

# ANNUAL REPORT

2020



**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.



Securemetric Berhad ("Securemetric" or "the Company") and its subsidiary companies ("the Group") offer digital security solutions across Southeast 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"), centralised authentication management systems ("CENTAGATE®") and electronic identification products. The Group's clientele includes government organisations, accounting industries, financial institutions, 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 localising both its services and solutions.

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

With the anticipated and sustained growth in the digital security market, the Group will continue to develop solutions with the latest digital security technologies to meet evolving markets needs and demands. As part of the Group's strategy to offer additional digital security technologies, the Group launched CENTAGATE Cloud (a security-as-a-service solution to control, protect and secure application access through single login credential) and SigningCloud (a digital-signing-as-a-service to insert digital signature into electronic documents and transactions) in 2020.

On 20 November 2020, Securemetric incorporated a wholly-owned subsidiary company, Signing Cloud Sdn. Bhd. to market CENTAGATE Cloud and SigningCloud.

## "Formula For STRONG DIGITAL SECURITY"

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

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Clifton Heath Fernandez

*Independent Non-Executive Chairman*

### Law Seeh Key

*Non-Independent Executive Director/  
Chief Executive Officer*

### Yong Kim Fui

*Non-Independent Executive Director/  
Chief Financial Officer*

### 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  
Lingkar 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, Malaysia  
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, Malaysia  
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

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

## STOCK EXCHANGE LISTING

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

# CORPORATE STRUCTURE





## PRODUCT HIGHLIGHTS

### CENTAGATE CLOUD



#### CENTAGATE CLOUD:

CENTAGATE Cloud is an extension of CENTAGATE® which serves as a cloud hosted authentication solution-as-a-service to enterprises all over the world.



### SIGNINGCLOUD

#### SIGNINGCLOUD:

SigningCloud was introduced as a secure online digital signing platform that allows users to digitally sign their documents anytime, anywhere, utilising public key cryptography technology.



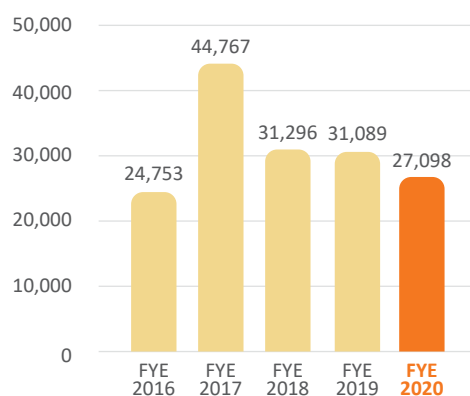
# FINANCIAL HIGHLIGHTS

Group financial highlight	FYE 2016 <sup>(1)</sup> RM'000	FYE 2017 <sup>(1)</sup> RM'000	FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000
<b>PROFITABILITY</b>					
Revenue	24,753	44,767	31,296	31,089	27,098
Gross profit ("GP")	12,769	21,243	17,636	19,119	14,911
Profit/(Loss) before tax ("PBT"/"LBT")	4,386	6,202	1,581	3,029	(4,077)
Profit/(Loss) after tax ("PAT"/"LAT")	4,338	6,082	692	2,013	(4,868)
Net profit/(loss) attributable to owners of the Company	4,345	6,016	613	1,990	(4,852)
<b>FINANCIAL POSITION</b>					
Total assets	22,873	41,350	49,576	51,627	48,871
Equity attributable to owners of the Company	13,511	19,295	36,506	38,697	38,705
Total borrowings	2,012	2,548	2,365	1,019	630
Weighted average number of ordinary shares ("000")	419,200 <sup>(2)(3)</sup>	419,200 <sup>(2)(3)</sup>	428,329 <sup>(3)</sup>	487,200 <sup>(3)</sup>	512,583
<b>SHARE INFORMATION</b>					
Earnings/(Loss) per share ("EPS"/"LPS") (sen)	1.0 <sup>(3)</sup>	1.4 <sup>(3)</sup>	0.1 <sup>(3)</sup>	0.4 <sup>(3)</sup>	(0.9)
Net assets per share attributable to owners of the Company (sen)	7.7 <sup>(4)</sup>	11.0 <sup>(4)</sup>	19.8 <sup>(4)</sup>	15.9 <sup>(4)</sup>	7.2 <sup>(4)</sup>
Gross gearing ratio (times)	0.15	0.13	0.06	0.03	0.02

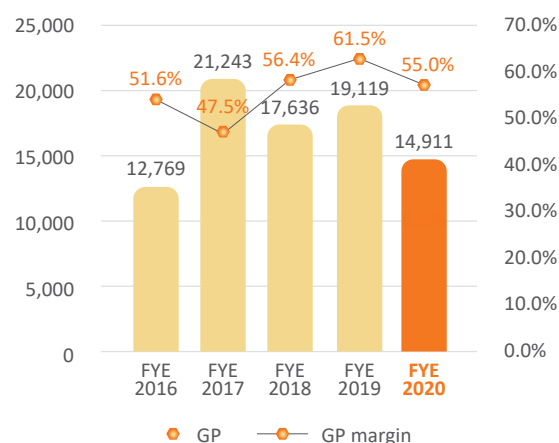
## Notes:

- <sup>(1)</sup> The financial results for the financial year ended 31 December 2016 ("FYE 2016") and 31 December 2017 ("FYE 2017") are based on audited combined financial statements as disclosed in Prospectus of the Company dated 23 October 2018.
- <sup>(2)</sup> Based on the number of shares assumed to be in issue before public issue in conjunction with the Company's listing on the ACE Market of Bursa Malaysia Securities Berhad.
- <sup>(3)</sup> The EPS and weighted average number of ordinary shares for FYE 2016, FYE 2017, FYE 2018 and FYE 2019 have been restated to reflect the retrospective adjustment arising from bonus issue which was completed on 20 January 2020.
- <sup>(4)</sup> The net assets per share attributable to owners of the Company is based on actual number of ordinary shares in issue.

## REVENUE (RM'000)



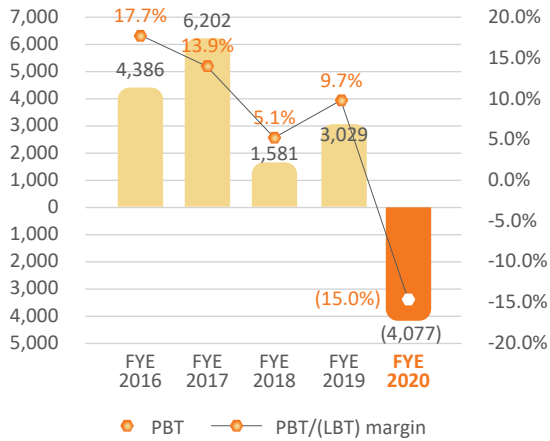
## GP & GP MARGIN (RM'000)



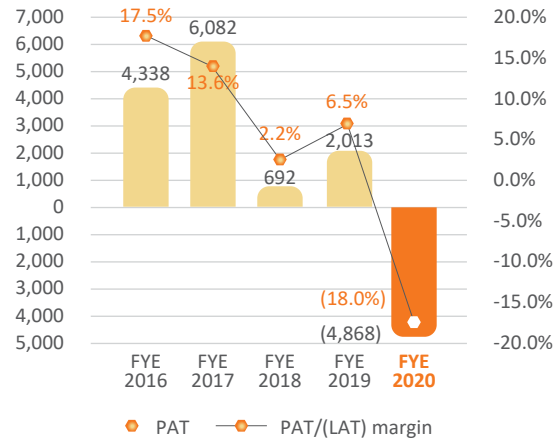
# FINANCIAL HIGHLIGHTS

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## PBT/(LBT) & PBT/(LBT) MARGIN (RM'000)

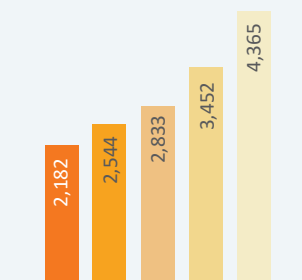


## PAT/(LAT) & PAT/(LAT) MARGIN (RM'000)

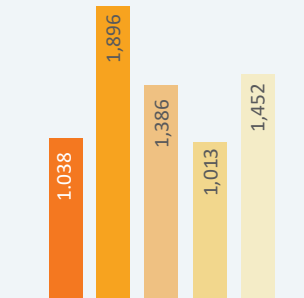


## REVENUE BY BUSINESS SEGMENTS (RM'000)

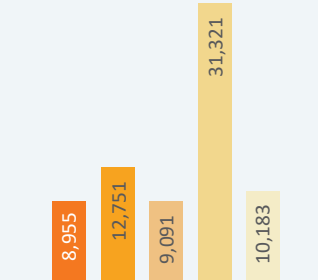
### Software licensing protection dongles



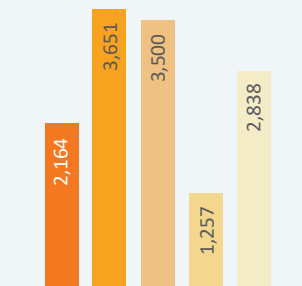
### 2FA



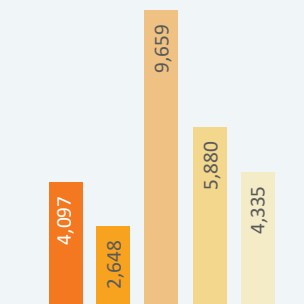
### PKI



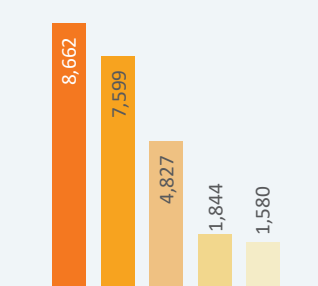
### CENTAGATE®



### Electronic identification products



### Other related services



■ FYE 2020 ■ FYE 2019 ■ FYE 2018 ■ FYE 2017 ■ FYE 2016



# CHAIRMAN'S STATEMENT



**CLIFTON HEATH FERNANDEZ**  
*Independent Non-Executive Chairman*

# 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 2020 ("FYE 2020").**

## OVERVIEW

FYE 2020 has been a tumultuous year, as the novel coronavirus disease ("COVID-19") outbreak created a global pandemic which halted global and domestic economic activities. In view of the increasing infection rates and alarmingly-high death toll, governments across the world imposed stringent restrictions on movements and shut down businesses to curb the spread of the virus. Monetary and stimulus policies were also introduced in a bid to ease the severe economic impact that resulted from the pandemic.

In Malaysia, a Movement Control Order ("MCO") was implemented and enforced in March 2020, in which strict social distancing measures were imposed, in addition to the temporary closure of non-essential businesses. This undoubtedly caused an economic downturn. A Conditional MCO and Recovery MCO were subsequently implemented on 4 May 2020 and 10 June 2020 respectively, where a large range of businesses and activities were allowed to resume operations, provided standard operating procedures were adhered to. The COVID-19 pandemic resulted in a further decline in Malaysia's economy towards the fourth quarter of 2020, leading to a major contraction in the country's Gross Domestic Product ("GDP") than initially projected by the government. Overall, Malaysia's GDP shrank by 5.6 per cent, the biggest contraction recorded since the 1998 Asian Financial Crisis.

Despite the COVID-19 pandemic, Securemetric remained focused on its business strategies. The management continues to proactively expand its business development sectors while managing its existing and potential clients. The Company is also consistent in its efforts to respond to market trends and developments, at the same time maintaining its long-standing commitment to innovating digital security.

The global pandemic did not discourage Securemetric's continuous efforts and milestones. In 2020, the Company launched two much-anticipated new security solutions - CENTAGATE Cloud and SigningCloud. This further evidences Securemetric's testament towards the continuous development of innovative and trusted digital security solutions.

These initiatives as well as on-going and future ones, provide opportunities for the Group to boost its recurring revenue, rather than solely relying on project-driven revenue.

## CORPORATE HIGHLIGHTS

### 15 January 2020

Acquired 5% equity stake in PT Privy Identitas Digital ("PrivyID") for RM6.03 million.

Privy ID 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 security-as-a-service platform - CENTAGATE Cloud as an initiative by the Group 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.

With such a cloud-native platform, the Group 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.

# CHAIRMAN'S STATEMENT

cont'd

## 21 April 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 trusted platform for organisations ranging from Fortune 500 companies to government agencies and small medium-sized enterprises.

The Group looks forward to working together with Joget to enable the latter's low-code platform for a seamless workflow and application development integration with digital signing capabilities provided by SigningCloud.

## 21 April 2020 and 6 July 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 in April 2020.

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 SigningCloud with Innov8tif Solutions' EMAS eKYC (Electronic Know-Your-Customer) which can be offered as an optional feature to customers.

Securemetric Malaysia had on 6 July 2020 entered into a Partnership Agreement with Innov8tif.

## 28 July 2020

Launched web-based software-as-a-service platform – SigningCloud as an initiative by the Group to move into a recurring income business model, from the current project-driven business model. SigningCloud is a web-based solution which is a remote server signing application that allows an electronic document to be digitally signed using any computing device at the signer's convenience.

## 7 August 2020

Entered into a White Label Agreement with PrivyID.

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

The White Label Agreement grants PrivyID a non-exclusive and non-transferable right to use, promote and market Securemetric's centralised authentication cloud-based gateway system to protect subscribers' applications against security breaches, to the end users under PrivyID's brand, subject to the terms and conditions set out in the White Label Agreement.

## FINANCIAL HIGHLIGHTS

In FYE 2020, the Group recorded revenue of RM27.10 million, a decrease of RM3.99 million from RM31.09 million recorded in FYE 2019. The decline was due to lower contribution from digital security solutions. However, this was mitigated by the improvements in revenue from electronic identification products and maintenance services in FYE 2020.

Loss after tax and after non-controlling interests stood at RM4.85 million, which decreased more than three times as compared to a profit after tax and after non-controlling interests of RM1.99 million in the previous financial year. This was mainly due to lower revenue, higher administrative expenses and recognition of impairment losses of trade receivables in FYE 2020.

The Group's cash reserve continues to be at a healthy level of RM25.92 million with borrowings reduced to RM0.63 million, from RM1.01 million in FYE 2020. In view of this, the Group is well-positioned to not only weather the current economic climate but also to expand its businesses, as and when opportunity arises.

# CHAIRMAN'S STATEMENT

cont'd

## PROSPECTS

In light of the current global and regional economic challenges arising from the pandemic, the Group remains committed in mitigating the impacts on the business by continuously implementing precautionary measures that align with the Group's strategies. The Group also strives to ensure that in line with adapting to the new reality, costs will be monitored and kept on a tight rein. This is to make certain that the Group is stable and well-placed when economic activities revert to normal and the industry gradually recovers.

