Company No.: 825092-U

PRIVASIA TECHNOLOGY BERHAD
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2016

Company No.: 825092-U

PRIVASIA TECHNOLOGY BERHAD
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2016

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PRIVASIA TECHNOLOGY BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services. The principal activities of its subsidiaries are disclosed in Note 8 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 for the financial year	337,016	1,940,170
Attributable to:		
Owners of the Company	112,547	1,940,170
Non-controlling interests	224,469	-
	337,016	1,940,170

DIVIDENDS

The amount of dividend declared and paid by the Company since the end of the previous financial year was as follows:

	RM
Single tier tax exempt final dividend of 0.20 sen per ordinary share of RM0.10 each in respect of the financial year ended 31 December 2015, paid on 18 August 2016	1,116,400

The dividend had been accounted for in equity as an appropriation of retained earnings during the financial year ended 31 December 2016.

The directors do not recommend the payments of any dividends in respect of the financial year ended 31 December 2016.

RESERVES AND PROVISIONS

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

DIRECTORS' REPORT (continued)

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and satisfied themselves that all known bad debts have been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off as bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company had 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 which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances 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.

CONTINGENT AND OTHER LIABILITIES

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

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

(ii) any contingent liabilities in respect of the Group and of the Company which has arisen since the end of the financial year.

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

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DIRECTORS' REPORT (continued)

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

(i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

ISSUE OF SHARES AND DEBENTURES

During the financial year, no new issue of shares or debentures were made by the Company.

DIRECTORS OF THE COMPANY

The directors in office 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
Datuk Mohd Aqliff Shane Abdullah
Puvanesan A/L Subenthiran

DIRECTORS' REPORT (continued)

DIRECTORS' INTERESTS

According to the Register of Directors' shareholdings required to be kept by the Company under Section 134 of the Companies Act 1965 in Malaysia, the interests of directors in office at the end of the financial year in shares in the Company and its related corporation during the financial year were as follows:

Interest in the Company

		Number of ordinary shares of RM0.10 each			
		At 1 January 2016	Bought	Sold	At 31 December 2016
Direct interests:					
Andre Anthony A/L Hubert Rene		10,828,700	-	-	10,828,700
Brian Wong Wye Pong		500,000	-	-	500,000
Datuk Ali Bin Abdul Kadir		18,530,400	-	-	18,530,400
Datuk Mohd Aqliff Shane Abdullah		28,111,000	-	-	28,111,000
Puvanesan A/L Subenthiran		15,611,400	-	-	15,611,400
Indirect interests:					
Andre Anthony A/L Hubert Rene	*	156,549,520	-	-	156,549,520
Datuk Ali Bin Abdul Kadir	*	1,666,000	-	-	1,666,000
Puvanesan A/L Subenthiran	*	150,885,720	-	-	150,885,720

* Shares held through company in which the director has substantial financial interests.

By virtue of their interests in the ordinary shares of the Company and pursuant to Section 6A of the Companies Act 1965 in Malaysia, Andre Anthony A/L Hubert Rene and Puvanesan A/L Subenthiran are deemed to be interested in the ordinary shares of the subsidiaries to the extent that the Company has an interest.

Other than as stated above, the other director in office at the end of the financial year does not have any interest in shares of the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable, by the directors as disclosed in Note 21 the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

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

DIRECTORS' REPORT (continued)

SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Details of significant event subsequent to the end of the financial year are disclosed in Note 31 to the financial statements.

AUDITORS

The auditors, Messrs. Baker Tilly Monteiro Heng, have expressed their willingness to continue in office.

This report was approved and signed on behalf of the Board of Directors in accordance with a resolution of the directors:

....

DATUK ALI BIN ABDUL KADIR
Director

....

PUVANESAN A/L SUBENTHIRAN
Director

Date: 25 April 2017

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PRIVASIA TECHNOLOGY BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

		Group		Company	
		2016	2015	2016	2015
	Note	RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	41,425,238	29,763,142	-	-
Investment properties	6	2,273,936	4,261,689	-	-
Goodwill and other intangible assets	7	37,793,419	37,313,581	-	-
Investment in subsidiaries	8	-	-	58,403,181	58,403,181
Investment in an associate	9	-	-	-	-
Other investment	10	500,000	500,000	500,000	500,000
Deferred tax assets	11	1,073,987	1,073,987	-	-
Total non-current assets		83,066,580	72,912,399	58,903,181	58,903,181
Current assets					
Inventories	12	2,350,822	3,218,269	-	-
Trade and other receivables	13	37,478,805	35,557,907	7,805,552	5,144,896
Current tax assets	14	1,336,335	1,279,609	-	-
Deposits, cash and bank balances	15	10,928,271	9,225,227	18,676	5,120
Total current assets		52,094,233	49,281,012	7,824,228	5,150,016
TOTAL ASSETS		135,160,813	122,193,411	66,727,409	64,053,197

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PRIVASIA TECHNOLOGY BERHAD
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STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 (continued)

