

Company No:  
570777 - X

**EXCEL FORCE MSC BERHAD (570777 - X)**  
**(Incorporated in Malaysia)**

**DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS**  
**31 DECEMBER 2014**

EXCEL FORCE MSC BERHAD

(Incorporated in Malaysia)

<u>CONTENTS</u>	<u>PAGE</u>
DIRECTORS' REPORT	1 - 8
STATEMENT BY DIRECTORS	9
STATUTORY DECLARATION	9
INDEPENDENT AUDITORS' REPORT	10 - 12
STATEMENTS OF FINANCIAL POSITION	13 - 14
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	15 - 16
STATEMENTS OF CHANGES IN EQUITY	17 - 18
STATEMENTS OF CASH FLOWS	19 - 20
NOTES TO THE FINANCIAL STATEMENTS	21 - 87
SUPPLEMENTARY INFORMATION ON REALISED AND UNREALISED PROFITS OR LOSSES	88

**EXCEL FORCE MSC BERHAD**

(Incorporated in Malaysia)

**DIRECTORS' REPORT**

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2014.

**PRINCIPAL ACTIVITIES**

The principal activities of the Company are the development, provision and maintenance of computer software application solutions for the financial services industry. The principal activities of the subsidiaries are set out in Note 11 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

**RESULTS**

	<b>Group RM</b>	<b>Company RM</b>
Profit for the financial year	<u>8,844,012</u>	<u>8,380,038</u>
Attributable to:		
Owners of the parent	8,628,159	8,380,038
Non-controlling interests	<u>215,853</u>	<u>-</u>
	<u>8,844,012</u>	<u>8,380,038</u>

**DIVIDENDS**

Dividends paid, declared or proposed since the end of the previous financial year were as follows:

	<b>Company RM</b>
In respect of the financial year ended 31 December 2014:	
First interim tax exempt dividend of 1.5 sen per ordinary share, paid on 28 March 2014	3,101,521
Second interim tax exempt dividend of 1.0 sen per ordinary share, paid on 22 December 2014	<u>2,067,681</u>
	<u>5,169,202</u>

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

On 24 February 2015, the Directors declared a tax exempt first interim dividend of 1.0 sen per ordinary share of RM0.10 each in respect of the financial year ending 31 December 2015.

## RESERVES AND PROVISIONS

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

## ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company increased its authorised share capital from RM25,000,000 comprising 250,000,000 ordinary shares of RM0.10 each to RM50,000,000 comprising 500,000,000 ordinary shares of RM0.10 each by the creation of an additional 250,000,000 ordinary shares of RM0.10 each.

There were no other issues of shares or debentures during the financial year.

## OPTIONS GRANTED OVER UNISSUED SHARES

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

## WARRANTS

On 18 July 2014, the Company issued 103,384,031 2014/2019 free Warrants (“the Warrants 2014/2019”) on the basis of one (1) free warrant for every two (2) existing ordinary shares held of RM0.10 each. The Warrants are constituted under a Deed Poll dated 1 July 2014 (“Deed Poll”). The Warrants 2014/2019 were listed on Main Market of Bursa Malaysia Securities Berhad on 24 July 2014.

The salient features of the Warrants 2014/2019 are as follows:

- (i) the Warrants 2014/2019 entitle its registered holders to subscribe for one (1) new ordinary share of the Company of RM0.10 each at the exercise price during the exercise period;
- (ii) the exercise price of each Warrant has been fixed at RM0.68 per Warrant;
- (iii) the Warrants 2014/2019 may be exercised at any time during the tenure of the Warrants of five (5) years including and commencing from the issue date of the Warrants dated 18 July 2014 and ending on the expiry date to be dated 17 July 2019 (“exercise period”). Any Warrants which have not been exercised by the expiry of the exercise period will lapse and therefore cease to be valid for any purpose; and
- (iv) the new shares will, upon allotment and issue, rank *pari passu* in all respects with the then existing shares save and except that they will not be entitled to any dividends, rights, allotment or other forms of distributions for which the relevant entitlement precedes the date of allotment and issuance of the new shares arising from the exercise of the Warrants.

As at 31 December 2014, unexercised warrants of the Company are as follows:

<b>Date granted</b>	<b>Exercise price</b>	<b>No. of warrants over ordinary shares</b>	<b>Warrant expiry date</b>
18 July 2014	RM 0.68	103,384,031	17 July 2019

## DIRECTORS

The Directors who held for office since the date of the last report are:

Wang Kuen-Chung @ Jeff Wang  
Sun Chin-Chuan @ Sharon Sun  
Ng Kim Huat  
Aaron Sim Kwee Lein  
Gan Teck Ban  
Eng Shao Hon  
Lok Choon Hong (appointed on 2 June 2014)

## DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in the ordinary shares and warrants of the Company and of its related corporations during the financial year ended 31 December 2014 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 in Malaysia were as follows:

	--- Number of ordinary shares of RM0.10 each ---			
	Balance as at 1.1.2014	Addition	Sold	Balance as at 31.12.2014
<b>Shares in the Company</b>				
<u>Direct interests:</u>				
Wang Kuen-Chung @ Jeff Wang	10,741,502	-	-	10,741,502
Sun Chin-Chuan @ Sharon Sun	50,781,500	-	(9,784,100)	40,997,400
Ng Kim Huat	1,386,000	-	(1,386,000)	-
Gan Teck Ban	675,000	-	-	675,000
<u>Indirect interests:</u>				
Wang Kuen-Chung @ Jeff Wang	34,875,000	-	(8,200,000)	26,675,000*
	----- Number of Warrants of RM0.10 each -----			
	Balance as at 24.7.2014	Bought	Sold	Balance as at 31.12.2014
<b>Warrants in the Company</b>				
<u>Direct interests:</u>				
Wang Kuen-Chung @ Jeff Wang	5,370,751	-	(5,370,700)	51
Sun Chin-Chuan @ Sharon Sun	20,498,700	-	(9,279,000)	11,219,700
Ng Kim Huat	693,000	-	(693,000)	-
Gan Teck Ban	337,500	-	(90,000)	247,500

\* By virtue of his interests in shares in the substantial shareholder of the Company, Exacta Co. Ltd. ("Exacta"), a company incorporated in British Virgin Islands, Wang Kuen-Chung @ Jeff Wang is deemed to have interests in the Company to the extent of Exacta's interest therein, in accordance with Section 6A of the Companies Act, 1965 in Malaysia.

Wang Kuen-Chung @ Jeff Wang is the spouse of Sun Chin-Chuan @ Sharon Sun. By virtue of their relationship, they are also deemed to have interests in the shares held by each other, both direct and indirect.

## **DIRECTORS' INTERESTS (continued)**

By virtue of their interests in the ordinary shares of the Company, Wang Kuen-Chung @ Jeff Wang and Sun Chin-Chuan @ Sharon Sun are also deemed to be interested in the ordinary shares of all the subsidiaries to the extent the Company has an interest.

The deemed interests in the ordinary shares of the non-wholly owned subsidiaries, held by Wang Kuen-Chung @ Jeff Wang, Sun Chin-Chuan @ Sharon Sun, Gan Teck Ban and Eng Shao Hon at year end were as follows:

	--- Number of ordinary shares of RM1.00 each ---			Balance as at 31.12.2014
	Balance as at 1.1.2014	Addition	Sold	
<b>Subsidiary, Insage (MSC) Sdn. Bhd.</b>				
<b>Indirect interests</b>				
Wang Kuen-Chung @ Jeff Wang	120,000	-	-	120,000
Sun Chin-Chuan @ Sharon Sun	120,000	-	-	120,000
<b>Subsidiary, Capital Market Risk Advisor Sdn. Bhd.</b>				
<b>Indirect interests</b>				
Wang Kuen-Chung @ Jeff Wang	130,000	-	-	130,000
Sun Chin-Chuan @ Sharon Sun	130,000	-	-	130,000
Gan Teck Ban	130,000	-	-	130,000
<b>Subsidiary, Winvest Global Sdn. Bhd.</b>				
<b>Indirect interests</b>				
Wang Kuen-Chung @ Jeff Wang	-	306,000	-	306,000
Sun Chin-Chuan @ Sharon Sun	-	306,000	-	306,000
Eng Shao Hon	-	306,000	-	306,000

The other Directors holding office at the end of the financial year did not have any beneficial interest in the ordinary shares and warrants of the Company and of its related corporations during the financial year.

## **DIRECTORS' BENEFITS**

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than those benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in 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 other than deemed benefits arising from related party transactions as disclosed in Note 30 to the financial statements.

## **DIRECTORS' BENEFITS (continued)**

There were no arrangements during and at the end of the financial year, to which the Company is a party, which had the object of enabling the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate except for the warrants issued as disclosed in Note 15 to the financial statements.

## **OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY**

### **(I) AS AT THE END OF THE FINANCIAL YEAR**

- (a) Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:
  - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there are no known bad debts and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature except for:
  - (i) the gain on disposal of the long term leasehold land and building of the Group and of the Company of RM1,392,668 as disclosed in Note 25 to the financial statements; and
  - (ii) product development costs written off of RM451,304 of the Group and of the Company as disclosed in Note 25 to the financial statements.

### **(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT**

- (c) The Directors are not aware of any circumstances:
  - (i) which would necessitate the writing off of bad debts or render the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent;
  - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and
  - (iii) 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.

**OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY  
(continued)**

**(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT  
(continued)**

- (d) In the opinion of the Directors:
- (i) there has not arisen 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; and
  - (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) 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.

**(III) AS AT THE DATE OF THIS REPORT**

- (e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.
- (f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.
- (g) The Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

**SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

- (a) On 13 November 2013, the Company signed a Sale and Purchase Agreement ('SPA') to acquire a new long term leasehold land and building from Plaza 33 Sdn. Bhd. for a purchase consideration of RM14,500,000. The Company paid a deposit of 10% of the purchase consideration, which amounted to RM1,450,000 upon the signing of the SPA. The remaining purchase consideration for the new long term leasehold land and building was financed by partly cash and a new term loan facility of RM8,000,000 undertaken by the Company during the financial year. The acquisition of the new long term leasehold land and building was completed on 11 February 2014.

On 25 July 2014, the Company completed the disposal of the previous long term leasehold land and building of the Company for a cash consideration of RM5,000,000 which resulted in a gain on disposal of RM1,392,668. The gain on disposal was accounted for in the current year's financial statements of the Group and of the Company.

### **SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (continued)**

- (b) On 3 November 2014, the Company acquired fifty one percent (51%) equity interest comprising 306,000 ordinary shares of RM1.00 each of the issued and paid up ordinary share capital of Winvest Global Sdn. Bhd. ('Winvest') for a cash consideration of RM306,000. Winvest is a company incorporated in Malaysia which is engaged in research, development and commercialisation of share investment solution and provision of investment education and training services to investors.

The tentative fair value of the identifiable assets and liabilities of Winvest as at the date of acquisition are as follows:

	<b>RM</b>
Property, plant and equipment	186,533
Trade and other receivables	212,129
Cash and bank balances	1,027,363
Trade and other payables	(877,005)
Deferred tax liabilities	<u>(12,800)</u>
Total identifiable assets	<u><u>536,220</u></u>

### **SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD**

On 26 March 2015, the 52% owned subsidiary of the Group, Capital Market Risk Advisor Sdn. Bhd. ('CMRA') was served with a Writ of Summon and Statement of Claim ('SOC') issued by the Kuala Lumpur High Court Guaman No. 22IP-5-03/2015 by Risk-X Sdn. Bhd. ("RX") ("the Plaintiff") to restrain the selling and distributing of their software product known as ORMS V6 without permission.

In the SOC, the Plaintiff is claiming to restrain CMRA from using, selling or trading computer program software similar to computer program identified as ORMS V6 and to restrain CMRA from using ORMS V6 and declare the "pass off" of the said program as that of CMRA. The Plaintiff has claimed for general damages to be assessed and specific and exemplary damages without any quantification in their prayer and no interest was claimed.

On 3 April 2015, a Notice of Application (Ex-parte) was served by the Plaintiff to restrain CMRA from using, selling and dealing with ORMS V6 and to restrain three (3) ex-employees ('Defendants') of CMRA from continuing their employment with CMRA.

The hearing of the Notice of Application has been fixed on 11 May 2015 and the Company will be defending the suit.

**AUDITORS**

The auditors, BDO, have expressed their willingness to continue in office.

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

.....  
**Wang Kuen-Chung @ Jeff Wang**  
Director

.....  
**Sun Chin-Chuan @ Sharon Sun**  
Director

Petaling Jaya, Selangor  
10 April 2015

EXCEL FORCE MSC BERHAD

(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 13 to 87 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2014 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

In the opinion of the Directors, the information set out in Note 37 to the financial statements on page 88 has been compiled in accordance with the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

On behalf of the Board,

.....  
**Wang Kuen-Chung @ Jeff Wang**  
Director

.....  
**Sun Chin-Chuan @ Sharon Sun**  
Director

Petaling Jaya, Selangor  
10 April 2015

STATUTORY DECLARATION

I, Liew Kean Fatt, being the officer primarily responsible for the financial management of Excel Force MSC Berhad, do solemnly and sincerely declare that the financial statements set out on pages 13 to 88 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly )  
declared by the abovenamed at )  
Kuala Lumpur this )  
10 April 2015 )

.....  
**Liew Kean Fatt**

Before me:

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EXCEL FORCE MSC BERHAD**

### **Report on the Financial Statements**

We have audited the financial statements of Excel Force MSC Berhad, which comprise statements of financial position as at 31 December 2014 of the Group and of the Company, and 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 a summary of significant accounting policies and other explanatory information, as set out on pages 13 to 87.

### **Directors' Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EXCEL FORCE MSC BERHAD (continued)**

### **Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2014 and of their financial performance and 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, 1965 in Malaysia.