In January 2021 at the first ASEAN Digital Ministers Meeting, Prime Minister Tan Sri Muhyiddin Yassin pointed out that Malaysia recognises the cross-border nature of cybercrimes, while noting that the challenge lies in bringing cybercriminals to justice as this requires a detailed coordinated and integrated regional approach. He also highlighted that the next five years could see the ASEAN region making giant strides towards becoming a digital economy, as the COVID-19 pandemic has opened the eyes of policymakers, regulators and businesses alike to take advantage of digitally enabling a wide range of economic activities.

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

Moving forward into 2021, the Group will continue to focus on its long-term strategy to increase its recurring revenue through CENTAGATE Cloud and SigningCloud. We are confident that CENTAGATE Cloud and SigningCloud will enhance shareholders' value in future. On the other hand, the foreign subsidiary companies were affected by the COVID-19 pandemic as well and their respective governments have carried out the similar precautionary measures. Businesses and services, inclusive of our business, which were deemed to be non-essential, were shut down during this pandemic. The Group recognises that the wellbeing of employees, as well as their families, clients and communities around them are of utmost priority. During this period, some of the subsidiary companies implemented work-from-home basis according to the needs of their countries. Nevertheless, some of the business operations such as logistics and business development are required to be in office to arrange for packaging and shipment as well as our sales people to meet with prospective customers.

There is no doubt that the pandemic has impacted more than 175 countries and territories, and cascading effects on the global economy. The Group has stepped up precautionary measures at our offices and formulated business continuity plans to minimise impact to operations and are ready to support our business partners and customers to ride through the challenges brought on by the COVID-19 pandemic.

Whilst our Group has carefully planned and strategised for the near and far future, the performance of the Group for the new financial year ending 2021 will remain challenging due to current disruption in the local and global economy. Nevertheless, the Board remains cautious of the potential impact should the COVID-19 pandemic prolong. Securemetric strives to continuously manage the Group's businesses with vigilance during this period of uncertainty.

## APPRECIATION

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

The Group would also like to convey our deepest appreciation to our customers and shareholders who have remained loyal to us amidst the uncertainties caused by the pandemic. We wholeheartedly 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. Together, we will grow stronger as we progress into a new decade.

26 April 2021

# MANAGEMENT DISCUSSION & ANALYSIS

We hereby present our Group's Management Discussion & Analysis Statement for the FYE 2020.

*"The year of 2020 has been a challenging year for Securemetric. The global pandemic has impacted us all. Nevertheless, we remained focused and committed on our continuous strategic direction by leveraging on our enriched and diversified footprints as well as our strengthened technology capabilities."*

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

### 1.1 Core Business and Operations of the Group

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

As part of the Group's strategy to offer additional digital security technologies, the Group launched CENTAGATE Cloud (a security-as-a-service solution to control, protect and secure application access through single login credential) and SigningCloud (a digital-signing-as-a-service to insert digital signature into electronic documents and transactions) in 2020. On 20 November 2020, Securemetric incorporated a wholly-owned subsidiary company, Signing Cloud Sdn. Bhd. to market CENTAGATE Cloud and SigningCloud.

Securemetric's core business segments are as follows:

Segments	Principal activities
Digital security solutions	
• 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.
• 2FA	Aims to enhance access security by enforcing a second authentication factor, a randomly generated One-Time Password.
• PKI	To ensure that the sender of data is indeed the source and that the said data has not tampered in transit.
• CENTAGATE®	An inclusive software that manages user authentication and supports multi-factor and multi-channel authentication and digital signing solution ("SigningCloud").
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 RM27.10 million in FYE 2020 as compared to RM31.09 million in the preceding financial year. On a year-on-year ("y-o-y") basis, the Group's revenue has marginally dropped by 12.8% due to lesser contribution from digital security solutions by RM6.50 million or 31.2%.

Notwithstanding the lower revenue contribution from digital security solutions, revenue from the electronic identification products and maintenance services increased by RM1.45 million or 54.7% to RM4.10 million and RM1.06 million or 13.9% to RM8.66 million y-o-y respectively.

Our GP decreased by 22.0% y-o-y from RM19.12 million in FYE 2019 to RM14.91 million in FYE 2020. Correspondingly, the GP margin decreased from 61.5% in FYE 2019 to 55.0% in FYE 2020. The decrease in GP margin was mainly driven by decrease in overall revenue in digital security solutions where one of the solutions, CENTAGATE®, which generally yields higher profit margin, has lower revenue in FYE 2020.

The increase of administrative expenses by 8.0% y-o-y to RM18.65 million was mainly due to increase in professional fees in the financial year under review. There were also increase in impairment losses of receivables and inventories written off in FYE 2020.

The Group recorded a loss before tax of RM4.08 million in FYE 2020, a 234.7% decrease as compared to profit before tax of RM3.03 million in FYE 2019.

The Group reported a LAT of RM4.87 million in FYE 2020 against PAT of RM2.01 million in FYE 2019, translating to LAT margin of -18.0% and PAT margin of 6.5% respectively.

The Group registered a healthy financial position with RM25.92 million in cash and cash equivalents at the end of the financial year under review. Further to this, total assets have decreased to RM48.87 million from RM51.63 million recorded in the last financial year, while shareholders' equity amounted to RM38.71 million as at 31 December 2020, resulting in a net assets per share of 7.2 sen.

The decrease by RM8.35 million in trade receivables to RM8.78 million was due to lower sales in the fourth quarter ended 31 December 2020 and recognition of impairment losses of trade receivables of RM1.55 million in FYE 2020.

Geographically, Malaysia contributed around 11.2% to the Group's revenue, with the balance from Vietnam (31.3%), Indonesia (24.2%), the Philippines (16.0%), Singapore (5.0%) and others (12.3%).

In February 2021, our Prime Minister Tan Sri Muhyiddin Yassin announced Malaysia Digital Economy Blueprint ("MyDigital") to provide a clear roadmap for the digital transformation of Malaysia in its pursuit of the Shared Prosperity Vision 2030 to achieve social well-being, environmental sustainability and equitable economic development for the country. The blueprint advocates a human-centric approach centred on using technologies responsibly, preserving human values and cultural heritage. With this opportunity, the Group has put in plans to intensify our business activities in Malaysia with the aim to increase our domestic revenue contribution to a higher percentage.



# MANAGEMENT DISCUSSION & ANALYSIS

cont'd

## 2. REVIEW OF FINANCIAL RESULTS (cont'd)

### Digital Security Solutions

The digital security solutions segment contributed to the biggest drop in revenue in FYE 2020. This segment delivered a total revenue of RM14.34 million to the Group, which is a 31.2% y-o-y decrease from RM20.84 million in the preceding corresponding financial year. The decrease in revenue from this segment was mainly from the decrease in PKI revenue.

### Electronic Identification Products

For FYE 2020, the electronic identification products' business segment contributed RM4.10 million to the Group's overall revenue. In comparison to the revenue recorded in FYE 2019, this represents an increase of RM1.45 million or a 54.7% y-o-y spike from RM2.65 million. The higher revenue contribution was mainly from Securemetric Philippines.

### Others

Securemetric's other business segments comprise mainly maintenance service charges to our clients. This recurring income business segment contributed RM8.66 million or a 13.9% y-o-y increase from RM7.60 million in FYE 2019. The increase in revenue contribution can be credited to the continuous enlargement of the Group's client base as well as Securemetric Indonesia who contributed the most revenue in FYE 2020.

## 3. OPERATIONS REVIEW

Amidst challenging economic conditions, the Group continues to secure new contracts each year to provide digital security solutions and electronic identification products across the countries we operate in while simultaneously to providing trusted support and maintenance contracts to our existing and new customers.

## 4. FUTURE PROSPECTS

In light of the impact of the COVID-19 pandemic, the global economy is expected to contract. At the same time, the digitalisation trend has accelerated worldwide due to repeated lockdowns which resulted in school closures, the shutdown of businesses and the implementation of work from home.

Therefore, the Group strives to continuously develop solutions using the latest digital security technologies to meet the evolving market needs and demands.

In FYE 2020, Securemetric launched CENTAGATE Cloud and SigningCloud which are part of the Group's long-term strategies to expand its solutions and offerings and ultimately increase its recurring revenue. The Group is of the view that this new source of recurring income will expand our market reach globally.

Besides that, the Board expects the investments in PrivyID and White Label Agreement will create synergies between both parties to cross-sell the products and solutions to the vast Indonesian market.

The Board is optimistic of Securemetric's ability and skills in managing the Group's business during the current economic environment. Securemetric strives to continuously keep itself abreast with the needs and requirements of the latest digital security industry demands in curbing the inevitable change of business models and the adaptation thereof to the new business norm moving forward.

The Group believes that its digital security solutions, electronic identification products and related services will continue to improve and grow in Southeast Asian countries whilst we develop and innovate new digital security solutions in a steady and consistent manner.

# MANAGEMENT DISCUSSION & ANALYSIS

cont'd

## 5. ANTICIPATED OR KNOWN RISKS

### Economic Impacts of COVID-19 in the ASEAN Region

While there is no sure way of predicting the future extent of the economic damage that will undoubtedly stem from the pandemic, there is widespread agreement among economists that the global economy will continue to be adversely impacted. In spite of the negative impact, the pandemic has significantly increased the demand for digital services in ASEAN.

However, due to its recessionary impacts, the COVID-19 pandemic has also reduced the ability of some users to afford these services. Governments may face challenges in balancing their budgets as expenditure to support jobs, businesses and healthcare rises while government tax decreases. As a result, governments may face challenges in budgeting for desirable objectives such as addressing the digital divide, improving digital skills, the development of e-government services and government initiatives to improve productivity through the use of digital services.

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

### Rapid changes in technological development and technical personnel

The technology industry is a growing and fast-changing sector. In line with that, the management and operations of such businesses require the employment and retention of skilled personnel. The Group's continuous 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. Currently, there is a management succession plan in place, which includes taking a proactive approach towards addressing talent management to ensuring that 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 as well as our future plans 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 were able to secure higher maintenance services (i.e. service level agreements) revenue arising from new projects in FYE 2020 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. Hence, with the newly launched CENTAGATE Cloud and SigningCloud, the Group's direction is to grow the recurring income contribution.

# MANAGEMENT DISCUSSION & ANALYSIS

cont'd

## 6. DIVIDEND POLICY

Our Group presently does not have a fixed dividend policy or payout 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 2020.

PROFILE OF **DIRECTORS**

1

**MOHAMAD RIZATUDDIN  
NOOR BIN MOHAMED RAMLI**  
*Independent Non-Executive  
Director*

2

**YONG KIM FUI**  
*Non-Independent Executive Director/  
Chief Financial Officer*

3

**LAW SEEH KEY**  
*Non-Independent Executive Director/  
Co-Founder/Chief Executive Officer*

4

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

5

**CLIFTON HEATH FERNANDEZ**  
*Chairman/Independent Non-Executive  
Chairman*

# PROFILE OF DIRECTORS

cont'd

## CLIFTON HEATH FERNANDEZ

*Chairman/Independent Non-Executive Chairman*

Gender : Male  
Nationality : Malaysian  
Age : 49  
Date of appointment : 2 February 2018  
Board attendance in FYE 2020 : 5/5

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

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

### **Qualification:**

He is a fellow of the Chartered Certified Accountant (FCCA, 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 and INSOL International.

### **Working Experience:**

He is currently the Training and Certification Director of UNICERT International 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 Southeast 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  
 Nationality : Malaysian  
 Age : 47  
 Date of appointment : 2 February 2018  
 Board attendance in FYE 2020 : 5/5

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

Chairperson of Audit Committee  
 Chairperson of Remuneration Committee  
 Member of Risk Management Committee  
 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. She was also in charge of the listing exercise of Air Asia in KLSE in less than 5 years, formation of joint ventures with Thailand and Indonesia and built the financial models for these joint ventures.

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

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

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

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

None

### **Declaration:**

- No family relationship with any director and/or major shareholder of the Group.
- No conflict of interest with the Company.
- No conviction of offences within the last five (5) years 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	<b>Membership of Board Committees:</b>
Nationality	: Malaysian	Chairman of Nomination Committee
Age	: 50	Member of Audit Committee
Date of appointment	: 2 February 2018	Member of Remuneration Committee
Board attendance in FYE 2020	: 5/5	

### Qualification:

He graduated in 1993 with a Bachelor of Science in Computer Information System, Operations Management and Economics from Indiana University, Bloomington, USA. In 2017, he obtained his Masters in Finance from Taylor's University, Malaysia, and Advance Industrial Marketing executive education from INSEAD University in 2003.

### Working Experience:

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

He is currently serving the United Nations multi-country office of Malaysia, Singapore and Brunei as the Partnerships and Development Finance Advisor.

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;
- 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; and
- Chief Executive Officer at N2W Corporation, responsible for overseeing the development of 5 key ICT product developments and commercialisation of mobile applications in digital health monitoring, ecotourism, talent management, early childhood development and immersive digital mall.

### 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	<b>Membership of Board Committees:</b>
Nationality	: Malaysian	None
Age	: 49	
Date of appointment	: 2 February 2018	
Board attendance in FYE 2020	: 5/5	

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  
 Nationality : Malaysian  
 Age : 49  
 Date of appointment : 2 February 2018  
 Board attendance in FYE 2020 : 5/5

**Membership of Board Committees:**  
 Member of Risk Management Committee

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

### Qualification:

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

### Working Experience:

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

Having garnered enough experience and expertise, he subsequently founded a company rendered accounting, taxation and advisory services targeting mainly SMEs to assist and support their growth. In December 2016, he left the company and joined Securemetric Malaysia as Chief Financial Officer overseeing the financial preparation process and issuance of financial information, tax, budgeting and capital planning, implementation of standard operating standards for the finance division, and the implementation of ISO 9001 and ISO 10002 for Securemetric Group. He was involved in assisting our Group to obtain a grant from the Ministry of Science, Technology and Innovation, fully in charge of Securemetric's listing exercise and successfully listed Securemetric in the ACE Market of Bursa Malaysia. He is also responsible for planning and executing several fund-raising exercises for the Group.