		Group		Company	
		2016	2015	2016	2015
	Note	RM	RM	RM	RM
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	16	55,820,002	55,820,002	55,820,002	55,820,002
Retained earnings		24,621,611	25,625,464	2,966,936	2,143,166
		80,441,613	81,445,466	58,786,938	57,963,168
Non-controlling interests		(185,011)	(609,480)	-	-
TOTAL EQUITY		80,256,602	80,835,986	58,786,938	57,963,168
Liabilities					
Non-current liabilities					
Loans and borrowings	17	18,652,377	9,448,752	-	-
Deferred tax liabilities	11	2,599,000	2,102,721	-	-
Total non-current liabilities		21,251,377	11,551,473	-	-
Current liabilities					
Loans and borrowings	17	11,573,912	3,021,053	-	-
Trade and other payables	18	22,078,922	26,784,899	7,940,471	6,090,029
Total current liabilities		33,652,834	29,805,952	7,940,471	6,090,029
TOTAL LIABILITIES		54,904,211	41,357,425	7,940,471	6,090,029
TOTAL EQUITY AND LIABILITIES		135,160,813	122,193,411	66,727,409	64,053,197

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

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PRIVASIA TECHNOLOGY BERHAD
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**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

		Group		Company	
		2016	**2015**	**2016**	**2015**
	Note	**RM**	**RM**	**RM**	**RM**
Revenue	19	74,496,547	81,345,878	5,356,742	5,355,964
Cost of sales		(47,502,721)	(54,527,976)	-	-
Gross profit		26,993,826	26,817,902	5,356,742	5,355,964
Other income		1,428,540	289,898	-	380
Other expenses		(24,321,713)	(23,267,230)	(3,416,572)	(3,470,968)
Operating profit		4,100,653	3,840,570	1,940,170	1,885,376
Finance costs		(891,679)	(532,721)	-	-
Profit before tax	20	3,208,974	3,307,849	1,940,170	1,885,376
Tax expense	22	(2,871,958)	(1,115,615)	-	-
Profit for the financial year, representing total comprehensive income for the financial year		337,016	2,192,234	1,940,170	1,885,376
Profit attributable to, representing total comprehensive income attributable to:					
- Owners of the Company		112,547	3,119,771	1,940,170	1,885,376
- Non-controlling interests		224,469	(927,537)	-	-
		337,016	2,192,234	1,940,170	1,885,376
Earnings per share attributable to owners of the Company (sen):					
- Basic and diluted	23	0.02	0.56		

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

PRIVASIA TECHNOLOGY BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		<--- Attributable to owners of the Company--->				
			Distributable			
	Note	Share capital RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
Group						
At 1 January 2016		55,820,002	25,625,464	81,445,466	(609,480)	80,835,986
Total comprehensive income for the financial year						
Profit for the financial year		-	112,547	112,547	224,469	337,016
Total comprehensive income		-	112,547	112,547	224,469	337,016
Transactions with owners						
Changes in ownership interests in a subsidiary		-	-	-	200,000	200,000
Dividends paid on shares	24	-	(1,116,400)	(1,116,400)	-	(1,116,400)
Total transactions with owners		-	(1,116,400)	(1,116,400)	200,000	(916,400)
At 31 December 2016		55,820,002	24,621,611	80,441,613	(185,011)	80,256,602

PRIVASIA TECHNOLOGY BERHAD
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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (continued)

	Note	<--- Attributable to owners of the Company---> Share capital RM	Distributable Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
Group						
At 1 January 2015		55,820,002	23,901,193	79,721,195	318,057	80,039,252
Total comprehensive income for the financial year						
Profit for the financial year		-	3,119,771	3,119,771	(927,537)	2,192,234
Total comprehensive income		-	3,119,771	3,119,771	(927,537)	2,192,234
Transaction with owners						
Dividends paid on shares	24	-	(1,395,500)	(1,395,500)	-	(1,395,500)
Total transaction with owners		-	(1,395,500)	(1,395,500)	-	(1,395,500)
At 31 December 2015		55,820,002	25,625,464	81,445,466	(609,480)	80,835,986

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PRIVASIA TECHNOLOGY BERHAD
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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Share capital RM	Distributable Retained earnings RM	Total equity RM
Company				
At 1 January 2015		55,820,002	1,653,290	57,473,292
Total comprehensive income for the financial year				
Profit for the financial year		-	1,885,376	1,885,376
Total comprehensive income		-	1,885,376	1,885,376
Transaction with owners				
Dividends paid on shares	24	-	(1,395,500)	(1,395,500)
Total transaction with owners		-	(1,395,500)	(1,395,500)
At 31 December 2015		55,820,002	2,143,166	57,963,168
Total comprehensive income for the financial year				
Profit for the financial year		-	1,940,170	1,940,170
Total comprehensive income		-	1,940,170	1,940,170
Transaction with owners				
Dividends paid on shares	24	-	(1,116,400)	(1,116,400)
Total transaction with owners		-	(1,116,400)	(1,116,400)
At 31 December 2016		55,820,002	2,966,936	58,786,938

