banks | 11,336,601 | 2,763,921 |
| Lease liabilities | (1,018,581) | - |
| Finance lease liability | - | (368,400) |
| | <u>10,318,020</u> | <u>2,395,521</u> |
| <i>Floating rate instruments</i> | | |
| Term loans | - | (1,996,610) |
| | | <u>-</u> |
| Company | | |
| <i>Fixed rate instruments</i> | | |
| Fixed deposits with licensed banks | <u>8,481,342</u> | <u>-</u> |

Interest rate risk sensitivity analysisFair 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 RMNil (2018: RM19,966), 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 2019
cont'd

34. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(3) 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.

(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 |
| Group | | | | | | | | | | |
| 2019 | | | | | | | | | | |
| Financial assets | | | | | | | | | | |
| Quoted shares | 274,707 | - | - | 274,707 | - | - | - | - | 274,707 | 274,707 |
| 2018 | | | | | | | | | | |
| Financial assets | | | | | | | | | | |
| Quoted shares | 259,555 | - | - | 259,555 | - | - | - | - | 259,555 | 259,555 |
| Unit trust | 2,530,593 | - | - | 2,530,593 | - | - | - | - | 2,530,593 | 2,530,593 |
| Financial liability | | | | | | | | | | |
| Finance lease liability (Non-current) | - | - | - | - | - | 284,457 | - | 284,457 | 284,457 | 301,377 |

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
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 value for the financial assets and liabilities are estimated using unobservable inputs.

35. FINANCIAL GUARANTEES

| | Group | |
|---|-----------|------|
| | 2019 | 2018 |
| | RM | RM |
| Secured | | |
| Bank guarantees provided to customers to secure performance under contracts | 1,014,126 | - |

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
cont'd

36. 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.

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 | |
|---------------------------------|--------------|--------------|--------------|--------------|
| | 2019 | 2018 | 2019 | 2018 |
| | RM | RM | RM | RM |
| Finance lease liability | - | 368,400 | - | - |
| Lease liabilities | 1,018,581 | - | - | - |
| Bank borrowings | - | 1,996,610 | - | - |
| | 1,018,581 | 2,365,010 | - | - |
| Less: Cash and cash equivalents | (22,609,132) | (23,915,252) | (13,933,578) | (14,343,821) |
| Excess funds | (21,590,551) | (21,550,242) | (13,933,578) | (14,343,821) |
| Total equity | 39,056,824 | 36,827,905 | 27,936,154 | 28,383,619 |
| 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.

37. SIGNIFICANT EVENT

On 25 October 2019, the Company proposed to undertake the following:

- A bonus issue of up to 243,600,000 new ordinary shares in the Company on the basis of 1 bonus share for every 1 existing Securemetric Share held at an entitlement date to be determined and announced later; and
- An issuance of up to 243,600,000 free warrants on the basis of 1 warrant for every 1 existing share held on the same entitlement date as the proposed bonus issue of shares.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

cont'd

37. SIGNIFICANT EVENT (Cont'd)

On 20 January 2020, 243,600,000 bonus shares ("Bonus Issue") were listed on the ACE Market of Bursa Malaysia Securities Berhad.

On 4 February 2020, 243,600,000 free warrants ("Warrants") were listed on the ACE Market of Bursa Malaysia Securities Berhad. Each Warrant carries the entitlement to subscribe for 1 new ordinary share in the Company at the exercise price of RM0.16 at any time during the exercise period from 22 January 2020 to 21 January 2023, subject to any adjustments in accordance with the provisions of the deed poll dated 3 January 2020 constituting the Warrants.

38. SUBSEQUENT EVENTS

- (i) On 15 January 2020, the Company had entered into a conditional Share Subscription Agreement ("SSA") with PT Privy Identitas Digital ("PrivyID") for the subscription of 3,639 Class B Preferred Shares in PrivyID representing 5% of the total enlarged issued shares for a total cash consideration of IDR20,250,000,000 equivalent to approximately RM6,034,500.

The SSA has been completed as at the date of this report.