### 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 : 47  
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 : 38  
 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 : 47  
 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. On 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*

Gender	: Male
Nationality	: Malaysian
Age	: 41
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. On 1 January 2019, he was re-designated to become Vice President of 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

## TAN YU WIN

*Vice President of Project Management and Support*

Gender : Male  
 Nationality : Malaysian  
 Age : 42  
 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)

Securemetric Malaysia, the headquarter of the Group has been certified to ISO 9001 and ISO 10002 since year 2012 and 2014, respectively. In the subsequent years, the other subsidiary companies including Securemetric Vietnam, Securemetric Indonesia and Securemetric Philippines follow the lead and have successfully gained the same certifications. Securemetric endeavors to ensure its products and services meet customer and regulatory requirements at all times. Our quality management system and specific quality control plans are structured to meet the international and local stakeholders' requirements.

## Corporate Governance

The Group 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 Group 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 the Group's working culture to ensure sustainability.

## Education / Quality Training

The Group sends its employees for periodical trainings to upgrade their skills as part of the Group's annual training plan. This enhances the workers' performance and productivity while at the same time, increase their value and future marketability. The Group utilises an integrated and accurate procurement, warehouse and accounting management system which eases as well as streamlines the workflow.

The Group 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 Group 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 Group plays an active role in promoting a green and healthy living and efforts are continuously being made to reduce wastage in the organisation. Water and electricity consumption are monitored closely. Our employees are also reminded to reduce stationery and paper usage to protect the environment. The Group 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 Group adopts a non-discriminatory policy for hiring and promoting employees. Employees are the most important assets to the Group; therefore, we offer attractive benefits package to retain and attract staff with relevant experience and expertise to continue servicing the Group.

The Group 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 Group'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 Group 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 Group 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 Group 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 Group 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 Southeast Asia countries as well as develop new digital security solutions to maintain the Group's growth and sustainability in the industry.

The Board of the Company is of the opinion that, barring any unforeseen circumstances, the prospects of the Group for the financial year ending 31 December 2021 will remain challenging.

# 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. Approving 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 five (5) 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
<b>Executive Directors</b>		
Law Seeh Key	5/5	100%
Yong Kim Fui	5/5	100%
<b>Non-Executive Directors</b>		
Clifton Heath Fernandez	5/5	100%
Shireen Chia Yin Ting	5/5	100%
Mohamad Rizatuddin Noor Bin Mohamed Ramli	5/5	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 2020, the Directors have attended several relevant courses as below:

Directors	Seminar / Conference / Workshop
Clifton Heath Fernandez	<ol style="list-style-type: none"> <li>SHASSIC Registered Auditor (CIDB)</li> <li>Internet Of Things (IOT), Exemplar Global</li> <li>Business Continuity Management (Tricor)</li> </ol>

# 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 2020, the Directors have attended several relevant courses as below: (cont'd)

Directors	Seminar / Conference / Workshop
Shireen Chia Yin Ting	1. Tricor Webinar: Tax Impact of COVID-19
Yong Kim Fui	1. Malaysian Institute of Accountants (“MIA”) Webinar Series: CFO & Tax Manager Specialist Series: Insights into Due Diligence-Tax, Legal & Financing Aspects 2. MIA Webinar Series: CFO & Tax Manager Specialist Series: Post-MCO Debt & Business Restructuring Key Legal, Employment and Tax Considerations 3. MIA Webinar Series: Foresight Leadership: 4 Practice Skills for Leaders in the AGE of Uncertainty and Digital Disruption 4. MIA Webinar Series: Worldview on Transfer Pricing Considerations in Building the New Norm for Global Businesses

The other Directors did not attend any trainings due to work commitment and were affected by COVID-19 pandemic. Nonetheless, the Directors received routine compliance updates from the Company Secretary.

### 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 2020. 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.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

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

### II. Board Composition (cont'd)

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.

### III. Remuneration

The Remuneration Committee is authorised by the Board to establish a formal and transparent procedure for developing policy on executive 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 FYE 2020;
- (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)
<b>Executive Directors</b>							
1.	Law Seeh Key	-	300	-	-	-	300
2.	Yong Kim Fui	-	300	-	-	-	300
<b>Non-Executive Directors</b>							
1.	Clifton Heath Fernandez	42,000	1,800	-	-	-	43,800
2.	Shireen Chia Yin Ting	36,000	1,800	-	-	-	37,800
3.	Mohamad Rizatuddin Noor Bin Mohamed Ramli	36,000	1,800	-	-	-	37,800
<b>Total:</b>		<b>114,000</b>	<b>6,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>120,000</b>

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

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

### III. Remuneration (cont'd)

(ii) Received from the subsidiary companies

	Fees (RM)	Salaries & other emoluments (RM)	Bonuses (RM)	EPF, SOCSO & EIS (RM)	Benefit- in-Kind (RM)	Total (RM)
<b>Executive Directors</b>						
1. Law Seeh Key	-	495,000	50,000	66,324	-	611,324
2. Yong Kim Fui	-	346,500	35,000	46,704	-	428,204
<b>Non-Executive Directors</b>						
1. Clifton Heath Fernandez	-	-	-	-	-	-
2. Shireen Chia Yin Ting	-	-	-	-	-	-
3. Mohamad Rizatuddin Noor Bin Mohamed Ramli	-	-	-	-	-	-
<b>Total:</b>	<b>-</b>	<b>841,500</b>	<b>85,000</b>	<b>113,028</b>	<b>-</b>	<b>1,039,528</b>

## PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

### I. Audit Committee

The Audit Committee of the Group comprises the following members:

#### Chairperson

Shireen Chia Yin Ting

*Independent Non-Executive Director*

#### Members

Clifton Heath Fernandez

*Independent Non-Executive Director*

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 and 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)

During the course of the 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 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 26 April 2021.

# AUDIT COMMITTEE REPORT

The Board of the Group is pleased to present the Audit Committee Report for the FYE 2020.

## 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 2020, 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 Malaysia Securities Berhad ("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 financial year, the Audit Committee held a 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 audit 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 and the assistance given by the Group's management to the external auditors;

# AUDIT COMMITTEE REPORT

cont'd

## MEETINGS AND MINUTES (cont'd)

### Responsibilities and Duties (cont'd)

- c) 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.
- d) To review the quarterly reporting and annual audited financial statements of the Group before submission to the Board for approval, 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.
- e) 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;
- f) To consider the nomination and appointment of external auditors, as well as the audit fee;
- g) To review the resignation or dismissal of external auditors;
- h) To review whether there is reason (supported by grounds) to believe that the external auditors are not suitable for reappointment;
- i) 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
- j) 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 utilising 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 RM46,000.

# 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 Board 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 the 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 comprise of the following during the FYE 2020:

## **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 review regularly 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 2020, pursuant to Rule 15.26(b) of ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, 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 financial year under review is sound and adequate after taking into consideration of the costs and benefits to safeguard the Group’s assets and to protect the stakeholders’ interests in ensuring achievement of the business objectives and enhancing shareholder value.

## RISK MANAGEMENT

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

To carry out an effective risk management framework, the Board has oversight of the risk management through the Risk Management Committee, while Chief Operating Officer reports to the Risk Management Committee on the processes, findings and remedial actions taken by Management. The new risk will be identified by taking into consideration of the Group’s business objectives, strategies and targets, and external environmental factors. This covers matters such as, responses to significant 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 financial year were as follows:

- Q1 2020: Corporate Governance; and Human Resource Management
- Q2 2020: Financial Reporting and Treasury; and Fixed Assets Management
- Q3 2020: Business Development and Credit Risk Management
- Q4 2020: Project 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)

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

- g) Corporate Liability Policy

In line with the Corporate Liability Provision under the New Section 17A MACC (Amendment) Act 2019, the Group adopted an Anti-Corruption and Bribery Policy ("ACBP") to show the Group's commitment to transparency, integrity and accountability. Any forms of bribery and corruption are unacceptable and will not be tolerated. ACBP has control measures to detect and prevent bribery as well as proper training and communication of such policies and procedures.

- **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 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.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

## 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 on Risk Management and Internal Control.

## REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by paragraph 15.23 of the Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control for the inclusion in this Annual Report for FYE 2020. Their limited assurance review was 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 on Risk Management and Internal Control 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 on Risk Management and Internal Control 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 2020 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 on Risk Management and Internal Control is issued in accordance with a resolution of the Board of Directors dated 26 April 2021.

## ADDITIONAL COMPLIANCE INFORMATION

The following disclosures are made in accordance with Part A of Appendix 9C of the ACE LR:-

### STATUS OF UTILISATION OF PROCEEDS

#### Initial public offering

In conjunction with the Company's listing on the ACE Market of Bursa Malaysia Securities Berhad 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	IPO Proceeds raised RM'000	Re- allocation/ Variation RM'000	Amount utilised RM'000	Balance RM'000	Original timeframe for utilisation of proceeds	Revised timeframe for utilisation of proceeds
Business expansion	1,700	-	(782)	918	By November 2020	By November 2021 <sup>(3)</sup>
Development of new digital security solutions	5,700	(2,389)	(3,181)	130	By November 2020	By November 2021 <sup>(3)</sup>
Investment in PrivyID	-	2,389	(2,389)	-	<sup>(1)</sup>	<sup>(1)</sup>
Repayment of bank borrowings	1,942	-	(1,942)	-	Utilised	Utilised
Working capital	5,158	163	(3,124)	2,197 <sup>(4)</sup>	By November 2020	By November 2021 <sup>(3)</sup>
Estimated listing expenses	2,500	(163) <sup>(2)</sup>	(2,337)	-	Utilised	Utilised
<b>Total</b>	<b>17,000</b>	<b>-</b>	<b>(13,755)</b>	<b>3,245</b>		

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

#### Notes:

<sup>(1)</sup> The Board had decided to re-allocate RM2.389 million towards its investment in PrivyID. As announced on 15 January 2020, the investment in PrivyID was to be funded through the proceeds from the proceeds raised from the initial public offering and / or internally-generated funds of the Group.

<sup>(2)</sup> Surplus of RM0.163 million (of the RM2.50 million allocated for the estimated listing expenses) was re-allocated to the working capital requirements of the Group, in accordance with the Company's prospectus dated 23 October 2018.

<sup>(3)</sup> As announced on 16 October 2020, the Board had decided to extend the timeframe for the utilisation of proceeds raised from November 2020 to November 2021.

# ADDITIONAL COMPLIANCE INFORMATION

cont'd

## Notes: (cont'd)

<sup>(4)</sup> The amount allocated for working capital purposes (specifically for expansion of workforce) will be varied to day-to-day operations:

	IPO Proceeds raised RM'000	Re- allocation RM'000	Amount utilised RM'000	Balance of IPO Proceeds yet to be utilised RM'000	Variation RM'000	After variation RM'000	Amount utilised RM'000	Balance RM'000
Expansion of workforce	3,580	-	(1,063)	2,517	(1,517)	1,000	(162)	838
Day-to-day operations	1,578	163	(1,741)	-	1,517	1,517	(158)	1,359
	<b>5,158</b>	<b>163</b>	<b>(2,804)</b>	<b>2,517</b>	<b>-</b>	<b>2,517</b>	<b>(320)</b>	<b>2,197</b>

## Private placements

On 25 June 2020, 48,730,000 new Securemetric Shares, which were issued at RM0.107 each, were listed on the ACE Market of Bursa Malaysia Securities Berhad pursuant to Securemetric's private placement exercise.

The details of the utilisation of the proceeds from the private placement were as follows:-

Details of utilisation	Proposed utilisation RM'000	Amount utilised RM'000	Deviation: Surplus/ (Deficit) RM'000	Balance RM'000	Estimated Timeframe for utilisation of proceeds
Investment in R&D activities	950	(437)	-	513	Within 24 months
Exploration of investments and markets relating to digital security solutions	3,369	(928)	-	2,441	Within 24 months
Working capital	800	(514)	15	301	Within 12 months
Expenses for private placement exercise	95	(80)	(15) <sup>(1)</sup>	-	Within 1 month
<b>Total</b>	<b>5,214</b>	<b>(1,959)</b>	<b>-</b>	<b>3,255</b>	

## Note:

<sup>(1)</sup> The surplus of RM0.015 million will be utilised for general working capital requirements of the Group.

Securemetric had obtained a general mandate pursuant to Section 76 of the Companies Act 2016 ("Act") from its shareholders at the Company's 3rd annual general meeting ("AGM") convened on 24 August 2020, whereby the Board has been authorised to issue and allot new Securemetric Shares not exceeding 20% of the total number of issued shares of Securemetric (excluding treasury shares) at the time of issue ("General Mandate"). The General Mandate shall continue to be in force until the conclusion of the Company's next AGM. The Proposed Private Placement will be undertaken in accordance with the General Mandate.

On 22 March 2021, Securemetric announced its intention to implement second private placement of up to 107,176,000 Securemetric Shares pursuant to the General Mandate, representing not more than 20% of the Company's 536,030,000 issued Securemetric Shares.

# ADDITIONAL COMPLIANCE INFORMATION

cont'd

On 2 April 2021, Bursa Malaysia Securities Berhad approved the listing of and quotation for up to 107,176,000 new Securemetric Shares to be issued pursuant to the private placement were listed on the ACE Market of Bursa Malaysia Securities Berhad.

## 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 did not raise any proceeds when issued 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 the date of the report, being the date of Annual Report, 100,000 Warrants had been exercised into 100,000 Securemetric Shares with proceeds of RM16,000.

## AUDIT AND NON-AUDIT FEES

During FYE 2020, 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	146
Non-audit fee	5	5

## MATERIAL CONTRACTS

During FYE 2020, 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 2020, there was no material Recurrent Related Party Transactions of a revenue or trading nature which requires shareholders' mandate.



## DIRECTOR'S 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 2020.

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.



# FINANCIAL STATEMENTS

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# DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2020.

## 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
Loss for the financial year, attributable to:		
- Owners of the parent	4,851,830	419,087
- Non-controlling interests	16,249	-
	<u>4,868,079</u>	<u>419,087</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

During the financial year, the Company issued:

- (i) 243,600,000 new ordinary shares pursuant to bonus issue exercise;
- (ii) 48,730,000 new ordinary shares pursuant to the private placement at an issue price of RM0.107 per placement share for a total cash consideration of RM5,214,110; and
- (iii) 100,000 new ordinary shares pursuant to the exercise of warrants at an exercise price of RM0.16 per ordinary share.

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

There was no issuance of debentures during the financial year.

## WARRANTS

The warrants were constituted under the Deed Poll date 3 January 2020.

As at 31 December 2020, the total number of warrants that remained unexercised were 243,500,000 units.

The salient terms of the warrants are disclosed in Note 16(e) to the financial statements.