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

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PRIVASIA TECHNOLOGY BERHAD
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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Group		Company	
		2016	2015	2016	2015
	Note	RM	RM	RM	RM
Cash Flows from Operating Activities					-
Profit before tax:		3,208,974	3,307,849	1,940,170	1,885,376
Adjustments for:					
Amortisation of intangible assets		259,039	527,514	-	-
Bad debts written off		6,060	173,606	-	-
Depreciation of investment properties		152,647	47,767	-	-
Depreciation of property, plant and equipment		8,303,900	8,814,139	-	-
Impairment loss on:					
- Trade receivables		2,266,698	858,875	-	-
- Other receivables		5,000	-	-	-
Interest expense		891,679	532,721	-	-
Interest income		(76,124)	(54,545)	-	(8)
Inventories written down		-	129,492	-	-
Property, plant and equipment written off		236	6,916	-	-
Reversal of impairment loss on trade receivables		(248,298)	-	-	-
Unrealised (gain)/loss on foreign exchange		(575,802)	697,965	-	-
Operating profit before working capital changes		14,194,009	15,042,299	1,940,170	1,885,368
Changes in working capital:					
Inventories		867,447	(677,465)	-	-
Work-in-progress		-	849,448	-	-
Receivables		(3,950,358)	(8,868,922)	(2,918,937)	(2,598,915)
Payables		(4,130,175)	4,158,013	52,724	2,020,096
Net cash flows generated from/ (used in) operations		6,980,923	10,503,373	(926,043)	1,306,549
Interest received		76,124	54,545	-	8
Income tax paid		(2,432,405)	(3,099,366)	-	-
Net cash flows from/(used in) operating activities		4,624,642	7,458,552	(926,043)	1,306,557

PRIVASIA TECHNOLOGY BERHAD
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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (continued)

		Group		Company	
		2016	**2015**	**2016**	**2015**
	Note	**RM**	**RM**	**RM**	**RM**
Cash Flows from Investing Activities					
Advances from subsidiaries		-	-	2,055,999	-
Issuance of ordinary shares to non-controlling interests of a subsidiary		200,000	-	-	-
Purchase of intangible assets		(738,877)	(951,964)	-	-
Purchase of property, plant and equipment		(9,592,167)	(2,996,317)	-	-
Net cash flows (used in)/from investing activities		(10,131,044)	(3,948,281)	2,055,999	-
Cash Flows from Financing Activities					
Dividends paid		(1,116,400)	(1,395,500)	(1,116,400)	(1,395,500)
Drawdown of bankers' acceptances		324,326	-	-	-
Interest paid		(891,679)	(532,721)	-	-
Placements of pledged deposits		(859,430)	(817,298)	-	-
Proceeds from term loans		15,170,673	-	-	-
Repayments of finance lease liabilities		(2,323,563)	(1,376,873)	-	-
Repayments of term loans		(9,016,185)	(1,199,664)	-	-
Net cash flows from/(used in) financing activities		1,287,742	(5,322,056)	(1,116,400)	(1,395,500)
Net (decrease)/increase in cash and cash equivalents		(4,218,660)	(1,811,785)	13,556	(88,943)
Cash and cash equivalents at the beginning of the financial year		5,958,724	7,770,509	5,120	94,063
Cash and cash equivalents at the end of the financial year	15	1,740,064	5,958,724	18,676	5,120

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

1. GENERAL INFORMATION

Privasia Technology Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the ACE Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at 13A, Jalan SS21/56B, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan.

The principal place of business of the Company is located at Unit C-21-05, 3 Two Square, No.2 Jalan 19/1, 46300 Petaling Jaya, Selangor Darul Ehsan.

The principal activities of the Company are investment holding and provision of management services. The principal activities of the subsidiaries are disclosed in Note 8. There have been no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 25 April 2017.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

2.2 Adoption of amendments/improvements to MFRSs

The Group and the Company had adopted the following amendments/improvements to MFRSs that are mandatory for the current financial year:

Amendments/Improvements to MFRSs	
MFRS 5	Non-current Asset Held for Sale and Discontinued Operations
MFRS 7	Financial Instruments: Disclosures
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interest in Other Entities
MFRS 101	Presentation of Financial Statements
MFRS 116	Property, Plant and Equipment
MFRS 119	Employee Benefits
MFRS 127	Separate financial statements
MFRS 128	Investments in Associates and Joint Ventures
MFRS 138	Intangible Assets
MFRS 141	Agriculture

2. BASIS OF PREPARATION (continued)

2.2 Adoption of amendments/improvements to MFRSs (continued)

The adoption of the above amendments/improvements to MFRSs did not have any significant effect on the financial statements of the Group and of the Company, and did not result in significant changes to the Group's and the Company's existing accounting policies.

Amendments to MFRS 7 Financial Instruments: Disclosures

Amendments to MFRS 7 provide additional guidance to clarify whether servicing contracts constitute continuing involvement for the purposes of applying the disclosure requirements of MFRS 7.

The Amendments also clarify the applicability of Disclosure – Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 7) to condensed interim financial statements.

Amendments to MFRS 101 Presentation of Financial Statements

Amendments to MFRS 101 improve the effectiveness of disclosures. The Amendments clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

Amendments to MFRS 116 Property, Plant and Equipment

Amendments to MFRS 116 prohibit revenue-based depreciation because revenue does not reflect the way in which an item of property, plant and equipment is used or consumed.