### **Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (c) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

### **Other Reporting Responsibilities**

The supplementary information set out in Note 37 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ('MIA Guidance') and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
EXCEL FORCE MSC BERHAD (continued)**

**Other Matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**BDO**  
AF: 0206  
Chartered Accountants

**Chan Wai Leng**  
2893/08/15 (J)  
Chartered Accountant

Kuala Lumpur  
10 April 2015

**EXCEL FORCE MSC BERHAD**

(Incorporated in Malaysia)

**STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2014**

	Note	Group		Company	
		2014 RM	2013 RM	2014 RM	2013 RM
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	7	18,356,658	7,293,598	18,070,397	7,179,471
Product development costs	8	8,551,844	7,424,469	6,111,563	5,548,766
Goodwill on consolidation	9	32,528	-	-	-
Investments in subsidiaries	11	-	-	436,000	130,000
Trade and other receivables	13	-	-	2,089,254	2,180,070
<b>Total non-current assets</b>		<b>26,941,030</b>	<b>14,718,067</b>	<b>26,707,214</b>	<b>15,038,307</b>
<b>Current assets</b>					
Inventories	12	64,587	51,172	64,587	51,172
Trade and other receivables	13	6,980,502	4,754,379	6,950,566	4,566,776
Cash and bank balances	14	20,547,111	24,043,839	19,555,739	23,867,806
<b>Total current assets</b>		<b>27,592,200</b>	<b>28,849,390</b>	<b>26,570,892</b>	<b>28,485,754</b>
<b>TOTAL ASSETS</b>		<b>54,533,230</b>	<b>43,567,457</b>	<b>53,278,106</b>	<b>43,524,061</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to owners of the parent</b>					
Share capital	15	20,676,810	20,676,810	20,676,810	20,676,810
Reserves	16	21,914,272	18,455,315	22,032,166	18,821,330
		42,591,082	39,132,125	42,708,976	39,498,140
Non-controlling interests		490,646	12,045	-	-
<b>TOTAL EQUITY</b>		<b>43,081,728</b>	<b>39,144,170</b>	<b>42,708,976</b>	<b>39,498,140</b>

**EXCEL FORCE MSC BERHAD**

(Incorporated in Malaysia)

**STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2014 (continued)**

		<b>Group</b>		<b>Company</b>	
	<b>Note</b>	<b>2014 RM</b>	<b>2013 RM</b>	<b>2014 RM</b>	<b>2013 RM</b>
<b>EQUITY AND LIABILITIES</b>					
<b>(continued)</b>					
<b>Non-current liabilities</b>					
Borrowings	17	6,202,218	51,362	6,202,218	51,362
Deferred tax liabilities	21	346,047	880,128	305,009	880,128
<b>Total non-current liabilities</b>		6,548,265	931,490	6,507,227	931,490
<b>Current liabilities</b>					
Trade and other payables	20	3,402,578	2,617,599	2,581,140	2,220,233
Borrowings	17	1,032,470	435,601	1,032,470	435,601
Current tax liabilities		468,189	438,597	448,293	438,597
<b>Total current liabilities</b>		4,903,237	3,491,797	4,061,903	3,094,431
<b>TOTAL LIABILITIES</b>		11,451,502	4,423,287	10,569,130	4,025,921
<b>TOTAL EQUITY AND LIABILITIES</b>		54,533,230	43,567,457	53,278,106	43,524,061

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

**EXCEL FORCE MSC BERHAD**

(Incorporated in Malaysia)

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

	Note	Group		Company	
		2014 RM	2013 RM	2014 RM	2013 RM
Revenue	22	21,874,061	20,625,834	20,455,978	20,078,479
Cost of sales	23	<u>(6,498,010)</u>	<u>(6,575,402)</u>	<u>(6,299,714)</u>	<u>(6,243,117)</u>
Gross profit		15,376,051	14,050,432	14,156,264	13,835,362
Other income		1,964,602	839,908	2,063,520	930,212
Other operating expenses		(2,578,274)	(1,596,558)	(2,498,556)	(1,553,205)
Marketing expenses		(63,299)	(33,376)	(18,418)	(32,213)
Administrative expenses		(4,363,878)	(3,930,070)	(3,879,716)	(3,728,383)
Finance costs	24	<u>(9,792)</u>	<u>(41,008)</u>	<u>(9,792)</u>	<u>(41,008)</u>
Profit before tax	25	10,325,410	9,289,328	9,813,302	9,410,765
Tax expense	26	<u>(1,481,398)</u>	<u>(2,332,826)</u>	<u>(1,433,264)</u>	<u>(2,332,826)</u>
Profit for the financial year		<u>8,844,012</u>	<u>6,956,502</u>	<u>8,380,038</u>	<u>7,077,939</u>
Other comprehensive income, net of tax		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income		<u>8,844,012</u>	<u>6,956,502</u>	<u>8,380,038</u>	<u>7,077,939</u>
Profit attributable to:					
Owners of the parent		8,628,159	7,000,678	8,380,038	7,077,939
Non-controlling interests		<u>215,853</u>	<u>(44,176)</u>	<u>-</u>	<u>-</u>
		<u>8,844,012</u>	<u>6,956,502</u>	<u>8,380,038</u>	<u>7,077,939</u>
Total comprehensive income attributable to:					
Owners of the parent		8,628,159	7,000,678	8,380,038	7,077,939
Non-controlling interests		<u>215,853</u>	<u>(44,176)</u>	<u>-</u>	<u>-</u>
		<u>8,844,012</u>	<u>6,956,502</u>	<u>8,380,038</u>	<u>7,077,939</u>

**EXCEL FORCE MSC BERHAD**

(Incorporated in Malaysia)

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (continued)**

		<b>Group</b>		<b>Company</b>	
	<b>Note</b>	<b>2014 RM</b>	<b>2013 RM</b>	<b>2014 RM</b>	<b>2013 RM</b>
Earnings per ordinary share attributable to equity holders of the Company (sen)					
Basic (sen)	27	<u>4.17</u>	<u>3.39</u>		
Diluted (sen)	27	<u>4.17</u>	<u>3.39</u>		
Dividend per ordinary share in respect of the financial year (sen)	28				
- first interim		1.50	1.50	1.50	1.50
- second interim		<u>1.00</u>	<u>2.50</u>	<u>1.00</u>	<u>2.50</u>

**EXCEL FORCE MSC BERHAD**

(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

<b>Group</b>	<b>Note</b>	<b>Share capital RM</b>	<b>Distributable Retained earnings RM</b>	<b>Total attributable to the owners of the parent RM</b>	<b>Non-controlling interests RM</b>	<b>Total equity RM</b>
Balance as at 1 January 2013		20,676,810	19,725,361	40,402,171	(63,779)	40,338,392
Profit for the financial year		-	7,000,678	7,000,678	(44,176)	6,956,502
Other comprehensive income, net of tax		-	-	-	-	-
Total comprehensive income		-	7,000,678	7,000,678	(44,176)	6,956,502
<b>Transactions with owners</b>						
Dividends paid	28	-	(8,270,724)	(8,270,724)	-	(8,270,724)
Ordinary shares subscribed by non-controlling interests of a subsidiary		-	-	-	120,000	120,000
<b>Total transactions with owners</b>		-	(8,270,724)	(8,270,724)	120,000	(8,150,724)
Balance as at 31 December 2013		20,676,810	18,455,315	39,132,125	12,045	39,144,170
Profit for the financial year		-	8,628,159	8,628,159	215,853	8,844,012
Other comprehensive income, net of tax		-	-	-	-	-
Total comprehensive income		-	8,628,159	8,628,159	215,853	8,844,012
<b>Transactions with owners</b>						
Dividends paid	28	-	(5,169,202)	(5,169,202)	-	(5,169,202)
Effects arising from acquisition of a subsidiary	34	-	-	-	262,748	262,748
<b>Total transactions with owners</b>		-	(5,169,202)	(5,169,202)	262,748	(4,906,454)
Balance as at 31 December 2014		20,676,810	21,914,272	42,591,082	490,646	43,081,728

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

**EXCEL FORCE MSC BERHAD**

(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (continued)**

<b>Company</b>	<b>Note</b>	<b>Share capital RM</b>	<b>Distributable Retained earnings RM</b>	<b>Total equity RM</b>
Balance as at 1 January 2013		20,676,810	20,014,115	40,690,925
Profit for the financial year		-	7,077,939	7,077,939
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	7,077,939	7,077,939
<b>Transactions with owners</b>				
Dividends paid	28	-	(8,270,724)	(8,270,724)
Balance as at 31 December 2013		20,676,810	18,821,330	39,498,140
Profit for the financial year		-	8,380,038	8,380,038
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	8,380,038	8,380,038
<b>Transactions with owners</b>				
Dividends paid	28	-	(5,169,202)	(5,169,202)
Balance as at 31 December 2014		20,676,810	22,032,166	42,708,976

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

**EXCEL FORCE MSC BERHAD**

(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

	Note	Group		Company	
		2014 RM	2013 RM	2014 RM	2013 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit before tax		10,325,410	9,289,328	9,813,302	9,410,765
Adjustments for:					
Amortisation of:					
- product development costs	8	996,119	969,880	778,826	810,942
- intangible assets		-	50,500	-	50,500
Depreciation of property, plant and equipment	7	1,414,768	1,164,270	1,373,330	1,140,657
Fair value adjustments on loans to a subsidiary		-	-	-	160,116
Impairment loss on trade receivables	13	-	49,600	-	49,600
Interest expense on:					
- hire purchase and finance lease liabilities	24	8,876	41,008	8,876	41,008
- term loan	24	916	-	916	-
Interest income from deposits with licensed banks		(319,422)	(714,315)	(318,717)	(714,315)
Interest income from amount owing by a subsidiary		-	-	(105,743)	(97,404)
(Gain)/Loss on disposal of property, plant and equipment		(1,382,650)	3,774	(1,382,650)	3,774
Product development costs written off	8	451,304	-	451,304	-
Property, plant and equipment written off	7	1,622	1	1,449	1
Reversal of impairment loss on trade receivables	13	-	(40,149)	-	(40,149)
Unrealised gain on foreign exchange		(28,668)	(35,985)	(28,668)	(35,985)
Operating profit before changes in working capital		11,468,275	10,777,912	10,592,225	10,779,510
(Increase)/Decrease in inventories		(13,415)	5,220	(13,415)	5,220
(Increase)/Decrease in trade and other receivables		(2,302,187)	1,946,506	(2,181,424)	2,065,104
(Decrease)/Increase in trade and other payables		(92,026)	(2,459,808)	360,907	(2,571,669)
Increase in product development costs	8	(2,574,798)	(2,033,168)	(1,792,927)	(1,411,741)
Cash generated from operations		6,485,849	8,236,662	6,965,366	8,866,424
Tax paid		(1,998,687)	(2,070,220)	(1,998,687)	(2,070,220)
Net cash from operating activities		4,487,162	6,166,442	4,966,679	6,796,204

**EXCEL FORCE MSC BERHAD**

(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (continued)**

	Note	Group		Company	
		2014 RM	2013 RM	2014 RM	2013 RM
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Acquisition of a subsidiary for cash, net of cash acquired	34	721,363	-	(306,000)	(130,000)
Advances to subsidiary		-	-	-	(400,000)
Interest received		319,422	714,315	318,717	714,315
Purchase of property, plant and equipment	7	(8,260,024)	(553,633)	(8,232,812)	(456,908)
Proceeds from disposal of property, plant and equipment		5,349,757	32,976	5,349,757	32,976
Net cash (used in)/from investing activities		(1,869,482)	193,658	(2,870,338)	(239,617)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Dividends paid	28	(5,169,202)	(8,270,724)	(5,169,202)	(8,270,724)
Interest paid		(9,792)	(41,008)	(9,792)	(41,008)
Repayments of					
- hire purchase and finance lease liabilities		(435,601)	(499,668)	(435,601)	(499,668)
- term loan		(816,674)	-	(816,674)	-
Ordinary share capital subscribed by non-controlling interests of a subsidiary		294,000	120,000	-	-
Net cash used in financing activities		(6,137,269)	(8,691,400)	(6,431,269)	(8,811,400)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(3,519,589)	(2,331,300)	(4,334,928)	(2,254,813)
EFFECTS OF EXCHANGE RATE CHANGES		22,861	43,901	22,861	43,901
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		24,043,839	26,331,238	23,867,806	26,078,718
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	14	20,547,111	24,043,839	19,555,739	23,867,806

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

**EXCEL FORCE MSC BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
31 DECEMBER 2014**

**1. CORPORATE INFORMATION**

Excel Force MSC Berhad ('the Company') is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur.

The principal place of business of the Company is located at Unit TA-13-1, Level 13, Tower A, Plaza 33, No. 1, Jalan Kemajuan, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan.

The consolidated financial statements for the financial year ended 31 December 2014 comprise the Company and its subsidiaries. These financial statements are presented in Ringgit Malaysia ('RM'), which is also the functional currency of the Company.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 10 April 2015.

**2. PRINCIPAL ACTIVITIES**

The principal activities of the Company are the development, provision and maintenance of computer software application solutions for the financial services industry. The principal activities of the subsidiaries are set out in Note 11 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

**3. BASIS OF PREPARATION**

The financial statements of the Group and of the Company set out on pages 13 to 87 have been prepared in accordance with Malaysian Financial Reporting Standards ('MFRSs'), International Financial Reporting Standards ('IFRSs') and the provisions of the Companies Act, 1965 in Malaysia. However, Note 37 to the financial statements set out on page 88 has been prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ('MIA Guidance') and the directive of Bursa Malaysia Securities Berhad.

## **4. SIGNIFICANT ACCOUNTING POLICIES**

### **4.1 Basis of accounting**

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

The preparation of these financial statements in conformity with MFRSs and IFRSs requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 6 to the financial statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

### **4.2 Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- (a) Power over the investee;
- (b) Exposure, or rights, to variable returns from its involvement with the investee; and
- (c) The ability to use its power over the investee to affect its returns.

If the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) The contractual arrangement with the other vote holders of the investee;
- (b) Rights arising from other contractual agreements; and
- (c) The voting rights of the Group and potential voting rights.

Intragroup balances, transactions, income and expenses are eliminated on consolidation. Unrealised gains arising from transactions are also eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the other entities in the Group.

Non-controlling interests represent equity in subsidiaries that are not attributable, directly or indirectly, to owners of the parent, and is presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

#### **4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **4.2 Basis of consolidation (continued)**

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the financial year are included in the statement of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

If the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 *Financial Instruments: Recognition and Measurement* or, where applicable, the cost on initial recognition of an investment in associate or joint venture.

##### **4.3 Business combinations**

Business combinations are accounted for by applying the acquisition method of accounting.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date, except that:

- (a) Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;

#### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 4.3 Business combinations (continued)

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date, except that (continued):

- (b) Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement by the Group of an acquiree's share-based payment transactions are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and
- (c) Assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration payable is recognised at fair value at the acquisition date. Measurement period adjustments to contingent consideration are dealt with as follows:

- (a) If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity.
- (b) Subsequent changes to contingent consideration classified as an asset or liability that is a financial instrument within the scope of MFRS 139 are recognised either in profit or loss or in other comprehensive income in accordance with MFRS 139. All other subsequent changes are recognised in profit or loss.

In a business combination achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the previously held equity interest of the Group in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. The accounting policy for goodwill is set out in Note 4.7(a) to the financial statements. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

#### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 4.4 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the subsequent costs would flow to the Group and the cost of the asset could be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has a different useful life, is depreciated separately.

After initial recognition, property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal depreciation periods and rates are as follows:

Long term leasehold land	56 years/99 years
Buildings	2%
Furniture and fittings	10%
Motor vehicles	20%
Computers and software	20%
Office equipment	15%
Renovation	20%

Freehold land has unlimited useful life and is not depreciated.

At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 4.9 to the financial statements on impairment of non-financial assets).

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss.

#### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 4.5 Leases and hire purchase

(a) Finance leases and hire purchase

Assets acquired under finance leases and hire purchase which transfer substantially all the risks and rewards of ownership to the Group are recognised initially at amounts equal to the fair value of the leased assets or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the leases, if this is practicable to determine; if not, the incremental borrowing rate of the Group is used. Any initial direct costs incurred by the Group are added to the amount recognised as an asset. The assets are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities. The property, plant and equipment capitalised are depreciated on the same basis as owned assets.

The minimum lease payments are apportioned between finance charges and the reduction of the outstanding liability. The finance charges are recognised in profit or loss over the period of the lease term so as to produce a constant periodic rate of interest on the remaining lease and hire purchase liabilities.

(b) Operating leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

(c) Leases of land and buildings

For leases of land and buildings, the land and buildings elements are considered separately for the purpose of lease classification and these leases are classified as operating or finance leases in the same way as leases of other assets.

The minimum lease payments including any lump-sum upfront payments made to acquire the interest in the land and buildings are allocated between the land and the buildings elements in proportion to the relative fair values of the leasehold interests in the land element and the buildings element of the lease at the inception of the lease.

For a lease of land and building in which the amount that would initially be recognised for the land element is immaterial, the land and building are treated as a single unit for the purpose of lease classification and is accordingly classified as a finance or operating lease. In such a case, the economic life of the building is regarded as the economic life of the entire leased asset.

#### **4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **4.6 Investments in subsidiaries**

A subsidiary is an entity in which the Group and the Company are exposed, or have rights, to variable returns from its involvement with the subsidiary and have the ability to affect those returns through its power over the subsidiary.

An investment in subsidiary, which is eliminated on consolidation, is stated in the separate financial statements of the Company at cost less impairment losses, if any. Put options written over non-controlling interests on the acquisition of subsidiary shall be included as part of the cost of investment in the separate financial statements of the Company. Subsequent changes in the fair value of the written put options over non-controlling interests shall be recognised in profit or loss. Investments accounted for at cost shall be accounted for in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* when they are classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with MFRS 5.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the Group would derecognise all assets, liabilities and non-controlling interests at their carrying amount and recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

##### **4.7 Intangible assets**

###### **(a) Goodwill**

Goodwill recognised in a business combination is an asset at the acquisition date and is initially measured at cost being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is not amortised but instead tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. Objective events that would trigger a more frequent impairment review include adverse industry or economic trends, significant restructuring actions, significantly lowered projections of profitability, or a sustained decline in the acquiree's market capitalisation. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

#### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 4.7 Intangible assets (continued)

###### (b) Other intangible assets

Other intangible assets are recognised only when the identifiability, control and future economic benefit probability criterias are met.

The Group recognises at the acquisition date separately from goodwill, an intangible asset of the acquiree, irrespective of whether the asset had been recognised by the acquiree before the business combination.

Intangible assets are initially measured at cost. The cost of intangible assets recognised in a business combination is their fair values as at the date of acquisition.

After initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight line basis over the estimated economic useful lives and are assessed for any indication that the asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. The amortisation expense on intangible assets with finite lives is recognised in profit or loss and is included within the cost of sales line item.

An intangible asset has an indefinite useful life when based on the analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows to the Group. Intangible assets with indefinite useful lives are tested for impairment annually and wherever there is an indication that the carrying amount may be impaired. Such intangible assets are not amortised. Their useful lives are reviewed each period to determine whether events and circumstances continue to support the indefinite useful life assessment for the asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for as a change in accounting estimate in accordance with MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Expenditure on an intangible item that is initially recognised as an expense is not recognised as part of the cost of an intangible asset at a later date.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from the derecognition is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in profit or loss when the asset is derecognised.

#### **4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **4.7 Intangible assets (continued)**

###### (b) Other intangible assets (continued)

###### ***Research and development***

Expenditure on development activities of internally developed products is recognised as an intangible asset when it relates to the production of new or substantively improved products and processes and when the Group can demonstrate that it is technically feasible to develop the product or processes, adequate resources are available to complete the development and that there is an intention to complete and sell the products or processes to generate future economic benefits.

Capitalised product development costs are amortised on a straight line basis over a period of five (5) and ten (10) years. Development expenditure not satisfying the criteria mentioned and expenditure arising from research or from the research phase of internal projects are recognised in profit or loss as incurred.

Development assets are tested for impairment annually.

###### ***Trademarks and copyrights***

Acquired trademarks and copyrights have finite useful lives and are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated using the accumulated straight line method to allocate the cost of trademarks and copyrights over their estimated useful lives of ten (10) years.

##### **4.8 Inventories**

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

Cost is determined using the first-in, first-out formula. The cost of replacement parts comprises all costs of purchase plus the cost of bringing the inventories to their present location and condition.

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

##### **4.9 Impairment of non-financial assets**

The carrying amounts of assets, except for financial assets (excluding investments in subsidiaries) and inventories, 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.

Goodwill and intangible assets that have an indefinite useful life are tested annually for impairment or more frequently if events or changes in circumstances indicate that the goodwill or intangible assets might be impaired.

#### **4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **4.9 Impairment of non-financial assets (continued)**

The recoverable amount of an asset is estimated for an individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ('CGU') to which the asset belongs. Goodwill acquired in a business combination is from the acquisition date, allocated to each of the Group's CGU or groups of CGU that are expected to benefit from the synergies of the combination giving rise to the goodwill irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Goodwill acquired in a business combination shall be tested for impairment as part of the impairment testing of the CGU to which it relates. The CGU to which goodwill is allocated shall represent the lowest level within the Group at which the goodwill is monitored for internal management purposes and not larger than an operating segment determined in accordance with MFRS 8 *Operating Segments*.

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal 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 for which the future cash flow estimates have not been adjusted. An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU, including the goodwill or intangible asset, exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated, first, to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU. The impairment loss is recognised in profit or loss immediately.

An impairment loss on goodwill is not reversed in subsequent periods. An impairment loss for other assets is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Such reversals are recognised as income immediately in profit or loss.

##### **4.10 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Group.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Group.

#### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 4.10 Financial instruments (continued)

Financial instruments are recognised on the statements of financial position when the Group has become a party to the contractual provisions of the instrument. At initial recognition, a financial instrument is recognised at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial instrument.

An embedded derivative is separated from the host contract and accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative is not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative meets the definition of a derivative, and the hybrid instrument is not measured at fair value through profit or loss.

(a) Financial assets

A financial asset is classified into the following four (4) categories after initial recognition for the purpose of subsequent measurement:

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise financial assets that are held for trading (i.e. financial assets acquired principally for the purpose of resale in the near term), derivatives (both, freestanding and embedded) and financial assets that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial assets classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as at fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial assets classified as at fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components of other income or other operating losses.

However, derivatives that are linked to and must be settled by delivery of unquoted equity instruments that do not have a quoted market price in an active market are recognised at cost.

(ii) Held-to-maturity investments

Financial assets classified as held-to-maturity comprise non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, financial assets classified as held-to-maturity are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as held-to-maturity are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

#### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 4.10 Financial instruments (continued)

(a) Financial assets (continued)

(iii) Loans and receivables

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

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

(iv) Available-for-sale financial assets

Financial assets classified as available-for-sale comprise non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Subsequent to initial recognition, financial assets classified as available-for-sale are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. However, interest calculated using the effective interest method is recognised in profit or loss whilst dividends on available-for-sale equity instruments are recognised in profit or loss when the right of the Group to receive payment is established.

Cash and bank balances include cash and cash equivalents, bank overdrafts, fixed deposits pledged to financial institutions, deposits and other short term, highly liquid investments with original maturities of three (3) months or less, which are readily convertible to cash and are subject to an insignificant risk of changes in value.

For the purpose of the statements of cash flow, cash and cash equivalents are presented net of bank overdrafts and fixed deposits pledged to financial institutions.

A financial asset is derecognised when the contractual right to receive cash flows from the financial asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised directly in other comprehensive income shall be recognised in profit or loss.

#### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 4.10 Financial instruments (continued)

(a) Financial assets (continued)

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or marketplace convention. A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting.

(b) Financial liabilities

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. A financial liability is classified into the following two (2) categories after initial recognition for the purpose of subsequent measurement:

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

Financial liabilities at fair value through profit or loss comprise financial liabilities that are held for trading, derivatives (both, freestanding and embedded) and financial liabilities that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial liabilities classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial liabilities classified as at fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial liabilities classified as at fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components of other income or other operating losses.

(ii) Other financial liabilities

Financial liabilities classified as other financial liabilities comprise non-derivative financial liabilities that are neither held for trading nor initially designated as at fair value through profit or loss.

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

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

#### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 4.10 Financial instruments (continued)

(b) Financial liabilities (continued)

Any difference between the carrying amount of a 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.

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

(c) Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are classified as equity instruments.

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary share capital and share premium are classified as equity. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit. Otherwise, they are charged to profit or loss.

Interim dividends to shareholders are recognised in equity in the period in which they are declared. Final dividends are recognised upon the approval of shareholders in a general meeting.

The Group measures a liability to distribute non-cash assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at the end of each reporting period and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

When the Group repurchases its own shares, the shares repurchased would be accounted for using the treasury stock method.

Where the treasury stock method is applied, the shares repurchased and held as treasury shares shall be measured and carried at the cost of repurchase on initial recognition and subsequently. It shall not be revalued for subsequent changes in the fair value or market price of the shares.

The carrying amount of the treasury shares shall be offset against equity in the statement of financial position. To the extent that the carrying amount of the treasury shares exceeds the share premium account, it shall be considered as a reduction of any other reserves as may be permitted by the Main Market Listing Requirements.

#### **4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **4.10 Financial instruments (continued)**

(c) Equity (continued)

No gain or loss is required in profit or loss on the purchase, sale, issue or cancellation of the own equity instruments of the Company. If such shares are issued by resale, any difference between the sales consideration and the carrying amount is shown as a movement in equity.

##### **4.11 Impairment of financial assets**

The Group assesses whether there is any objective evidence that a financial asset is impaired at the end of each reporting period.

(a) Held-to-maturity and loans and receivables

The Group collectively considers factors such as the probability of bankruptcy or significant financial difficulties of the receivable, and default or significant delay in payments to determine whether there is objective evidence that an impairment loss on loans and receivables has occurred. Other objective evidence of impairment include historical collection rates determined on an individual basis and observable changes in national or local economic conditions that are directly correlated with the historical default rates of receivables.

If any such objective evidence exists, the amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of held-to-maturity investments is directly reduced by the impairment loss whilst the carrying amount of loans and receivables are reduced through the use of an allowance account.

If in a subsequent period, the amount of the impairment loss decreases and it objectively relates to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of impairment reversed is recognised in profit or loss.

(b) Available-for-sale financial assets

The Group collectively considers factor such as significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market as objective evidence that available-for-sale financial assets are impaired.

If any such objective evidence exists, an amount comprising the difference between the financial asset's cost (net of any principal payment and amortisation) and current fair value, less any impairment loss previously recognised in profits or loss, is transferred from equity to profit or loss.

#### **4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **4.11 Impairment of financial assets (continued)**

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

Impairment losses in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

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

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

##### **4.12 Borrowing costs**

Borrowing costs that are directly attributable to the acquisition or production of a qualifying asset is capitalised as part of the cost of the asset until when substantially all the activities necessary to prepare the asset for its intended use or sale are complete, after which such expense is charged to profit or loss. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on the borrowing during the period less any investment income on the temporary investment of the borrowing.

All other borrowing costs are recognised to profit or loss in the period in which they are incurred.

##### **4.13 Income taxes**

Income taxes include all domestic taxes on taxable profit. Income taxes also include other taxes, such as real property gains taxes payable on the disposal of properties.

Taxes in the statements of profit or loss and other comprehensive income comprise current tax and deferred tax.

(a) Current tax

Current tax expenses are determined according to the tax laws of the jurisdiction in which the Group operates and include all taxes based upon the taxable profit and real property gains taxes payable on disposal of properties.

#### **4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **4.13 Income taxes (continued)**

###### **(b) Deferred tax**

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the statement of financial position and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profit would be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. If it is no longer probable that sufficient taxable profit would be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset would be reduced accordingly. When it becomes probable that sufficient taxable profit would be available, such reductions would be reversed to the extent of the taxable profit.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority on either:

- (i) The same taxable entity; or
- (ii) Different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax would be recognised as income or expense and included in profit or loss for the period unless the tax relates to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax would be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on the announcement of tax rates and tax laws by the Government in the annual budgets which have the substantive effect of actual enactment by the end of each reporting period.

##### **4.14 Provisions**

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

#### **4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **4.14 Provisions (continued)**

If the effect of the time value of money is material, the amount of a provision would be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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

Provisions for restructuring are recognised when the Group has approved a detailed formal restructuring plan, and the restructuring either has commenced or has been announced publicly.

Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

##### **4.15 Employee benefits**

###### **(a) Short term employee benefits**

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are expensed when employees rendered their services to the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur and they lapse if the current period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the Group.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

###### **(b) Defined contribution plans**

The Company and its subsidiaries incorporated in Malaysia make contributions to a statutory provident fund. The contributions are recognised as a liability after deducting any contributions already paid and as an expense in the period in which the employees render their services.

##### **4.16 Earnings per share**

###### **(a) Basic**

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year.

#### **4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **4.16 Earnings per share (continued)**

(b) Diluted

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares.

##### **4.17 Contingent liabilities and contingent assets**

A contingent liability is a possible obligation that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources would be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise a contingent asset but discloses its existence where the inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date.

##### **4.18 Foreign currencies**

(a) Functional and presentation currency

Items included in the financial statements of each of the entities of the Group are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Ringgit Malaysia, which is the functional and presentation currency of the Company.

(b) Foreign currency transactions and balances

Transactions in foreign currencies are converted into functional currency at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of each reporting period are translated into functional currency at rates of exchange ruling at that date. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit or loss in the period in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost, are translated using the historical rate as of the date of acquisition, and non-monetary items, which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

#### **4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **4.19 Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable net of discounts and rebates.

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction would flow to the Group, and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be reliably measured and specific recognition criteria have been met for each of the activities of the Group as follows:

(a) Sale of goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the customer and where the Group retains no continuing managerial involvement over the goods, which coincides with the delivery of goods and services, and acceptance by customers.

(b) Services

Revenue from rendering of services is recognised upon performance of services.

(c) Interest income

Interest income is recognised as it accrues, using the effective interest method.

##### **4.20 Operating segments**

Operating segments are defined as components of the Group that:

- (a) Engage in business activities from which it could earn revenue and incur expenses (including revenue and expenses relating to transactions with other components of the Group);
- (b) Whose operating results are regularly reviewed by the chief operating decision maker of the Group in making decisions about resources to be allocated to the segment and assessing its performance; and
- (c) For which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenue.