# DIRECTORS' REPORT

cont'd

## OPTIONS GRANTED OVER UNISSUED SHARES

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

## DIRECTORS

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

Law Seeh Key \*  
 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  
 William J. Dimaano  
 Tan Yung Hui, Gabriel  
 Jayrill Cres B.Amarille  
 Mary Jacqueline B.Haro  
 Eliane F.Udo  
 Marc Joseph Bautista (resigned on 1 July 2020)

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 1.1.2020	Bonus issue	Sold	At 31.12.2020
<b>Interests in the Company</b>				
<b>Direct Interests</b>				
Law Seeh Key	116,337,605	101,337,605	40,000,000	177,675,210
Yong Kim Fui	14,662,500	14,662,500	12,000,000	17,325,000

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 30(c) to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

## INDEMNITY AND INSURANCE COSTS

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

## OTHER STATUTORY INFORMATION

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

# DIRECTORS' REPORT

cont'd

## OTHER STATUTORY INFORMATION (Cont'd)

(d) In the opinion of the Directors:

- (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their 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 EVENTS

The significant events are disclosed in Note 35 to the financial statements.

## SUBSEQUENT EVENTS

The subsequent events are disclosed in Note 36 to the financial statements.

## AUDITORS

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

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

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 26 April 2021.

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 66 to 139 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 2020 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 26 April 2021.

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 66 to 139 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 26 April 2021 )

YONG KIM FUI

Before me,

\_\_\_\_\_  
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 2020 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 66 to 139.

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 2020, 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How we addressed the key audit matters
<b>Impairment of trade receivables</b>	
The Group's trade receivables amounting to RM8,782,371, representing approximately 22% of the Group's total current assets as at 31 December 2020.	We obtained and evaluated the Group's credit risk policy, and tested the processes used by management to assess credit exposures.
The assessment of recoverability of receivables involved judgements and estimation uncertainty in analysing historical bad debts, customer concentration, customer creditworthiness and customer payment terms.	We assessed the recoverability of trade receivables by checking past payment trend and assessing the receipts during the financial year and subsequent to year end collections.
	We have reviewed the appropriateness of the disclosures made in the financial statements.

# INDEPENDENT AUDITORS' REPORT

to the members of Securemetric Berhad (Cont'd)  
[Registration No.: 201701019864 (1234029-D)]  
(Incorporated in Malaysia)

## Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

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.

# INDEPENDENT AUDITORS' REPORT

to the members of Securemetric Berhad (Cont'd)  
[Registration No.: 201701019864 (1234029-D)]  
(Incorporated in Malaysia)

## 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)

- 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.
- 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, actions taken to eliminate threats or safeguards applied.

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 (Cont'd)

[Registration No.: 201701019864 (1234029-D)]

(Incorporated in Malaysia)

## 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

26 April 2021

# STATEMENTS OF FINANCIAL POSITION

as at 31 December 2020

		Group		Company	
		2020	2019	2020	2019
	Note	RM	RM	RM	RM
<b>Assets</b>					
<b>Non-Current Assets</b>					
Property, plant and equipment	4	1,330,291	1,434,798	-	-
Right-of-use assets	5	662,159	1,018,955	-	-
Investment in subsidiary companies	6	-	-	14,047,986	14,047,998
Development expenditure	7	483,402	966,805	-	-
Other investments	8	6,260,804	274,707	6,095,250	-
Deferred tax assets	9	92,225	89,685	-	-
<b>Total Non-Current Assets</b>		<b>8,828,881</b>	<b>3,784,950</b>	<b>20,143,236</b>	<b>14,047,998</b>
<b>Current Assets</b>					
Inventories	10	1,128,544	1,169,109	-	-
Contract assets	11	315,554	425,759	-	-
Trade receivables	12	8,782,371	17,133,879	-	-
Other receivables	13	2,692,545	3,279,569	10,540	88,490
Tax recoverable		614,252	369,672	20,508	-
Fixed deposits with licensed banks	14	14,055,584	11,336,601	12,015,754	8,481,342
Cash and bank balances		12,453,653	14,127,790	642,947	5,452,236
<b>Total Current Assets</b>		<b>40,042,503</b>	<b>47,842,379</b>	<b>12,689,749</b>	<b>14,022,068</b>
<b>Total Assets</b>		<b>48,871,384</b>	<b>51,627,329</b>	<b>32,832,985</b>	<b>28,070,066</b>

## STATEMENTS OF FINANCIAL POSITION

as at 31 December 2020  
cont'd

		Group		Company	
		2020	2019	2020	2019
	Note	RM	RM	RM	RM
<b>Equity and Liabilities</b>					
<b>Equity</b>					
Share capital	15	35,683,874	30,453,764	35,683,874	30,453,764
Reserves	16	(11,302,783)	(10,932,137)	-	-
Retained earnings/(Accumulated losses)		14,323,803	19,175,633	(2,936,697)	(2,517,610)
Equity attributable to the owners of the parent		38,704,894	38,697,260	32,747,177	27,936,154
Non-controlling interests		328,667	359,564	-	-
<b>Total Equity</b>		<b>39,033,561</b>	<b>39,056,824</b>	<b>32,747,177</b>	<b>27,936,154</b>
<b>Non-Current Liabilities</b>					
Employee benefit	17	274,944	228,671	-	-
Lease liabilities	18	157,329	561,143	-	-
<b>Total Non-Current Liabilities</b>		<b>432,273</b>	<b>789,814</b>	<b>-</b>	<b>-</b>
<b>Current Liabilities</b>					
Trade payables	19	2,028,257	1,738,252	-	-
Other payables	20	2,285,221	3,661,322	85,806	101,716
Amount due to a subsidiary company	21	-	-	2	-
Contract liabilities	11	4,513,345	5,368,161	-	-
Lease liabilities	18	472,599	457,438	-	-
Tax payable		106,128	555,518	-	32,196
<b>Total Current Liabilities</b>		<b>9,405,550</b>	<b>11,780,691</b>	<b>85,808</b>	<b>133,912</b>
<b>Total Liabilities</b>		<b>9,837,823</b>	<b>12,570,505</b>	<b>85,808</b>	<b>133,912</b>
<b>Total Equity and Liabilities</b>		<b>48,871,384</b>	<b>51,627,329</b>	<b>32,832,985</b>	<b>28,070,066</b>

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 2020

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
Revenue	22	27,098,428	31,089,201	-	-
Cost of sales	23	(12,187,872)	(11,970,117)	-	-
Gross profit		14,910,556	19,119,084	-	-
Other income		1,238,849	1,092,456	228,872	305,684
Administrative expenses		(18,653,547)	(17,269,644)	(694,000)	(682,368)
Net (loss)/gain on impairment of financial instruments		(1,548,062)	179,472	-	-
Finance costs	24	(24,785)	(92,623)	-	-
(Loss)/Profit before tax	25	(4,076,989)	3,028,745	(465,128)	(376,684)
Taxation	26	(791,090)	(1,015,943)	46,041	(70,781)
(Loss)/Profit for the financial year		(4,868,079)	2,012,802	(419,087)	(447,465)
<b>Other comprehensive (loss)/income</b>					
<i>Items that are or may be reclassified subsequently to profit or loss</i>					
Exchange translation differences for foreign operations		(276,141)	208,306	-	-
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Net change in fair value of equity investments designated at fair value through other comprehensive income		(109,153)	15,152	-	-
Total other comprehensive (loss)/income for the financial year		(385,294)	223,458	-	-
<b>Total comprehensive (loss)/income for the financial year</b>		<b>(5,253,373)</b>	<b>2,236,260</b>	<b>(419,087)</b>	<b>(447,465)</b>

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 31 December 2020

cont'd

	Note	Group		Company	
		2020	2019	2020	2019
		RM	RM	RM	RM
<b>(Loss)/Profit for the financial year attributable to:</b>					
Owners of the parent		(4,851,830)	1,989,797	(419,087)	(447,465)
Non-controlling interests		(16,249)	23,005	-	-
		<u>(4,868,079)</u>	<u>2,012,802</u>	<u>(419,087)</u>	<u>(447,465)</u>
<b>Total comprehensive (loss)/income attributable to:</b>					
Owners of the parent		(5,222,476)	2,199,091	(419,087)	(447,465)
Non-controlling interests		(30,897)	37,169	-	-
		<u>(5,253,373)</u>	<u>2,236,260</u>	<u>(419,087)</u>	<u>(447,465)</u>
<b>(Loss)/Earnings per share (sen)</b>					
- Basic	27(a)	<u>(0.95)</u>	<u>0.41</u>		
- Diluted	27(b)	<u>(0.95)</u>	<u>0.41</u>		

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



# STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2020

Group	Attributable to owners of the parent									
	Non-Distributable					Distributable				
	Share Capital	Fair Value Adjustment Reserve	Foreign Currency Translation Reserve	Other Reserves	Merger Reserve	Retained Earnings	Total	Non-Controlling Interests	Total Equity	
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
At 1 January 2019	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	-	-	-	-	-	(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	
<b>Transactions with owners</b>										
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 2020

cont'd

	Attributable to owners of the parent									
	Non-Distributable					Distributable				
	Foreign									
	Share Capital	Fair Value Adjustment Reserve	Currency Translation Reserve	Other Reserve	Merger Reserve	Warrant Reserve	Retained Earnings	Total	Non-Controlling Interests	Total Equity
Note	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
<b>Group</b>										
At 1 January 2020	30,453,764	210,169	(140,917)	3,274	(11,004,663)	-	19,175,633	38,697,260	359,564	39,056,824
Loss for the financial year	-	-	-	-	-	-	(4,851,830)	(4,851,830)	(16,249)	(4,868,079)
Other comprehensive loss for the financial year	-	(109,153)	(261,493)	-	-	-	-	(370,646)	(14,648)	(385,294)
Total comprehensive loss for the financial year	-	(109,153)	(261,493)	-	-	-	(4,851,830)	(5,222,476)	(30,897)	(5,253,373)
<b>Transactions with owners</b>										
Issuance of ordinary shares										
- Private placement	15	5,214,110	-	-	-	-	-	5,214,110	-	5,214,110
- Exercise of warrants	15	16,000	-	-	(38,205,150)	-	38,205,150	-	-	16,000
Total transactions with owners		5,230,110	-	-	(38,205,150)	-	38,205,150	-	-	5,230,110
At 31 December 2020	35,683,874	101,016	(402,410)	(38,201,876)	(11,004,663)	38,205,150	14,323,803	38,704,894	328,667	39,033,561

# STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2020  
cont'd

	Note	Share Capital RM	Accumulated Losses RM	Other Reserves RM	Warrant Reserve RM	Total Equity RM
<b>Company</b>						
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
At 1 January 2020		30,453,764	(2,517,610)	-	-	27,936,154
Loss for the financial year, representing total comprehensive loss for the financial year		-	(419,087)	-	-	(419,087)
<b>Transactions with owners:</b>						
Issuance of ordinary shares						
- Private placement	15	5,214,110	-	-	-	5,214,110
- Exercise of warrants	15	16,000	-	(38,205,150)	38,205,150	16,000
Total transactions with owners		5,230,110	-	(38,205,150)	38,205,150	5,230,110
At 31 December 2020		35,683,874	(2,936,697)	(38,205,150)	38,205,150	32,747,177

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

## STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2020

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
<b>Cash Flows From Operating Activities</b>				
(Loss)/Profit before tax	(4,076,989)	3,028,745	(465,128)	(376,684)
Adjustments for:				
Amortisation of development expenditure	483,403	483,403	-	-
Impairment losses on trade receivables	1,548,064	-	-	-
Inventories written off	351,766	19,099	-	-
Depreciation of:				
- property, plant and equipment	638,975	490,873	-	-
- right-of-use assets	532,056	546,679	-	-
Fair value gain on financial asset at fair value through profit or loss	-	(9,644)	-	-
Finance costs	24,785	92,623	-	-
Loss on disposal of property, plant and equipment	2,877	4	-	-
Property, plant and equipment written off	519	4,415	-	-
Unrealised loss/(gain) on foreign exchange	105,321	121,490	(135)	227
Dividend income from unit trust	-	(39,672)	-	-
Gain on disposal of equity shares in a subsidiary company	-	-	(3)	-
Government grant income	(450,035)	(450,035)	-	-
Interest income	(432,174)	(525,431)	(228,734)	(305,684)
Reversal of impairment losses on trade receivables	(2)	(169,828)	-	-
Operating (loss)/profit before working capital changes	(1,271,434)	3,592,721	(694,000)	(682,141)
Changes in working capital:				
Inventories	(492,695)	149,049	-	-
Receivables	7,278,111	(6,681,929)	77,950	(20,990)
Payables	(599,439)	256,032	(15,910)	28,516
Amount due to a subsidiary company	-	-	2	-
Contract assets/(liabilities)	(744,611)	2,385,601	-	-
	5,441,326	(3,891,247)	62,042	7,526
Cash generated from/(used in) operations	4,169,932	(298,526)	(631,958)	(674,615)
Interest paid	(24,785)	(92,623)	-	-
Interest received	432,174	525,431	228,734	305,684
Tax refund	30,624	214,614	30,624	-
Tax paid	(1,528,082)	(1,269,317)	(37,287)	(41,085)
Exchange fluctuation adjustment	(258,404)	199,706	-	-
Net cash from/(used in) operating activities	2,821,459	(720,715)	(409,887)	(410,016)

# STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2020  
cont'd

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
<b>Cash Flows From Investing Activities</b>				
Purchase of other investment	(6,095,250)	-	(6,095,250)	-
Investment in a subsidiary company	-	-	(2)	-
Increase in fixed deposit with a licensed bank with maturity more than 3 months	(177,972)	-	-	-
Proceeds from disposal of equity shares in a subsidiary company	-	-	17	-
Proceeds from disposal of other investments	-	2,579,909	-	-
Purchase of property, plant and equipment (Note 4)	(363,289)	(608,028)	-	-
Purchase of right-of-use assets [Note 5(b)]	(89,900)	-	-	-
Proceeds from disposal of property, plant and equipment	-	4,956	-	-
Capital contribution from non-controlling interests	-	41	-	-
Net cash (used in)/from investing activities	(6,726,411)	1,976,878	(6,095,235)	-
<b>Cash Flows From Financing Activities</b>				
Repayment of term loans	-	(1,996,610)	-	-
Proceeds from issuance of shares				
- private placement (Note 15)	5,214,110	-	5,214,110	-
- exercise of warrants (Note 15)	16,000	-	16,000	-
Decrease/(Increase) in fixed deposits pledged	2,443,401	(91,338)	-	-
Payment of lease liabilities	(474,973)	(449,999)	-	-
Net cash from/(used in) financing activities	7,198,538	(2,537,947)	5,230,110	-
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>3,293,586</b>	<b>(1,281,784)</b>	<b>(1,275,012)</b>	<b>(410,016)</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>	<b>22,609,132</b>	<b>23,915,252</b>	<b>13,933,578</b>	<b>14,343,821</b>
<b>Effect of exchange translation differences on cash and cash equivalents</b>	<b>16,689</b>	<b>(24,336)</b>	<b>135</b>	<b>(227)</b>
<b>Cash and cash equivalents at the end of the financial year</b>	<b>25,919,407</b>	<b>22,609,132</b>	<b>12,658,701</b>	<b>13,933,578</b>

# STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2020  
cont'd

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
<b>Cash and cash equivalents at the end of the financial year comprises:</b>				
Cash and bank balances	12,453,653	14,127,790	642,947	5,452,236
Fixed deposits with licensed banks	14,055,584	11,336,601	12,015,754	8,481,342
	26,509,237	25,464,391	12,658,701	13,933,578
Less: Fixed deposits pledged to licensed banks	(411,858)	(2,855,259)	-	-
Less: Fixed deposit with a licensed bank with maturity of more than 3 months	(177,972)	-	-	-
	25,919,407	22,609,132	12,658,701	13,933,578

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 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 ("MFRS"), 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:

Amendments to References to the Conceptual Framework in MFRS Standards

Amendments to MFRS 3

Definition of a Business

Amendments to MFRS 9, MFRS 139 and MFRS 7

Interest Rate Benchmark Reform

Amendments to MFRS 101 and MFRS 108

Definition of Material

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

cont'd

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

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

#### 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
Amendment to MFRS 16	Covid-19 - Related Rent Concessions	1 June 2020
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16	Interest Rate Benchmark Reform - Phase 2	1 January 2021
Amendment to MFRS 16	Covid-19 - Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to MFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116	Property, Plant and Equipment Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
Annual improvement to MFRS Standard 2018 - 2020:		1 January 2022
• Amendments to MFRS 1		
• Amendments to MFRS 9		
• Amendments to MFRS 16		
• Amendments to MFRS 141		
MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 101	Classification of Liabilities as Current or Non- current	1 January 2023
Amendments to MFRS 101	Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108	Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

The 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.



