Privasia Technology Berhad

(Company No. 825092-U)
(Incorporated in Malaysia)

and its subsidiaries

Financial statements for the year ended 31 December 2012

Privasia Technology Berhad
(Company No. 825092-U)
(Incorporated in Malaysia)
and its subsidiaries

Directors' report for the year ended 31 December 2012

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2012.

Principal activities

The Company is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries are as stated in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

Results

	Group RM	**Company RM**
Profit attributable to:		
Owners of the Company	4,939,068	3,135,655
Non-controlling interests	51,240	-
Net profit for the year	4,990,308	3,135,655

Reserves and provisions

There were no material transfers to or from reserves and provisions during the year under review, other than those disclosed in Note 7 and Note 13.

Dividends

Since the end of the previous financial year, the Company paid a single tier tax exempt final dividend of 0.2 sen per ordinary share totalling RM1,116,400 in respect of the year ended 31 December 2011 on 30 July 2012.

Subsequent to the financial year end, on 24 April 2013, the Directors proposed a single tier tax exempt final dividend of 0.3 sen per ordinary share totalling RM1,674,600 in respect of the year ended 31 December 2012. The financial statements for the current financial year do not reflect these dividends. Upon approval by the shareholders, the dividend payment will be accounted for in equity as an appropriation of retained earnings during the financial year ending 31 December 2013.

The Directors do not recommend any other dividends to be paid for the year under review.

Significant events during the year

The significant events during the financial year are as disclosed in Note 27 to the financial statements.

Subsequent events

The subsequent events are disclosed in Note 28 to the financial statements.

Directors of the Company

Directors who served since the date of the last report are:

Andre Anthony a/l Hubert Rene
Asgari bin Mohd Fuad Stephens
Brian Wong Wye Pong
Datuk Ali bin Abdul Kadir
Mohd Aqliff Shane Abdullah
Puvanesan a/l Subenthiran

Directors' interests

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM0.10 each			
	At 01.01.2012	**Bought**	**Sold**	**At 31.12.2012**
In the Company:				
Direct interest				
Andre Anthony a/l Hubert Rene	12,281,400	-	692,700	11,588,700
Asgari bin Mohd Fuad Stephens				
- others *	4,000,000	-	-	4,000,000
Brian Wong Wye Pong	500,000	-	-	500,000
Datuk Ali bin Abdul Kadir				
- own	18,530,400	-	-	18,530,400
- others **	1,666,000	-	-	1,666,000
Mohd Aqliff Shane Abdullah	58,329,100	-	17,601,000	40,728,100
Puvanesan a/l Subenthiran	15,981,400	-	-	15,981,400

Directors' interests (continued)

	Number of ordinary shares of RM0.10 each			
	At 01.01.2012	Bought	Sold	At 31.12.2012
Indirect interest				
By virtue of shares held by				
Anyotech Sdn. Bhd.				
- Andre Anthony a/l Hubert Rene	79,713,220	-	-	79,713,220
- Puvanesan a/l Subenthiran	79,713,220	-	-	79,713,220
Pancarthiran Sdn. Bhd.				
- Puvanesan a/l Subenthiran	71,172,500	-	-	71,172,500
Radiant Principles Sdn. Bhd.				
- Andre Anthony a/l Hubert Rene	76,836,300	-	-	76,836,300

* Deemed interest under Section 122(A) of the Act by virtue of shares held by his spouse and parent.

** Deemed interest under Section 6A(4) of the Act by virtue of shares held by Rio Capital Sdn. Bhd.

By virtue of their interests in the shares of the Company, all the Directors are also deemed interested in the shares of the subsidiaries during the financial year to the extent that Privasia Technology Berhad has an interest.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) 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.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of shares and debentures

There were no changes in the authorised issued and paid-up capital of the Company during the financial year.

There were no debentures issued 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 under review.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provisions made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

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

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year other than as disclosed in Note 29 to the financial statements.

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

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Other statutory information (continued)

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2012 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

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

....

Datuk Ali bin Abdul Kadir

....

Puvanesan a/l Subenthiran

Petaling Jaya

Date: 24 April 2013

Privasia Technology Berhad
(Company No. 825092-U)
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Statements of financial position as at 31 December 2012

		Group			Company		
	Note	**31.12.2012 RM**	**31.12.2011 RM**	**1.1.2011 RM**	**31.12.2012 RM**	**31.12.2011 RM**	**1.1.2011 RM**
Assets							
Property, plant and equipment	3	21,225,541	24,935,059	17,804,043	-	-	-
Investment property	4	6,362,764	6,431,579	6,500,000	-	-	-
Intangible assets	5	38,280,246	39,731,685	40,761,873	-	-	-
Investment in subsidiaries	6	-	-	-	57,933,179	56,820,000	56,820,000
Trade and other receivables	7	-	843,750	750,000	-	-	-
Deferred tax assets	15	82,033	-	-	-	-	-
Total non-current assets		65,950,584	71,942,073	65,815,916	57,933,179	56,820,000	56,820,000
Inventories	8	1,654,320	1,604,097	1,987,801	-	-	-
Work-in-progress	9	1,856,888	2,641,930	1,891,995	-	-	-
Tax recoverable	10	9,248	258,920	10,490	-	-	-
Available-for-sale financial assets	11	-	1,048,879	1,026,336	-	-	-
Trade and other receivables	7	26,524,958	17,872,122	15,120,918	920,891	29,620	3,250
Cash and cash equivalents	12	13,150,993	8,254,276	7,447,662	2,253	3,427	3,537
Total current assets		43,196,407	31,680,224	27,485,202	923,144	33,047	6,787
Total assets		109,146,991	103,622,297	93,301,118	58,856,323	56,853,047	56,826,787

Company No. 825092-U

Statements of financial position as at 31 December 2012 (continued)

		Group			Company		
	Note	**31.12.2012 RM**	**31.12.2011 RM**	**1.1.2011 RM**	**31.12.2012 RM**	**31.12.2011 RM**	**1.1.2011 RM**
Equity							
Share capital	13	55,820,002	55,820,002	55,820,002	55,820,002	55,820,002	55,820,002
Reserves	13	15,151,718	11,753,430	7,475,418	2,417,034	397,779	(883,902)
Total equity attributable to owners of the Company		70,971,720	67,573,432	63,295,420	58,237,036	56,217,781	54,936,100
Non-controlling interests		(19,818)	633,685	355,390	-	-	-
Total equity		70,951,902	68,207,117	63,650,810	58,237,036	56,217,781	54,936,100
Liabilities							
Loans and borrowings	14	16,021,221	18,912,224	18,378,430	-	-	-
Deferred tax liabilities	15	126,925	74,289	108,000	-	-	-
Total non-current liabilities		16,148,146	18,986,513	18,486,430	-	-	-
Loans and borrowing	14	8,090,910	7,881,555	4,906,011	-	-	-
Trade and other payables	16	12,728,148	8,074,223	6,091,976	574,559	635,266	1,890,687
Taxation		1,227,885	472,889	165,891	44,728	-	-
Total current liabilities		22,046,943	16,428,667	11,163,878	619,287	635,266	1,890,687
Total liabilities		38,195,089	35,415,180	29,650,308	619,287	635,266	1,890,687
Total equity and liabilities		109,146,991	103,622,297	93,301,118	58,856,323	56,853,047	56,826,787

The notes on pages 14 to 79 are an integral part of these financial statements.

Privasia Technology Berhad
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Statements of profit or loss and other comprehensive income for the year ended 31 December 2012

		Group		Company	
	Note	**2012**	**2011**	**2012**	**2011**
		RM	**RM**	**RM**	**RM**
Revenue		60,646,690	44,070,540	5,356,970	2,500,000
Cost of sales		(40,080,450)	(27,830,265)	-	-
Gross profit		20,566,240	16,240,275	5,356,970	2,500,000
Other income		328,091	452,933	-	-
Other operating expenses		(10,586,953)	(9,373,705)	(2,176,587)	(660,119)
Results from operating activities		10,307,378	7,319,503	3,180,383	1,839,881
Finance income		169,457	166,587	-	-
Finance cost		(1,582,040)	(1,721,453)	-	-
Profit before tax	17	8,894,795	5,764,637	3,180,383	1,839,881
Tax expense	18	(3,904,487)	(645,270)	(44,728)	-
Net profit for the year		4,990,308	5,119,367	3,135,655	1,839,881
Other comprehensive income, net of tax					
Items that may be reclassified subsequently to profit or loss					
Change in fair value of available-for-sale financial assets		(20,553)	(4,860)	-	-
Total comprehensive income for the year		4,969,755	5,114,507	3,135,655	1,839,881
Profit attributable to:					
Owners of the Company		4,939,068	4,841,072	3,135,655	1,839,881
Non-controlling interests		51,240	278,295	-	-
Net profit for the year		4,990,308	5,119,367	3,135,655	1,839,881
Total comprehensive income attributable to:					
Owners of the Company		4,918,515	4,836,212	3,135,655	1,839,881
Non-controlling interests		51,240	278,295	-	-
Total comprehensive income for the year		4,969,755	5,114,507	3,135,655	1,839,881
Basic earnings per ordinary share (sen)	20	0.88	0.87		

The notes on pages 14 to 79 are an integral part of these financial statements.