- (ii) Outbreak effect of Coronavirus ("COVID-19") Pandemic and Movement Control Order

The Directors of the Company have closely monitored the development of the outbreak COVID-19 pandemic in Malaysia that may affect the business performance, financial performance and financial position of the Group and of the Company mainly due to travel and movement restriction and other precautionary measures imposed by relevant local authorities that affected the Group and the Company business operations. As at the date of this report, the financial impact of the outbreak to the Group and to the Company cannot be reasonably estimated due to the inherent unpredictable nature and rapid development relating to COVID-19 pandemic, the extent of the impact depends on the on-going precautionary measures introduced by each country to address the pandemic and the durations of the pandemic. As such, the Directors of the Company will continue to closely monitor the situation and respond proactively to mitigate the impact on the Group's and the Company's financial performance and financial position.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019
cont'd

39. COMPARATIVE FIGURES

The following reclassification were made to financial statements of prior year to be consistent with current year presentation.

| | As previously stated RM | Reclassification RM | As restated RM |
|--|-------------------------------|------------------------|----------------------|
| 2018 | | | |
| Group | | | |
| <i>Statements of Financial Position</i> | | | |
| Current Liabilities | | | |
| Other payables | 4,274,206 | (47,604) | 4,226,602 |
| Tax payable | 184,110 | 47,604 | 231,714 |
| <i>Statements of Cash Flows</i> | | | |
| Cash Flows From Operating Activities | | | |
| Changes in working capital: | | | |
| Payables | (7,915,531) | (47,604) | (7,963,135) |
| Cash used in operations: | | | |
| Tax paid | (737,177) | 47,604 | (689,573) |

40. DATE OF AUTHORISATION FOR ISSUE

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution Directors on 15 May 2020.

ANALYSIS OF SHAREHOLDINGS

As at 5 June 2020

SHARE CAPITAL

| | | |
|-------------------------------|---|--|
| Total Number of Issued Shares | : | 487,300,000 Shares |
| Issued Share Capital | : | RM 30,469,764.00 |
| 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 | 93 | 5.58 | 53,400 | 0.01 |
| 1,000 to 10,000 | 424 | 25.45 | 2,925,000 | 0.60 |
| 10,001 to 100,000 | 904 | 54.26 | 39,602,000 | 8.13 |
| 100,001 to less than 5% of issued shares | 242 | 14.53 | 202,044,390 | 41.46 |
| 5% and above of issued shares | 3 | 0.18 | 242,675,210 | 49.80 |
| Total | 1,666 | 100.00 | 487,300,000 | 100.00 |

DIRECTORS' SHAREHOLDINGS

| Name of Directors | ← Direct → | | ← Indirect → | |
|---|---------------|-------|---------------|---|
| | No. of Shares | % | No. of Shares | % |
| Clifton Heath Fernandez | - | - | - | - |
| Law Seeh Key | 202,675,210 | 41.59 | - | - |
| Yong Kim Fui | 29,325,000 | 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 | 202,675,210 | 41.59 | - | - |
| Nioo Yu Siong | 37,175,790 | 7.63 | - | - |
| Phillip Securities (Hong Kong) Ltd | | | | |
| Affin Hwang Nominees (Asing) Sdn. Bhd. | 40,000,000 | 8.21 | - | - |
| Yong Kim Fui | 29,325,000 | 6.02 | - | - |