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

cont'd

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

### (b) Functional and presentation currency

The 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.

#### 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

cont'd

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

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

#### 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.

#### Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unutilised 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, unutilised 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

cont'd

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

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

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

##### 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.

##### 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

cont'd

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

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

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

##### 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 2020, the Group has tax recoverable of RM614,252 (2019: RM369,672) and tax payable of RM106,128 (2019: RM555,518) respectively. As at 31 December 2020, the Company has tax recoverable RM20,508 (2019: tax payable of RM32,196).

##### 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 32(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.

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

cont'd

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

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

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

Subsidiary companies are consolidated using merger method of accounting as the business combination of the subsidiary companies involved entities under common control except for business combination with Signing Cloud Sdn. Bhd., which was accounted for under the acquisition method of accounting. 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.

Under the acquisition method of accounting, subsidiary companies are fully consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceased. The consideration transferred for the acquisition of a subsidiary company is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

cont'd

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

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

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

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.

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. Refer accounting policy Note 3(m)(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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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 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.

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(m)(i) on impairment on non-financial assets.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

cont'd

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

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

#### (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.

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%



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

cont'd

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

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

#### (iii) Depreciation (Cont'd)

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

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.

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(m)(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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

cont'd

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

### (e) Intangible assets

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

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

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

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

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

#### (ii) 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.

Refer accounting policy Note 3(m)(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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

cont'd

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

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

#### 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.

The Group and the Company classify their financial assets as follows:

#### (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 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 2020

cont'd

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

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

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

The Group and the Company classify their financial assets as follows: (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(m)(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 2020

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 their 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 financial liabilities at amortised cost comprise trade and other payables and lease liabilities. The Company's financial liabilities at amortised cost comprise other payables and amount due to a subsidiary company.

#### 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 2020

cont'd

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

### (h) 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*.

### (i) Offsetting of financial instruments

Financial asset and financial liability 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.

### (j) 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.

### (k) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits and short-term 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.

### (l) Contract assets and liabilities

Contract asset is the right to consideration for goods or services transferred to the customers. The Group's contract asset is the excess of revenue recognised over the billings to-date and deposits or advances received from customers.

Where there is objective evidence of impairment, the amount of impairment losses is determined by comparing the contract asset's carrying amount and the present value of estimated future cash flows to be generated by the contract asset.

Contract asset is reclassified to trade receivables at the point at which invoices have been billed to customers.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

cont'd

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

### (l) Contract assets and liabilities (Cont'd)

Contract liability is the obligation to transfer goods or services to customers for which the Group has received the consideration or has billed the customers. The Group's contract liability is the excess of the billings to-date over the revenue recognised. Contract liabilities are recognised as revenue when the Group performs its obligation under the contracts.

### (m) 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.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months ("a 12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default ("a lifetime ECL").

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2020  
cont'd

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

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

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

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

### (n) 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.

### (o) 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.



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

cont'd

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

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

#### (iii) Defined benefit plans (Cont'd)

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

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

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

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

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

### (p) 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

cont'd

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

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

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

The Group recognises revenue from the following major sources: (Cont'd)

#### (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.

### (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) 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

cont'd

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

### (r) Government grants (Cont'd)

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.

### (s) Income taxes

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

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

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

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

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

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

### (t) 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

cont'd

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

### (u) 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.

### (v) Fair value measurement

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

cont'd

## 4. PROPERTY, PLANT AND EQUIPMENT

	Office equipment	Computer and IT equipment	Exhibition equipment	Furniture and fittings	Renovation	Motor vehicles	Hostel equipment	Total
	RM	RM	RM	RM	RM	RM	RM	RM
<b>Group</b>								
<b>2020</b>								
<b>Cost</b>								
At 1 January 2020	203,978	1,970,312	8,484	230,532	205,040	185,606	12,748	2,816,700
Additions	25,280	336,057	-	1,952	-	-	-	363,289
Disposals	-	(2,877)	-	-	-	-	-	(2,877)
Written off	(2,227)	(46,859)	(8,484)	(227)	-	-	-	(57,797)
Transferred from inventories	-	181,494	-	-	-	-	-	181,494
Exchange differences	(188)	(17,768)	-	141	(1,481)	(4,127)	-	(23,423)
At 31 December 2020	226,843	2,420,359	-	232,398	203,559	181,479	12,748	3,277,386
<b>Accumulated depreciation</b>								
At 1 January 2020	76,478	1,013,821	8,484	85,653	69,417	120,578	7,471	1,381,902
Charge for the financial year	21,873	551,737	-	21,064	24,806	18,423	1,072	638,975
Written off	(1,722)	(46,845)	(8,484)	(227)	-	-	-	(57,278)
Exchange differences	(462)	(12,655)	-	(244)	(1,018)	(2,125)	-	(16,504)
At 31 December 2020	96,167	1,506,058	-	106,246	93,205	136,876	8,543	1,947,095
<b>Carrying amount</b>								
At 31 December 2020	130,676	914,301	-	126,152	110,354	44,603	4,205	1,330,291

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

cont'd

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

	Office equipment	Computer and IT equipment	Exhibition equipment	Furniture and fittings	Renovation	Motor vehicles	Hostel equipment	Total
	RM	RM	RM	RM	RM	RM	RM	RM
<b>Group</b>								
<b>2019</b>								
<b>Cost</b>								
At 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 2020, 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
<b>Accumulated depreciation</b>								
At 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 2020, 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
<b>Carrying amount</b>								
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 2020

cont'd

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

The aggregate costs for the property, plant and equipment of the Group during the financial year offset with other payables and under cash payments are as follows:

	Group	
	2020	2019
	RM	RM
Aggregate costs	363,289	677,275
Less: Offset with other payables	-	(69,247)
Cash payments	363,289	608,028

## 5. RIGHT-OF-USE ASSETS

	Buildings	Motor vehicle	Total
	RM	RM	RM
<b>2020</b>			
<b>Cost</b>			
At 1 January 2020	1,196,513	400,537	1,597,050
Additions	175,636	-	175,636
Expiration of lease contracts	(219,431)	-	(219,431)
Exchange differences	1,526	-	1,526
At 31 December 2020	1,154,244	400,537	1,554,781
<b>Accumulated depreciation</b>			
At 1 January 2020	494,116	83,979	578,095
Charge for the financial year	451,949	80,107	532,056
Expiration of lease contracts	(219,431)	-	(219,431)
Exchange differences	1,902	-	1,902
At 31 December 2020	728,536	164,086	892,622
<b>Carrying amount</b>			
At 31 December 2020	425,708	236,451	662,159

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

cont'd

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

	Buildings RM	Motor vehicle RM	Total RM
<b>2019</b>			
<b>Cost</b>			
At 1 January 2019, as previously reported	-	-	-
Effect on adoption of MFRS 16	997,998	400,537	1,398,535
At 1 January 2019, as restated	997,998	400,537	1,398,535
Additions	603,170	-	603,170
Expiration of lease contracts	(404,244)	-	(404,244)
Exchange differences	(411)	-	(411)
At 31 December 2019	1,196,513	400,537	1,597,050
<b>Accumulated depreciation</b>			
At 1 January 2019, as previously reported	-	-	-
Effect on adoption of MFRS 16	429,853	3,872	433,725
At 1 January 2019, as restated	429,853	3,872	433,725
Charge for the financial year	466,572	80,107	546,679
Expiration of lease contracts	(404,244)	-	(404,244)
Exchange differences	1,935	-	1,935
At 31 December 2019	494,116	83,979	578,095
<b>Carrying amount</b>			
At 31 December 2019	702,397	316,558	1,018,955

- (a) Included in the above, motor vehicle of the Group with carrying amount of RM236,451 (2019: RM316,558) is pledged as security for the related lease liability.
- (b) The aggregate costs for the right-of-use assets of the Group during the financial year under lease financing and cash payments are as follows:

	Group	
	2020 RM	2019 RM
Aggregate costs	175,636	603,170
Less: Lease financing	(85,736)	(603,170)
Cash payments	89,900	-



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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## 6. INVESTMENT IN SUBSIDIARY COMPANIES

### (a) Investment in subsidiary companies

	Company	
	2020	2019
	RM	RM
<b>Unquoted shares, at cost</b>		
In Malaysia	9,917,000	9,916,998
Outside Malaysia	4,130,986	4,131,000
	<u>14,047,986</u>	<u>14,047,998</u>

### (b) Details of the subsidiary companies are as follows:

Name of company	Place of business/ Country of incorporation	Effective interest (%)		Principal activities
		2020	2019	
<b>Direct holding</b>				
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	99.995	99.997	Provision of digital security solutions as well as trading of electronic identification products, and other related services
PT Securemetric Technology (“Securemetric Indonesia”) *	Indonesia	99.99	99.99	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
Signing Cloud Sdn. Bhd. (“Signing Cloud Malaysia”)	Malaysia	100	-	Provision of digital security solutions and other related services

\* Audited by member firm of UHY International Limited

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

cont'd

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

### (c) Incorporation of a subsidiary company

On 20 November 2020, the Company incorporated a wholly-owned subsidiary company, Signing Cloud Sdn. Bhd. with an initial share capital of RM2.00 comprising of 2 ordinary shares.

### (d) Disposal of equity shares in a subsidiary company

On 14 September 2020, the Company disposed of two ordinary shares in Securemetric Technology, Inc, a 99.997% owned subsidiary company, at a total consideration of USD 4.15, equivalent to RM17 to two individuals. Consequently, the Company's shareholding in Securemetric Technology, Inc decreased to 99.995%.

### (e) 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		(Loss)/Profit allocated to non-controlling interests		Accumulated non-controlling interests	
	2020	2019	2020	2019	2020	2019
	%	%	RM	RM	RM	RM
Softkey Indonesia	20	20	(16,249)	23,005	328,667	359,564

### (i) Summarised Statement of Financial Position

	2020	2019
	RM	RM
Non-current asset	102,655	76,692
Current assets	2,709,676	2,661,032
Non-current liability	(201,095)	(170,209)
Current liabilities	(582,621)	(384,418)
Net assets	2,028,615	2,183,097

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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

### (e) Material partly-owned subsidiary company (Cont'd)

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

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

	2020 RM	2019 RM
Revenue	1,011,069	1,536,200
(Loss)/Profit for the financial year	(81,244)	115,027
Other comprehensive (loss)/income for the financial year	(73,238)	70,819
Total comprehensive (loss)/ income for the financial year	(154,482)	185,846

#### (iii) Summarised Statement of Cash Flows

	2020 RM	2019 RM
Net cash from/(used in) operating activities	70,604	(299,153)
Net cash used in investing activity	(47,710)	(195)
Net cash from financing activity	101,500	-
Net increase/(decrease) in cash and cash equivalents	124,394	(299,348)

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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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## 7. DEVELOPMENT EXPENDITURE

	Group	
	2020	2019
	RM	RM
<b>Cost</b>		
At 1 January/31 December	2,417,014	2,417,014
<b>Accumulated amortisation</b>		
At 1 January	1,450,209	966,806
Charge for the financial year	483,403	483,403
At 31 December	1,933,612	1,450,209
<b>Carrying amount</b>		
At 31 December	483,402	966,805

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 20(a).

## 8. OTHER INVESTMENTS

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
<b><u>Non-current</u></b>				
<b>Financial assets at fair value through other comprehensive income</b>				
<b><i>At market value</i></b>				
Quoted shares, in Malaysia	165,554	274,707	-	-
<b><i>At cost</i></b>				
Unquoted shares, outside Malaysia	6,095,250	-	6,095,250	-
	6,260,804	274,707	6,095,250	-

The fair value of the quoted shares was determined by reference to the quoted price in the share market.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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## 9. DEFERRED TAX ASSETS

	Group	
	2020	2019
	RM	RM
At 1 January	89,685	94,591
Recognised in profit or loss	5,597	(7,108)
Exchange differences	(3,057)	2,202
At 31 December	92,225	89,685

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

	Group	
	2020	2019
	RM	RM
Deferred tax assets	140,674	132,832
Deferred tax liabilities	(48,449)	(43,147)
	92,225	89,685

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

### Deferred tax assets

	Others	Total
	RM	RM
<b>Group</b>		
At 1 January 2020	132,832	132,832
Recognised in profit or loss	5,633	5,633
Under provision in prior year	5,297	5,297
Exchange differences	(3,088)	(3,088)
At 31 December 2020	140,674	140,674
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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

cont'd

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

The components and movements of deferred tax assets and liabilities are as follows: (Cont'd)

### Deferred tax liabilities

	Accelerated capital allowances	Others	Total
	RM	RM	RM
<b>Group</b>			
At 1 January 2020	43,147	-	43,147
Recognised in profit or loss	(8,901)	3,118	(5,783)
Under provision in prior year	11,116	-	11,116
Exchange differences	-	(31)	(31)
At 31 December 2020	45,362	3,087	48,449
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

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

	Group	
	2020	2019
	RM	RM
Other deductible temporary differences	1,652,200	128,696
Unutilised capital allowances	800,558	373,000
Unused tax losses	4,573,841	268,693
	7,026,599	770,389

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 or they have arisen from subsidiary companies that have recent history of losses.