Privasia Technology Berhad
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Consolidated statement of changes in equity for the year ended 31 December 2012

	<----------------*Attributable to owners of the Company*-------------->					
	<-------*Non-distributable*-------->		*Distributable*			
	Share capital RM	**Fair value reserve RM**	**Retained earnings RM**	**Subtotal RM**	**Non-controlling interests RM**	**Total equity RM**
At 1 January 2011	55,820,002	25,413	7,450,005	63,295,420	355,390	63,650,810
Change in fair value of available-for-sale financial assets	-	(4,860)	-	(4,860)	-	(4,860)
Total other comprehensive income for the year	-	(4,860)	-	(4,860)	-	(4,860)
Net profit for the year	-	-	4,841,072	4,841,072	278,295	5,119,367
Total comprehensive income for the year	-	(4,860)	4,841,072	4,836,212	278,295	5,114,507
Contributions by and distribution to owners of the Company						
- Dividends paid	-	-	(558,200)	(558,200)	-	(558,200)
Total transactions with owners of the Company	-	-	(558,200)	(558,200)	-	(558,200)
As 31 December 2011/1 January 2012	55,820,002	20,553	11,732,877	67,573,432	633,685	68,207,117
Change in fair value of available-for-sale financial assets	-	(20,553)	-	(20,553)	-	(20,553)
Total other comprehensive income for the year	-	(20,553)	-	(20,553)	-	(20,553)
Net profit for the year	-	-	4,939,068	4,939,068	51,240	4,990,308
Total comprehensive income for the year	-	(20,553)	4,939,068	4,918,515	51,240	4,969,755
Contributions by and distribution to owners of the Company						
- Dividends paid	-	-	(1,116,400)	(1,116,400)	(45,391)	(1,161,791)
Changes in ownership interests in a subsidiary	-	-	(403,827)	(403,827)	(659,352)	(1,063,179)
Total transactions with owners of the Company	-	-	(1,520,227)	(1,520,227)	(704,743)	(2,224,970)
As 31 December 2012	55,820,002	-	15,151,718	70,971,720	(19,818)	70,951,902

The notes on pages 14 to 79 are an integral part of these financial statements.

Privasia Technology Berhad
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Statement of changes in equity for the year ended 31 December 2012

Company	**Share capital RM**	**(Accumulated losses)/ Retained profits RM**	**Total RM**
At 1 January 2011	55,820,002	(883,902)	54,936,100
Total comprehensive income for the year	-	1,839,881	1,839,881
Dividends paid	-	(558,200)	(558,200)
Total transactions with owners of the Company	-	(558,200)	(558,200)
At 31 December 2011/1 January 2012	55,820,002	397,779	56,217,781
Total comprehensive income for the year	-	3,135,655	3,135,655
Dividends paid	-	(1,116,400)	(1,116,400)
Total transactions with owners of the Company	-	(1,116,400)	(1,116,400)
At 31 December 2012	55,820,002	2,417,034	58,237,036
	========	========	========
	Note 13		

The notes on pages 14 to 79 are an integral part of these financial statements.

Privasia Technology Berhad
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Statements of cash flows for the year ended 31 December 2012

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Cash flows from operating activities				
Profit before tax	8,894,795	5,764,637	3,180,383	1,839,881
Adjustments for:				
Amortisation of intangible assets	1,535,121	2,464,848	-	-
Depreciation of investment property	68,815	68,421	-	-
Depreciation of property, plant and equipment	7,386,929	5,999,578	-	-
Development costs written off	18,224	307,351	-	-
Finance costs	1,582,040	1,721,453	-	-
Finance income	(169,457)	(166,587)	-	-
Gain on disposal of available-for-sale financial assets	(45,401)	-	-	-
Gain on disposal of property, plant and equipment	(13,576)	(3,584)	-	-
Impairment loss on trade receivables	332,753	179,411	-	-
Loss on disposal of investment in subsidiary	49,999	-	-	-
Property, plant and equipment written off	941	-	-	-
Other receivables written off	600	-	-	-
Work-in-progress written off	118,000	-	-	-
Operating profit before changes in working capital	19,759,783	16,335,528	3,180,383	1,839,881
Changes in working capital:				
Inventories	(50,223)	383,704	-	-
Trade and other payables	4,653,925	1,982,247	(60,707)	(1,255,421)
Trade and other receivables	(8,142,439)	(3,051,768)	(891,271)	(26,370)
Work-in-progress	667,042	(749,935)	-	-
Cash generated from operations	16,888,088	14,899,776	2,228,405	558,090
Finance income	167,280	166,587	-	-
Tax paid	(2,929,216)	(620,413)	-	-
Net cash generated from operating activities	14,126,152	14,445,950	2,228,405	558,090

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Statements of cash flows for the year ended 31 December 2012 (continued)

		Group		Company	
		2012	2011	2012	2011
		RM	RM	RM	RM
Cash flows from investing activities					
Acquisition of intangible assets		(101,906)	(1,742,011)	-	-
Acquisition of property, plant and equipment		(3,678,397)	(13,146,790)	-	-
Increase in investment in subsidiary		(1,113,179)	-	(1,113,179)	-
Proceeds from disposal of property, plant and equipment		13,621	19,780	-	-
Proceeds from disposal of investment in subsidiary		1	-	-	-
Proceeds from disposal of available-for-sale financial asset		1,075,904	-	-	-
Net cash used in investing activities		(3,803,956)	(14,869,021)	(1,113,179)	-
Cash flows from financing activities					
Dividends paid		(1,161,791)	(558,200)	(1,116,400)	(558,200)
(Increase)/Decrease in pledged deposits		(1,014,362)	29,761	-	-
Finance costs		(1,582,040)	(1,721,453)	-	-
(Repayment of)/Proceed from loan and borrowings		(2,681,648)	3,509,338	-	-
Net cash (used in)/generated from financing activities		(6,439,841)	1,259,446	(1,116,400)	(558,200)
Net increase/(decrease) in cash and cash equivalents		3,882,355	836,375	(1,174)	(110)
Cash and cash equivalents at beginning of year		7,196,552	6,360,177	3,427	3,537
Cash and cash equivalents at end of year	*(i)*	11,078,907	7,196,552	2,253	3,427

Statements of cash flows for the year ended 31 December 2012 (continued)

(i) Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Cash and bank balances		4,081,138	3,710,790	2,253	3,427
Deposits placed with licensed banks		9,069,855	4,543,486	-	-
		13,150,993	8,254,276	2,253	3,427
Less: Deposits pledged with licensed banks	12	(2,072,086)	(1,057,724)	-	-
		11,078,907	7,196,552	2,253	3,427

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Notes to the financial statements

Privasia Technology Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the ACE Market of Bursa Malaysia Securities Berhad. The addresses of its principal place of business and registered office are as follows:

Principal place of business
Unit C-21-05
3 Two Square
No. 2, Jalan 19/1
46300 Petaling Jaya
Selangor Darul Ehsan

Registered office
13A, Jalan SS21/56B
Damansara Utama
47400 Petaling Jaya
Selangor Darul Ehsan

The consolidated financial statements as at and for the financial year ended 31 December 2012 comprises the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the financial year ended 31 December 2012 do not include other entities.

The Company is principally engaged in investment holding activities whilst the principal activities of the subsidiaries are as stated in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

The financial statements were approved by the Board of Directors on 24 April 2013.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. These are the Group and Company's first financial statements prepared in accordance with MFRSs and MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards* has been applied.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

In the previous financial years, the financial statements of the Group and the Company were prepared in accordance with Financial Reporting Standards ("FRSs") in Malaysia. The financial impacts on transition to MFRSs are disclosed in Note 31.

The Group and the Company have early adopted the amendments to MFRS 101, *Presentation of Financial Statements* which are effective for annual periods beginning on or after 1 July 2012. The early adoption of the amendments to MFRS 101 has no impact on the financial statements other than the presentation format of the statement of profit or loss and other comprehensive income.

The following are accounting standards, amendments and interpretations of the MFRS framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013

- MFRS 10, *Consolidated Financial Statements*
- MFRS 11, *Joint Arrangements*
- MFRS 12, *Disclosure of Interests in Other Entities*
- MFRS 13, *Fair Value Measurement*
- MFRS 119, *Employee Benefits* (2011)
- MFRS 127, *Separate Financial Statements* (2011)
- MFRS 128, *Investments in Associates and Joint Ventures* (2011)
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards – Government Loans*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 101, *Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 132, *Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013 (continued)

- Amendments to MFRS 10, *Consolidated Financial Statements: Transition Guidance*
- Amendments to MFRS 11, *Joint Arrangements: Transition Guidance*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Transition Guidance*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

- Amendments to MFRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Investment Entities*
- Amendments to MFRS 127, *Separate Financial Statements (2011): Investment Entities*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015

- MFRS 9, *Financial Instruments* (2009)
- MFRS 9, *Financial Instruments* (2010)
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Mandatory Date of MFRS 9 and Transition Disclosures*

The Group and the Company plan to apply the abovementioned standards, amendments and interpretations:

- from the annual period beginning on 1 January 2013 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2013, except for IC Interpretation 20 which is not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2014 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2014.
- from the annual period beginning on 1 January 2015 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2015.

The initial application of other standards, amendments and interpretations is not expected to have any material financial impacts to the current and prior periods financial statements upon their first adoption.

1. Basis of preparation (continued)

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except as disclosed in the financial statements.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (“RM”), which is the Company’s functional currency. All financial information is presented in RM unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than:

(i) Impairment of goodwill and intangible assets (Note 5)
(ii) Impairment losses on trade and other receivables (Note 7)
(iii) Deferred tax assets (Note 15)
(iv) Income taxes (Note 18)

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and in preparing the opening MFRS statements of financial position of the Group and of the Company at 1 January 2011 (the transition date to MFRS framework), unless otherwise stated.