Amendments to MFRS 127 Separate Financial Statements

Amendments to MFRS 127 allow a parent and investors to use the equity method in its separate financial statements to account for investments in subsidiaries, joint ventures and associates, in addition to the existing options.

Amendments to MFRS 138 Intangible Assets

Amendments to MFRS 138 introduce a rebuttable presumption that the revenue-based amortisation method is inappropriate. This presumption can be overcome only in the following limited circumstances:

- when the intangible asset is expressed as a measure of revenue, i.e. in the circumstance in which the predominant limiting factor that is inherent in an intangible asset is the achievement of a revenue threshold; or
- when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

2. BASIS OF PREPARATION (continued)

2.2 Adoption of amendments/improvements to MFRSs (continued)

Amendments to MFRS 10 Consolidated Financial Statements, MFRS 12 Disclosures of Interests in Other Entities and MFRS 128 Investments in Associates and Joint Ventures

These Amendments address the following issues that have arisen in the application of the consolidation exception for investment entities:

- Exemption from presenting consolidated financial statements: the amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.
- Consolidation of intermediate investment entities: the amendments clarify that only a subsidiary is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.
- Policy choice for equity accounting for investments in associates and joint ventures: the amendments allow a non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interest in subsidiaries, or to unwind the fair value measurement and instead perform a consolidation at the level of the investment entity associate or joint venture.

2.3 New MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") that have been issued, but yet to be effective

The Group and the Company have not adopted the following new MFRSs, amendments/improvements to MFRSs and new IC Int that have been issued, but yet to be effective:

		Effective for financial periods beginning on or after
<u>New MFRSs</u>		
MFRS 9	Financial Instruments	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
MFRS 16	Leases	1 January 2019
<u>Amendments/Improvements to MFRSs</u>		
MFRS 2	Share-based Payment	1 January 2018
MFRS 4	Insurance Contracts	1 January 2018
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 12	Disclosure of Interests in Other Entities	1 January 2017
MFRS 107	Statement of Cash Flows	1 January 2017
MFRS 112	Income Taxes	1 January 2017
MFRS 128	Investments in Associates and Joint Ventures	1 January 2018/ Deferred
MFRS 140	Investment Property	1 January 2018
<u>New IC Int</u>		
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018

2. BASIS OF PREPARATION (continued)

2.3 New MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") that have been issued, but yet to be effective (continued)

A brief discussion on the above significant new MFRSs, amendments/improvements to MFRSs and new IC Int are summarised below. Due to the complexity of these new MFRSs, amendments/improvements to MFRSs and new IC Int, the financial effects of their adoption are currently still being assessed by the Company.

MFRS 9 Financial Instruments

Key requirements of MFRS 9:

- MFRS 9 introduces an approach for classification of financial assets which is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments.

  In essence, if a financial asset is a simple debt instrument and the objective of the entity's business model within which it is held is to collect its contractual cash flows, the financial asset is measured at amortised cost. In contrast, if that asset is held in a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets, then the financial asset is measured at fair value in the statements of financial position, and amortised cost information is provided through profit or loss. If the business model is neither of these, then fair value information is increasingly important, so it is provided both in the profit or loss and in the statement of financial position.

- MFRS 9 introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, this Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The model requires an entity to recognise expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments. This model eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occurred before credit losses are recognised.

- MFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. In addition, as a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

2. BASIS OF PREPARATION (continued)

2.3 New MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") that have been issued, but yet to be effective (continued)

MFRS 15 Revenue from Contracts with Customers

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:
(i) identify the contracts with a customer;
(ii) identify the performance obligation in the contract;
(iii) determine the transaction price;
(iv) allocate the transaction price to the performance obligations in the contract;
(v) recognise revenue when (or as) the entity satisfies a performance obligation.

MFRS 15 also includes new disclosures that would result in an entity providing users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The following MFRSs and IC Interpretations will be withdrawn on the application of MFRS 15:

MFRS 111	Construction Contracts
MFRS 118	Revenue
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 18	Transfers of Assets from Customers
IC Interpretation 131	Revenue – Barter Transactions Involving Advertising Services

MFRS 16 Leases

Currently under MFRS 117 Leases, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from the finance leases.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. All leases will be brought onto its statement of financial position except for short-term and low value asset leases.

Amendments to MFRS 12 Disclosure of Interests in Other Entities

Amendments to MFRS 12 clarify that entities classified as held for sale are required to apply all the disclosure requirements of MFRS 12 except for the disclosure requirements set out in paragraphs B10-B16.

2. BASIS OF PREPARATION (continued)

2.3 New MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") that have been issued, but yet to be effective (continued)

Amendments to MFRS 107 Statement of Cash Flows

Amendments to MFRS 107 require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes. The disclosure requirement could be satisfied in various ways, and one method is by providing reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

Amendments to MFRS 112 Income Taxes

Amendments to MFRS 112 clarify that decreases in value of debt instrument measured at fair value for which the tax base remains at its original cost give rise to a deductible temporary difference. The estimate of probable future taxable profits may include recovery of some of an entity's assets for more than their carrying amounts if sufficient evidence exists that it is probable the entity will achieve this.