The Group reports separately information about each operating segment that meets any of the following quantitative thresholds:

- (a) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is ten (10) per cent or more of the combined revenue, internal and external, of all operating segments.

#### **4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **4.20 Operating segments (continued)**

The Group reports separately information about each operating segment that meets any of the following quantitative thresholds (continued):

- (b) The absolute amount of its reported profit or loss is ten (10) per cent or more of the greater, in absolute amount of:
  - (i) The combined reported profit of all operating segments that did not report a loss; and
  - (ii) The combined reported loss of all operating segments that reported a loss.
- (c) Its assets are ten (10) per cent or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

Total external revenue reported by operating segments shall constitute at least seventy-five (75) percent of the revenue of the Group. Operating segments identified as reportable segments in the current financial year in accordance with the quantitative thresholds would result in a restatement of prior period segment data for comparative purposes.

##### **4.21 Fair value measurements**

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

The Group measures the fair value of an asset or a liability by taking into account the characteristics of the asset or liability if market participants would take these characteristics into account when pricing the asset or liability. The Group has considered the following characteristics when determining fair value:

- (a) The condition and location of the asset; and
- (b) Restrictions, if any, on the sale or use of the asset.

The fair value measurement for a non-financial asset takes into account the ability of the market participant 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.

#### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 4.21 Fair value measurements (continued)

The fair value of a financial or non-financial liability or an entity's own equity instrument assumes that:

- (a) A liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date; and
- (b) An entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

#### 5. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs

##### 5.1 New MFRSs adopted during the financial year

The Group and Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ('MASB') during the financial year.

<b>Title</b>	<b>Effective Date</b>
Amendments to MFRS 10 <i>Consolidated Financial Statements: Investment Entities</i>	1 January 2014
Amendments to MFRS 12 <i>Disclosure of Interest in Other Entities: Investment Entities</i>	1 January 2014
Amendments to MFRS 127 <i>Separate Financial Statements (2011): Investment Entities</i>	1 January 2014
Amendments to MFRS 132 <i>Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014
Amendments to MFRS 136 <i>Recoverable Amount Disclosures for Non-Financial Assets</i>	1 January 2014
Amendments to MFRS 139 <i>Novation of Derivatives and Continuation of Hedge Accounting</i>	1 January 2014
IC Interpretation 21 <i>Levies</i>	1 January 2014

There is no material effect upon the adoption of these Amendments and Interpretation during the financial year.

## 5. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (continued)

### 5.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2015

The following are Standards of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board ('MASB') but have not been early adopted by the Group and the Company.

Title	Effective Date
Amendments to MFRS 119 <i>Defined Benefit Plans: Employee Contributions</i>	1 July 2014
Amendments to MFRSs <i>Annual Improvements 2010 – 2012 Cycle</i>	1 July 2014
Amendments to MFRSs <i>Annual Improvements 2011 – 2013 Cycle</i>	1 July 2014
MFRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2016
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associates or Joint Venture</i>	1 January 2016
Amendments to MFRS 116 and MFRS 138 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to MFRS 11 <i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
Amendments to MFRS 116 and MFRS 141 <i>Agriculture: Bearer Plants</i>	1 January 2016
Amendments to MFRS 127 <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to MFRSs <i>Annual Improvements to 2012-2014 Cycle</i>	1 January 2016
Amendments to MFRS 101 <i>Disclosure Initiative</i>	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 <i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2017
MFRS 9 <i>Financial Instruments (IFRS as issued by IASB in July 2014)</i>	1 January 2018

The Group is in the process of assessing the impact of implementing these Amendments and Standards, since the effects would only be observable for future financial years.

## 6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

### 6.1 Changes in estimates

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Directors are of the opinion that there are no significant changes in estimates during the reporting period and at the end of the reporting period.

## 6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

### 6.2 Critical judgements made in applying accounting policies

The following judgement made by management in the process of applying the Group's accounting policies have a significant effect on the amounts recognised in the financial statements.

(a) Classification of leasehold land

The Group has assessed and classified leasehold land of the Group as finance leases based on the extent to which risks and rewards incidental to ownership of the land resides with the Group arising from the lease term. Consequently, the Group has classified the unamortised upfront payment for leasehold land as a finance lease in accordance with MFRS 117 *Leases*.

(b) Classification of non-current bank borrowings

Term loan agreements entered into by the Group include repayment on demand clauses at the discretion of the financial institutions. The Group believes that in the absence of a default being committed by the Group, these financial institutions are not entitled to exercise their rights to demand for repayment. Accordingly, the carrying amount of the term loans have been classified between current and non-current liabilities based on their repayment period.

(c) Contingent liabilities

The determination and treatment of contingent liabilities is based on the Directors' and management's view of the expected outcome of the contingencies for matters in the ordinary course of business.

### 6.3 Key sources of estimation uncertainty

The following are 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 financial year.

(a) Useful lives of property, plant and equipment

The Group estimates the useful lives of property, plant and equipment at the time the assets are acquired based on historical experience, the expected usage, wear and tear of the assets and technical obsolescence arising from changes in the market demands or service output of the assets. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to changes in the factors mentioned above. Changes in these factors could impact the useful lives and the residual values of the assets; therefore future depreciation charges could be revised.

## 6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

### 6.3 Key sources of estimation uncertainty (continued)

#### (b) Impairment of product development costs

The Group reviews the carrying amounts of product development costs as at the end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount or value in use is estimated. Determining the value in use of product development costs requires the determination of future cash flows expected to be generated from the continued use, and ultimate disposition of such assets. Any resulting impairment loss could have a material adverse impact on the Group's financial position and results of operations.

Significant judgement in the estimation of the present value of future cash flows generated by the product development costs, which involve uncertainties and are significantly affected by assumptions used and judgement made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the results of the Group's assessment for impairment of product development costs.

Further details on assessment for impairment of product development costs are disclosed in Notes 8 to the financial statements.

#### (c) Impairment of goodwill on consolidation

The Group determines whether goodwill on consolidation is impaired at least on an annual basis. This requires an estimation of the value-in-use of the subsidiaries to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the subsidiaries and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Significant judgement is required in the estimation of the present value of future cash flows generated by the subsidiaries, which involve uncertainties and are significantly affected by assumptions used and judgement made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the results of the Group's assessment for impairment of goodwill. The assumptions used are disclosed in Note 9 to the financial statements.

#### (d) Impairment of receivables

The Group makes impairment of receivables based on an assessment of the recoverability of receivables. Impairment is applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses historical bad debts, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of impairment of receivables. Where expectations differ from the original estimates, the differences would impact the carrying amount of receivables.

## 6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

### 6.3 Key sources of estimation uncertainty (continued)

(e) Fair values of borrowings

The fair values of borrowings are estimated by discounting future contractual cash flows at the current market interest rates available to the Group for similar financial instruments. Sensitivity analysis of these effects of interest rate risk has been disclosed in Note 33 to the financial statements.

(f) Income taxes

Significant judgement is required in determining the capital allowances and deductibility of certain expenses based on interpretation of the tax laws and legislations during the estimation of the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognised liabilities for tax based on estimates of assessment of the tax liability due. Where the final tax outcome is different from the amounts that were initially recorded, such differences would impact the income tax and deferred income tax provisions, where applicable, in the period in which such determination is made.

(g) Write down for obsolete or slow moving inventories

The Group writes down its obsolete or slow moving inventories based on an assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyse sales trend and current economic trends when making a judgement to evaluate the adequacy of the write down for obsolete or slow moving inventories. Where expectations differ from the original estimates, the differences would impact the carrying amount of inventories.

(h) Impairment of investments in subsidiaries and amount owing by a subsidiary

The Directors review the investments in subsidiaries for impairment when there is an indication of impairment and assesses the impairment of receivables on the amount owing by a subsidiary when the receivables are long outstanding.

The recoverable amount of the investments in subsidiaries and the amount owing by a subsidiary are assessed by reference to the value in use of the subsidiaries.

The value in use is the net present value of the projected future cash flows derived from the business operations of the subsidiaries discounted at an appropriate discount rate. For such discounted cash flow method, it involves the use of estimated future results and a set of assumptions to reflect their income and cash flows. Judgement has also been used to determine the discount rate for the cash flows and the future growth of the businesses of the subsidiaries.

## **6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)**

### **6.3 Key sources of estimation uncertainty (continued)**

(i) Fair value measurement

The financial and non-financial assets and liabilities that are measured subsequent to initial recognition at fair value are grouped into Level 1 to Level 3 based on the degree to which the fair value inputs are observable.

- (i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- (iii) Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The classification of an item into the above levels is based on the lowest level of the inputs used in the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures its financial instruments at fair value as disclosed in Note 32 to the financial statements.

## 7. PROPERTY, PLANT AND EQUIPMENT

<b>2014 Group</b>	<b>Balance as at 1.1.2014 RM</b>	<b>Additions RM</b>	<b>Acquisition of subsidiary (Note 34) RM</b>	<b>Written off RM</b>	<b>Disposals RM</b>	<b>Balance as at 31.12.2014 RM</b>
<b>Cost</b>						
Buildings	3,707,457	12,470,000	-	-	(3,371,852)	12,805,605
Freehold land	382,284	-	-	-	-	382,284
Long term leasehold land	592,728	2,030,000	-	-	(592,728)	2,030,000
Furniture and fittings	252,384	270,140	10,911	(12,138)	(167,200)	354,097
Motor vehicles	1,015,945	90,678	-	-	(90,982)	1,015,641
Computers and software	5,444,582	466,487	165,667	(39,507)	(406,607)	5,630,622
Office equipment	212,381	122,406	9,955	(26,499)	(59,203)	259,040
Renovation	751,957	810,313	-	-	(640,783)	921,487
	<b>12,359,718</b>	<b>16,260,024</b>	<b>186,533</b>	<b>(78,144)</b>	<b>(5,329,355)</b>	<b>23,398,776</b>
		<b>Balance as at 1.1.2014 RM</b>	<b>Depreciation charge for the financial year RM</b>	<b>Written off RM</b>	<b>Disposals RM</b>	<b>Balance as at 31.12.2014 RM</b>
<b>Accumulated depreciation</b>						
Buildings		375,552	269,276	-	(323,467)	321,361
Long term leasehold land		30,703	36,308	-	(33,782)	33,229
Furniture and fittings		141,786	31,200	(10,706)	(97,247)	65,033
Motor vehicles		485,786	203,184	-	(84,916)	604,054
Computers and software		3,178,417	753,668	(39,495)	(178,107)	3,714,483
Office equipment		157,050	26,425	(26,321)	(45,393)	111,761
Renovation		696,826	94,707	-	(599,336)	192,197
		<b>5,066,120</b>	<b>1,414,768</b>	<b>(76,522)</b>	<b>(1,362,248)</b>	<b>5,042,118</b>

**7. PROPERTY, PLANT AND EQUIPMENT (continued)**

<b>2013 Group</b>	<b>Balance as at 1.1.2013 RM</b>	<b>Additions RM</b>	<b>Written off RM</b>	<b>Disposals RM</b>	<b>Balance as at 31.12.2013 RM</b>
<b>Cost</b>					
Buildings	3,707,457	-	-	-	3,707,457
Freehold land	382,284	-	-	-	382,284
Long term leasehold land	592,728	-	-	-	592,728
Furniture and fittings	249,384	3,000	-	-	252,384
Motor vehicles	1,015,945	-	-	-	1,015,945
Computers and software	4,977,778	528,488	-	(61,684)	5,444,582
Office equipment	200,712	11,909	(240)	-	212,381
Renovation	741,721	10,236	-	-	751,957
	<b>11,868,009</b>	<b>553,633</b>	<b>(240)</b>	<b>(61,684)</b>	<b>12,359,718</b>
	<b>Balance as at 1.1.2013 RM</b>	<b>Depreciation charge for the financial year RM</b>	<b>Written off RM</b>	<b>Disposals RM</b>	<b>Balance as at 31.12.2013 RM</b>
<b>Accumulated depreciation</b>					
Buildings	300,448	75,104	-	-	375,552
Long term leasehold land	24,545	6,158	-	-	30,703
Furniture and fittings	117,683	24,103	-	-	141,786
Motor vehicles	282,597	203,189	-	-	485,786
Computers and software	2,485,089	718,262	-	(24,934)	3,178,417
Office equipment	139,517	17,772	(239)	-	157,050
Renovation	577,144	119,682	-	-	696,826
	<b>3,927,023</b>	<b>1,164,270</b>	<b>(239)</b>	<b>(24,934)</b>	<b>5,066,120</b>

**7. PROPERTY, PLANT AND EQUIPMENT (continued)**

<b>2014 Company</b>	<b>Balance as at 1.1.2014 RM</b>	<b>Additions RM</b>	<b>Written off RM</b>	<b>Disposals RM</b>	<b>Balance as at 31.12.2014 RM</b>
<b>Cost</b>					
Buildings	3,707,457	12,470,000	-	(3,371,852)	12,805,605
Freehold land	382,284	-	-	-	382,284
Long term leasehold land	592,728	2,030,000	-	(592,728)	2,030,000
Furniture and fittings	243,675	270,140	(11,341)	(167,200)	335,274
Motor vehicles	1,015,945	90,678	-	(90,982)	1,015,641
Computers and software	5,275,840	439,275	(27,220)	(406,607)	5,281,288
Office equipment	198,877	122,406	(26,139)	(59,203)	235,941
Renovation	751,957	810,313	-	(640,783)	921,487
	<u>12,168,763</u>	<u>16,232,812</u>	<u>(64,700)</u>	<u>(5,329,355)</u>	<u>23,007,520</u>
	<b>Balance as at 1.1.2014 RM</b>	<b>Depreciation charge for the financial year RM</b>	<b>Written off RM</b>	<b>Disposals RM</b>	<b>Balance as at 31.12.2014 RM</b>
<b>Accumulated depreciation</b>					
Buildings	375,552	269,276	-	(323,467)	321,361
Long term leasehold land	30,703	36,308	-	(33,782)	33,229
Furniture and fittings	134,950	29,634	(9,913)	(97,247)	57,424
Motor vehicles	485,786	203,184	-	(84,916)	604,054
Computers and software	3,116,771	715,660	(27,214)	(178,107)	3,627,110
Office equipment	148,704	24,561	(26,124)	(45,393)	101,748
Renovation	696,826	94,707	-	(599,336)	192,197
	<u>4,989,292</u>	<u>1,373,330</u>	<u>(63,251)</u>	<u>(1,362,248)</u>	<u>4,937,123</u>



**7. PROPERTY, PLANT AND EQUIPMENT (continued)**

Carrying amount	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Buildings	12,484,244	3,331,905	12,484,244	3,331,905
Freehold land	382,284	382,284	382,284	382,284
Long term leasehold land	1,996,771	562,025	1,996,771	562,025
Furniture and fittings	289,064	110,598	277,850	108,725
Motor vehicles	411,587	530,159	411,587	530,159
Computers and software	1,916,139	2,266,165	1,654,178	2,159,069
Office equipment	147,279	55,331	134,193	50,173
Renovation	729,290	55,131	729,290	55,131
	<u>18,356,658</u>	<u>7,293,598</u>	<u>18,070,397</u>	<u>7,179,471</u>

- (a) During the financial year, the Group and the Company made the following cash payments to purchase property, plant and equipment:

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Purchase of property, plant and equipment	16,260,024	553,633	16,232,812	456,908
Financed by term loan	<u>(8,000,000)</u>	<u>-</u>	<u>(8,000,000)</u>	<u>-</u>
Cash payments on purchase of property, plant and equipment	<u>8,260,024</u>	<u>553,633</u>	<u>8,232,812</u>	<u>456,908</u>

- (b) As of 31 December 2014, the carrying amount of property, plant and equipment of the Group and of the Company under hire purchase and finance leases are as follows:

	Group and Company	
	2014 RM	2013 RM
Computer and software	<u>199,649</u>	<u>801,676</u>

Details on the hire purchase and finance leases of the Group and of the Company are disclosed in Note 19 to the financial statements.