With effect from year of assessment 2019, the unused tax 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

cont'd

## 10. INVENTORIES

	Group	
	2020	2019
	RM	RM
Finished goods	1,128,544	1,169,109
<b>Recognised in profit or loss</b>		
Inventories recognised as cost of sales	7,114,994	8,258,953
Inventories written off	351,766	19,099

As at 31 December 2020, the Group's inventories amounted to RM181,494 (2019: RM166,848) were transferred to property, plant and equipment.

## 11. CONTRACT ASSETS/(LIABILITIES)

### (a) Contract assets

		Group	
		2020	2019
	Note	RM	RM
Amount due from customers on contracts	(i)	171,592	263,026
Software, consultancy and installation services	(ii)	143,962	162,733
		315,554	425,759

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

	Group	
	2020	2019
	RM	RM
Contract costs incurred to date	1,080,563	1,234,698
Attributable profits	3,531,594	3,620,930
	4,612,157	4,855,628
Less: Progress billings	(4,440,565)	(4,592,602)
	171,592	263,026
Presented as:		
Contract assets	171,592	263,026

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

cont'd

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

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

#### (i) Amount due from customers on contracts (Cont'd)

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	
	2020	2019
	RM	RM
Deferred revenue	4,513,345	5,368,161

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 RM7,947,029 (2019: RM8,970,956). The Group expects to recognise this revenue upon the completion of contracts which is expected to occur over the next 12 to 72 months.

## 12. TRADE RECEIVABLES

	Group	
	2020	2019
	RM	RM
Trade receivables	10,492,111	16,207,184
Retention sum	-	1,090,570
	10,492,111	17,297,754
Less: Accumulated impairment losses	(1,709,740)	(163,875)
	8,782,371	17,133,879

Trade receivables are non-interest bearing and are on 30 to 90 days (2019: 30 to 90 days) term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

cont'd

## 12. TRADE RECEIVABLES (Cont'd)

Movements in the allowance for impairment losses are as follows:

	Lifetime allowance RM	Credit Impaired RM	Loss allowance RM
<b>Group</b>			
At 1 January 2020	20,476	143,399	163,875
Impairment losses recognised	76,405	1,471,659	1,548,064
Impairment losses reversed	(2)	-	(2)
Exchange differences	(2,197)	-	(2,197)
At 31 December 2020	94,682	1,615,058	1,709,740
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

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.

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

	Gross amount RM	Loss allowance RM	Net amount RM
<b>Group</b>			
<b>2020</b>			
Not past due	2,424,366	(12,197)	2,412,169
Past due			
Less than 30 days	1,364,955	(8,245)	1,356,710
31 to 60 days	638,480	(31,541)	606,939
61 to 90 days	4,430	-	4,430
More than 90 days	4,444,822	(42,699)	4,402,123
	6,452,687	(82,485)	6,370,202
<b>Credit impaired</b>			
Individually impaired	1,615,058	(1,615,058)	-
	10,492,111	(1,709,740)	8,782,371

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2020  
cont'd

## 12. TRADE RECEIVABLES (Cont'd)

The ageing analysis of trade receivables at the end of the reporting period are as follows: (Cont'd)

	Gross amount RM	Loss allowance RM	Net amount RM
<b>2019</b>			
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
<b>Credit impaired</b>			
Individually impaired	143,399	(143,399)	-
	17,297,754	(163,875)	17,133,879

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

As at 31 December 2020, the Group has gross trade receivables amounting to RM6,452,867 (2019: RM13,962,218) 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 2020, included in trade receivables that are past due but not individually impaired more than 90 days are retention sum of RMNil (2019: RM1,090,570).

The trade receivables of the Group that are individually assessed to be impaired amounting to RM1,615,058 (2019: 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 2 customers (2019: 4 customers) that owed to the Group for approximately 36% (2019: 57%) of total trade receivables at the end of the reporting period.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

cont'd

## 13. OTHER RECEIVABLES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Other receivables	119,071	43,313	-	-
Deferred costs	1,538,233	1,231,236	-	-
Deposits	182,417	1,041,554	1,000	-
Prepayments	852,249	962,951	9,540	88,490
GST receivable	575	515	-	-
	2,692,545	3,279,569	10,540	88,490

Included in the other receivables of the Group is a refundable performance security bonds amounting to RM91,671 (2019: RMNil) and are repayable within next twelve months upon the issuance of sale invoices.

## 14. FIXED DEPOSITS WITH LICENSED BANKS

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Deposits with tenures of:				
- less than 3 months	13,465,754	8,481,342	12,015,754	8,481,342
- more than 3 months	589,830	2,855,259	-	-
	14,055,584	11,336,601	12,015,754	8,481,342

Included in fixed deposits with licensed banks of the Group is an amount of RMNil (2019: RM172,022) which has been pledged to a licensed bank as security for banking facility granted to the Group.

Included in fixed deposits with licensed banks of the Group is an amount of RM411,858 (2019: RM2,683,237) which has been pledged to a licensed bank as security for bank guarantee facilities granted to the Group.

The interest rates and maturity of deposits at the end of the reporting period are as follows:

	Group		Company	
	2020	2019	2020	2019
Interest rate per annum	1.40% to 4.50%	2.75% to 4.09%	1.40% to 1.85%	2.75% to 3.48%
Maturity of deposits	1 to 12 months	1 to 12 months	1 to 3 months	3 months

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

cont'd

## 15. SHARE CAPITAL

	Group and Company			
	Number of shares		Amount	
	2020	2019	2020	2019
	Units	Units	RM	RM
<b>Issued and fully paid ordinary shares</b>				
At 1 January	243,600,000	243,600,000	30,453,764	30,453,764
Issuance of shares during the financial year				
- Bonus issue	243,600,000	-	-	-
- Private placement	48,730,000	-	5,214,110	-
- Exercise of warrants	100,000	-	16,000	-
At 31 December	536,030,000	243,600,000	35,683,874	30,453,764

During the financial year, the Company issued:

- (i) 243,600,000 new ordinary shares pursuant to bonus issue exercise;
- (ii) 48,730,000 new ordinary shares pursuant to the private placement at an issue price of RM0.107 per placement share for a total cash consideration of RM5,214,110; and
- (iii) 100,000 new ordinary shares pursuant to the conversion of warrants at an exercise price of RM0.16 per ordinary share.

The new ordinary shares issued during the financial year rank pari passu in all respect 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

	Note	Group		Company	
		2020	2019	2020	2019
		RM	RM	RM	RM
Fair value adjustment reserve	(a)	101,016	210,169	-	-
Foreign currency translation reserve	(b)	(402,410)	(140,917)	-	-
Other reserves	(c)	(38,201,876)	3,274	(38,205,150)	-
Merger reserve	(d)	(11,004,663)	(11,004,663)	-	-
Warrant reserve	(e)	38,205,150	-	38,205,150	-
		(11,302,783)	(10,932,137)	-	-

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

cont'd

## 16. RESERVES (Cont'd)

### (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) Other reserves

Other reserves comprise of the followings:

#### (i) 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 (2019: RM3,274) and recorded the declared tax amnesty assets under other reserve.

#### (ii) fair value of warrants issued amounting to RM38,205,150 (2019: RMNil).

### (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.

### (e) Warrant reserve

This represents the fair value of the warrants issued and is non-distributable.

On 4 February 2020, the Company had issued 243,600,000 warrants pursuant to bonus issue of warrants to all the entitled shareholders of the Company on the basis of one (1) warrant for every one (1) existing ordinary shares held in the Company.

The warrants are constituted under a Deed Poll executed on 3 January 2020 and each warrant entitles the registered holder the right at any time during the exercise period from 22 January 2020 to 21 January 2023 to subscribe in cash for one new ordinary share of the Company at an exercise price of RM0.16 each.

The new ordinary shares allotted and issued upon exercise of the warrants shall rank pari passu in all respects with the existing ordinary shares of the Company, save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of allotment of the new ordinary shares arising from the exercise of the warrants.

As at 31 December 2020, the total number of warrants that remain unexercised were 243,500,000 units.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

cont'd

## 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	
	2020	2019
	RM	RM
Present value of unfunded obligations	274,944	228,671

The movement in the present value of defined benefit obligations of the Group are as follows:

	Group	
	2020	2019
	RM	RM
At 1 January	228,671	195,846
Recognised in profit or loss:		
- Current service costs	53,586	25,637
Exchange differences	(7,313)	7,188
At 31 December	274,944	228,671

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	
	2020	2019
	RM	RM
Discount rate at 31 December	10%	10%
Expected rate of salary increases	3%	3%
Normal retirement age	55 years	55 years

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

cont'd

## 17. EMPLOYEE BENEFIT (Cont'd)

### Retirement benefit plans (Cont'd)

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

	Group	
	+1%	-1%
	RM	RM
<b>2020</b>		
Increase/(Decrease) of present value of unfunded obligations		
- Discount rates	182,860	(182,860)
- Expected salary	269,740	(269,740)
<b>2019</b>		
Increase/(Decrease) of present value of unfunded obligations		
- Discount rates	169,250	(169,250)
- Expected salary	245,851	(245,851)

The above sensitivity analysis 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. LEASE LIABILITIES

	Group	
	2020	2019
	RM	RM
At 1 January	1,018,581	-
Effect on adoption of MFRS 16	-	865,410
At 1 January, as restated	1,018,581	865,410
Addition	85,736	603,170
Accretion of interest	24,785	31,820
Payment	(499,758)	(481,819)
Exchange differences	584	-
At 31 December	629,928	1,018,581
Presented as:		
Non-current	157,329	561,143
Current	472,599	457,438
	629,928	1,018,581

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

cont'd

## 18. LEASE LIABILITIES (Cont'd)

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

	Group	
	2020	2019
	RM	RM
Within one year	485,124	481,756
Later than one year but not later than two years	82,164	415,478
Later than two years but not later than five years	82,110	164,274
	649,398	1,061,508
Less: Future finance charges	(19,470)	(42,927)
Present value of lease liabilities	629,928	1,018,581

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% (2019: 2.30%).

## 19. TRADE PAYABLES

The trade credit terms granted to the Group range from 30 to 90 days (2019: 30 to 90 days) depending on the terms of the contracts.

## 20. OTHER PAYABLES

		Group		Company	
		2020	2019	2020	2019
	Note	RM	RM	RM	RM
Other payables		998,813	1,057,213	1,306	9,637
Deferred capital grant	(a)	450,034	900,069	-	-
Accruals		836,374	1,704,040	84,500	92,079
		2,285,221	3,661,322	85,806	101,716



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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## 20. OTHER PAYABLES (Cont'd)

### (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	
	2020	2019
	RM	RM
At 1 January	900,069	1,350,104
Amortised during the financial year	(450,035)	(450,035)
At 31 December	450,034	900,069

## 21. AMOUNT DUE TO A SUBSIDIARY COMPANY

This represents unsecured, non-interest bearing advances and repayable on demand.

## 22. REVENUE

	Group	
	2020	2019
	RM	RM
<b>Revenue from contracts with customers</b>		
Sale of goods	13,839,988	16,842,729
Rendering of services	13,258,440	14,246,472
	27,098,428	31,089,201
<b>Timing of revenue recognition</b>		
At a point in time	18,535,770	20,296,355
Over time	8,562,658	10,792,846
Total revenue from contracts with customers	27,098,428	31,089,201

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

cont'd

## 22. REVENUE (Cont'd)

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

	Digital security solutions RM	Electronic identification products RM	Others RM	Total RM
<b>Group</b>				
<b>2020</b>				
<b>Type of goods and services</b>				
Sale of goods	9,743,366	4,096,622	-	13,839,988
Rendering of services	4,596,434	-	8,662,006	13,258,440
Total revenue from contracts with customers	14,339,800	4,096,622	8,662,006	27,098,428
<b>Geographical market</b>				
Malaysia	2,021,522	336,113	676,403	3,034,038
Vietnam	7,007,445	35,202	1,437,354	8,480,001
Philippines	1,033,789	1,693,970	1,618,253	4,346,012
Indonesia	2,397,759	730,235	3,426,302	6,554,296
United States	157,876	1,293,087	12,042	1,463,005
Singapore	294,149	3,265	1,063,526	1,360,940
Others	1,427,260	4,750	428,126	1,860,136
	14,339,800	4,096,622	8,662,006	27,098,428
<b>Timing of revenue recognition</b>				
At a point in time	14,053,572	4,096,622	385,576	18,535,770
Over time	286,228	-	8,276,430	8,562,658
Total revenue from contracts with customers	14,339,800	4,096,622	8,662,006	27,098,428

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

cont'd

## 22. REVENUE (Cont'd)

Set below is the disaggregation of the Group's revenue from contracts with customers: (Cont'd)

	Digital security solutions RM	Electronic identification products RM	Others RM	Total RM
<b>Group</b>				
<b>2019</b>				
<b>Type of goods and services</b>				
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	20,841,268	2,648,170	7,599,763	31,089,201
<b>Geographical market</b>				
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
	20,841,268	2,648,170	7,599,763	31,089,201
<b>Timing of revenue recognition</b>				
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

## 23. COST OF SALES

	Group	
	2020 RM	2019 RM
Sale of goods	7,114,994	8,258,953
Services rendered	5,072,878	3,711,164
	12,187,872	11,970,117

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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## 24. FINANCE COSTS

	Group	
	2020	2019
	RM	RM
Interest expenses on:		
Lease liabilities	24,785	31,820
Term loans	-	60,803
	<u>24,785</u>	<u>92,623</u>

## 25. (LOSS)/PROFIT BEFORE TAX

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

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Auditors' remuneration				
- statutory				
- UHY	95,000	95,000	75,000	75,000
- member firms of UHY International Limited	50,775	48,541	-	-
- non-statutory	5,000	5,000	5,000	5,000
Amortisation of development expenditure	483,403	483,403	-	-
Depreciation of :				
- property, plant and equipment	638,975	490,873	-	-
- right-of-use assets	532,056	546,679	-	-
Non-executive Directors' remuneration				
- fees	114,000	114,000	114,000	114,000
- allowances	5,400	6,300	5,400	6,300
Impairment losses on trade receivables	1,548,064	-	-	-
Inventories written off	351,766	19,099	-	-
Loss/(Gain) on foreign exchange				
- unrealised	105,321	121,490	(135)	227
- realised	(58,231)	15,681	1,096	534
Property, plant and equipment written off	519	4,415	-	-
Lease expenses relating to short-term leases				
- office	142,427	108,372	-	-
- hostel	29,400	29,400	-	-

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## 25. (LOSS)/PROFIT BEFORE TAX (Cont'd)

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

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Loss on disposal of property, plant and equipment	2,877	4	-	-
Dividend income from unit trust	-	(39,672)	-	-
Fair value gain on financial asset at fair value through profit or loss	-	(9,644)	-	-
Gain on disposal of equity shares in a subsidiary company	-	-	(3)	-
Government grant income	(450,035)	(450,035)	-	-
Interest income	(432,174)	(525,431)	(228,734)	(305,684)
Reversal of impairment losses on trade receivables	(2)	(169,828)	-	-

## 26. TAXATION

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
<b>Tax expenses recognised in profit or loss</b>				
Current tax provision				
- Malaysian tax	4,279	100,024	4,279	69,696
- Foreign tax	856,333	968,298	-	-
(Over)/Under provision in prior years	(63,925)	(59,487)	(50,320)	1,085
	796,687	1,008,835	(46,041)	70,781
<b>Deferred tax: (Note 9)</b>				
Relating to origination and reversal of temporary differences	(11,416)	14,746	-	-
Under/(Over) provision in prior years	5,819	(7,638)	-	-
	(5,597)	7,108	-	-
	791,090	1,015,943	(46,041)	70,781

Malaysian income tax is calculated at the statutory tax rate of 24% (2019: 24%) of the estimated assessable profits for the financial year. Taxation for other jurisdiction is calculated at the rates prevailing in the respective jurisdictions.