ANALYSIS OF SHAREHOLDINGS

As at 5 June 2020
cont'd

THIRTY (30) LARGEST SHAREHOLDERS AS AT 5 JUNE 2020

| No. | Name of Shareholders | No. of Shares | % |
|--------------|---|--------------------|--------------|
| 1 | LAW SEEH KEY | 202,675,210 | 41.59 |
| 2 | AFFIN HWANG NOMINEES (ASING) SDN. BHD. <i>EXEMPT AN FOR PHILLIP SECURITIES (HONG KONG) LTD (CLIENTS' ACCOUNT)</i> | 40,000,000 | 8.21 |
| 3 | NIOO YU SIONG | 37,175,790 | 7.63 |
| 4 | YONG KIM FUI | 29,325,000 | 6.02 |
| 5 | LI JIANJUN | 24,024,000 | 4.93 |
| 6 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>EMPLOYEES PROVIDENT FUND BOARD (PHEIM)</i> | 17,033,200 | 3.50 |
| 7 | SEIK THYE KONG | 11,510,500 | 2.36 |
| 8 | RHB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR CHUA TECK KIM</i> | 5,820,000 | 1.19 |
| 9 | MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>MAYBANK TRUSTEES BERHAD FOR DANA MAKMUR PHEIM (211901)</i> | 2,924,000 | 0.60 |
| 10 | CITIGROUP NOMINEES (ASING) SDN BHD <i>CEP FOR PHEIM SICAV-SIF</i> | 2,387,700 | 0.49 |
| 11 | LAI NGAN FOONG | 2,000,000 | 0.41 |
| 12 | ON THIAM CHAI | 1,500,000 | 0.31 |
| 13 | LEE FONG SHIEN | 1,250,000 | 0.26 |
| 14 | AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FORTAN SIT KEOW (M04)</i> | 1,000,000 | 0.21 |
| 15 | ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LIANG WAI HONG (8102920)</i> | 1,000,000 | 0.21 |
| 16 | LOH FOO WAI | 1,000,000 | 0.21 |
| 17 | OOI SING HWAT | 1,000,000 | 0.21 |
| 18 | RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD <i>ONG KONG @ TAI SIN HWA</i> | 1,000,000 | 0.21 |
| 19 | LEONG SENG WUI | 960,000 | 0.20 |
| 20 | NUR SYAHIDAH BINTI ABDULLAH | 860,000 | 0.18 |
| 21 | YAP THONG @ YAP YIT THONG | 853,200 | 0.18 |
| 22 | TAN KEW CHAI | 800,000 | 0.16 |
| 23 | HSBC NOMINEES (ASING) SDN BHD <i>BBH AND CO BOSTON FOR PHEIM ASEAN EQUITY FUND (TCSB)</i> | 796,000 | 0.16 |
| 24 | MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR NGOI KOK AUN</i> | 764,100 | 0.16 |
| 25 | KEU SOO LING | 763,000 | 0.16 |
| 26 | MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>MAYBANK TRUSTEES BERHAD FOR PHEIM EMERGING COMPANIES BALANCED FUND (211899)</i> | 738,000 | 0.15 |
| 27 | LEE CHOON KEAT | 700,000 | 0.14 |
| 28 | PUBLIC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR TUNG SHAU HENN (E-SDK)</i> | 694,300 | 0.14 |
| 29 | MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PHEIM ASSET MANAGEMENT SDN BHD FOR AZMAN BIN HASHIM (A/C238-754326)</i> | 672,000 | 0.14 |
| 30 | RHB NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR RHB SECURITIES SINGAPORE PTE. LTD. (A/C CLIENTS)</i> | 650,000 | 0.13 |
| Total | | 391,876,000 | 80.45 |

ANALYSIS OF WARRANT

As at 5 June 2020

WARRANT A

| | | |
|----------------------------------|---|------------------------------------|
| Total Number of Issued Warrant A | : | 243,600,000 |
| No. of Warrant A exercised | : | 100,000 |
| No. of Warrant A unexercised | : | 243,500,000 |
| Exercise Period | : | 22 January 2020 to 21 January 2023 |

DISTRIBUTION OF WARRANT HOLDINGS

| Size of Shareholdings | No. of Holders | % | No. of Warrant | % |
|--|----------------|---------------|--------------------|---------------|
| 1 to 999 | 95 | 5.58 | 51,200 | 0.02 |
| 1,000 to 10,000 | 243 | 25.45 | 1,503,800 | 0.62 |
| 10,001 to 100,000 | 376 | 54.26 | 19,890,300 | 8.17 |
| 100,001 to less than 5% of issued shares | 285 | 14.53 | 176,082,700 | 72.31 |
| 5% and above of issued shares | 2 | 0.18 | 45,972,000 | 18.88 |
| Total | 1,001 | 100.00 | 243,500,000 | 100.00 |