The Amendments also clarify that deductible temporary differences should be compared with the entity's future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences when an entity evaluates whether it has sufficient future taxable profits. In addition, when an entity assesses whether taxable profits will be available, it should consider tax law restrictions with regards to the utilisation of the deduction.

Amendments to MFRS 128 Investments in Associates and Joint Ventures

Amendments to MFRS 128 clarify that an entity, which is a venture capital organisation, or a mutual fund, unit trust or similar entities, has an investment-by-investment choice to measure its investments in associates or joint ventures at fair value through profit or loss.

Amendments to MFRS 140 Investment Property

Amendments to MFRS 140 clarify that to transfer to, or from, investment properties there must be evidence of a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition of investment property. A change in intention, in isolation, does not provide evidence of a change in use.

The Amendments also clarify that the list of circumstances that evidence a change in use is not exhaustive.

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures

These Amendments address an acknowledged inconsistency between the requirements in MFRS 10 and those in MFRS 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the Amendments is that a full gain or loss is recognised when a transaction involves a business, as defined in MFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

2. BASIS OF PREPARATION (continued)

2.3 New MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") that have been issued, but yet to be effective (continued)

IC Int 22 Foreign Currency Transactions and Advance Consideration

IC Int 22 clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

2.4 Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which they operate ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

2.5 Basis of measurement

The financial statements of the Group and of the Company have been prepared on the historical cost basis, except as otherwise disclosed in Note 3.

2.6 Use of estimates and judgement

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reporting period. It also requires directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates that are significant to the financial statements are disclosed in Note 4.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial years presented in the financial statements of the Group and of the Company.

3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries and an associate used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

(a) Subsidiaries and business combination

Subsidiaries are entities (including structured entities) over which the Group is exposed, or has rights, to variable returns from its involvement with the acquirees and has the ability to affect those returns through its power over the acquirees.

The financial statements of subsidiaries are included in the consolidated financial statements from the date the Group obtains control of the acquirees until the date the Group loses control of the acquirees.

The Group applies the acquisition method to account for business combinations from the acquisition date.

For a new acquisition, goodwill is initially measured at cost, being the excess of the following:

- the fair value of the consideration transferred, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Any amounts that relate to pre-existing relationships or other arrangements before or during the negotiations for the business combination, that are not part of the exchange for the acquiree, will be excluded from the business combination accounting and be accounted for separately; plus
- the recognised amount of any 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 (the choice of measurement basis is made on an acquisition-by-acquisition basis); plus
- if the business combination is achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree; less
- the net fair value of the identifiable assets acquired and the liabilities (including contingent liabilities) assumed at the acquisition date.

The accounting policy for goodwill is set out in Note 3.8(a).

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

If the business combination is achieved in stages, the Group remeasures the previously held equity interest in the acquiree to its acquisition-date fair value, and recognises the resulting gain or loss, if any, in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss or transferred directly to retained earnings on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

(a) Subsidiaries and business combination (continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group uses provisional fair value amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date, including additional assets or liabilities identified in the measurement period. The measurement period for completion of the initial accounting ends as soon as the Group receives the information it was seeking about facts and circumstances or learns that more information is not obtainable, subject to the measurement period not exceeding one year from the acquisition date.

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any gain or loss arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an associate, a joint venture, an available-for-sale financial asset or a held for trading financial asset.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the Group's share of net assets before and after the change, and the fair value of the consideration received or paid, is recognised directly in equity.

(b) Non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company and are presented separately in the consolidated statement of financial position within equity.

Losses attributable to the non-controlling interests are allocated to the non-controlling interests even if the losses exceed the non-controlling interests.

(c) Associates

Associates are entities over which the Group has significant influence, but not control, to the financial and operating policies.

Investment in associates are accounted for in the consolidated financial statements using the equity method.

Under the equity method, the investment in associates are initially recognised at cost. The cost of investment includes transaction costs. Subsequently, the carrying amount is adjusted to recognise changes in the Group's share of net assets of the associate.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

(c) Associates (continued)

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of an available-for-sale financial asset or a held for trading financial asset. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

(d) 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.

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Separate financial statements

In the Company's statement of financial position, investment in subsidiaries and an associate are measured at cost less any accumulated impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs. The policy for the recognition and measurement of impairment losses shall be applied on the same basis as would be required for impairment of non-financial assets as disclosed in Note 3.11(b).

3.3 Foreign currency transactions

Translation of foreign currency transactions

Foreign currency transactions are translated to the respective functional currencies of the Group entities at the exchange rates prevailing at the dates of the transactions.

At the end of each reporting date, monetary items denominated in foreign currencies are retranslated at the exchange rates prevailing at the reporting date.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the dates the fair values were determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the historical rates as at the dates of the initial transactions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Foreign currency transactions (continued)

Translation of foreign currency transactions (continued)

Foreign exchange differences arising on settlement or retranslation of monetary items are recognised in profit or loss except for monetary items that are designated as hedging instruments in either a cash flow hedge or a hedge of the Group's net investment of a foreign operation. When settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences are recognised in profit or loss in the separate financial statements of the parent company or the individual financial statements of the foreign operation. In the consolidated financial statements, the exchange differences are considered to form part of a net investment in a foreign operation and are recognised initially in other comprehensive income until its disposal, at which time, the cumulative amount is reclassified to profit or loss.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

3.4 Financial instruments

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

Financial instruments are recognised initially at fair value, except for financial instruments not measured at fair value through profit or loss, they are measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instruments.