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## 26. TAXATION (Cont'd)

A reconciliation of income tax expenses applicable to (loss)/profit before tax at the statutory income tax rate to income tax expenses at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
(Loss)/Profit before tax	(4,076,989)	3,028,745	(465,128)	(376,684)
At Malaysian statutory tax rate of 24% (2019: 24%)	(978,477)	726,899	(111,631)	(90,404)
Effect of different tax rate in other jurisdictions	(555,437)	(326,668)	-	-
Expenses not deductible for tax purposes	1,105,365	881,469	115,940	160,100
Income not subject to tax	(223,746)	(372,970)	(30)	-
Deferred tax assets not recognised	1,501,491	174,338	-	-
(Over)/Under provision of income tax in prior years	(63,925)	(59,487)	(50,320)	1,085
Under/(Over) provision of deferred tax in prior years	5,819	(7,638)	-	-
Tax expenses for the financial year	791,090	1,015,943	(46,041)	70,781

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

	Group	
	2020	2019
	RM	RM
Unutilised capital allowances	800,558	373,000
Unused tax losses	4,573,841	268,693
	5,374,399	641,693

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## 27. (LOSS)/EARNINGS PER SHARE

### (a) Basic (loss)/earnings per share

The basic (loss)/earnings per share are calculated based on the consolidated (loss)/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	
	2020	2019
	RM	RM
(Loss)/Profit for the financial year, attributable to owners of the parent	(4,851,830)	1,989,797
	units	units
Weighted average number of ordinary shares in issue		
- Ordinary shares in issue at 1 January	243,600,000	243,600,000
- Bonus issue	243,600,000	243,600,000*
- Effect of private placement	25,296,995	-
- Effect of exercise of warrants	86,065	-
Weighted average number of ordinary shares in issue at 31 December	512,583,060	487,200,000
Basic (loss)/earnings per ordinary share	(0.95)	0.41

\* The weighted average number of ordinary shares issued as at 31 December 2019 has been restated to reflect the retrospective adjustment arising from bonus issue which was completed on 20 January 2020 as disclosed in Note 15.

### (b) Diluted (loss)/earnings per share

The Group has no dilution in their (loss)/earnings per ordinary share as the exercise price of the warrants has exceeded the average market price of ordinary shares during the financial year, the warrants do not have any dilutive effect on the weighted average number of 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.

## 28. STAFF COSTS

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Salaries, wages and other emoluments	9,369,012	9,324,263	600	600
Defined contribution plans	907,170	881,396	-	-
Social security contributions	97,572	91,170	-	-
Other benefits	316,106	249,604	-	-
Defined benefit plans	53,586	25,637	-	-
	10,743,446	10,572,070	600	600

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## 28. STAFF COSTS (Cont'd)

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

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Salaries and other emoluments	927,100	1,020,600	600	600
Defined contribution plans	111,180	122,400	-	-
Social security contributions	1,658	1,658	-	-
Other benefits	190	190	-	-
	<u>1,040,128</u>	<u>1,144,848</u>	<u>600</u>	<u>600</u>

## 29. 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 RM	Financing cash flows (i) RM	New lease RM	Other (ii) RM	At 31 December RM
<b>Group</b>							
<b>2020</b>							
Lease liabilities	18	1,018,581	-	(474,973)	85,736	584	629,928
<b>2019</b>							
Finance lease liability		368,400	(368,400)	-	-	-	-
Lease liabilities	18	-	865,410	(449,999)	603,170	-	1,018,581
Term loans		1,996,610	-	(1,996,610)	-	-	-
		<u>2,365,010</u>	<u>497,010</u>	<u>(2,446,609)</u>	<u>603,170</u>	<u>-</u>	<u>1,018,581</u>

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

(ii) Other represents exchange differences.

## 30. 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.



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## 30. 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	
	2020	2019	2020	2019
	RM	RM	RM	RM
Fees	114,000	114,000	114,000	114,000
Salaries and others emoluments	2,037,442	2,166,616	6,000	6,900
Defined contribution plans	244,188	256,740	-	-
Social security contributions	5,801	5,800	-	-
Others	664	664	-	-
	2,402,095	2,543,820	120,000	120,900

## 31. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and service as follows:

Digital security solutions	Provision of digital security solutions
Electronic identification products	Sales of smart cards, smart card readers, finger print readers, barcode scanners and barcode printers
Others	Provision of support and maintenance services, labelling and packaging

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

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## 31. SEGMENT INFORMATION (Cont'd)

Transactions between segments are carried out on agreed terms between both parties. The effects of such inter-segment transactions are eliminated on consolidation. The measurement basis and classification are consistent with those adopted in the previous financial year.

Information about segment assets and liabilities are neither included in the internal management reports nor provided regularly to the management. Hence, no disclosures are made on segment assets and liabilities.

	Digital security solutions RM	Electronic identification products RM	Others RM	Total RM
<b>2020</b>				
Total revenue	17,815,602	4,786,315	10,268,357	32,870,274
Inter-segment revenue	(3,475,802)	(689,693)	(1,606,351)	(5,771,846)
Revenue from external customers	14,339,800	4,096,622	8,662,006	27,098,428
Cost of sales	(6,602,255)	(2,359,676)	(3,225,941)	(12,187,872)
Segment gross profit	7,737,545	1,736,946	5,436,065	14,910,556
Other income				1,238,849
Administrative expenses				(18,653,547)
Net loss on impairment of financial instruments				(1,548,062)
Finance costs				(24,785)
Loss before tax				(4,076,989)
Taxation				(791,090)
Loss for the financial year				(4,868,079)
<b>2019</b>				
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

# NOTES TO THE FINANCIAL STATEMENTS

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## 31. 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	
	2020	2019	2020	2019
	RM	RM	RM	RM
Malaysia	3,034,038	3,117,418	1,945,580	3,042,380
Vietnam	8,480,001	8,261,031	55,183	104,259
Philippines	4,346,012	3,540,848	270,764	53,613
Indonesia	6,554,296	5,698,084	200,120	216,564
United States	1,463,005	416,215	-	-
Singapore	1,360,939	7,706,259	4,205	3,742
Others	1,860,137	2,349,346	-	-
	27,098,428	31,089,201	2,475,852	3,420,558

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:

	2020	2019
	RM	RM
Company A	-	3,357,183

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## 32. 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 value gains or losses 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
<b>Group</b>				
<b>2020</b>				
<b>Financial Assets</b>				
Other investments	6,260,804	-	-	6,260,804
Trade receivables	-	8,782,371	-	8,782,371
Other receivables	-	301,488	-	301,488
Fixed deposits with licensed banks	-	14,055,584	-	14,055,584
Cash and bank balances	-	12,453,653	-	12,453,653
	6,260,804	35,593,096	-	41,853,900
<b>Financial Liabilities</b>				
Trade payables	-	-	2,028,257	2,028,257
Other payables	-	-	1,835,187	1,835,187
Lease liabilities	-	-	629,928	629,928
	-	-	4,493,372	4,493,372
<b>2019</b>				
<b>Financial Assets</b>				
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
<b>Financial Liabilities</b>				
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

# NOTES TO THE FINANCIAL STATEMENTS

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## 32. 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
<b>Company</b>			
<b>2020</b>			
<b>Financial Assets</b>			
Fixed deposits with licensed banks	12,015,754	-	12,015,754
Cash and bank balances	642,947	-	642,947
	<u>12,658,701</u>	<u>-</u>	<u>12,658,701</u>
<b>Financial Liabilities</b>			
Other payables	-	85,806	85,806
Amount due to a subsidiary company	-	2	2
	<u>-</u>	<u>85,808</u>	<u>85,808</u>
<b>2019</b>			
<b>Financial Assets</b>			
Fixed deposits with licensed banks	8,481,342	-	8,481,342
Cash and bank balances	5,452,236	-	5,452,236
	<u>13,933,578</u>	<u>-</u>	<u>13,933,578</u>
<b>Financial Liability</b>			
Other payables	-	101,716	101,716

### (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.

# NOTES TO THE FINANCIAL STATEMENTS

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## 32. FINANCIAL INSTRUMENTS (Cont'd)

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

#### (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.

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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

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## 32. FINANCIAL INSTRUMENTS (Cont'd)

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

#### (ii) Liquidity risk (Cont'd)

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years RM	Total contractual cash flows RM	Total carrying amount RM
<b>Group</b>					
<b>2020</b>					
<b>Non-derivative financial liabilities</b>					
Trade payables	2,028,257	-	-	2,028,257	2,028,257
Other payables	1,835,187	-	-	1,835,187	1,835,187
Lease liabilities	485,124	82,164	82,110	649,398	629,928
	<u>4,348,568</u>	<u>82,164</u>	<u>82,110</u>	<u>4,512,842</u>	<u>4,493,372</u>
<b>2019</b>					
<b>Non-derivative financial liabilities</b>					
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
	<u>4,981,261</u>	<u>415,478</u>	<u>164,274</u>	<u>5,561,013</u>	<u>5,518,086</u>
<b>Company</b>					
<b>2020</b>					
<b>Non-derivative financial liabilities</b>					
Other payables	85,806	-	-	85,806	85,806
Amount due to a subsidiary company	2	-	-	2	2
	<u>85,808</u>	<u>-</u>	<u>-</u>	<u>85,808</u>	<u>85,808</u>
<b>2019</b>					
<b>Non-derivative financial liabilities</b>					
Other payables	101,716	-	-	101,716	101,716

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## 32. FINANCIAL INSTRUMENTS (Cont'd)

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

#### (iii) Market risks

##### (1) Foreign currency risk

The Group is exposed to foreign currency risk on transactions that are denominated in currencies other than the functional currencies of Group entities. The currencies giving rise to this risk are primarily 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.

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:

	USD RM	EUR RM	Total RM
<b>Group</b>			
<b>2020</b>			
Trade receivables	1,815,234	-	1,815,234
Cash and bank balances	2,852,558	62,100	2,914,658
Trade payables	(1,121,559)	(824,638)	(1,946,197)
	<u>3,546,233</u>	<u>(762,538)</u>	<u>2,783,695</u>
<b>2019</b>			
Trade receivables	5,919,243	164,802	6,084,045
Cash and bank balances	2,508,085	146,180	2,654,265
Trade payables	(788,855)	-	(788,855)
	<u>7,638,473</u>	<u>310,982</u>	<u>7,949,455</u>
	<b>Denominated in USD</b>		
	<b>2020</b>	<b>2019</b>	
	<b>RM</b>	<b>RM</b>	
<b>Company</b>			
Cash and bank balances		<u>9,268</u>	<u>9,592</u>



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## 32. FINANCIAL INSTRUMENTS (Cont'd)

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

(iii) Market risks (Cont'd)

(1) Foreign currency risk (Cont'd)

### Foreign currency sensitivity analysis

Foreign currency risk arises from Group entities which have a RM functional currency. The exposure to currency risk of Group entities which do not have a RM functional currency is not material and hence, sensitivity analysis is not presented.

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

	Change in currency rate	2020 Effect on loss before tax RM	Change in currency rate	2019 Effect on profit before tax RM
<b>Group</b>				
USD	Strengthened 10%	354,623	Strengthened 10%	763,847
	Weakened 10%	<u>(354,623)</u>	Weakened 10%	<u>(763,847)</u>
EUR	Strengthened 10%	(76,254)	Strengthened 10%	31,098
	Weakened 10%	<u>76,254</u>	Weakened 10%	<u>(31,098)</u>
<b>Company</b>				
USD	Strengthened 10%	927	Strengthened 10%	959
	Weakened 10%	<u>(927)</u>	Weakened 10%	<u>(959)</u>

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31 December 2020

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## 32. FINANCIAL INSTRUMENTS (Cont'd)

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

#### (iii) Market risks (Cont'd)

##### (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.

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:

	2020	2019
	RM	RM
<b>Group</b>		
<b><i>Fixed rate instruments</i></b>		
Fixed deposits with licensed banks	14,055,584	11,336,601
Lease liabilities	(629,928)	(1,018,581)
	<u>13,425,656</u>	<u>10,318,020</u>
<b>Company</b>		
<b><i>Fixed rate instrument</i></b>		
Fixed deposits with licensed banks	<u>12,015,754</u>	<u>8,481,342</u>

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## 32. FINANCIAL INSTRUMENTS (Cont'd)

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

#### (iii) Market risks (Cont'd)

#### (2) Interest rate risk (Cont'd)

##### Interest rate risk sensitivity analysis

##### Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

#### (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.

### (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.

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				Carrying amount
	Level 1	Level 2	Level 3	Total	
	RM	RM	RM	RM	RM
<b>Group</b>					
<b>2020</b>					
<b>Financial asset</b>					
Quoted shares	165,554	-	-	165,554	165,554
<b>2019</b>					
<b>Financial asset</b>					
Quoted shares	274,707	-	-	274,707	274,707

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2020  
cont'd

## 32. FINANCIAL INSTRUMENTS (Cont'd)

### (c) Fair value of financial instruments (Cont'd)

The fair value above has been determined using the following basis:

- The fair value of the quoted shares was determined by reference to the quoted price in the share market.