2. Significant accounting policies (continued)

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

(ii) Business combination

Business combinations are accounted for using acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

Acquisitions on or after 1 January 2011

For acquisitions on or after 1 January 2011, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Business combination (continued)

Acquisition before 1 January 2011

As part of its transition to MFRS, the Group elected not to restate those business combinations that occurred before the date of transition to MFRSs, i.e. 1 January 2011. Goodwill arising from acquisition before 1 January 2011 has been carried forward from the previous FRS framework as at the date of transition.

(iii) Acquisition of non-controlling interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its 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 issue of the financial instrument.

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

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

(a) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(b) Available-for-sale financial assets

Available-for-sale category comprises investments in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss.

Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(k)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

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

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial liabilities (continued)

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

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

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

(ii) Subsequent costs

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

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant component of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

• Buildings	50 years
• Computer equipment	3 - 5 years
• Office equipment	3 - 5 years
• Telecommunication equipment	5 years
• Renovation	3 - 5 years
• Motor vehicles	5 years
• Small value assets	1 year

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

(e) Leased assets

Operating leases

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership, are classified as operating leases and the leased assets are not recognised on the statement of financial position.

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

2. Significant accounting policies (continued)

(f) Intangible assets

(i) Goodwill

Goodwill arises on business combinations is measured at cost less accumulated impairment losses.

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquire.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as an expense as incurred.

Expenditure on development activities, whereby the application of research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and overheads costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss as an expense as incurred. Capitalised development expenditure is measured at cost less any accumulated amortisation and any accumulated impairment losses.

(iii) Other intangible assets

Intangible assets, other than goodwill, that are acquired by the Group are measured at cost less accumulated amortisation and any accumulated impairment losses.

(iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as an expense as incurred.

2. Significant accounting policies (continued)

(f) Intangible assets (continued)

(v) Amortisation

Amortisation is based on the cost of an asset less its residual value.

Goodwill with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

Other intangible assets are amortised from the date that they are available for use.

Amortisation is recognised in profit or loss on a straight line basis over the estimated useful lives of intangible assets from the date that they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

- Software costs 3 - 5 years
- Development costs 3 - 5 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

(g) Investment property

(i) Investment property carried at cost

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both. These include freehold land and leasehold land which in substance is a finance lease held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy Note 2(d).

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of 50 years for buildings.

2. Significant accounting policies (continued)

(g) Investment property

(ii) Reclassification to/from investment property

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(iii) Determination of fair value

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

(h) Inventories

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

The cost of inventories is based on the expenditure incurred in acquiring the inventories and bringing them to their existing location and condition and is determined on first in first out basis.

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

(i) Work-in-progress

Work-in-progress is measured at the lower of cost and net realisable value. The cost of work-in-progress includes expenditure, license fees and other incidental costs incurred in developing the work-in-progress.

2. Significant accounting policies (continued)

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short-term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(k) Impairment

(i) Financial assets

All financial assets (except for investment in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised.

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

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

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

2. Significant accounting policies (continued)

(k) Impairment (continued)

(ii) Other assets

The carrying amounts of other assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating units (groups of cash-generating units) on a *pro rata* basis.

2. Significant accounting policies (continued)

(k) Impairment (continued)

(ii) Other assets (continued)

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the 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. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(l) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(m) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2. Significant accounting policies (continued)

(m) Employee benefits (continued)

(ii) Statutory pension funds

The Group's contributions to statutory pension funds are charged to profit or loss in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(n) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(o) Revenue

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Services

Revenue from services rendered is recognised in proportion to the stage of completion, unless they are incidental to the sale of product in which case they are recognised when the goods are sold. The stage of completion is assessed by reference to surveys of work performed to date as percentage of total services to be performed. Where the outcome of the transaction cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

2. Significant accounting policies (continued)

(o) Revenue (continued)

(iii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established.

(iv) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Rental income from subleased property is recognised as other income in profit or loss.

(v) Finance income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(p) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

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

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

2. Significant accounting policies (continued)

(q) Tax expense

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

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

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary difference: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

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

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

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

2. Significant accounting policies (continued)

(r) Earnings per ordinary share

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

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(s) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(t) Contingencies

(i) Contingent liabilities

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

(ii) Contingent assets

Where it is not possible that there is an inflow of economic benefits, or the amount cannot be estimated reliably, the asset is not recognised in the statements of financial position and is disclosed as a contingent asset, unless the probability of inflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets unless the probability of inflow of economic benefits is remote.

3. Property, plant and equipment

Group	Buildings RM	Computer equipment RM	Office equipment RM	Telecommu- nication equipment RM	Renovation RM	Motor vehicles RM	Small value assets RM	Total RM
Cost								
At 1 January 2011	8,000,000	10,429,594	2,026,549	2,909,738	536,351	3,245	38,336	23,943,813
Additions	-	5,392,961	25,570	7,683,904	24,922	-	19,433	13,146,790
Disposals	-	(47,978)	(3,194)	-	-	-	-	(51,172)
At 31 December 2011/ 1 January 2012	8,000,000	15,774,577	2,048,925	10,593,642	561,273	3,245	57,769	37,039,431
Additions	-	1,345,790	403,539	1,825,303	8,650	84,110	11,005	3,678,397
Disposals	-	(324,517)	-	-	-	-	-	(324,517)
Written off	-	(40,181)	-	(1,064)	-	-	-	(41,245)
At 31 December 2012	8,000,000	16,755,669	2,452,464	12,417,881	569,923	87,355	68,774	40,352,066
Accumulated depreciation								
At 1 January 2011	-	3,826,695	755,411	1,133,564	384,785	1,325	37,990	6,139,770
Charge for the year	84,211	3,085,313	698,954	1,965,972	149,455	794	14,879	5,999,578
Disposals	-	(33,486)	(1,490)	-	-	-	-	(34,976)
At 31 December 2011/ 1 January 2012	84,211	6,878,522	1,452,875	3,099,536	534,240	2,119	52,869	12,104,372
Charge for the year	84,695	4,354,010	636,486	2,281,073	15,893	2,195	12,577	7,386,929
Disposals	-	(324,472)	-	-	-	-	-	(324,472)
Written off	-	(40,180)	-	(124)	-	-	-	(40,304)
At 31 December 2012	168,906	10,867,880	2,089,361	5,380,485	550,133	4,314	65,446	19,126,525

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3. Property, plant and equipment (continued)

Group	Buildings RM	Computer equipment RM	Office equipment RM	Telecommunication equipment RM	Renovation RM	Motor vehicles RM	Small value assets RM	Total RM
Carrying amounts								
At 1 January 2011	8,000,000	6,602,899	1,271,138	1,776,174	151,566	1,920	346	17,804,043
At 31 December 2011/ 1 January 2012	7,915,789	8,896,055	596,050	7,494,106	27,033	1,126	4,900	24,935,059
At 31 December 2012	7,831,094	5,887,789	363,103	7,037,396	19,790	83,041	3,328	21,225,541

At 31 December 2012, buildings of the Group with carrying amount of RM7,831,094 (31.12.2011: RM7,915,789; 1.1.2011: RM8,000,000) have been pledged as security for loan from a licensed bank (see Note 14).

The fair value of the Group’s buildings as at 1 January 2011 of RM8,000,000 is based on professional appraisal by an independent valuer, Raine & Horne International Zaki + Partners Sdn. Bhd.

As at 31 December 2012, the fair value of the Group’s buildings of RM8,000,000 was reaffirmed by the same valuer.

4. Investment property

	Group RM
Cost	
At 1 January 2011/31 December 2011/31 December 2012	6,500,000
	=======
Accumulated depreciation	
At 1 January 2011	-
Charge for the year	68,421
At 31 December 2011/1 January 2012	68,421
Charge for the year	68,815
At 31 December 2012	137,236
	=======
Carrying amount	
At 1 January 2011	6,500,000
	=======
At 31 December 2011/1 January 2012	6,431,579
	=======
At 31 December 2012	6,362,764
	=======

Investment property comprises a number of commercial properties that are leased or available for lease to third parties. Each of the leases contains an initial non-cancellable period of one to six months (see Note 25). Subsequent renewals are negotiated with the lessee. No contingent rents are charged.

Subsequent to the year end, a commercial property with carrying amount of RM1,959,543 has been transferred to property, plant and equipment as the commercial property is occupied by companies in the Group.

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

	Group	
	2012 RM	**2011 RM**
Rental income	287,223	291,126
Direct operating expenses	(328,127)	(442,377)
	======	======

At 31 December 2012, investment property of the Company with carrying amount of RM6,362,764 (31.12.2011: RM6,431,579; 1.1.2011: RM6,500,000) have been pledged as security for loan from a licensed bank (see Note 14).

4. Investment property (continued)

The fair value of the Group's investment property as at 1 January 2011 of RM6,500,000 is based on professional appraisal by an independent valuer, Raine & Horne International Zaki + Partners Sdn. Bhd.

As at 31 December 2012, the fair value of the Group's investment property of RM6,500,000 was reaffirmed by the same valuer.

5. Intangible assets

Group	Goodwill RM	Development costs RM	Software costs RM	Total RM
Cost				
At 1 January 2011	36,005,230	7,559,797	875,917	44,440,944
Additions	-	114,786	1,627,225	1,742,011
Written off	-	(307,351)	-	(307,351)
At 31 December 2011/ 1 January 2012	36,005,230	7,367,232	2,503,142	45,875,604
Additions	-	44,628	57,278	101,906
Written off	-	(18,224)	-	(18,224)
At 31 December 2012	36,005,230	7,393,636	2,560,420	45,959,286
Accumulated amortisation				
At 1 January 2011	-	3,282,147	396,924	3,679,071
Amortisation for the year	-	1,840,904	623,944	2,464,848
At 31 December 2011/ 1 January 2012	-	5,123,051	1,020,868	6,143,919
Amortisation for the year	-	960,919	574,202	1,535,121
At 31 December 2012	-	6,083,970	1,595,070	7,679,040
Carrying amounts				
At 1 January 2011	36,005,230	4,277,650	478,993	40,761,873
At 31 December 2011/ 1 January 2012	36,005,230	2,244,181	1,482,274	39,731,685
At 31 December 2012	36,005,230	1,309,666	965,350	38,280,246

5. Intangible assets (continued)

5.1 Amortisation

The amortisation of development costs and software costs are recognised in cost of sales.