- (c) As at 31 December 2014, the long term leasehold land and building of the Group and Company with a total carrying amount of RM14,238,154 have been charged to a financial institution for credit facilities granted to the Group and Company as disclosed in Note 18 to the financial statements.

## 8. PRODUCT DEVELOPMENT COSTS

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
<b>Cost</b>				
At beginning of financial year	14,898,156	12,864,988	12,725,220	11,313,479
Additions during the financial year	2,574,798	2,033,168	1,792,927	1,411,741
Written off during the financial year	(451,304)	-	(451,304)	-
At end of financial year	17,021,650	14,898,156	14,066,843	12,725,220
<b>Accumulated amortisation</b>				
At beginning of financial year	(7,473,687)	(6,503,807)	(7,176,454)	(6,365,512)
Charge for the financial year	(996,119)	(969,880)	(778,826)	(810,942)
At end of financial year	<u>(8,469,806)</u>	<u>(7,473,687)</u>	<u>(7,955,280)</u>	<u>(7,176,454)</u>
Carrying amount	<u>8,551,844</u>	<u>7,424,469</u>	<u>6,111,563</u>	<u>5,548,766</u>

- (a) Product development costs comprise salaries of personnel involved in the development and design of products prior to the commencement of commercial production.
- (b) For the purpose of impairment testing, the recoverable amount in the Cash Generating Units ('CGUs') is determined based on their value in use. The value in use is determined by discounting the future cash flows to be generated from the continuing use of the CGUs based on financial budgets prepared by management covering a five (5) year period.

The key assumptions used in the value in use calculations are as follows:

- (i) The anticipated average annual revenue growth rates used in the cash flow budgets and plans of the CGUs ranged from 10% to 57% per annum for years 2015 to 2019.
- (ii) Profit margins are projected based on the historical profit margin achieved or predetermined profit margin for the products.
- (iii) A pre-tax discount rate of 9.70% per annum has been applied in determining the recoverable amount of the CGUs.

Based on these assumptions, the Directors are of the view that no impairment loss is required as the recoverable amount determined is higher than the carrying amount of the CGUs.

- (c) Sensitivity to changes in assumptions

The management believes that a reasonable possible change in the key assumptions on which management has based its determination of the CGUs' recoverable amount would not cause the CGUs' carrying amount to exceed its recoverable amount.



## 10. INTANGIBLE ASSETS

	<b>Group and Company</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM</b>	<b>RM</b>
<b>Cost</b>	1,010,000	1,010,000
<b>Accumulated amortisation</b>		
At beginning of financial year	(1,010,000)	(959,500)
Charge for the financial year	-	(50,500)
At end of financial year	<u>(1,010,000)</u>	<u>(1,010,000)</u>
Carrying amount	<u>-</u>	<u>-</u>

Intangible assets consist of trademarks and copyrights which had been fully amortised in the previous financial year.

## 11. INVESTMENTS IN SUBSIDIARIES

	<b>Company</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM</b>	<b>RM</b>
Unquoted shares - At cost	556,000	250,000
Less: Accumulated impairment losses	<u>(120,000)</u>	<u>(120,000)</u>
	<u>436,000</u>	<u>130,000</u>

(a) The details of the subsidiaries are as follows:

<b>Name of Company</b>	<b>Country of incorporation</b>	<b>Effective interest in equity held by Company</b>		<b>Principal activities</b>
		<b>2014</b>	<b>2013</b>	
Insage (MSC) Sdn. Bhd.*	Malaysia	60%	60%	Provision of software solutions.
Capital Market Risk Advisor Sdn. Bhd.*	Malaysia	52%	52%	Development and provision of software application.
Winvest Global Sdn. Bhd. *	Malaysia	51%	-	Provision of share investment solutions.

\* Subsidiary audited by BDO

(b) On 3 November 2014, the Company acquired fifty one percent (51%) equity interest comprising 306,000 ordinary shares of RM1.00 each of the issued and paid up ordinary share capital of Winvest Global Sdn. Bhd. ('Winvest') for a cash consideration of RM306,000. Winvest is a company incorporated in Malaysia which is engaged in research, development and commercialisation of share investment solution and provision of investment education and training services to investors.

## 11. INVESTMENTS IN SUBSIDIARIES (continued)

- (c) In the previous financial year, on 9 May 2013, the Company acquired fifty two percent (52%) equity interest comprising 65,000 ordinary shares of RM1.00 each of the issued and paid up ordinary share capital of Capital Market Risk Advisor Sdn. Bhd. ('CMRA') for a cash consideration of RM65,000. CMRA is a company incorporated in Malaysia which is engaged in the development and provision of software application to financial services industry.

In the previous financial year, on 23 October 2013, CMRA increased its issued and paid up share capital of RM125,000 to RM250,000 by way of new issuance of 125,000 ordinary shares of RM1.00 each. On even date, the Company subscribed for an additional 65,000 ordinary shares of RM1.00 each in CMRA for a cash consideration of RM65,000. Consequently, there was no change in the effective equity interest held by the Company in CMRA.

- (d) The subsidiaries of the Group that have material non-controlling interests ('NCI') are as follows:

	<b>Insage (MSC) Sdn. Bhd.</b>	<b>Capital Market Risk Advisor Sdn. Bhd.</b>	<b>Winvest Global Sdn. Bhd.</b>	<b>Total</b>
<b>2014</b>				
NCI percentage of ownership interest and voting interest	40%	48%	49%	
Carrying amount of NCI (RM)	<u>(91,797)</u>	<u>238,514</u>	<u>343,929</u>	<u>490,646</u>
Profit allocated to NCI (RM)	<u>42,557</u>	<u>92,115</u>	<u>81,181</u>	<u>215,853</u>
		<b>Insage (MSC) Sdn. Bhd.</b>	<b>Capital Market Risk Advisor Sdn. Bhd.</b>	<b>Total</b>
<b>2013</b>				
NCI percentage of ownership interest and voting interest		40%	48%	
Carrying amount of NCI (RM)		<u>(134,354)</u>	<u>146,399</u>	<u>12,045</u>
(Loss)/Profit allocated to NCI (RM)		<u>(70,575)</u>	<u>26,399</u>	<u>(44,176)</u>

## 11. INVESTMENTS IN SUBSIDIARIES (continued)

- (e) The summarised financial information before intra-group elimination of the subsidiaries that have material NCI as at the end of each reporting period are as follows:

	<b>Insage (MSC) Sdn. Bhd. RM</b>	<b>Capital Market Risk Advisor Sdn. Bhd. RM</b>	<b>Winvest Global Sdn. Bhd. RM</b>
<b>2014</b>			
<b>Assets and liabilities</b>			
Non-current assets	1,941,032	606,790	178,720
Current assets	284,158	117,298	1,032,460
Non-current liabilities	(2,089,254)	-	(41,038)
Current liabilities	(558,513)	(227,182)	(468,247)
Net (liabilities)/assets	<u>(422,577)</u>	<u>496,906</u>	<u>701,895</u>
<b>Results</b>			
Revenue	962,067	449,839	624,200
Profit for the financial year	106,392	191,907	165,675
Total comprehensive income	<u>106,392</u>	<u>191,907</u>	<u>165,675</u>
Cash flows from operating activities	48,213	40,177	91,271
Cash flows used in investing activities	(2,457)	(23,555)	(40,889)
Cash flows (used in)/from financing activities	(105,744)	-	599,998
Net (decrease)/increase in cash and cash equivalents	<u>(59,988)</u>	<u>16,622</u>	<u>650,380</u>
<b>2013</b>			
<b>Assets and liabilities</b>			
Non-current assets		1,729,600	260,230
Current assets		289,536	78,630
Non-current liabilities		(2,180,070)	-
Current liabilities		(368,035)	(33,861)
Net (liabilities)/assets		<u>(528,969)</u>	<u>304,999</u>
<b>Results</b>			
Revenue		490,065	110,000
(Loss)/Profit for the financial year		(176,436)	54,999
Total comprehensive (loss)/income		<u>(176,436)</u>	<u>54,999</u>
Cash flows used in operating activities		(467,300)	(162,462)
Cash flows used in investing activities		(72,625)	(24,100)
Cash flows from financing activities		400,000	250,000
Net (decrease)/increase in cash and cash equivalents		<u>(139,925)</u>	<u>63,438</u>

## 12. INVENTORIES

	<b>Group and Company</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM</b>	<b>RM</b>
Replacement parts - At cost	<u>64,587</u>	<u>51,172</u>

## 13. TRADE AND OTHER RECEIVABLES

	<b>Group</b>		<b>Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Non-current</b>				
Amount owing by a subsidiary	<u>-</u>	<u>-</u>	<u>2,089,254</u>	<u>2,180,070</u>
<b>Current</b>				
<b>Trade receivables</b>				
Third parties	5,908,450	2,497,170	5,809,860	2,333,655
Less: Impairment loss on trade receivables	(49,600)	(49,600)	(49,600)	(49,600)
	5,858,850	2,447,570	5,760,260	2,284,055
<b>Other receivables</b>				
Amount owing by a subsidiary	-	-	333,498	275
Other receivables	255,692	25,244	39,774	25,244
	<u>255,692</u>	<u>25,244</u>	<u>373,272</u>	<u>25,519</u>
<b>Loans and receivables</b>	6,114,542	2,472,814	6,133,532	2,309,574
<b>Deposits and prepayments</b>				
Deposits	276,017	1,643,095	253,302	1,624,660
Prepayments	589,943	638,470	563,732	632,542
	<u>865,960</u>	<u>2,281,565</u>	<u>817,034</u>	<u>2,257,202</u>
	<u>6,980,502</u>	<u>4,754,379</u>	<u>6,950,566</u>	<u>4,566,776</u>
	<u>6,980,502</u>	<u>4,754,379</u>	<u>9,039,820</u>	<u>6,746,846</u>

- (a) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group and the Company range from 60 to 90 days (2013: 60 to 90 days) from the date of invoice. They are recognised at their original invoice amounts which represent their fair values on initial recognition.
- (b) The non-current amount owing by a subsidiary represents loans which are unsecured, interest-free and have fixed repayment terms ranging from five (5) to nine (9) years, which are payable in cash and cash equivalents.

The current amount owing by a subsidiary represents expenses paid on behalf which are unsecured, interest-free and payable in cash and cash equivalents.

### 13. TRADE AND OTHER RECEIVABLES (continued)

(c) The currency exposure profile of trade and other receivables is as follows:

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Ringgit Malaysia	5,920,327	2,395,856	8,028,571	4,412,686
Singapore Dollar	194,215	-	194,215	-
United States Dollar	-	76,958	-	76,958
	<u>6,114,542</u>	<u>2,472,814</u>	<u>8,222,786</u>	<u>4,489,644</u>

(d) The ageing analysis of trade receivables of the Group and of the Company are as follows:

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Neither past due nor impaired	4,075,982	2,275,189	3,990,542	2,127,324
Past due, not impaired				
91 to 120 days	453,840	19,503	444,750	10,553
121 to 150 days	546,817	24,697	542,757	21,597
151 to 180 days	-	43,381	-	39,781
181 to 210 days	499,990	80,000	499,990	80,000
More than 211 days	282,221	4,800	282,221	4,800
	1,782,868	172,381	1,769,718	156,731
Past due and impaired	49,600	49,600	49,600	49,600
	<u>5,908,450</u>	<u>2,497,170</u>	<u>5,809,860</u>	<u>2,333,655</u>

#### Receivables that are neither past due nor impaired

Trade receivables of the Group and of the Company that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and the Company. Trade receivables of the Group and of the Company of 69% (2013: 91%) have never defaulted. These customers maintain a long working relationship with the Group.

#### Receivables that are past due but not impaired

The Group and the Company have trade receivables amounting to RM1,782,868 (2013: RM172,381) and RM1,769,718 (2013: RM156,731) respectively that are past due at the end of the reporting period but not impaired. Trade receivables that are past due but not impaired mainly arose from active corporate clients with healthy business relationship, in which the management is of the view that the amounts are recoverable based on past payment history. The trade receivables that are past due but not impaired are unsecured in nature.

### 13. TRADE AND OTHER RECEIVABLES (continued)

- (d) The ageing analysis of trade receivables of the Group and of the Company are as follows (continued):

Receivables that are past due and impaired

Trade receivables of the Group and the Company that are past due and impaired at the end of the reporting period are as follows:

	<b>Group and Company Individually impaired</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM</b>	<b>RM</b>
Trade receivables, gross	49,600	74,100
Less: Impairment loss	(49,600)	(49,600)
	-	24,500

- (e) The reconciliation of movement in the impairment loss are as follows:

	<b>Group and Company</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM</b>	<b>RM</b>
<b>Trade receivables</b>		
At 1 January	49,600	40,149
Charge for the financial year (Note 25)	-	49,600
Reversal of impairment loss (Note 25)	-	(40,149)
At 31 December	49,600	49,600

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to those debtors that exhibit significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

- (f) Information on financial risks of trade and other receivables is disclosed in Note 33 to the financial statements.

### 14. CASH AND BANK BALANCES

	<b>Group</b>		<b>Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Short term funds				
- Investments in fixed income trust funds in Malaysia	11,491,029	22,500,766	11,491,029	22,500,766
Cash in hand	28,320	13,230	27,320	12,230
Cash at banks	8,852,478	1,118,565	7,862,106	943,532
Deposits with licensed banks	175,284	411,278	175,284	411,278
	20,547,111	24,043,839	19,555,739	23,867,806

Investments in fixed income trust funds in Malaysia represent investments in highly liquid money market instruments, which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

#### 14. CASH AND BANK BALANCES (continued)

- (a) Information on financial risks of cash and bank balances is disclosed in Note 33 to the financial statements.
- (b) The currency exposure profile of cash and bank balances is as follows:

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Ringgit Malaysia	20,230,248	23,611,040	19,238,876	23,435,007
Singapore Dollar	14,606	1,022	14,606	1,022
New Taiwan Dollar	2,549	2,645	2,549	2,645
United States Dollar	299,708	429,132	299,708	429,132
	<u>20,547,111</u>	<u>24,043,839</u>	<u>19,555,739</u>	<u>23,867,806</u>

- (c) The annual interest rates for short term funds and deposits of the Group and the Company that were effective at the end of the reporting period were 0.45% to 3.88% (2013: 2.48% to 2.97%).
- (d) Deposits of the Group and the Company have an average maturity period of 30 days (2013: 60 days). Bank balances are deposits held at call with banks.