### Transfer between levels of fair value hierarchy

There is no transfer between levels of fair value hierarchy during the financial year.

## 33. 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, which is the net debt divided by total equity. The Group and the Company include within net debt, lease liabilities less cash and cash equivalents. 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	
	2020	2019	2020	2019
	RM	RM	RM	RM
Lease liabilities	629,928	1,018,581	-	-
Less: Cash and cash equivalents	(25,919,407)	(22,609,132)	(12,658,701)	(13,933,578)
Excess funds	(25,289,479)	(21,590,551)	(12,658,701)	(13,933,578)
Total equity	39,033,561	39,056,824	32,747,177	27,936,154
Gearing ratio (times)	- *	- *	- *	- *

\* The gearing ratio of the Group and of the Company at the end of the reporting period is not applicable as its cash and cash equivalents exceeded the total borrowing.

There were no changes in the Group's and the Company's approach to capital management during the financial year.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

cont'd

## 34. FINANCIAL GUARANTEES

	Group	
	2020	2019
	RM	RM
<b>Secured</b>		
Bank guarantees provided to customers to secure performance under contracts	10,086	1,014,126

## 35. SIGNIFICANT EVENTS

(a) On 25 October 2019, the Company proposed to undertake the followings:

- (i) 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
- (ii) 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.

On 20 January 2020 and 4 February 2020, 243,600,000 bonus shares and 243,600,000 free warrants were listed on the ACE Market of Bursa Malaysia Securities Berhad respectively.

(b) On 25 June 2020, 48,730,000 new Securemetric Shares, which issued at RM0.107 each, were listed on the ACE Market of Bursa Malaysia Securities Berhad pursuant to Securemetric's private placement exercise.

(c) Impact of COVID-19 pandemic

On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak as a pandemic in recognition of its rapid spread across the globe. The COVID-19 outbreak has resulted in travel restrictions, quarantines, lockdowns and other precautionary measures imposed by various countries. The emergence of the COVID-19 outbreak since early 2020 has brought significant economic uncertainties in Malaysia and markets in which the Company operates.

On 16 March 2020, the Malaysian Government imposed the Movement Control Order ("MCO") from 18 March 2020 and subsequently entered into various phases of the MCO until 28 April 2021 to curb the spread of the COVID-19 pandemic in Malaysia.

Due to implementation of the MCO, the Group has temporary shut down its premises from 18 March 2020 till 3 May 2020 in alignment with the MCO policy. Subsequently, on 4 May 2020, the Group resumes its operations with proper standard operating procedures put in place. The disruption of its operations during the financial year due to MCO and the relevant financial impact has been taken into account in the financial results of the Group.

As the COVID-19 pandemic situation is still evolving as at the date of authorisation of the financial statements, the ultimate impact of the COVID-19 is highly uncertain and subject to change. The Group will continuously monitor the impact of COVID-19 on its operations and its financial performances. The Company will also be taking appropriate and timely measures to minimise the potential impact of the outbreak on the Group's operation.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

cont'd

## 36. SUBSEQUENT EVENTS

- (a) On 16 March 2021, Signing Cloud Sdn. Bhd. ("Signing Cloud Malaysia"), a wholly-owned subsidiary company of the Company had increased its issued and paid-up share capital from 2 to 250,000 ordinary shares. The Company has subscribed for an additional of 249,998 ordinary shares in Signing Cloud Malaysia by way of cash.
- (b) On 22 March 2021, the Company announced its intention to implement second private placement of up to 107,176,000 Securemetric Shares pursuant to the general mandate obtained from its shareholders at the annual general meeting convened on 24 August 2020, where the Board has been authorised to issue and allot Securemetric Shares not exceeding 20% of the total number of issued shares of the Company (excluding treasury shares) at the time of issue.

On 2 April 2021, Bursa Malaysia Securities Berhad approved the listing of and quotation for up to 107,176,000 new Securemetric Shares to be issued pursuant to the private placement on the ACE Market of Bursa Malaysia Securities Berhad. The private placement is pending completion as of the date of this report.

## 37. DATE OF AUTHORISATION FOR ISSUE

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution Directors on 26 April 2021.

# ANALYSIS OF SHAREHOLDINGS

As at 31 March 2021

## SHARE CAPITAL

Total Number of Issued Shares	:	536,030,000 Shares
Issued Share Capital	:	RM 35,683,874.00
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 99	1	0.03	20	negligible
100-1000	202	5.12	116,080	0.02
1,001 to 10,000	1,254	31.80	8,560,300	1.60
10,001 to 100,000	2,046	51.89	81,972,100	15.29
100,001 to less than 5% of issued shares	437	11.08	227,706,290	42.48
5% and above of issued shares	3	0.08	217,675,210	40.61
<b>Total</b>	<b>3,943</b>	<b>100.00</b>	<b>536,030,000</b>	<b>100.00</b>

## DIRECTORS' SHAREHOLDINGS

Name of Directors	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Clifton Heath Fernandez	-	-	-	-
Law Seeh Key	177,675,210	33.15	-	-
Yong Kim Fui	16,325,000	3.05	-	-
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	177,675,210	33.15	-	-
Phillip Securities (Hong Kong) Ltd				
Affin Hwang Nominees (Asing) Sdn. Bhd.	40,000,000	7.46	-	-

# ANALYSIS OF SHAREHOLDINGS

As at 31 March 2021  
cont'd

## THIRTY (30) LARGEST SHAREHOLDERS AS AT 31 MARCH 2021

No.	Name of Shareholders	No. of Shares	%
1	LAW SEEH KEY	105,164,646	19.62
2	KENANGA NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LAW SEEH KEY</i>	72,510,564	13.53
3	AFFIN HWANG NOMINEES (ASING) SDN. BHD. <i>EXEMPT AN FOR PHILLIP SECURITIES (HONG KONG) LTD (CLIENTS' ACCOUNT)</i>	40,000,000	7.46
4	LI JIANJUN	24,024,000	4.48
5	NIOO YU SIONG	23,175,790	4.32
6	YONG KIM FUI	16,325,000	3.05
7	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>MAYBANK PRIVATE WEALTH MANAGEMENT FOR KOH THUAN TECK</i>	8,000,000	1.49
8	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR THE SWEE HENG</i>	5,700,000	1.06
9	JF APEX NOMINEES (TEMPATAN) SDN BHD	4,000,000	0.75
10	LAY SOOK HWEY	3,000,000	0.56
11	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>MAYBANK TRUSTEES BERHAD FOR DANA MAKMUR PHEIM</i>	2,924,000	0.55
12	LOW LAY PING	2,800,000	0.52
13	ON THIAM CHAI	2,500,000	0.47
14	MARZUKI BIN NEK MOHAMAD	1,800,000	0.34
15	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD <i>EXEMP AN FOR-FORTRESS CAPITAL ASSET MANAGEMENT (M) SDN BHD</i>	1,583,100	0.30
16	CHOW KHUI WENG	1,500,000	0.28
17	LYE TECK THONG	1,500,000	0.28
18	PUBLIC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LIM KHEK KENG</i>	1,500,000	0.28
19	YEAP GARK KHENG	1,400,000	0.26
20	JACKSON LOW	1,300,000	0.24
21	SOE AIK KEONG	1,200,000	0.22
22	LEE SING GEE	1,150,000	0.21
23	LEE SING GEE	1,100,000	0.21
24	PUBLIC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR HUANG WEE TING</i>	1,080,000	0.20
25	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LIANG WAI HONG</i>	1,000,000	0.19
26	CHOY SOOK FEN	1,000,000	0.19
27	CIMSEC NOMINEES (TEMPATAN) SDN BHD <i>CIMB FOR CHANDRAN ALOYSIUS RAJADURAI</i>	1,000,000	0.19
28	LEE FONG SHIEN	1,000,000	0.19
29	OOI SING HWAT	1,000,000	0.19
30	SUA YONG CHIN	1,000,000	0.19
<b>Total</b>		<b>331,237,100</b>	<b>61.82</b>



# ANALYSIS OF WARRANT

As at 31 March 2021

## 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 Warrant holdings	No. of Holders	%	No. of Warrants	%
1 to 99	1	0.05	1	negligible
100-1000	120	6.42	67,799	0.03
1,001 to 10,000	478	25.58	3,259,500	1.34
10,001 to 100,000	940	50.29	42,915,600	17.62
100,001 to less than 5% of issued warrant	327	17.50	148,754,100	61.09
5% and above of issued warrant	3	0.16	48,503,000	19.92
<b>Total</b>	<b>1,869</b>	<b>100.00</b>	<b>243,500,000</b>	<b>100.00</b>

## DIRECTORS' WARRANT HOLDINGS

Name of Directors	Direct		Indirect	
	No. of Warrants	%	No. of Warrants	%
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 Warrants	%	No. of Warrants	%
Law Seeh Key	-	-	-	-
Phillip Securities (Hong Kong) Ltd				
Affin Hwang Nominees (Asing) Sdn. Bhd.	20,000,000	8.21	-	-

## ANALYSIS OF WARRANT

As at 31 March 2021  
cont'd

## THIRTY (30) LARGEST WARRANT HOLDERS AS AT 31 MARCH 2021

No.	Name of Warrant Holders	No. of Warrants	%
1	AFFIN HWANG NOMINEES (ASING) SDN. BHD. <i>EXEMPT AN FOR PHILLIP SECURITIES (HONG KONG) LTD (CLIENTS' ACCOUNT)</i>	20,000,000	8.21
2	LI JIANJUN	16,080,000	6.60
3	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR TEH SWEE HENG</i>	12,423,000	5.10
4	LIM AH CHOY	6,283,400	2.58
5	LOW LAY PING	4,000,000	1.64
6	ROHAZIFAH BINTI SAMSUDIN	3,650,000	1.50
7	TEO LEONG KHOON	3,400,000	1.40
8	TAI KIAT SIONG	3,178,000	1.31
9	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR MOHAMMAD YA'AKUB YUSRA BIN MOHD YUSOF</i>	3,150,000	1.29
10	NG TEONG SIANG	2,700,000	1.11
11	TWOH GIAP SENG	2,600,000	1.07
12	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR NG MUN WAI (TTDI-CL)</i>	2,500,000	1.03
13	IBRAHIM MEMALI BIN ASMAWI	2,400,000	0.99
14	LIM AH CHOI	2,284,900	0.94
15	KENANGA NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR CHIN KAM TECK</i>	2,000,000	0.82
16	LAY SOOK HWEY	2,000,000	0.82
17	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR DZAKWAN BIN MANSORI</i>	2,000,000	0.82
18	TEE SEE KIM	1,800,000	0.74
19	GUNUNG RESOURCES SDN BHD	1,508,000	0.62
20	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>LEE MEE KON</i>	1,500,000	0.62
21	PUBLIC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR YEOH CHOON HUAT</i>	1,500,000	0.62
22	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>MAYBANK TRUSTEES BERHAD FOR DANA MAKMUR PHEIM (211901)</i>	1,462,000	0.60
23	DAVID NG CHUN-REN	1,450,000	0.60
24	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR VINCENT PUA CHEE EE</i>	1,377,700	0.57
25	CHOY SOOK FEN	1,369,000	0.56
26	PUBLIC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LIM KHEK KENG</i>	1,100,000	0.45
27	AHMAD SHAHBUDIN BIN AB AZIZ	1,000,000	0.41
28	IBRAHIM MEMALI BIN ASMAWI	1,000,000	0.41
29	LAI NGAN FOONG	1,000,000	0.41
30	LOON FONG JEE	1,000,000	0.41
<b>Total</b>		<b>107,716,000</b>	<b>44.25</b>

# NOTICE OF FOURTH ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Fourth 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 Friday, 28 May 2021 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 2020 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 Fourth 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 Fourth Annual General Meeting until the next Annual General Meeting. *Ordinary Resolution 2*
3. To re-elect the following Director who is retiring in accordance with Clause 97 of the Company's Constitution:-
  - (a) Mr. Law Seeh Key *Ordinary Resolution 3*
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 4*

### SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary Resolution:-

5. **Authority to Issue and Allot Shares Pursuant to Sections 75 and 76 of the Companies Act 2016** *Ordinary Resolution 5*

**"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 Sections 75 and 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 20% 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 FOURTH 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 28<sup>th</sup> day of April, 2021

**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 21 May 2021. Only a depositor whose name appears on the Record of Depositors as 21 May 2021 shall be entitled to attend this meeting or appoint proxy/proxies to attend and/or vote in his stead.*

# NOTICE OF FOURTH 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 2020**

*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 5 - Authority to Issue and Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016**

*The proposed Resolution 5 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 20% of the total number of issued shares of the Company for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting.*

*The general mandate is to provide flexibility to the Company to issue new shares without the need to convene a separate general meeting to obtain shareholders' approval so as to avoid incurring cost and time. The purpose of this general mandate is for fund raising exercises including but not limited to further placement of shares for the purpose of funding current and/or future investment projects, working capital and/or acquisitions.*

## PROXY FORM

### SECUREMETRIC BERHAD

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 Fourth 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 Friday, 28 May 2021 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 Fourth Annual General Meeting until the next Annual General Meeting (b) Directors' allowances to the Non-Executive Directors of up to RM10,000.00 from Fourth Annual General Meeting until the next Annual General Meeting	Ordinary Resolution 1 Ordinary Resolution 2		
2.	Re-election of Mr. Law Seeh Key	Ordinary Resolution 3		
3.	Re-appointment of Messrs. UHY Malaysia as Auditors	Ordinary Resolution 4		
4.	Authority to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016	Ordinary Resolution 5		

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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**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) 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 21 May 2021. Only a depositor whose name appears on the Record of Depositors as at 21 May 2021 shall be entitled to attend this meeting or appoint proxy/proxies to attend and/or vote in his stead.

Fold this flap for sealing



Scan to visit our website  
[www.securemetric.com](http://www.securemetric.com)



**Securemetric Berhad** 201701019864 (1234029-D)

Level 5-E-6, Enterprise 4, Technology Park Malaysia  
Lebuhraya Sg. Besi – Puchong, Bukit Jalil,  
57000 Kuala Lumpur, Malaysia.

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