DIRECTORS' WARRANT HOLDINGS

| Name of Directors | ← Direct → | | ← Indirect → | |
|---|----------------|---|----------------|---|
| | No. of Warrant | % | No. of Warrant | % |
| Clifton Heath Fernandez | - | - | - | - |
| Law Seeh Key | - | - | - | - |
| Yong Kim Fui | - | - | - | - |
| Shireen Chia Yin Ting | - | - | - | - |
| Mohamad Rizatuddin Noor Bin Mohamed Ramli | - | - | - | - |

SUBSTANTIAL SHAREHOLDERS' WARRANT HOLDINGS

| Name of Shareholders | ← Direct → | | ← Indirect → | |
|--|----------------|------|----------------|---|
| | No. of Warrant | % | No. of Warrant | % |
| Law Seeh Key | - | - | - | - |
| Nioo Yu Siong | - | - | - | - |
| Phillip Securities (Hong Kong) Ltd | - | - | - | - |
| Affin Hwang Nominees (Asing) Sdn. Bhd. | 20,000,000 | 8.21 | - | - |
| Yong Kim Fui | - | - | - | - |

ANALYSIS OF WARRANT

As at 5 June 2020
cont'd

THIRTY (30) LARGEST WARRANT HOLDERS AS AT 5 JUNE 2020

| No. | Name of Warrant Holders | No. of Warrant | % |
|--------------|--|--------------------|--------------|
| 1 | KENANGA NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR KOH BOON POH (008)</i> | 25,972,000 | 10.67 |
| 2 | AFFIN HWANG NOMINEES (ASING) SDN. BHD. <i>EXEMPT AN FOR PHILLIP SECURITIES (HONG KONG) LTD (CLIENTS' ACCOUNT)</i> | 20,000,000 | 8.21 |
| 3 | LI JIANJUN | 12,012,000 | 4.93 |
| 4 | SEIK THYE KONG | 9,733,800 | 4.00 |
| 5 | TEE SEE KIM | 5,900,000 | 2.42 |
| 6 | CHUA TECK KIM | 5,000,000 | 2.05 |
| 7 | MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR CHIN KEAN PING</i> | 4,620,000 | 1.90 |
| 8 | KENANGA NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR GAN BOON GUAT (028)</i> | 4,596,000 | 1.89 |
| 9 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>EMPLOYEES PROVIDENT FUND BOARD (PHEIM)</i> | 4,400,000 | 1.81 |
| 10 | MAYBANK NOMINEES (TEMPATAN) SDN BHD TAN SAY WATT | 3,600,000 | 1.48 |
| 11 | CGS-CIMB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR NG MUN WAI (TTDI-CL)</i> | 3,500,000 | 1.44 |
| 12 | DAN YOKE PYNG | 3,010,000 | 1.24 |
| 13 | TEO LEONG KHOON | 2,700,000 | 1.11 |
| 14 | CGS-CIMB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR KHOO YEE PING (GREENTOWN-CL)</i> | 2,500,000 | 1.03 |
| 15 | CHAN YOOH CHIN | 2,100,000 | 0.86 |
| 16 | LYU, QIAOQING | 2,000,000 | 0.82 |
| 17 | YAP KIN CHOONG | 2,000,000 | 0.82 |
| 18 | CARMEN QUAH | 1,783,000 | 0.73 |
| 19 | LEE FONG SHIEN | 1,700,000 | 0.70 |
| 20 | PUBLIC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR JOHNSON HII CHANG HIUM (E-PDG)</i> | 1,700,000 | 0.70 |
| 21 | LIEW KAR LOON | 1,621,000 | 0.67 |
| 22 | EDWIN EWE YEW TEIK | 1,578,000 | 0.65 |
| 23 | LAM KIM GOON | 1,500,000 | 0.62 |
| 24 | STELLA YAP YIAN CHIUN | 1,500,000 | 0.62 |
| 25 | MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>MAYBANK TRUSTEES BERHAD FOR DANA MAKMUR PHEIM (211901)</i> | 1,462,000 | 0.60 |
| 26 | DAVID NG CHUN-ERN | 1,450,000 | 0.60 |
| 27 | MAYBANK NOMINEES (TEMPATAN) SDN BHD TEE BOON CHAN | 1,439,200 | 0.59 |
| 28 | TAN SAY HOCK | 1,425,000 | 0.59 |
| 29 | CHOY SOOK FEN | 1,370,000 | 0.56 |
| 30 | HEAN CHEW | 1,300,000 | 0.53 |
| Total | | 133,472,000 | 56.84 |