#### 15. SHARE CAPITAL

	Group and Company			
	2014 Number of shares	2014 RM	2013 Number of shares	2013 RM
Ordinary shares of RM0.10 each				
Authorised:				
Balance as at 1 January	250,000,000	25,000,000	250,000,000	25,000,000
Created during the year	<u>250,000,000</u>	<u>25,000,000</u>	<u>-</u>	<u>-</u>
Balance as at 31 December	<u>500,000,000</u>	<u>50,000,000</u>	<u>250,000,000</u>	<u>25,000,000</u>
Issued and fully paid:				
Balance as at 1 January/31 December	<u>206,768,100</u>	<u>20,676,810</u>	<u>206,768,100</u>	<u>20,676,810</u>

- (a) During the financial year, the Company increased its authorised share capital from RM25,000,000 comprising 250,000,000 ordinary shares of RM0.10 each to RM50,000,000 comprising 500,000,000 ordinary shares of RM0.10 each by the creation of an additional 250,000,000 ordinary shares of RM0.10 each.

The owners of the parent are entitled to receive dividend as and when declared by the Company and are entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the Company's residual assets.

## 15. SHARE CAPITAL (continued)

### (b) Warrants

On 18 July 2014, the Company issued 103,384,031 2014/2019 free Warrants (“the Warrants 2014/2019”) on the basis of one (1) free warrant for every two (2) existing ordinary shares held of RM0.10 each. The Warrants are constituted under a Deed Poll dated 1 July 2014 (“Deed Poll”). The Warrants 2014/2019 were listed on Main Market of Bursa Malaysia Securities Berhad on 24 July 2014.

The salient features of the Warrants 2014/2019 are as follows:

- (i) the Warrants 2014/2019 entitle its registered holders to subscribe for one (1) new ordinary share of the Company of RM0.10 each at the exercise price during the exercise period;
- (ii) the exercise price of each Warrant has been fixed at RM0.68 per Warrant;
- (iii) the Warrants 2014/2019 may be exercised at any time during the tenure of the Warrants of five (5) years including and commencing from the issue date of the Warrants dated 18 July 2014 and ending on the expiry date to be dated 17 July 2019 (“exercise period”). Any Warrants which have not been exercised by the expiry of the exercise period will lapse and therefore cease to be valid for any purpose; and
- (iv) the new shares will, upon allotment and issue, rank *pari passu* in all respects with the then existing shares save and except that they will not be entitled to any dividends, rights, allotment or other forms of distributions for which the relevant entitlement precedes the date of allotment and issuance of the new shares arising from the exercise of the Warrants.

As at 31 December 2014, unexercised warrants of the Company are as follows:

Date granted	Exercise price	No. of warrants over ordinary shares	Warrant expiry date
18 July 2014	RM 0.68	103,384,031	17 July 2019

## 16. RESERVES

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Distributable:				
Retained earnings	<u>21,914,272</u>	<u>18,455,315</u>	<u>22,032,166</u>	<u>18,821,330</u>

The Company is under the single tier system and as a result, there are no longer any restrictions on the Company to frank the payment of dividends out of its retained earnings as at the end of the reporting period.



## 18. TERM LOAN (SECURED)

	<b>Group and Company</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM</b>	<b>RM</b>
Repayable as follows:		
<b>Current liabilities</b>		
- not later than one (1) year	981,108	-
<b>Non-current liabilities</b>		
- later than one (1) year but not later than five (5) years	3,924,432	-
- more than five (5) years	2,277,786	-
	<u>6,202,218</u>	<u>-</u>
	<u>7,183,326</u>	<u>-</u>

The term loan of the Group and of the Company is secured by a first party charge over the long term leasehold land and building of the Group and of the Company as disclosed in Note 7 to the financial statements.

The term loan is repayable by 120 monthly instalments with the fixed amounts of RM81,759 with effect from one month after the date of full release of the loan.

The term loan of the Group and of the Company bears interest at BLR-2.40% based on the outstanding amount of the term loan after setting off against the available balance in the current account of the Group and of the Company maintained in the same financial institution where the term was drawdown.

Information on financial risks of term loan is disclosed in Note 33 to the financial statements.

## 19. HIRE PURCHASE AND FINANCE LEASE LIABILITIES

	<b>Group and Company</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM</b>	<b>RM</b>
Minimum hire purchase and finance lease payments:		
- not later than one (1) year	51,960	444,477
- later than one (1) year but not later than five (5) years	-	51,960
	<u>51,960</u>	<u>496,437</u>
Total minimum hire purchase and finance lease payments	51,960	496,437
Less: Future interest charges	(598)	(9,474)
	<u>51,362</u>	<u>486,963</u>
Present value of hire purchase and finance lease payments	<u>51,362</u>	<u>486,963</u>

**19. HIRE PURCHASE AND FINANCE LEASE LIABILITIES (continued)**

	<b>Group and Company</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM</b>	<b>RM</b>
Repayable as follows:		
<b>Current liabilities</b>		
- not later than one (1) year	51,362	435,601
<b>Non-current liabilities</b>		
- later than one (1) year but not later than five (5) years	-	51,362
	<u>51,362</u>	<u>486,963</u>

The hire purchase and finance lease liabilities of the Group and of the Company bear interest at 3% (2013: 3%) per annum.

Information on financial risks of hire purchase and finance lease liabilities is disclosed in Note 33 to the financial statements.

**20. TRADE AND OTHER PAYABLES**

	<b>Group</b>		<b>Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Current</b>				
<b>Trade payables</b>				
Third parties	680,907	480,019	657,698	472,179
<b>Other payables</b>				
Other payables	194,080	158,433	220,030	159,461
Accruals	1,312,962	1,099,641	1,052,369	996,309
Advance billings	1,214,629	879,506	651,043	592,284
	<u>2,721,671</u>	<u>2,137,580</u>	<u>1,923,442</u>	<u>1,748,054</u>
	<u>3,402,578</u>	<u>2,617,599</u>	<u>2,581,140</u>	<u>2,220,233</u>

- (a) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group and the Company is 60 days (2013: 60 days) from date of invoice.
- (b) Included in other payables are advance billings in relation to services not rendered during the financial year amounting to RM1,214,629 and RM651,043 (2013: RM879,506 and RM592,284) of the Group and the Company respectively.
- (c) Included in accruals of the Group and the Company are payroll related accruals amounting to RM730,869 (2013: RM766,021).
- (d) The trade and other payables are denominated in Ringgit Malaysia ('RM').
- (e) Information on financial risks of trade and other payables is disclosed in Note 33 to the financial statements.

## 21. DEFERRED TAX LIABILITIES

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority.

The following amounts are shown in the statements of financial position:

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Deferred tax liabilities	<u>346,047</u>	<u>880,128</u>	<u>305,009</u>	<u>880,128</u>

(a) The deferred tax liabilities are made up of the following:

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Balance as at 1 January	880,128	870,798	880,128	870,798
Acquisition of a subsidiary (Note 34)	12,800	-	-	-
Recognised in profit or loss (Note 26)	<u>(546,881)</u>	<u>9,330</u>	<u>(575,119)</u>	<u>9,330</u>
Balance as at 31 December	<u>346,047</u>	<u>880,128</u>	<u>305,009</u>	<u>880,128</u>

(b) The components and movements of deferred tax liabilities during the financial year are as follows:

	Property, plant and equipment	
	2014 RM	2013 RM
<b>Deferred tax liabilities of the Group</b>		
Balance as at 1 January	880,128	870,798
Acquisition of a subsidiary (Note 34)	12,800	-
Recognised in profit or loss	<u>(546,881)</u>	<u>9,330</u>
Balance as at 31 December	<u>346,047</u>	<u>880,128</u>

	Property, plant and equipment	
	2014 RM	2013 RM
<b>Deferred tax liabilities of the Company</b>		
Balance as at 1 January	880,128	870,798
Recognised in profit or loss	<u>(575,119)</u>	<u>9,330</u>
Balance as at 31 December	<u>305,009</u>	<u>880,128</u>

## 21. DEFERRED TAX LIABILITIES (continued)

- (c) The amounts of temporary differences for which no deferred tax assets have been recognised in the statements of financial position are as follows:

	<b>Group</b>	
	<b>2014 RM</b>	<b>2013 RM</b>
Other temporary differences	(93,736)	(77,370)
Unused tax losses	3,284,329	3,158,209
Unabsorbed capital allowances	195,221	146,257
	<u>3,385,814</u>	<u>3,227,096</u>

Deferred tax assets of certain subsidiaries have not been recognised in respect of these items as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

The deductible temporary differences do not expire under the current tax legislation.

## 22. REVENUE

	<b>Group</b>		<b>Company</b>	
	<b>2014 RM</b>	<b>2013 RM</b>	<b>2014 RM</b>	<b>2013 RM</b>
Application solutions:				
- Software	3,835,044	2,465,030	3,170,524	2,408,269
- Hardware	409,160	1,355,541	409,160	1,355,542
Maintenance services	1,702,896	2,489,609	1,681,154	2,486,309
Application service provider	15,926,961	14,315,654	15,195,140	13,828,359
	<u>21,874,061</u>	<u>20,625,834</u>	<u>20,455,978</u>	<u>20,078,479</u>

## 23. COST OF SALES

	<b>Group</b>		<b>Company</b>	
	<b>2014 RM</b>	<b>2013 RM</b>	<b>2014 RM</b>	<b>2013 RM</b>
Hardware sold	378,723	1,255,958	378,723	1,255,958
Amortisation of product development costs (Note 8)	996,119	969,880	778,826	810,942
Amortisation of intangible assets	-	50,500	-	50,500
Project costs	359,318	618,773	960,099	649,833
Data centre and line expenses	1,276,691	1,039,885	1,271,205	1,033,318
Direct technical staff costs	3,036,615	2,310,394	2,641,004	2,172,238
License fees	230,517	259,480	170,961	215,710
Other expenses	220,027	70,532	98,896	54,618
	<u>6,498,010</u>	<u>6,575,402</u>	<u>6,299,714</u>	<u>6,243,117</u>

## 24. FINANCE COSTS

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Interest expense on:				
Hire purchase liabilities	7,528	16,132	7,528	16,132
Finance lease liabilities	1,348	24,876	1,348	24,876
Term loan	916	-	916	-
	<u>9,792</u>	<u>41,008</u>	<u>9,792</u>	<u>41,008</u>

## 25. PROFIT BEFORE TAX

	Note	Group		Company	
		2014 RM	2013 RM	2014 RM	2013 RM
Profit before tax is arrived at after charging:					
Amortisation of product development costs	8	996,119	969,880	778,826	810,942
Amortisation of intangible assets		-	50,500	-	50,500
Auditors' remuneration					
- statutory		55,500	51,000	46,000	46,000
- other services		6,100	1,500	4,500	1,500
Depreciation of property, plant and equipment	7	1,414,768	1,164,270	1,373,330	1,140,657
Directors' remuneration					
- fees		321,900	300,000	321,900	300,000
- other emoluments		1,247,914	1,079,571	996,172	850,475
Fair value adjustments on loans to a subsidiary		-	-	-	160,116
Rental of premises		5,880	11,760	-	-
Impairment loss on trade receivables	13	-	49,600	-	49,600
Interest expense on:					
- hire purchase and finance lease liabilities	24	8,876	41,008	8,876	41,008
- term loan	24	916	-	916	-
Loss on disposal of property, plant and equipment		10,018	3,774	10,018	3,774
Product development costs written off	8	451,304	-	451,304	-
Property, plant and equipment written off	7	1,622	1	1,449	1
And crediting:					
Gain on disposal of long term leasehold land and building		(1,392,668)	-	(1,392,668)	-
Interest income from:					
- short term funds		(317,521)	(703,755)	(317,521)	(703,755)
- deposits with licensed banks		(1,101)	(10,140)	(1,101)	(10,140)
- amount owing by a subsidiary		-	-	(105,743)	(97,404)
- others		(800)	(420)	(95)	(420)

## 25. PROFIT BEFORE TAX (continued)

	Note	Group		Company	
		2014 RM	2013 RM	2014 RM	2013 RM
And crediting (continued):					
Gain on foreign exchange:					
- Realised		(1,187)	(34,605)	(1,187)	(34,605)
- Unrealised		(28,668)	(35,985)	(28,668)	(35,985)
Reversal of impairment loss on trade receivables	13	-	(40,149)	-	(40,149)

## 26. TAX EXPENSE

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Current year tax expense based on profit for the financial year	2,098,189	2,239,089	2,078,293	2,239,089
- (Over)/Under-provision in prior year	(69,910)	84,407	(69,910)	84,407
	2,028,279	2,323,496	2,008,383	2,323,496
Deferred tax (Note 21)				
- Relating to origination and reversal of temporary differences	(446,190)	9,330	(470,689)	9,330
- Over-provision in prior year	(100,691)	-	(104,430)	-
	(546,881)	9,330	(575,119)	9,330
	1,481,398	2,332,826	1,433,264	2,332,826

The subsidiaries, Insage (MSC) Sdn. Bhd. ('Insage') and Capital Market Risk Advisor Sdn. Bhd. ('CMRA') have been awarded Multimedia Super Corridor status by the Government of Malaysia. Accordingly, there is no tax charge on the business income of the subsidiaries as the subsidiaries have been granted Pioneer Status under the Promotion of Investments (Amendment) Act, 1997. The Pioneer Status was for the period from 23 March 2009 to 22 March 2014 and 26 November 2013 to 26 October 2018 for Insage and CMRA respectively.

The salient terms of the Pioneer Status are as follows:

- (i) 100% tax exemption on business income;
- (ii) unabsorbed pioneer capital allowances can be carried forward to the post pioneer period; and
- (iii) unabsorbed pioneer losses can be carried forward to the post pioneer period.

The Pioneer Status of Insage had expired on 22 March 2014. On 15 May 2014, the management obtained approval for extension of the Pioneer Status from the relevant authorities from 23 March 2014 to 22 March 2019.

## 26. TAX EXPENSE (continued)

Malaysian income tax is calculated at the statutory tax rate of 25% (2013: 25%) of the estimated taxable profit for the fiscal year.