5.2 Impairment testing for cash-generating units ("CGU") containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating segments which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

	Group 1.1.2011/ 31.12.2011/ 31.12.2012 RM	**Discount rate %**
Cash generating unit		
Outsourcing and Consulting ("OSD")	24,043,836	11.00
E-procurement ("E-proc")	7,145,220	11.00
Information and Communication Technologies Distribution ("CDIST")	3,251,323	11.00
Information and Communication Technologies Services ("CSERV")	1,095,855	11.00
Satellite-based network services ("SAT")	468,996	11.00
	36,005,230	

The CGUs, having built technical expertise and reputation in the IT and telecommunications industry, would also be able to expand into more strategic business models serving their potential clientele by leveraging on each other's experience and resources.

5. Intangible assets (continued)

5.2 Impairment testing for cash-generating units ("CGU") containing goodwill (continued)

The recoverable amounts of the CGU are based on their value-in-use. The value-in-use calculations apply a discounted cash flow model using cash flow projections based on financial forecasts approved by management. The key assumptions for the computation of value-in-use include the discount rates and growth rates applied. Discount rates used are based on the pre-tax weighted average cost of capital plus an appropriate risk premium at the date of assessment of the Group. The growth rate of revenue is expected to be equivalent to the historical industry growth rate of 5% per annum.

The cash flow projections are based on eight (8) years financial budgets approved by management. These represent management's assessment of future trends in the information technology industry and are based on both external sources and internal sources (historical data).

Management believes that any reasonable possible changes in the above key assumptions applied will not cause the carrying values of the CGUs to materially exceed their recoverable amounts.

Based on this review, the Directors are of the opinion that there is no evidence of impairment on the Group's goodwill.

6. Investment in subsidiaries

		Company	
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM	**RM**	**RM**
At cost:			
Unquoted shares	57,933,179	56,820,000	56,820,000
	========	========	========

Details of the subsidiaries, which are all incorporated in Malaysia, are as follows:

Name of subsidiary	**Principal activities**	**Effective ownership interest**		
		31.12.2012	**31.12.2011**	**1.1.2011**
		%	**%**	**%**
Privasia Sdn. Bhd.	Outsourcing, consultation, e-procurement and related functions	100	100	100
Privanet Sdn. Bhd.	Provision of total wireless and communication solutions	100	100	100

6. Investment in subsidiaries (continued)

Name of subsidiary	Principal activities	Effective ownership interest 31.12.2012 %	31.12.2011 %	1.1.2011 %
IPSAT Sdn. Bhd.	Providing high speed internet broadband access (satellite services)	100	70	70
Subsidiaries of Privasia Sdn. Bhd.:				
Privasia (Sabah) Sdn. Bhd.	Dormant	100	100	100
Privacom Sdn. Bhd.	Dealer in data processing equipment, computer systems and provision of telecommunication and computer network consultancy services	100	100	100
Subsidiaries of Privanet Sdn. Bhd.:				
Privatel Sdn. Bhd. (formerly known as Airoport.com Sdn. Bhd.)	Provision of mobile development and services multimedia content	75	100	100
Privanet Distribution Sdn. Bhd.	Trading of electronic and tele-communication equipment	100	100	100

All the subsidiaries are audited by KPMG.

Significant events affecting the Group's subsidiaries during the year are as follows:

a) Acquisition of remaining shares in IPSAT Sdn. Bhd.

On 22 May 2012, the Company acquired 300,000 ordinary shares of RM1.00 each, representing the remaining 30% equity in IPSAT Sdn. Bhd. for a total cash consideration of RM1,113,179.

b) Subscription of additional equity interest in Privanet Distribution Sdn. Bhd.

On 1 November 2012, Privanet Distribution Sdn. Bhd., a wholly-owned subsidiary of Privanet Sdn. Bhd., increased its authorised share capital from 100,000 to 500,000 ordinary shares of RM1.00 each by the creation of additional 400,000 ordinary shares of RM1.00 each and increased its issued and paid-up capital from 3 to 500,000 ordinary shares of RM1.00 each with the issuance of 499,997 new ordinary shares of RM1.00 each to Privanet Sdn. Bhd. for a total cash consideration of RM499,997.

6. Investment in subsidiaries (continued)

c) Disposal of equity interest in Privatel Sdn. Bhd.

On 31 December 2012, Privanet Sdn. Bhd. disposed of 50,000 ordinary shares of RM1.00 each, representing 25% of its equity interest in Privatel Sdn. Bhd. (formerly known as Airoport.com Sdn. Bhd.) ("Privatel"), to a Director of Privatel for a cash consideration of RM1.00.

7. Trade and other receivables

	Note	Group			Company		
		31.12.2012 RM	31.12.2011 RM	1.1.2012 RM	31.12.2012 RM	31.12.2011 RM	1.1.2012 RM
Non-current							
Trade							
Retention sums	7.1	-	843,750	750,000	-	-	-
Total non-current		-	843,750	750,000	-	-	-
Current							
Trade							
Trade receivables		23,899,706	16,462,635	14,007,910	-	-	3,250
Allowance for impairment loss		(632,337)	(299,584)	(120,173)	-	-	-
		23,267,369	16,163,051	13,887,737	-	-	3,250
		23,267,369	17,006,801	14,637,737	-	-	3,250
Non-trade							
Amount due from related companies	7.2	-	-	26,036	212,609	-	-
Amount due from subsidiaries	7.2	-	-	-	679,555	-	-
Other receivables		282,496	206,259	308,199	-	-	-
Deposits		372,418	350,889	336,297	2,000	-	-
Prepayments	7.3	2,602,675	1,151,923	562,649	26,727	29,620	-
		3,257,589	1,709,071	1,233,181	920,891	29,620	-
Total current		26,524,958	17,872,122	15,120,918	920,891	29,620	3,250
Total trade and other receivables		26,524,958	18,715,872	15,870,918	920,891	29,620	3,250

7. Trade and other receivables (continued)

7.1 Retention sums

The trade-related non-current retention sums in the previous years were in relation to amounts retained by customers until the completion of the respective projects. During the current year, the amounts have been reclassified under current assets.

7.2 Amounts due from related companies and subsidiaries

The amounts due from related companies and subsidiaries are unsecured, interest free and repayable on demand.

7.3 Prepayments

Prepayments of the Group as at 31 December 2012 included RM2,099,529 of prepayment of deposits for computer equipment which were delivered and capitalised as assets in the subsequent financial year.

8. Inventories

		Group	
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM	**RM**	**RM**
At cost:			
Finished goods	1,654,320	1,604,097	1,987,801
	=======	=======	=======

9. Work-in-progress

		Group	
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM	**RM**	**RM**
At cost:			
Work-in-progress	1,856,888	2,641,930	1,891,995
	=======	=======	=======

10. Tax recoverable

Tax recoverable is subject to approval by the Inland Revenue Board of Malaysia.

11. Available-for-sale financial assets

	Group		
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM	**RM**	**RM**
At fair value:			
Quoted unit trust	-	1,048,879	1,026,336
	=======	=======	=======

As part of its treasury management activities, the Group invested its cash surplus in short term money market unit trusts. The Group uplifted its short term money market unit trust during the current financial year.

12. Cash and cash equivalents

	Group			Company		
	31.12.2012	**31.12.2011**	**1.1.2012**	**31.12.2012**	**31.12.2011**	**1.1.2012**
	RM	**RM**	**RM**	**RM**	**RM**	**RM**
Deposits placed with licensed banks	9,069,855	4,543,486	4,003,096	-	-	-
Cash and bank balances	4,081,138	3,710,790	3,444,566	2,253	3,427	3,537
	13,150,993	8,254,276	7,447,662	2,253	3,427	3,537
	========	========	========	=====	=====	=====

12.1 Deposits placed with licensed banks pledged for a bank facility

Included in the deposits placed with licensed banks of the Group as at 31 December 2012 is RM2,072,086 (31.12.2011: RM1,057,724; 1.1.2011: RM1,087,485) pledged for a bank facility granted to the Group's subsidiaries.

13. Capital and reserves

	Group and Company					
	Amount 31.12.2012 RM	**Number of shares 31.12.2012**	**Amount 31.12.2011 RM**	**Number of shares 31.12.2011**	**Amount 1.1.2011 RM**	**Number of shares 1.1.2011**
Ordinary shares of RM0.10 each						
Authorised:						
At 1 January/ 31 December	100,000,000	1,000,000,000	100,000,000	1,000,000,000	100,000,000	1,000,000,000
	=========	=========	=========	=========	=========	=========
Issued and fully paid:						
At 1 January/ 31 December	55,820,002	558,200,020	55,820,002	558,200,020	55,820,002	558,200,020
	=========	=========	=========	=========	=========	=========

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

Retained profits

The Finance Act, 2007 introduced a single tier company income tax system with effect from 1 January 2008. As the Company was incorporated in the year of assessment 2008, it will be placed on the single tier dividend system.