NOTICE OF THIRD ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Third Annual General Meeting of the Company will be held at Auditorium @ Resource Centre, Technology Park Malaysia, Lebuhraya Puchong - Sg. Besi, 57000 Bukit Jalil, Kuala Lumpur on Monday, 24 August 2020 at 3.00 p.m., for the following purposes:-

AGENDA

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2019 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 RM150,000.00 from Third Annual General Meeting until the next Annual General Meeting. *Ordinary Resolution 1*
 - (b) Directors' allowances to the Non-Executive Directors of up to RM10,000.00 from Third Annual General Meeting 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. Yong Kim Fui *Ordinary Resolution 3*
 - (b) Ms. Shireen Chia Yin Ting *Ordinary Resolution 4*
4. To re-appoint Messrs. UHY Malaysia 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

NOTICE OF THIRD ANNUAL GENERAL MEETING

cont'd

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.

By Order of the Board
SECUREMETRIC BERHAD

WONG YOUN KIM
Company Secretary

Kuala Lumpur

Dated this 29th day of June, 2020

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 18 August 2020. Only a depositor whose name appears on the Record of Depositors as 18 August 2020 shall be entitled to attend this meeting or appoint proxy/proxies to attend and/or vote in his stead.

NOTICE OF THIRD 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 2019**

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.

SECUREMETRIC BERHAD

Registration No. 201701019864 (1234029-D)
(Incorporated in Malaysia)

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 Third Annual General Meeting of the Company to be held at Auditorium @ Resource Centre, Technology Park Malaysia, Lebuhraya Puchong - Sg. Besi, 57000 Bukit Jalil, Kuala Lumpur on Monday, 24 August 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.:
Mobile number:
Email address:
Address:
2. Name:
NRIC No.:
Mobile number:
Email address:
Address:

| NO. | RESOLUTIONS | | FOR | AGAINST |
|-----|--|--|-----|---------|
| 1. | Approval of the following payments :- (a) Directors' fees to the Non-Executive Directors of up to RM150,000.00 from Third Annual General Meeting until the next Annual General Meeting (b) Directors' allowances to the Non-Executive Directors of up to RM10,000.00 from Third Annual General Meeting until the next Annual General Meeting | Ordinary Resolution 1 Ordinary Resolution 2 | | |
| 2. | Re-election of Mr. Yong Kim Fui | Ordinary Resolution 3 | | |
| 3. | Re-election of Ms. Shireen Chia Yin Ting | Ordinary Resolution 4 | | |
| 4. | Re-appointment of Messrs. UHY Malaysia 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.

Number of shares

CDS A/C No.

Mobile No.

Email address

Date

Signature of Shareholder

Then fold here

AFFIX
STAMP

The Company Secretary

SECUREMETRIC BERHAD

Registration No. 201701019864 (1234029-D)

c/o

HMC Corporate Services Sdn Bhd

Level 2, Tower 1, Avenue 5

Bangsar South City

59200 Kuala Lumpur

Malaysia

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Fold this flap for sealing



**SECURE
METRIC**
—BERHAD—

SECUREMETRIC BERHAD 201701019864 (1234029-D)

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Lebuhraya Sg. Besi - Puchong, Bukit Jalil, 57000 Kuala Lumpur, Malaysia
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