The numerical reconciliations between tax expense and the product of accounting profit multiplied by the applicable tax rates of the Group and of the Company are as follows:

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Profit before tax	10,325,410	9,289,328	9,813,302	9,410,765
Taxation at statutory tax rate of 25% (2013: 25%)	2,581,353	2,322,332	2,453,326	2,352,691
Tax effects in respect of:				
Non-allowable expenses	192,185	125,567	92,775	98,658
Non-taxable income	(595,060)	(242,959)	(567,808)	(202,930)
Tax exempt income under pioneer status	(195,469)	(94,886)	-	-
Real property gains tax	100,000	-	100,000	-
Reversal of temporary differences on disposal of long term leasehold land and building	(470,689)	-	(470,689)	-
Deferred tax assets not recognised	39,679	138,365	-	-
	<u>1,651,999</u>	<u>2,248,419</u>	<u>1,607,604</u>	<u>2,248,419</u>
(Over)/Under-provision of income tax in prior year	(69,910)	84,407	(69,910)	84,407
Over-provision of deferred tax in prior year	<u>(100,691)</u>	<u>-</u>	<u>(104,430)</u>	<u>-</u>
	<u>1,481,398</u>	<u>2,332,826</u>	<u>1,433,264</u>	<u>2,332,826</u>

## 27. EARNINGS PER ORDINARY SHARE

### (a) Basic earnings per ordinary share

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2014	2013
Profit attributable to equity holders of the parent (RM)	<u>8,628,159</u>	<u>7,000,678</u>
Weighted average number of ordinary shares in issue	<u>206,768,100</u>	<u>206,768,100</u>
Basic earnings per share (sen)	<u>4.17</u>	<u>3.39</u>

## 27. EARNINGS PER ORDINARY SHARE (continued)

### (b) Diluted earnings per ordinary share

The diluted earnings per ordinary share is same as the basic earnings per share because the effect of the assumed conversion of warrants outstanding will be anti-dilutive and the Company has no other dilutive potential ordinary share in issue as at the end of the reporting period.

## 28. DIVIDENDS

	<b>Group and Company</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM</b>	<b>RM</b>
In respect of the financial year ended 31 December 2014:		
- First interim tax exempt dividend of 1.5 sen per ordinary share, paid on 28 March 2014	3,101,521	-
- Second interim tax exempt dividend of 1.0 sen per ordinary share, paid on 22 December 2014	2,067,681	-
In respect of the financial year ended 31 December 2013:		
- First interim tax exempt dividend of 1.5 sen per ordinary share, paid on 8 July 2013	-	3,101,522
- Second interim tax exempt dividend of 2.5 sen per ordinary share, paid on 10 October 2013	-	5,169,202
	<u>5,169,202</u>	<u>8,270,724</u>

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

## 29. EMPLOYEE BENEFITS

	<b>Group</b>		<b>Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Wages, salaries and bonuses	8,306,396	6,780,468	6,787,051	5,983,370
Contributions to defined contribution plan	213,857	212,708	140,682	206,595
Social security contributions	14,908	12,762	10,341	12,142
Other employee benefits	220,435	155,265	185,180	145,699
	<u>8,755,596</u>	<u>7,161,203</u>	<u>7,123,254</u>	<u>6,347,806</u>

Included in employee benefits of the Group and of the Company are Executive Directors' remuneration amounting to RM1,247,914 (2013: RM1,079,571) and RM996,172 (2013: RM850,475) respectively.

### 30. RELATED PARTY DISCLOSURE

(a) Identities of related parties

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

The Company has controlling related party relationship with its direct subsidiaries.

Related parties of the Group include:

- (i) Direct subsidiaries as disclosed in Note 11 to the financial statements; and
- (ii) Key management personnel who are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Company, and certain members of the senior management of the Group.

(b) Significant related party transactions

In addition to the transactions detailed elsewhere in the financial statements, the Company had the following transactions with related parties during the financial year:

	<b>Company</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM</b>	<b>RM</b>
Subsidiary, Insage (MSC) Sdn. Bhd.:		
Cost of services received	330,120	37,710
Subsidiary, Capital Market Risk Advisor Sdn. Bhd.:		
Cost of services received	<u>287,903</u>	<u>15,000</u>

The related party transactions described above were carried out based on negotiated terms and conditions and mutually agreed with the related parties.

Information regarding outstanding balances arising from related party transactions as at 31 December 2014 is disclosed in Note 13 to the financial statements.

(c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any Director (whether executive or otherwise) of the Group and the Company.

The remuneration of the Directors and other key management personnel during the financial year were as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Short term employee benefits	2,173,246	1,882,143	1,411,757	1,433,569
Contributions to defined contribution plan	<u>427,360</u>	<u>254,970</u>	<u>357,359</u>	<u>199,054</u>
	<u>2,600,606</u>	<u>2,137,113</u>	<u>1,769,116</u>	<u>1,632,623</u>

### 31. OPERATING SEGMENTS

Excel Force and its subsidiaries are principally engaged in the development, provision and maintenance of computer software application solutions for the financial services industry.

Excel Force has arrived at three (3) reportable segments that are organised and managed separately according to the nature of products and services, which requires different business and marketing strategies. The reportable segments are summarised as follows:

- (a) Application solutions division  
- Sales of software application and product on an outright purchase basis
- (b) Maintenance services division  
- Provision of maintenance services
- (c) Application services provider division  
- Income from outsourcing services charge which is volume and transaction based

The accounting policies of operating segments are the same as those described in the summary of significant accounting policies.

The Group evaluates performance on the basis of profit or loss from operations before tax. Group income taxes are managed on a group basis and are not allocated to operating segments.

Inter-segment revenue is priced along the same lines as sales to external customers and is eliminated in the consolidated financial statements. These policies have been applied consistently throughout the current and previous financial years.

Segment assets exclude tax assets and segment liabilities exclude tax liabilities. Details are provided in the reconciliations from segment assets and liabilities to the Group position.

<b>2014</b>	<b>Application solutions division RM</b>	<b>Maintenance services division RM</b>	<b>Application services provider division RM</b>	<b>Total RM</b>
<b>Revenue</b>				
Total revenue	4,244,204	1,702,896	16,544,984	22,492,084
Inter-segment revenue	-	-	(618,023)	(618,023)
Revenue from external customers	<u>4,244,204</u>	<u>1,702,896</u>	<u>15,926,961</u>	<u>21,874,061</u>
<b>Results</b>				
Segment results	2,197,636	1,024,440	6,793,704	10,015,780
Finance costs	-	-	(9,792)	(9,792)
Interest income from short term funds and deposits with licensed banks	61,977	24,867	232,578	<u>319,422</u>
Profit before tax				10,325,410
Income tax expense				<u>(1,481,398)</u>
Profit for the financial year				<u><u>8,844,012</u></u>

**31. OPERATING SEGMENTS (continued)**

<b>2014</b>	<b>Application solutions division RM</b>	<b>Maintenance services division RM</b>	<b>Application services provider division RM</b>	<b>Total RM</b>
<b>Segment assets</b>	<b>10,581,033</b>	<b>4,245,413</b>	<b>39,706,784</b>	<b>54,533,230</b>
<b>Segment liabilities</b>	<b>2,063,939</b>	<b>828,111</b>	<b>7,745,216</b>	<b>10,637,266</b>
<b>Other segment information:</b>				
Capital expenditure	3,154,918	1,265,843	11,839,263	16,260,024
Depreciation of property, plant and equipment	274,506	110,140	1,030,122	1,414,768
Amortisation of product development costs	193,276	77,548	725,295	996,119
Product development costs written off	87,566	35,134	328,604	451,304
Gain on disposal of property, plant and equipment	(268,275)	(107,639)	(1,006,736)	(1,382,650)
<b>2013</b>	<b>Application solutions division RM</b>	<b>Maintenance services division RM</b>	<b>Application services provider division RM</b>	<b>Total RM</b>
<b>Revenue</b>				
Total revenue	3,820,571	2,489,609	14,368,364	20,678,544
Inter-segment revenue	-	-	(52,710)	(52,710)
Revenue from external customers	<u>3,820,571</u>	<u>2,489,609</u>	<u>14,315,654</u>	<u>20,625,834</u>
<b>Results</b>				
Segment results	1,637,044	1,033,923	5,945,054	8,616,021
Finance costs	-	-	(41,008)	(41,008)
Interest income from short term funds and deposits with licensed banks	132,314	86,220	495,781	<u>714,315</u>
Profit before tax				9,289,328
Income tax expense				<u>(2,332,826)</u>
Profit for the financial year				<u><u>6,956,502</u></u>

### 31. OPERATING SEGMENTS (continued)

<b>2013</b>	<b>Application solutions division RM</b>	<b>Maintenance services division RM</b>	<b>Application services provider division RM</b>	<b>Total RM</b>
<b>Segment assets</b>	<b>8,277,817</b>	<b>5,228,095</b>	<b>30,061,545</b>	<b>43,567,457</b>
<b>Segment liabilities</b>	<b>497,344</b>	<b>314,112</b>	<b>2,293,106</b>	<b>3,104,562</b>
<b>Other segment information:</b>				
Capital expenditure	105,190	66,436	382,007	553,633
Depreciation of property, plant and equipment	221,211	139,712	803,347	1,164,270
Amortisation of product development costs	184,277	116,386	669,217	969,880
Amortisation of intangible assets	9,595	6,060	34,845	50,500
Impairment loss on trade receivables	9,424	5,952	34,224	49,600
Loss on disposal of property, plant and equipment	717	453	2,604	3,774
Reversal of impairment loss on trade receivables	(7,628)	(4,818)	(27,703)	(40,149)

Reconciliations of reportable segment revenue and liabilities to the Group's corresponding amounts are as follows:

<b>Revenue</b>	<b>2014 RM</b>	<b>2013 RM</b>
Total revenue for reportable segments	22,492,084	20,678,544
Elimination of inter-segmental revenue	<u>(618,023)</u>	<u>(52,710)</u>
Revenue of the Group per consolidated statement of profit or loss and other comprehensive income	<u>21,874,061</u>	<u>20,625,834</u>
<b>Liabilities</b>	<b>2014 RM</b>	<b>2013 RM</b>
Total liabilities for reportable segments	10,637,266	3,104,562
Tax liabilities	<u>814,236</u>	<u>1,318,725</u>
Liabilities of the Group per consolidated statement of financial position	<u>11,451,502</u>	<u>4,423,287</u>

#### **Geographical information**

The Group operates predominantly in Malaysia.

### 31. OPERATING SEGMENTS (continued)

#### Major customers

The following are major customers with revenue equal or more than ten (10) percent of Group revenue:

	2014 RM	2013 RM	Segment
Customer A	4,308,175	2,644,780	Application services provider division
Customer B	1,206,662	2,063,464	Application solutions division
Customer C	2,529,283	1,702,466	Application services provider division
Customer D	2,840,600	2,455,575	Application services provider division
	<u>10,884,720</u>	<u>8,866,285</u>	

### 32. FINANCIAL INSTRUMENTS

#### (a) Capital management

The primary objective of the Group's capital management is to ensure that entities of the Group would be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity ratio. The overall strategy of the Group remains unchanged from that in the previous financial year.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2014 and 31 December 2013.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, loans and borrowings, trade and other payables, less cash and bank balances. Capital represents equity attributable to the owners of the parent.

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Borrowings	7,234,688	486,963	7,234,688	486,963
Trade and other payables	3,402,578	2,617,599	2,581,140	2,220,233
Total liabilities	10,637,266	3,104,562	9,815,828	2,707,196
Less: Cash and bank balances (Note 14)	<u>(20,547,111)</u>	<u>(24,043,839)</u>	<u>(19,555,739)</u>	<u>(23,867,806)</u>
Net (asset)/debt	<u>(9,909,845)</u>	<u>(20,939,277)</u>	<u>(9,739,911)</u>	<u>(21,160,610)</u>
Total equity	43,081,728	39,144,170	42,708,976	39,498,140
Gearing ratio	*	*	*	*

\* It is not applicable due to net asset position.

### 32. FINANCIAL INSTRUMENTS (continued)

(a) Capital management (continued)

The Company has complied with Practice Note No. 17/2005 of the Bursa Malaysia Securities for the financial year ended 31 December 2014.

(b) Categories of financial instruments

<b>Group 2014</b>	<b>Loans and receivables RM</b>	<b>Total RM</b>
<b>Financial assets</b>		
Trade and other receivables, net of deposits and prepayments	6,114,542	6,114,542
Cash and bank balances	20,547,111	20,547,111
	<u>26,661,653</u>	<u>26,661,653</u>
<b>Other financial liabilities</b>		
	<b>RM</b>	<b>Total RM</b>
<b>Financial liabilities</b>		
Borrowings	7,234,688	7,234,688
Trade and other payables	3,402,578	3,402,578
	<u>10,637,266</u>	<u>10,637,266</u>
<b>Company 2014</b>		
<b>Financial assets</b>		
Trade and other receivables, net of deposits and prepayments	8,222,786	8,222,786
Cash and bank balances	19,555,739	19,555,739
	<u>27,778,525</u>	<u>27,778,525</u>
<b>Other financial liabilities</b>		
	<b>RM</b>	<b>Total RM</b>
<b>Financial liabilities</b>		
Borrowings	7,234,688	7,234,688
Trade and other payables	2,581,140	2,581,140
	<u>9,815,828</u>	<u>9,815,828</u>

### 32. FINANCIAL INSTRUMENTS (continued)

(b) Categories of financial instruments (continued)

<b>Group 2013</b>	<b>Loans and receivables RM</b>	<b>Total RM</b>
<b>Financial assets</b>		
Trade and other receivables, net of deposits and prepayments	2,472,814	2,472,814
Cash and bank balances	24,043,839	24,043,839
	<u>26,516,653</u>	<u>26,516,653</u>
	<b>Other financial liabilities RM</b>	<b>Total RM</b>
<b>Financial liabilities</b>		
Borrowings	486,963	486,963
Trade and other payables	2,617,599	2,617,599
	<u>3,104,562</u>	<u>3,104,562</u>
	<b>Loans and receivables RM</b>	<b>Total RM</b>
<b>Company 2013</b>		
<b>Financial assets</b>		
Trade and other receivables, net of deposits and prepayments	4,489,644	4,489,644
Cash and bank balances	23,867,806	23,867,806
	<u>28,357,450</u>	<u>28,357,450</u>
	<b>Other financial liabilities RM</b>	<b>Total RM</b>
<b>Financial liabilities</b>		
Borrowings	486,963	486,963
Trade and other payables	2,220,233	2,220,233
	<u>2,707,196</u>	<u>2,707,196</u>

### 32. FINANCIAL INSTRUMENTS (continued)

(c) Methods and assumptions used to estimate fair value

The fair values of financial assets and financial liabilities are determined as follows:

- (i) Financial instruments that are not carried at fair value and whose carrying amounts are at reasonable approximation of fair value

The carrying amounts of certain financial assets and liabilities, such as trade and other receivables, trade and other payables and current amount owing by a subsidiary are reasonable approximation of fair value due to their short-term nature.