14. Loans and borrowings

	Group		
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM	**RM**	**RM**
Non-current			
Secured loans from licensed banks	16,021,221	18,912,224	18,378,430
Current			
Secured loans from licensed banks	8,090,910	7,881,555	4,906,011
Total	24,112,131	26,793,779	23,284,441

14.1 Security

The bank loans are secured over buildings in property, plant and equipment with a carrying amount of RM7,831,094 (31.12.2011: RM7,915,789; 1.1.2011: RM8,000,000) (see Note 3) and investment property with a carrying amount of RM6,362,764 (31.12.2011: RM6,431,579; 1.1.2011: RM6,500,000) (see Note 4).

In addition, the bank loans are also secured on all contract proceeds from the major customer of the Group and debenture by way of a fixed and floating charge on all present and future assets of the Group.

14.2 Terms and debt repayment schedule

Group	**Year of maturity**	**Carrying amount RM**	**Under 1 year RM**	**1 - 5 years RM**	**Over 5 years RM**
31.12.2012					
Secured bank loans					
- licensed banks	2022	24,112,131	8,090,910	8,876,602	7,144,619
31.12.2011					
Secured bank loans					
- licensed banks	2015	26,793,779	7,881,555	18,912,224	-
1.1.2011					
Secured bank loans					
- licensed banks	2015	23,284,441	4,906,011	18,378,430	-

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15. Deferred tax assets/(liabilities)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

Group	Assets 31.12.2012 RM	Assets 31.12.2011 RM	Assets 1.1.2011 RM	Liabilities 31.12.2012 RM	Liabilities 31.12.2011 RM	Liabilities 1.1.2011 RM	Net 31.12.2012 RM	Net 31.12.2011 RM	Net 1.1.2011 RM
Property, plant and equipment	80,047	-	-	(175,745)	(115,438)	(108,000)	(95,698)	(115,438)	(108,000)
Provisions	50,806	41,149	-	-	-	-	50,806	41,149	-
Tax assets/(liabilities)	130,853	41,149	-	(175,745)	(115,438)	(108,000)	(44,892)	(74,289)	(108,000)
Set-off of tax	(48,820)	(41,149)	-	48,820	41,149	-	-	-	-
Net tax assets/(liabilities)	82,033	-	-	(126,925)	(74,289)	(108,000)	(44,892)	(74,289)	(108,000)

Movement in temporary differences during the year

Group	At 1.1.2011 RM	Recognised in profit or loss RM	At 31.12.2011 RM	Recognised in profit or loss RM	At 31.12.2012 RM
Property, plant and equipment	108,000	7,438	115,438	(19,740)	95,698
Provisions	-	(41,149)	(41,149)	(9,657)	(50,806)
	108,000	(33,711)	74,289	(29,397)	44,892
		Note 18		Note 18	

15. Deferred tax assets/(liabilities) (continued)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group	
	2012	**2011**
	RM	**RM**
Unutilised tax losses	18,177,229	18,140,721
Other deductible temporary differences	1,289,420	1,086,842
	19,466,649	19,227,563

The deductible temporary differences do not expire under current tax legislation unless there is a substantial change in shareholders (more than 50%).

16. Trade and other payables

	Note	Group			Company		
		31.12.2012	**31.12.2011**	**1.1.2011**	**31.12.2012**	**31.12.2011**	**1.1.2011**
		RM	**RM**	**RM**	**RM**	**RM**	**RM**
Trade							
Trade payables		9,464,495	5,909,783	3,923,651	-	-	-
Non-trade							
Amount due to subsidiaries	16.1	-	-	-	496,702	442,156	1,824,375
Other payables and accruals		3,263,653	2,164,440	2,168,325	77,857	193,110	66,312
		3,263,653	2,164,440	2,168,325	574,559	635,266	1,890,687
		12,728,148	8,074,223	6,091,976	574,559	635,266	1,890,687

16.1 Amount due to subsidiaries

The amount due to subsidiaries is unsecured, interest free and repayable on demand.

17. Profit before tax

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Profit before tax is arrived at after charging:				
Amortisation of intangible assets	1,535,121	2,464,848	-	-
Auditors' remuneration				
- Statutory audit services	100,000	88,000	39,000	38,000
- Other services	39,200	36,300	12,000	5,000
Bad debts written off	-	50,405	-	-
Depreciation of investment property	68,815	68,421	-	-
Depreciation of property, plant and equipment	7,386,929	5,999,578	-	-
Development cost written off	18,224	307,351	-	-
Directors' remuneration	951,965	760,840	951,965	165,000
Finance costs	1,582,040	1,721,453	-	-
Loss on disposal of investment in subsidiary	49,999	-	-	-
Impairment loss on trade receivables	332,753	179,411	-	-
Other receivables write off	600	-	-	-
Personnel expenses				
- Contributions to Employees' Provident Fund	894,693	763,524	101,124	-
- Wages, salaries and others	6,787,707	7,223,787	744,833	-
Property, plant and equipment written off	941	-	-	-
Rental expenses	267,381	138,042	-	-
Work-in-progress write off	118,000	-	-	-
	=======	=======	======	======
and after crediting:				
Gain on disposal of available-for-sale financial asset	45,401	-	-	-
Gain on disposal of property, plant and equipment	13,576	3,584	-	-
Interest income	169,457	166,587	-	-
Realised and unrealised gain on foreign exchange	16,764	7,944	-	-
Rental income	287,223	291,126	-	-
	========	=======	======	======

18. Tax expense

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM	**RM**	**RM**	**RM**
Current tax expense				
- Current year	3,911,995	621,905	44,728	-
- Prior year	21,889	57,076	-	-
	3,933,884	678,981	44,728	-
Deferred tax expense				
- Reversal of temporary differences	(44,560)	(33,711)	-	-
- Under provision in prior year	15,163	-	-	-
	(29,397)	(33,711)	-	-
Total tax expense	3,904,487	645,270	44,728	-

Reconciliation of tax expense

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Profit before tax	8,894,795	5,764,637	3,180,383	1,839,881
Income tax calculated using Malaysia tax rate of 25%	2,223,699	1,441,159	795,096	459,970
Non-deductible expenses	603,954	259,779	145,684	-
Effect of deferred tax not recognised	59,772	1,654,255	-	-
Effect of deferred tax recognised	967,299	-	-	-
Taxation exempted	-	(2,753,835)	(896,052)	(459,970)
Others	12,711	(13,164)	-	-
Under provision in prior years	37,052	57,076	-	-
	3,904,487	645,270	44,728	-

The government of Malaysia awarded Multimedia Super Corridor ("MSC") status to the Company on 23 January 2002. With the granting of MSC status, the Company was exempted from tax on 100% of statutory income from qualifying activities for an initial period of 5 years. The extension of MSC status was approved by the authorities concerned for another 5 years to 23 January 2012. On 24 January 2012, the Company's MSC status had expired.

19. Key management personnel compensation

The key management personnel compensations are as follows:

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM	**RM**	**RM**	**RM**
Directors:				
Allowance	17,000	21,000	17,000	21,000
Fees	144,000	144,000	144,000	144,000
Salaries	547,200	456,000	547,200	-
Employees' Provident Fund	87,096	63,840	87,096	-
Benefit-in-kind	136,800	76,000	136,800	-
Others	19,869	-	19,869	-
Total short-term employee benefits	951,965	760,840	951,965	165,000

20. Earnings per ordinary share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2012 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2012	**2011**
	RM	**RM**
Profit attributable to ordinary shareholders	4,939,068	4,841,072
Weighted average number of ordinary shares		
At 1 January/31 December	558,200,020	558,200,020
Basic earnings per ordinary share (sen)	0.88	0.87

Diluted earnings per ordinary share

Diluted earnings per ordinary share (sen)	0.88	0.87

The Group has no dilution in its earnings per ordinary share in the current financial year as there are no dilutive potential ordinary shares. Therefore, no consideration for adjustment in the form of increase in the number of shares was used in calculating the potential dilution of its earnings per share.

21. Dividends

Dividends recognised by the Company:

	Sen per share (net of tax)	Total amount RM	Date of payment
2012			
Final 2011 ordinary	0.20	1,116,400	30 July 2012
		=======	
2011			
Final 2010 ordinary	0.10	558,200	30 June 2011
		=======	

After the reporting period, the following dividends were proposed by the Directors. These dividends will be recognised in the subsequent financial period upon approval by the shareholders.

	Sen per share (net of tax)	Total amount RM
Final 2012 ordinary	0.30	1,674,600
		=======

The Directors do not recommend any other dividends to be paid for the year under review.

22. Operating segments

The Group has five reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Chief Executive Officer (the chief operating decision maker) reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Outsourcing and Consulting ("OSD")
  The OSD segment covers two main areas: IT infrastructure outsourcing and consultancy and systems integration.

- E-Procurement ("E-Proc")
  The E-Proc segment provides procurement management.

- Information and Communication Technologies Distribution ("CDIST")
  The CDIST segment provides wireless broadband infrastructure, comprehensive mobile and wireless communications consultancy, and systems development for CDIST and mobile solutions providers and enterprises.

- Information and Communication Technologies Services ("CSERV")
  The CSERV segment provides Information and Communication Technologies.

- Satellite-based network services ("SAT")
  The SAT segment provides a broad spectrum of satellite-based network solutions, such as managed network, high speed internet, value-added broadband applications and satellite IP Virtual Private Network for the commercial sector and general public.

Performance is measured based on segment results, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer (the chief operating decision maker). Segment results are used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets and liabilities

The total of segment assets and liabilities are measured based on all assets (including goodwill) and liabilites of a segment, as included in the internal management reports that are reviewed by the Group's Chief Operative Officer.