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 as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

(a) Subsequent measurement

The Group and the Company categorise the financial instruments as follows:

(i) Financial assets

<u>Loans and receivables</u>

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Financial instruments (continued)

(a) Subsequent measurement (continued)

The Group and the Company categorise the financial instruments as follows: (continued)

(i) Financial assets (continued)

Loans and receivables (continued)

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(a). Gains and losses are recognised in profit or loss through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets comprise investment in equity and debt securities that are designated as available-for-sale or are not classified in any of the two preceding categories.

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair values hedges which are recognised in profit or loss.

The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

Unquoted equity instruments carried at cost

Investment in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(a).

(ii) Financial liabilities

Other financial liabilities

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Financial instruments (continued)

(b) Financial guarantee contracts

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

The Group designates corporate guarantees given to banks for credit facilities granted to subsidiaries as insurance contracts as defined in MFRS 4 Insurance Contracts. The Group recognises these insurance contracts as recognised insurance liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(c) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting (i.e. the date the Group and the Company themselves purchase or sell an asset). Trade date accounting refers to:
(i) the recognition of an asset to be received and the liability to pay for it on the trade date; and
(ii) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(d) Derecognition

A financial asset or a part of it is derecognised when, and only when, the contractual rights to receive the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount 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 other comprehensive income 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, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(e) Offsetting of financial instruments

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Property, plant and equipment

(a) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(b).

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are 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 cost of materials, direct labour, and any other direct attributable costs but excludes internal profits. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs in Note 3.16.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as a separate item of property, plant and equipment.

(b) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Group or the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss as incurred.

(c) Depreciation

All property, plant and equipment are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives.

	Useful lives (years)
Buildings	95 years
Computer equipment	3 – 5 years
Telecommunication and other equipment	3 – 5 years
Renovation	3 – 5 years
Motor vehicles	5 years
Other assets	1 year

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

(d) Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

(a) Lessee accounting

If an entity in the Group is a lessee in a finance lease, it capitalises the leased asset and recognises the related liability. The amount recognised at the inception date is the fair value of the underlying leased asset or, if lower, the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are charged as expenses in the periods in which they are incurred.

The capitalised leased asset is classified by nature as property, plant and equipment or investment property.

For operating leases, the Group does not capitalise the leased asset or recognise the related liability. Instead lease payments under an operating lease are recognised as an expense on the straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

(b) Lessor accounting

If an entity in the Group is a lessor in a finance lease, it derecognises the underlying asset and recognises a lease receivable at an amount equal to the net investment in the lease. Finance income is recognised in profit or loss based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

If an entity in the Group is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the statement of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Investment properties

Investment properties are properties held to earn rental income or for capital appreciation or both.

Investment properties are initially measured at cost, including transaction costs. The Group and the Company use the cost model to measure their investment properties after initial recognition. Accordingly, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(b).

Cost includes purchase price and any directly attributable costs incurred to bring the property to its present location and condition intended for use as an investment property. The cost of a self-constructed investment property includes the cost of material, direct labour and any other direct attributable costs. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs in Note 3.16.

For buildings, depreciation is charged to profit or loss on a straight line basis over the estimated useful lives of 95 years.

An investment property is derecognised on their disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gains and losses arising from derecognition of the asset is recognised in profit or loss.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property carried at fair value to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, any difference arising on the date of change in use between the carrying amount of the item immediately prior to the transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment.

3.8 Goodwill and other intangible assets

(a) Goodwill

Goodwill arising from business combinations is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. After initially recognition, goodwill is measured at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(b).

In respect of equity-accounted associates and joint venture, goodwill is included in the carrying amount of the investment and is not tested for impairment individually. Instead, the entire carrying amount of the investment is tested for impairment as a single asset when there is objective evidence of impairment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Goodwill and other intangible assets (continued)

(b) Development costs

An intangible asset arising from development is recognised when the following criteria are met:

(i) it is technically feasible to complete the intangible asset so that it will be available for use or sale;
(ii) management intends to complete the intangible asset and use or sell it;
(iii) there is an ability to use or sell the asset;
(iv) it can be demonstrated how the intangible asset will generate future economic benefits;
(v) adequate resources to complete the development and to use or sell the intangible asset are available; and
(vi) the expenditures attributable to the intangible asset during its development can be reliably measured.

Other development costs that do not meet these criteria are recognised in profit or loss as incurred. Development costs previously recognised as an expense are not recognised as an intangible asset in a subsequent period.

Capitalised development costs are measured at cost less accumulated amortisation and accumulated impairment losses. It is amortised on a systematic basis commencing from the time it yields commercial income on the straight line basis over the year of its expected benefits, but not exceeding five (5) years. The policy for the recognition and measurement of impairment of any losses is in accordance with Note 3.11(b).

(c) Computer software

Computer software that are acquired by the Group which have finite useful lives, are measured at cost less accumulated amortisation and any accumulated impairment losses.