- (ii) Hire purchase and finance lease liabilities

The fair value of these financial instruments is estimated based on the future contractual cash flows discounted at current market interest rates available for similar financial instruments and of the same remaining maturities.

- (iii) Other receivables (amount owing by a subsidiary)

The fair values of these financial instruments are estimated by discounting the expected future cash flows at market lending rates for similar types of lending, borrowing or leasing arrangements at the end of the reporting period. At the end of the reporting period, these amounts are carried at amortised costs and the carrying amounts are approximate to their fair values.

(d) Fair value hierarchy

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Fair value of non-derivative financial liabilities, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. In respect of the borrowings, the market rate of interest is determined by reference to similar borrowing arrangements.

Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The significant unobservable inputs used in determining the fair value measurement of Level 3 financial instruments as well as the relationship between key unobservable inputs and fair value, is detailed in the table below:

<b>Financial instruments</b>	<b>Valuation technique used</b>	<b>Significant unobservable inputs</b>	<b>Inter-relationship between key unobservable inputs and fair value</b>
<u>Financial assets</u> Amount owing by a subsidiary	Discounted cash flows method	Discount rate (1.75% to 6.60%)	The higher the discount rate, the lower the fair value of the financial assets would be.

**32. FINANCIAL INSTRUMENTS (continued)**

(d) Fair value hierarchy (continued)

The following tables set out the financial instruments carried at fair value and those 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.

Group and Company	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM		
<b>2014</b>										
<b>Financial liabilities</b>										
<b>Other financial liabilities</b>										
- Hire purchase and lease creditors	-	-	-	-	-	50,981	-	50,981	50,981	51,362
<b>2013</b>										
<b>Financial liabilities</b>										
<b>Other financial liabilities</b>										
- Hire purchase and lease creditors	-	-	-	-	-	475,875	-	475,875	475,875	486,963

### 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial risk management objective is to optimise value creation for shareholders whilst minimising the potential adverse impact arising from fluctuations in foreign currency exchange and interest rates and the unpredictability of the financial markets.

The Group operates within an established risk management framework and clearly defined guidelines that are regularly reviewed by the Board of Directors and does not trade in derivative financial instruments. Financial risk management is carried out through risk review programmes, internal control systems, and adherence to the Group financial risk management policies. The Group is exposed mainly to credit risk, liquidity and cash flow risk, interest rate risk and foreign currency risk. Information on the management of the related exposures is detailed below.

(i) Credit risk

Cash deposits and trade receivables could give rise to credit risk which requires the loss to be recognised if a counter party fails to perform as contracted. The counter parties are major financial institutions and reputable stockbroking companies. It is the Group's policy to monitor the financial standing of counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

The Group's primary exposure to credit risk arises through its trade receivables while the Company's primary exposure is through the amount owing by a subsidiary. The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of two (2) months, extending up to three (3) months for major customers. The Group seeks to maintain strict control over its outstanding receivables via a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Credit risk concentration profile

As at 31 December 2014, other than the amounts owing by five (5) major receivables of the Group and of the Company constituting 59% (2013: 35%) and 46% (2013: 25%) respectively of the total receivables of the Group and the amount owing by subsidiary constituting 23% (2013: 32%) of the total receivables of the Company, there was no significant concentrations of credit risk.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 13 to the financial statements. Deposits with banks and other financial institutions that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 13 to the financial statements.

### 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Liquidity and cash flow risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all operating, investing and financing needs are met. In liquidity risk management strategy, the Group measures and forecasts its cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance the Group's activities.

The Group is actively managing its operating cash flows to ensure that all commitments and funding needs are met. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group aims at maintaining flexibility in funding by keeping committed credit lines available.

At the end of the reporting period, approximately 14% (2013: 89%) of the Group's borrowings (Note 17) will mature in less than one (1) year based on the carrying amount reflected in the financial statements at the end of each reporting period.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	<b>On demand or within one year RM</b>	<b>One to five years RM</b>	<b>Over five years RM</b>	<b>Total RM</b>
<b>As at 31 December 2014</b>				
<b>Group</b>				
<b>Financial liabilities</b>				
Trade and other payables	3,402,578	-	-	3,402,578
Borrowings	1,033,068	3,924,432	2,277,786	7,235,286
	<hr/>			
Total undiscounted financial liabilities	4,435,646	3,924,432	2,277,786	10,637,864
	<hr/>			
<b>Company</b>				
<b>Financial liabilities</b>				
Trade and other payables	2,581,140	-	-	2,581,140
Borrowings	1,033,068	3,924,432	2,277,786	7,235,286
	<hr/>			
Total undiscounted financial liabilities	3,614,208	3,924,432	2,277,786	9,816,426
	<hr/>			

### 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Liquidity and cash flow risk (continued)

	<b>On demand or within one year RM</b>	<b>One to five years RM</b>	<b>Total RM</b>
<b>As at 31 December 2013</b>			
<b>Group</b>			
<b>Financial liabilities</b>			
Trade and other payables	2,617,599	-	2,617,599
Borrowings	444,477	51,960	496,437
Total undiscounted financial liabilities	<u>3,062,076</u>	<u>51,960</u>	<u>3,114,036</u>
<b>Company</b>			
<b>Financial liabilities</b>			
Trade and other payables	2,220,233	-	2,220,233
Borrowings	444,477	51,960	496,437
Total undiscounted financial liabilities	<u>2,664,710</u>	<u>51,960</u>	<u>2,716,670</u>

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to changes in interest rates relates primarily to the Group's deposits with banks and interest bearing debt obligations. The Group does not use derivative financial instruments to hedge its risk but regularly reviews its debt portfolio to enable it to source low interest funding. The Group's deposits are placed at fixed rates and management endeavours to obtain the best rate available in the market.

#### Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity of the Group and the Company if interest rates at the end of reporting period changed by fifty (50) basis points with all other variables held constant:

		<b>Group and Company Profit after tax</b>	
		<b>2014 RM</b>	<b>2013 RM</b>
Short term funds	- 50 basis points higher	+63,735	+87,885
	- 50 basis points lower	-63,735	-87,885
Deposits with licensed banks	- 50 basis points higher	+1,100	+2,535
	- 50 basis points lower	-1,100	-2,535
Hire purchase and finance lease liabilities	- 50 basis points higher	-1,009	-2,763
	- 50 basis points lower	+1,009	+2,763
Term loan	- 50 basis points higher	-13,469	-
	- 50 basis points lower	<u>+13,469</u>	<u>-</u>

### 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iii) Interest rate risk (continued)

The following tables set out the carrying amounts, the weighted average effective interest rates as at the end of the reporting period and the remaining maturities of the Group's and the Company's financial instruments that are exposed to interest rate risk:

Group and Company At 31 December 2014	Note	Weighted average effective interest rate %	Within 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	More than 5 years	Total RM
			RM	RM	RM	RM	RM	RM	
<b>Fixed rates</b>									
Short term funds	14	3.48	11,491,029	-	-	-	-	-	11,491,029
Deposits with licensed banks	14	0.45	175,284	-	-	-	-	-	175,284
Hire purchase and finance lease liabilities	19	3.00	(51,362)	-	-	-	-	-	(51,362)
<b>Floating rate</b>									
Term loan	18	4.20	(981,108)	(981,108)	(981,108)	(981,108)	(981,108)	(2,277,786)	(7,183,326)
<b>At 31 December 2013</b>									
<b>Fixed rates</b>									
Short term funds	14	2.82	22,500,766	-	-	-	-	-	22,500,766
Deposits with licensed banks	14	2.48	411,278	-	-	-	-	-	411,278
Hire purchase and finance lease liabilities	19	3.00	(435,601)	(51,362)	-	-	-	-	(486,963)

### 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iv) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument would fluctuate because of changes in foreign exchange rates.

The Group and the Company are exposed to foreign currency risk on transactions that are denominated in currencies other than the functional currencies of the operating entities.

The Group also holds cash and bank balances denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances in United States Dollar amounted to RM299,708 (2013: RM429,132), in Singapore Dollar amounted to RM14,606 (2013: RM1,022) and in New Taiwan Dollar amounted to RM2,549 (2013: RM2,645) for the Group.

#### Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the United States Dollar ('USD'), Singapore Dollar ('SGD') and New Taiwan Dollar ('TWD') exchange rates against the functional currency of the Group's entities, with all other variables held constant.

		<b>Group and Company</b>	
		<b>2014</b>	<b>2013</b>
		<b>RM</b>	<b>RM</b>
<b>Profit after tax</b>			
USD/RM	-strengthen by 2% (2013: 2%)	4,496	7,591
	-weaken by 2% (2013: 2%)	(4,496)	(7,591)
SGD/RM	-strengthen by 2% (2013: 2%)	3,132	15
	-weaken by 2% (2013: 2%)	(3,132)	(15)
TWD/RM	-strengthen by 2%	38	40
	-weaken by 2%	(38)	(40)

### 34. ACQUISITIONS OF SUBSIDIARIES

- (a) In the previous financial year, on 9 May 2013, the Company acquired fifty two percent (52%) equity interest comprising 65,000 ordinary shares of RM1.00 each of the issued and paid up ordinary share capital of Capital Market Risk Advisor Sdn. Bhd. ('CMRA') for a cash consideration of RM65,000. CMRA is a company incorporated in Malaysia which is engaged in the development and provision of software application to financial services industry.

In the previous financial year, on 23 October 2013, CMRA increased its issued and paid up share capital of RM125,000 to RM250,000 by way of new issuance of 125,000 ordinary shares of RM1.00 each. On even date, the Company subscribed for an additional 65,000 ordinary shares of RM1.00 each in CMRA for a cash consideration of RM65,000. Consequently, there was no change in the effective equity interest held by the Company in CMRA.

### 34. ACQUISITIONS OF SUBSIDIARIES (continued)

- (a) The fair value of the identifiable assets and liabilities of CMRA as at the date of acquisition is as follows:

	<b>2013</b> <b>RM</b>
Cash and cash equivalents	<u>125,000</u>
Total identifiable net assets acquired (at 52%)	65,000
Purchase consideration settled in cash	<u>65,000</u>
Gain on bargain purchase	<u><u>-</u></u>

The acquisition had no material impact to the Group's financial statements.

- (b) On 3 November 2014, the Company acquired fifty one percent (51%) equity interest comprising 306,000 ordinary shares of RM1.00 each of the issued and paid up ordinary share capital of Winvest Global Sdn. Bhd. ('Winvest') for a cash consideration of RM306,000. Winvest is a company incorporated in Malaysia which is engaged in research, development and commercialisation of share investment solution and provision of investment education and training services to investors.

The fair value of the identifiable assets and liabilities of Winvest as at the date of acquisition is as follows:

	<b>2014</b> <b>RM</b>
Property, plant and equipment (Note 7)	186,533
Trade and other receivables	212,129
Cash and bank balances	1,027,363
Trade and other payables	(877,005)
Deferred tax liabilities (Note 21(a))	<u>(12,800)</u>
Total identifiable assets	536,220
Less: Non-controlling interests	<u>(262,748)</u>
Group's share of net assets (at 51%)	273,472
Add: Goodwill (Note 9)	<u>32,528</u>
Total cost of acquisition	306,000
Less: Cash and bank balances of subsidiary acquired	<u>(1,027,363)</u>
Net cash inflow of the Group on acquisition	<u><u>721,363</u></u>

The acquisition had no material impact to the Group's financial statements.

### 35. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) On 13 November 2013, the Company signed a Sale and Purchase Agreement ('SPA') to acquire a new long term leasehold land and building from Plaza 33 Sdn. Bhd. for a purchase consideration of RM14,500,000. The Company paid a deposit of 10% of the purchase consideration, which amounted to RM1,450,000 upon the signing of the SPA. The remaining purchase consideration for the new long term leasehold land and building was financed by partly cash and a new term loan facility of RM8,000,000 undertaken by the Company during the financial year. The acquisition of the new long term leasehold land and building was completed on 11 February 2014.

On 25 July 2014, the Company completed the disposal of the previous long term leasehold land and building of the Company for a cash consideration of RM5,000,000 which resulted in a gain on disposal of RM1,392,668. The gain on disposal was accounted for in the current year's financial statements of the Group and of the Company.

- (b) On 3 November 2014, the Company acquired fifty one percent (51%) equity interest comprising 306,000 ordinary shares of RM1.00 each of the issued and paid up ordinary share capital of Winvest Global Sdn. Bhd. ('Winvest') for a cash consideration of RM306,000. Winvest is a company incorporated in Malaysia which is engaged in research, development and commercialisation of share investment solution and provision of investment education and training services to investors.

The tentative fair value of the identifiable assets and liabilities of Winvest as at the date of acquisition are as follows:

	<b>RM</b>
Property, plant and equipment	186,533
Trade and other receivables	212,129
Cash and bank balances	1,027,363
Trade and other payables	(877,005)
Deferred tax liabilities	(12,800)
	<hr/>
Total identifiable assets	<u>536,220</u>

### 36. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

On 26 March 2015, the 52% owned subsidiary of the Group, Capital Market Risk Advisor Sdn. Bhd. ('CMRA') was served with a Writ of Summon and Statement of Claim ('SOC') issued by the Kuala Lumpur High Court Guaman No. 22IP-5-03/2015 by Risk-X Sdn. Bhd. ("RX") ("the Plaintiff") to restrain the selling and distributing of their software product known as ORMS V6 without permission.

In the SOC, the Plaintiff is claiming to restrain CMRA from using, selling or trading computer program software similar to computer program identified as ORMS V6 and to restrain CMRA from using ORMS V6 and declare the "pass off" of the said program as that of CMRA. The Plaintiff has claimed for general damages to be assessed and specific and exemplary damages without any quantification in their prayer and no interest was claimed.

On 3 April 2015, a Notice of Application (Ex-parte) was served by the Plaintiff to restrain CMRA from using, selling and dealing with ORMS V6 and to restrain three (3) ex-employees ('Defendants') of CMRA from continuing their employment with CMRA.

The hearing of the Notice of Application has been fixed on 11 May 2015 and the Company will be defending the suit.

**37. SUPPLEMENTARY INFORMATION ON REALISED AND UNREALISED PROFITS OR LOSSES**

The retained earnings as at the end of the reporting period may be analysed as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Total retained earnings of Excel Force MSC Berhad and its subsidiaries:				
- Realised	22,254,391	19,062,169	22,308,507	19,665,473
- Unrealised	<u>(317,379)</u>	<u>(844,143)</u>	<u>(276,341)</u>	<u>(844,143)</u>
	21,937,012	18,218,026	22,032,166	18,821,330
Less: Consolidation adjustments	<u>(22,740)</u>	<u>237,289</u>	<u>-</u>	<u>-</u>
Total retained earnings	<u><u>21,914,272</u></u>	<u><u>18,455,315</u></u>	<u><u>22,032,166</u></u>	<u><u>18,821,330</u></u>