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22. Operating segments (continued)

2012	OSD RM	E-PROC RM	CDIST RM	CSERV RM	SAT RM	Elimination RM	Total RM
Total segment revenue	32,229,073	8,402,577	6,351,480	2,097,236	12,293,971	(727,647)	60,646,690
Segment results	8,534,081	7,261,980	1,337,915	843,743	4,074,829	(1,486,308)	20,566,240
Other income							328,091
Other operating expenses							(10,586,953)
Results from operating activities							10,307,378
Investment income							169,457
Finance cost							(1,582,040)
Tax expense							(3,904,487)
Net profit for the year							4,990,308
Segment assets	64,973,854	2,266,064	6,840,721	6,779,568	7,049,177	(37,618,716)	50,290,668
Unallocated assets							58,856,323
Total assets							109,146,991
Segment liabilities	31,845,705	-	4,791,234	14,497,127	3,893,137	(17,451,400)	37,575,803
Unallocated liabilities							619,286
Total liabilities							38,195,089

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22. Operating segments (continued)

2011	OSD RM	E-PROC RM	CDIST RM	CSERV RM	SAT RM	Elimination RM	Total RM
Total segment revenue	26,959,357	7,462,394	3,674,010	588,849	6,256,777	(870,847)	44,070,540
Segment results	5,989,883	6,537,640	1,317,189	(79,955)	2,475,518	-	16,240,275
Other income							452,933
Other operating expenses							(9,373,705)
Results from operating activities							7,319,503
Investment income							166,587
Finance cost							(1,721,453)
Tax expense							(645,270)
Net profit for the year							5,119,367
Segment assets	61,501,911	2,966,856	3,348,609	1,405,006	3,922,383	(26,375,515)	46,769,250
Unallocated assets							56,853,047
Total assets							103,622,297
Segment liabilities	32,248,056	-	2,209,331	8,780,470	1,810,100	(10,268,042)	34,779,915
Unallocated liabilities							635,265
Total liabilities							35,415,180

Geographical segments
The Group operates in a single geographical location, and hence, no geographical segment reporting is presented.

23. Financial instruments

23.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables ("L&R");
(b) Available-for-sale financial assets ("AFS"); and
(c) Other financial liabilities measured at amortised cost ("OL").

	Carrying amount RM	AFS RM	L&R/ (OL) RM
Group			
31 December 2012			
Financial assets			
Trade and other receivables	26,524,958	-	26,524,958
Cash and cash equivalents	13,150,993	-	13,150,993
	39,675,951	-	39,675,951
Financial liabilities			
Loans and borrowings	(24,112,131)	-	(24,112,131)
Trade and other payables	(12,728,148)	-	(12,728,148)
	(36,840,279)	-	(36,840,279)
31 December 2011			
Financial assets			
Trade and other receivables	18,715,872	-	18,715,872
Available-for-sale financial assets	1,048,879	1,048,879	-
Cash and cash equivalents	8,254,276	-	8,254,276
	28,019,027	1,048,879	26,970,148
Financial liabilities			
Loans and borrowings	(26,793,779)	-	(26,793,779)
Trade and other payables	(8,074,223)	-	(8,074,223)
	(34,868,002)	-	(34,868,002)

23. Financial instruments (continued)

23.1 Categories of financial instruments (continued)

	Carrying amount RM	AFS RM	L&R/ (OL) RM
Group			
1 January 2011			
Financial assets			
Trade and other receivables	15,870,918	-	15,870,918
Available-for-sale financial assets	1,026,336	1,026,336	-
Cash and cash equivalents	7,447,662	-	7,447,662
	24,344,916	1,026,336	23,318,580
Financial liabilities			
Loans and borrowings	(23,284,441)	-	(23,284,441)
Trade and other payables	(6,091,976)	-	(6,091,976)
	(29,376,417)	-	(29,376,417)
Company			
31 December 2012			
Financial assets			
Trade and other receivables	920,891	-	920,891
Cash and cash equivalents	2,253	-	2,253
	923,144	-	923,144
Financial liabilities			
Trade and other payables	(574,559)	-	(574,559)
31 December 2011			
Financial assets			
Trade and other receivables	29,620	-	29,620
Cash and cash equivalents	3,427	-	3,427
	33,047	-	33,047
Financial liabilities			
Trade and other payables	(635,266)	-	(635,266)

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23. Financial instruments (continued)

23.1 Categories of financial instruments (continued)

	Carrying amount RM	AFS RM	L&R/ (OL) RM
Company			
1 January 2011			
Financial assets			
Trade and other receivables	3,250	-	3,250
Cash and cash equivalents	3,537	-	3,537
	6,787	-	6,787
Financial liabilities			
Trade and other payables	(1,890,687)	-	(1,890,687)

23.2 Net gains and losses arising from financial instruments

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Net gains/(losses) on:				
Gain on disposal of available-for-sale financial assets	45,401	-	-	-
Loans and receivables				
- Impairment loss	(332,753)	(179,411)	-	-
- Bad debts written off	-	(50,405)	-	-
- Other receivables written off	(600)	-	-	-
- Interest income	169,457	166,587	-	-
Other liabilities				
- Interest expense	(1,582,040)	(1,721,453)	-	-
	(1,700,535)	(1,784,682)	-	-

23.3 Financial risk management

The Group and the Company have exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

23. Financial instruments (continued)

23.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on new customers requiring credit over a certain amount.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

As at 31 December 2012, the Group has significant concentration of credit risk in the form of outstanding balances from 11 customers which amounted to RM17,279,117 representing 74% of total trade receivables. The Directors are of the opinion that the outstanding balances from these customers are fully recoverable based on the following:

- Significant payments have subsequently been received from certain customers after the reporting period;
- The Directors have made assessments that all these customers have the ability to repay the balances outstanding; and
- The Directors have received correspondence and confirmation that all these customers will repay the balances outstanding within agreed timelines.

The Group is involved in the contracting business where the nature is such that the timing of receipts are uncertain for various reasons, including timing of certification of work done and timing of repayment from the main contractor. The Group has entered into a small number of contracts, all of which are monitored individually for completion and payment by the Directors and management. The Directors are confident that, based on their knowledge of payment patterns and subsequent payments received, the Group is able to fully recover the amounts due from its customers.

23. Financial instruments (continued)

23.4 Credit risk (continued)

Receivables (continued)

Exposure to credit risk, credit quality and collateral (continued)

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balance past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

The exposure of credit risk for trade receivables as at end of the reporting period by geographic region was:

	Group		
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM	**RM**	**RM**
Malaysia	19,015,716	16,862,310	14,637,737
Indonesia	4,178,273	144,491	-
Hong Kong	73,380	-	-
	23,267,369	17,006,801	14,637,737

Impairment losses

The Company maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was:

	Gross	**Individual impairment**	**Net**
	RM	**RM**	**RM**
31 December 2012			
Not past due	14,828,338	-	14,828,338
Past due 1 – 30 days	1,535,792	(7,812)	1,527,980
Past due 31 – 120 days	3,072,642	(23,438)	3,049,204
Past due more than 120 days	4,462,934	(601,087)	3,861,847
	23,899,706	(632,337)	23,267,369

23. Financial instruments (continued)

23.4 Credit risk (continued)

Receivables (continued)

Impairment losses (continued)

	Gross RM	Individual impairment RM	Net RM
31 December 2011			
Not past due	13,181,822	-	13,181,822
Past due 1 – 30 days	635,134	-	635,134
Past due 31 – 120 days	135,676	-	135,676
Past due more than 120 days	3,353,753	(299,584)	3,054,169
	17,306,385	(299,584)	17,006,801
1 January 2011			
Not past due	11,551,564	-	11,551,564
Past due 1 – 30 days	873,926	-	873,926
Past due 31 – 120 days	100,839	-	100,839
Past due more than 120 days	2,231,581	(120,173)	2,111,408
	14,757,910	(120,173)	14,637,737

The Directors have assessed the recoverability of trade and other receivables and are of the view that collective impairment is not required as at the year end.

The movement in the allowance for impairment losses of trade receivables during the financial year were:

	2012 RM	2011 RM
At 1 January	299,584	120,173
Impairment loss recognised	332,753	179,411
At 31 December	632,337	299,584

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

23. Financial instruments (continued)

23.4 Credit risk (continued)

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Group provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Group monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM2,072,086 (31.12.2011: RM1,057,724; 1.1.2011: RM1,087,485) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

Intercompany balances

Risk management objectives, policies and processes for managing the risk

The Group provides unsecured loans and advances to related companies. The Company monitors the results of the related companies regularly.

Exposure to credit risk and credit quality

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Loans and advances are only provided to subsidiaries which are wholly owned by the Company.

Impairment losses

As at the end of the reporting period, there was no indication that the loans and advances to the related companies are not recoverable. The Group does not specifically monitor the ageing of the advances to the subsidiaries.

23. Financial instruments (continued)

23.4 Credit risk (continued)

Cash and cash equivalents

Risk management objectives, policies and processes for managing the risk

The Group's short term deposits are placed as fixed rates investments and upon which management endeavours to obtain the best rate available in the market.

Cash and cash equivalents are placed with reputable financial institutions.

Exposure to credit risk and credit quality

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Impairment losses

As at the end of the reporting period, there was no indication that cash and cash equivalents are not recoverable.

23.5 Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group and the Company maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

23. Financial instruments (continued)

23.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period based on undiscounted contractual payments.