Computer software 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 for 3 to 5 years. Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

The policy for the recognition and measurement of impairment of any losses is in accordance with Note 3.11(b).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Inventories

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

Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- raw materials: purchase costs on weighted average costs basis.
- finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average cost 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.

3.10 Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand, bank balances and deposits and other short-term, highly liquid investments with a maturity of three months or less, that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

3.11 Impairment of assets

(a) Impairment and uncollectibility of financial assets

At each reporting date, all financial assets are assessed 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 financial asset that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

<u>Loans and receivables</u>

The Group and the Company first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If no objective evidence for impairment exists for an individually assessed financial asset, whether significant or not, the Group and the Company may include the financial asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Financial assets that are individually assessed for impairment for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Impairment of assets (continued)

(a) Impairment and uncollectibility of financial assets (continued)

Loans and receivables (continued)

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

If, in a subsequent period, the amount of the impairment loss decreases due to an event occurring after the impairment that was recognised, the previously recognised impairment loss is then reversed by adjusting an allowance account to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group and the Company. If a write-off is later recovered, the recovery is credited to profit or loss.

Available-for-sale financial assets

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment. The Group and the Company use their judgement to determine what is considered as significant or prolonged decline, evaluating past volatility experiences and current market conditions.

Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. The amount of cumulative loss that is reclassified from equity to profit or loss shall be the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Impairment of assets (continued)

(a) Impairment and uncollectibility of financial assets (continued)

Unquoted equity instruments carried at cost

In the case of unquoted equity instruments carried at cost, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

(b) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group and the Company make an estimate of the asset's recoverable amount. For goodwill and intangible assets that have indefinite useful life and are not yet available for use, the recoverable amount is estimated at each reporting date.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of non-financial assets or cash-generating units ("CGUs"). Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGUs 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 a CGU or a group of CGUs that are expected to benefit from the synergies of business combination.

The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Where the carrying amount of an asset exceed its recoverable amount, the carrying amount of asset is reduced to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss, except for assets that were previously revalued with the revaluation surplus recognised in other comprehensive income. In the latter case, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Impairment of assets (continued)

(b) Impairment of non-financial assets (continued)

Impairment losses in respect of goodwill are not reversed. For other assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

3.12 Share capital

(a) Ordinary shares

Ordinary shares are equity instruments. An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3.13 Employee benefits

(a) Short-term employee benefits

Short-term employee benefit obligations in respect of wages, salaries, social security contributions, annual bonuses, paid annual leave, sick level and non-monetary benefits are recognised as an expense in the financial year where the employee have rendered their services to the Group.

(b) Defined contribution plan

As required by law, the Group contributes to the Employees Provident Fund ("EPF"), the national defined contribution plan. Such contributions are recognised as an expense in profit or loss in the period in which the employees render their services.

3.14 Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Provisions (continued)

If the effect of the time value of money is material, provisions that are determined based on the expected future cash flows to settle the obligation are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provisions due to passage of time is recognised as finance costs.

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

3.15 Revenue and other income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of discounts, rebates, returns and taxes.

(a) Services

Revenue 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.

(b) Goods sold

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised upon delivery of goods and when the significant risks and rewards of ownership have been transferred to the buyer, 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.

(c) Interest income

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

(d) Dividend income

Dividend income is recognised when the right to receive payment is established.

(e) Rental income

Rental income from investment property is recognised on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Borrowing costs

Borrowing costs are interests and other costs that the Group incurs in connection with borrowing of funds.

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 that are 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, until such time as the assets are substantially ready for their intended use or sale.

The Group begins capitalising borrowing costs when the Group has incurred the expenditures for the asset, incurred related borrowing costs and undertaken activities that are necessary to prepare the asset for its intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

3.17 Income tax

Income tax expense in profit or loss comprises current and deferred tax. Current 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.

(a) Current tax

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

(b) Deferred tax

Deferred tax is recognised using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unutilised tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17 Income tax (continued)

(b) Deferred tax (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and an associate, except where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

3.18 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Chief Executive Officer of the Group, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision maker that makes strategic decisions.

3.19 Fair value measurements

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.19 Fair value measurements (continued)

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

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

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

3.20 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and of the Company.

Contingent liability is also referred as a present obligation that arises from past events but is not recognised because:

(a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
(b) the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities and assets are not recognised in the statements of financial position.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amount recognised in the financial year include the following:

(a) Classification between investment properties and property, plant and equipment

Certain property comprises a portion that is held to earn rental income or capital appreciation, or for both, whilst the remaining portion is held for use in the production or supply of goods and services or for administrative purposes. If the portion held for rental and/or capital appreciation could be sold separately (or leased out separately as a finance lease), the Group and the Company account for that portion as an investment property. If the portion held for rental and/or capital appreciation could not be sold or leased out separately, it is classified as an investment property only if an insignificant portion of the property is held for use in the production or supply of goods and services or for administrative purposes. Management uses judgement to determine whether any ancillary services are of such insignificant that a property does not qualify as an investment property.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

(b) Classification of finance and operating leases

The Group classifies a lease as a finance lease or an operating lease based on the criterion of the extent to which significant risks and rewards incident to ownership of the underlying asset lie. As a lessee, the Group recognises a lease as a finance lease if it is exposed to significant risks and rewards incident to ownership of the underlying asset. In applying judgements, the Group considers whether there is significant economic incentive to exercise a purchase option and any optional renewal periods. A lease is classified as a finance lease if the lease term is for at least 75% the remaining economic life of the underlying asset, or the identified asset in the lease is a specialised asset which can only be used by the lessee without major modifications. All other leases that do not result in a significant transfer of risks and rewards are classified as operating leases.