Group	Carrying amount RM	Effective interest rate %	Contractual cash flows RM	Under 1 year RM	1 - 5 years RM	More than 5 years RM
31 December 2012						
Secured bank loans	24,112,131	4.40 – 8.10	27,558,874	9,473,810	13,647,622	4,437,442
Trade and other payables	12,728,148	-	12,728,148	12,728,148	-	-
	36,840,279		40,287,022	22,201,958	13,647,622	4,437,442
31 December 2011						
Secured bank loans	26,793,779	6.87	32,495,852	9,522,876	22,972,976	-
Trade and other payables	8,074,223	-	8,074,223	8,074,223	-	-
	34,868,002		40,570,075	17,597,099	22,972,976	-
1 January 2011						
Secured bank loans	23,284,441	6.10	29,279,159	6,216,816	23,062,343	-
Trade and other payables	6,091,976	-	6,091,976	6,091,976	-	-
	29,376,417		35,371,135	12,308,792	23,062,343	-

23. Financial instruments (continued)

23.5 Liquidity risk (continued)

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

23.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's financial position or cash flows.

23.6.1 Currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Group. The currency giving rise to this risk is primarily U.S. Dollars ("USD").

Risk management objectives, policies and processes for managing the risk

The Group did not hedge any foreign trade receivables or payables denominated in foreign currencies during the year. In respect of other monetary assets and liabilities held in currencies other than Ringgit Malaysia, the Group ensures that the net exposure is kept to an acceptable level.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the currency of the Company) risk, based on carrying amounts as at the end of the reporting period was:

	Denominated in USD **RM**
31 December 2012	
Trade receivables	73,380
Trade payables	(1,667,454)
Net exposure	(1,594,074)
31 December 2011/1 January 2011	
Net exposure	-

23. Financial instruments (continued)

23.6 Market risk (continued)

23.6.1 Currency risk (continued)

Currency risk sensitivity analysis

Foreign currency risk arises for transactions denominated in U.S Dollar. The exposure to currency risk for transactions other than U.S Dollar is not material and hence, sensitivity analysis is not presented.

A 1 percent strengthening of the Ringgit Malaysia against the U.S Dollar at the end of the reporting period would have increased post-tax profit or loss by the amount shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit or loss	
	2012	**2011**
	RM	**RM**
USD	15,940	-
	=====	=====

A 1 percent weakening of Ringgit Malaysia against the above currency at the end of the reporting period would have had equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remain constant.

23.6.2 Interest rate risk

The Group's borrowings are not exposed to a risk of change in their fair value due to changes in interest rates. The Group's borrowings are exposed to a risk of change in cash flows due to changes in interest rate. Receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group does not engage in any hedging activities to manage interest risk fluctuations.

23. Financial instruments (continued)

23.6 Market risk (continued)

23.6.2 Interest rate risk (continued)

Exposure to interest rate risk

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period were:

	Group		
	31.12.2012 RM	**31.12.2011 RM**	**1.1.2011 RM**
Fixed rate instruments			
Deposits placed with licensed banks	9,069,855	4,543,486	4,003,096
	========	=======	=======
Floating rate instruments			
Loans and borrowings	24,112,131	26,793,779	23,284,441
	========	========	========

Interest rate risk sensitivity analysis

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

23.7 Fair value of financial instruments

The carrying amounts of cash and cash equivalents, trade and others receivables, trade and other payables and short term borrowings approximate fair values due to the relatively short term nature of these financial instruments.

23.7.1 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: 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).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

23. Financial instruments (continued)

23.7 Fair value of financial instruments (continued)

23.7.1 Fair value hierarchy (continued)

The following table shows the Group's financial instruments which are measured at fair value at the reporting data analysed by level within the fair value hierarchy:

Group	**Level 1 RM**	**Level 2 RM**	**Level 3 RM**	**Total RM**
31 December 2012				
Financial assets				
Available-for-sale financial assets	-	-	-	-
31 December 2011				
Financial assets				
Available-for-sale financial assets	-	-	1,048,879	1,048,879
1 January 2011				
Financial assets				
Available-for-sale financial assets	-	-	1,026,336	1,026,336

The following table shows a reconciliation from the beginning balance to the ending balance for fair value measurements in Level 3 of the fair value hierarchy:

	Group 2012 RM	**Group 2011 RM**
At 1 January	1,048,879	1,026,336
Additions	2,177	27,403
Change in fair value	24,848	(4,860)
Disposal	(1,075,904)	-
At 31 December	-	1,048,879

The Group had uplifted the available-for-sale financial asset during the current financial year.

24. Capital management

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determine to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The debt-to-equity ratios at 31 December 2012, 31 December 2011 and 1 January 2011 were as follows:

		Group		
	Note	**31.12.2012 RM**	**31.12.2011 RM**	**1.1.2011 RM**
Total loans and borrowings	14	24,112,131	26,793,779	23,284,441
Less : Cash and cash equivalents	12	(13,150,993)	(8,254,276)	(7,447,662)
Net debt		10,961,138	18,539,503	15,836,779
Total equity		70,951,902	68,207,117	63,650,810
Debt-to-equity ratio		0.15	0.27	0.25

There was no change in the Group's approach to capital management during the financial year.

Under the requirements of Bursa Malaysia Guidance Note 3, the Group is required to maintain a consolidated shareholders' equity equal to or not less than the 25% of the issued and paid up capital (excluding treasury shares). The Group has complied with this requirement.

25. Operating leases

Leases as lessor

The Group leases out its investment property under operating leases (see Note 4). The future minimum lease payments under non-cancellable leases are as follows:

	Group		
	31.12.2012 RM	**31.12.2011 RM**	**1.1.2011 RM**
Less than one year	287,223	291,126	358,390

26. Related parties

For the purposes of these financial statements, 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 may be individuals or other entities.

Key management personnel 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 Group.

Significant transactions with related parties other than those disclosed elsewhere in the financial statements are as follows:

	Company	
	2012	**2011**
	RM	**RM**
Subsidiaries		
Management fees	1,772,764	-
	=======	=======
Common Director		
Professional fees	18,500	-
	=======	=======

27. Significant events during the year

27.1 On 22 May 2012, the Company acquired 300,000 ordinary shares of RM1.00 each, representing the remaining 30% equity in IPSAT Sdn. Bhd. for a total cash consideration of RM1,113,179;

27.2 On 1 November 2012, Privanet Distribution Sdn. Bhd., a subsidiary of Privanet Sdn. Bhd., increased its authorised share capital from 100,000 to 500,000 ordinary shares of RM1.00 each by the creation of additional 400,000 ordinary shares of RM1.00 each and increased its issued and paid-up capital from 3 to 500,000 ordinary shares of RM1.00 each with the issuance of 499,997 new ordinary shares of RM1.00 each to Privanet Sdn. Bhd. for a total cash consideration of RM499,997; and

27.3 On 31 December 2012, Privanet Sdn. Bhd. disposed of 500,000 ordinary shares of RM1.00 each, representing 25% of its equity interest in Privatel Sdn. Bhd. (formerly known as Airoport.com Sdn. Bhd.) (“Privatel”), to a Director of Privatel for a cash consideration of RM1.00.

28. Subsequent events

28.1 Subsequent to year end on 18 March 2013, Privanet Distribution Sdn. Bhd., a subsidiary of Privanet Sdn. Bhd. increased its authorised share capital from RM500,000 to RM1,000,000 ordinary shares of RM1.00 each by the creation of additional 500,000 ordinary shares of RM1.00 each.

Privanet Distribution Sdn. Bhd. also increased its issued and paid up share capital from RM500,000 to RM1,000,000 by way of Bonus Issue of 500,000 new ordinary shares of RM1.00 each.

28.2 On 23 April 2013, Privanet Sdn. Bhd. entered into a sale agreement with Low Peng Yew and Chan Yue Mun, who are non-related parties, for the disposal of 300,000 ordinary shares of RM1.00 each in its subsidiary, Privanet Distribution Sdn. Bhd., representing 30% of the entire issued and paid-up capital of Privanet Distribution Sdn. Bhd., for a total cash consideration of RM500,000.

In addition, Privanet Sdn. Bhd. also disposed the remaining 700,000 ordinary shares of RM1.00 each in Privanet Distribution Sdn. Bhd., representing the remaining 70% of the entire issued and paid up capital of Privanet Distribution Sdn. Bhd. to the Company.

29. Contingencies

29.1 On 15 March 2013, the Group was served with a letter from the Industrial Relations Department of Malaysia, informing that the case involving a claim of wrongful dismissal by a former employee be referred to the Kuala Lumpur Industrial Court.

The Directors are of the opinion that provisions are not required in respect of this matter as the case is yet to be allocated for Court mention as it is still at the preliminary stage.

29.2 On 21 July 2011, Privanet Sdn. Bhd., a wholly-owned subsidiary of the Company, was served with a notice to attend a mention on 15 September 2011 at the Kuala Lumpur Industrial Court for an industrial court case. The case involved a claim of wrongful dismissal by a former employee, and the seeking of reinstatement to his former position/employment with Privanet Sdn. Bhd.

The claim has been withdrawn during the current financial year.

30. Capital commitment

	Group		
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM	**RM**	**RM**
Authorised but not contracted for	-	870,102	12,623,380
	======	======	========

31. Explanation of transition to MFRSs

As stated in Note 1(a), these are the first financial statements of the Group and of the Company prepared in accordance with MFRSs.

The accounting policies set out in Note 2 have been applied in preparing the financial statements of the Group and of the Company for the year ended 31 December 2012, the comparative information presented in these financial statements for the year ended 31 December 2011 and in the preparation of the opening MFRS statement of financial position at 1 January 2011 (the Group's date of transition to MFRSs).

The transition to MFRSs does not have any financial impact to the seperate financial statements of the Company.

In preparing the opening consolidated statement of financial position at 1 January 2011, the Group has adjusted amounts reported previously in financial statements prepared in accordance with previous FRSs.

An explanation of how the transition from previous FRSs to MFRSs has affected the Group's financial position, financial performance and cash flows is set out as follows:

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31. Explanation of transition to MFRSs (continued)

31.1 Reconciliation of financial position

Group	Note	1.1.2011 FRSs RM	1.1.2011 Effect of transition to MFRSs RM	1.1.2011 MFRSs RM	31.12.2011 FRSs RM	31.12.2011 Effect of transition to MFRSs RM	31.12.2011 MFRSs RM
Assets							
Property, plant and equipment	*a*	16,201,285	1,602,758	17,804,043	23,349,670	1,585,389	24,935,059
Investment property	*b*	5,655,353	844,647	6,500,000	5,596,262	835,317	6,431,579
Intangible assets		40,761,873	-	40,761,873	39,731,685	-	39,731,685
Trade and other receivables		750,000	-	750,000	843,750	-	843,750
Total non-current assets		63,368,511	2,447,405	65,815,916	69,521,367	2,420,706	71,942,073
Inventories		1,987,801	-	1,987,801	1,604,097	-	1,604,097
Work-in-progress		1,891,995	-	1,891,995	2,641,930	-	2,641,930
Tax recoverable		10,490	-	10,490	258,920	-	258,920
Available-for-sale financial assets		1,026,336	-	1,026,336	1,048,879	-	1,048,879
Trade and other receivables		15,120,918	-	15,120,918	17,872,122	-	17,872,122
Cash and cash equivalents		7,447,662	-	7,447,662	8,254,276	-	8,254,276
Total current assets		27,485,202	-	27,485,202	31,680,224	-	31,680,224
Total assets		90,853,713	2,447,405	93,301,118	101,201,591	2,420,706	103,622,297

31. Explanation of transition to MFRSs (continued)

31.1 Reconciliation of financial position (continued)

Group	Note	1.1.2011 FRSs RM	1.1.2011 Effect of transition to MFRSs RM	1.1.2011 MFRSs RM	31.12.2011 FRSs RM	31.12.2011 Effect of transition to MFRSs RM	31.12.2011 MFRSs RM
Equity							
Share capital		55,820,002	-	55,820,002	55,820,002	-	55,820,002
Retained earnings	*c*	5,028,013	2,447,405	7,475,418	9,332,724	2,420,706	11,753,430
Equity attributable to owners of the Company		60,848,015	2,447,405	63,295,420	65,152,726	2,420,706	67,573,432
Non-controlling interests		355,390	-	355,390	633,685	-	633,685
Total equity		61,203,405	2,447,405	63,650,810	65,786,411	2,420,706	68,207,117
Liabilities							
Loans and borrowings		18,378,430	-	18,378,430	18,912,224	-	18,912,224
Deferred tax liabilities		108,000	-	108,000	74,289	-	74,289
Total non-current liabilities		18,486,430	-	18,486,430	18,986,513	-	18,986,513

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31. Explanation of transition to MFRSs (continued)

31.1 Reconciliation of financial position (continued)

Group	Note	1.1.2011 FRSs RM	1.1.2011 Effect of transition to MFRSs RM	1.1.2011 MFRSs RM	31.12.2011 FRSs RM	31.12.2011 Effect of transition to MFRSs RM	31.12.2011 MFRSs RM
Loans and borrowings		4,906,011	-	4,906,011	7,881,555	-	7,881,555
Trade and other payables		6,091,976	-	6,091,976	8,074,223	-	8,074,223
Taxation		165,891	-	165,891	472,889	-	472,889
Total current liabilities		11,163,878	-	11,163,878	16,428,667	-	16,428,667
Total liabilities		29,650,308	-	29,650,308	35,415,180	-	35,415,180
Total equity and liabilities		90,853,713	-	93,301,118	101,201,591	-	103,622,297

31. Explanation of transition to MFRSs (continued)

31.2 Reconciliation of profit or loss and other comprehensive income for the year ended 31 December 2011

Group	Note	FRSs RM	Effect of transition to MFRSs RM	MFRSs RM
Revenue		44,070,540	-	44,070,540
Cost of sales		(27,830,265)	-	(27,830,265)
Gross profit		16,240,275	-	16,240,275
Other income		452,933	-	452,933
Other operating expenses	*a, b*	(9,347,006)	(26,699)	(9,373,705)
Results from operating activities		7,346,202	(26,699)	7,319,503
Finance income		166,587	-	166,587
Finance costs		(1,721,453)	-	(1,721,453)
Profit before tax		5,791,336	(26,699)	5,764,637
Tax expense		(645,270)	-	(645,270)
Net profit for the year		5,146,066	(26,699)	5,119,367
Other comprehensive income, net of tax				
Items that may be reclassified subsequently to profit or loss				
Changes in fair value of available-for-sale financial assets		(4,860)	-	(4,860)
Total comprehensive income for the year		5,141,206	(26,699)	5,114,507

The FRS figures have been restated arising from the revaluation of property, plant and equipment and investment property as discussed in Notes 3 and 4.

31. Explanation of transition to MFRSs (continued)

31.3 Material adjustments to the statement of cash flows for 2011

There are no material differences between the statement of cash flows presented under MFRSs and the statement of cash flows presented under FRSs.

31.4 Notes to reconciliations

(a) Property, plant and equipment - Deemed cost exemption - fair value

The Group elected to apply the optional exemption to measure certain property, plant and equipment at fair value at the date of transition to MFRSs and use that fair value as deemed cost under MFRSs.

The aggregate fair value of building at 1 January 2011 was determined to be RM8,000,000 compared to the then carrying amount of RM6,397,242 under FRSs.

The impact arising from the change is summarised as follows:

	2011 RM
Statement of profit or loss and other comprehensive income	
Other operating expenses - depreciation	17,369
Adjustment before tax	17,369

	1.1.2011 RM	**31.12.2011 RM**
Statement of financial position		
Property, plant and equipment	1,602,758	1,585,389
Adjustment to retained earnings	1,602,758	1,585,389

31. Explanation of transition to MFRSs (continued)

31.4 Notes to reconciliations

(b) Investment property - Deemed cost exemption - fair value

The Group elected to apply the optional exemption to measure its investment property at fair value at the date of transition to MFRSs and use that fair value as deemed cost under MFRSs.

The aggregate fair value of investment property at 1 January 2011 was determined to be RM6,500,000 compared to the then carrying amount of RM5,655,353 under FRSs.

The impact arising from the change is summarised as follows:

	2011 RM
Statement of profit or loss and other comprehensive income	
Other operating expenses - depreciation	9,330
Adjustment before tax	9,330

	1.1.2011 RM	31.12.2011 RM
Statement of financial position		
Investment property	844,647	835,317
Adjustment to retained earnings	844,647	835,317

(c) Retained earnings

The changes that affected the retained earnings are as follows:

	Note	1.1.2011 RM	31.12.2011 RM
Property, plant and equipment	*a*	1,602,758	1,585,389
Investment property	*b*	844,647	835,317
Increase in retained earnings		2,447,405	2,420,706

32. Supplementary financial information on the breakdown of realised and unrealised profits or losses

The breakdown of the retained earnings of the Group and of the Company as at 31 December, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Listing Requirements, are as follows:

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM	**RM**	**RM**	**RM**
Total retained earnings of the Company and its subsidiaries:				
- realised	360,157	(4,234,702)	2,417,034	397,779
- unrealised	2,375,818	2,697,995	-	-
	2,735,975	(1,536,707)	2,417,034	397,779
Add: Consolidation adjustments	12,415,743	13,269,584	-	-
Total retained earnings	15,151,718	11,732,877	2,417,034	397,779

The determination of realised and unrealised profits is based on the Guidance of 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*, issued by Malaysian Institute of Accountants on 20 December 2010.

Privasia Technology Berhad
(Company No. 825092-U)
(Incorporated in Malaysia)
and its subsidiaries

Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 6 to 78 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements 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 2012 and of their financial performance and cash flows for the year then ended.

In the opinion of the Directors, the information set out in Note 32 to the financial statements 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.

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

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Datuk Ali bin Abdul Kadir

....

Puvanesan a/l Subenthiran

Petaling Jaya,

Date: 24 April 2013

Privasia Technology Berhad
(Company No. 825092-U)
(Incorporated in Malaysia)
and its subsidiaries

Statutory declaration pursuant to Section 169(16) of the Companies Act, 1965

I, **Yap Wai Yin**, the officer primarily responsible for the financial management of Privasia Technology Berhad, do solemnly and sincerely declare that the financial statements set out on pages 6 to 79 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.

KUALA LUMPUR

Subscribed and solemnly declared by the above named in ~~Petaling Jaya~~ on 24 ~~April~~ 2013.

PESURUHJAYA SUMPAH W493 LEE CHIN HIN MALAYSIA

....
Yap Wai Yin

Before me:

PESURUHJAYA SUMPAH
W493
LEE CHIN HIN
MALAYSIA

149, Jalan Aminuddin Baki
Taman Tun Dr Ismail
60000 Kuala Lumpur

KPMG

KPMG (Firm No. AF 0758)
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia

Telephone +60 (3) 7721 3388
Fax +60 (3) 7721 3399
Internet www.kpmg.com.my

Independent Auditors' Report to the members of Privasia Technology Berhad

(Company No. 825092-U)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Privasia Technology Berhad, which comprise the statements of financial position as at 31 December 2012 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 6 to 78.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia, and 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.

Company No. 825092-U

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements 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 of 31 December 2012 and of their financial performance and cash flows for the year then ended.

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 of which we have acted as auditors 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

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 32 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards and International Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, 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.

KPMG

Company No. 825092-U

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.

KPMG
Firm Number: AF 0758
Chartered Accountants

Peter Ho Kok Wai
Approval number: 1745/12/13(J)
Chartered Accountant

Petaling Jaya

Date: 24 April 2013