(c) Depreciation and useful lives of property, plant and equipment

As disclosed in Note 3.5, the Group reviews the residual values, useful lives and depreciation methods at the end of each reporting period. Estimates are applied in the selection of the depreciation method, the useful lives and the residual values. The actual consumption of the economic benefits of the property, plant and equipment may differ from the estimates applied and therefore, future depreciation charges could be revised.

The carrying amounts of the Group's property, plant and equipment are disclosed in Note 5.

(d) Useful lives of other intangible assets

The Group estimates the useful lives to amortise other intangible assets based on the future performance of the assets acquired and management's judgement of the period over which economic benefits will be derived from the assets. The estimated useful lives of other intangible assets are reviewed periodically, taking into consideration factors such as changes in technology. The amount and timing of recorded expenses for any period would be affected by changes in estimates. A reduction in the estimated useful lives of the other intangible assets would increase the recorded expenses and decrease the non-current assets. The carrying amounts of the other intangible assets are disclosed in Note 7.

(e) Impairment of goodwill

The Group assesses at each reporting date whether there is any indication that goodwill may be impaired. For the purpose of assessing impairment, goodwill is grouped at the lowest level where there are separately identifiable cash flows (cash-generating units). In determining the value-in-use of a cash-generating unit, management estimates the discounted cash flows using reasonable and supportable inputs about sales, costs of sales and other expenses based on past experience, current events and reasonably possible future developments. Cash flows that are projected based on those inputs or assumptions and the discount rate applied in the measurement of value in use may have a significant effect on the Group's financial position and results if the actual cash flows are less than the expected.

The carrying amount of the Group's goodwill and key assumptions used to determine the recoverable amount for different cash-generating units, including sensitivity analysis, are disclosed in Note 7.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

(f) Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences, unused tax losses and unabsorbed capital allowances based on the projected future profits of the subsidiaries to the extent that is probable that taxable profit will be available against which the temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the future performance of the subsidiaries. The carrying amount of the Group's recognised deferred tax assets is disclosed in Note 11.

(g) Write down for obsolete or slow moving inventories

The Group writes down its obsolete or slow moving inventories based on assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses sales trend and current economic trends when making a judgement to evaluate the adequacy of the write down for obsolete or slow moving inventories. Where expectations differ from the original estimates, the differences will impact the carrying amount of inventories. The carrying amounts of the Group's inventories are disclosed in Note 12.

(h) Impairment of financial assets

The Group and the Company recognise impairment losses for loans and receivables using the incurred loss model. At the end of each reporting period, the Group and the Company assess whether there is any objective evidence that loans and receivables is impaired. Individually significant loans and receivables are tested for impairment separately by estimating the cash flows expected to be recoverable. All others are grouped into credit risk classes and tested for impairment collectively, using the Group's and the Company's past experience of loss statistics, ageing of past due amounts and current economic trends. The actual eventual losses may be different from the impairment made and this may affect the Group's and the Company's financial position and results.

5. PROPERTY, PLANT AND EQUIPMENT

	Buildings RM	Computer equipment RM	Telecom-munication and other equipment RM	Renovation RM	Motor vehicles RM	Other assets RM	Total RM
Group							
Cost							
At 1.1.2016	10,000,000	30,898,678	29,605,130	661,949	87,355	109,813	71,362,925
Additions	-	13,663,517	4,428,412	8,385	-	30,812	18,131,126
Written off	-	(12,803)	(11,625)	-	-	-	(24,428)
Transfer from investment properties (Note 6)	2,000,000	-	-	-	-	-	2,000,000
At 31.12.2016	12,000,000	44,549,392	34,021,917	670,334	87,355	140,625	91,469,623
Accumulated depreciation							
At 1.1.2016	529,582	22,694,994	17,599,315	621,247	55,111	99,534	41,599,783
Charge for the financial year	390,631	4,113,426	3,752,297	(2,455)	16,822	33,179	8,303,900
Written off	-	(12,800)	(11,392)	-	-	-	(24,192)
Transfer from investment properties (Note 6)	164,894	-	-	-	-	-	164,894
At 31.12.2016	1,085,107	26,795,620	21,340,220	618,792	71,933	132,713	50,044,385
Net carrying amount							
At 31.12.2016	10,914,893	17,753,772	12,681,697	51,542	15,422	7,912	41,425,238

5. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings RM	Computer equipment RM	Telecom-munication and other equipment RM	Renovation RM	Motor vehicles RM	Other assets RM	Total RM
Group							
Cost							
At 1.1.2015	10,000,000	30,438,384	22,407,664	608,793	87,355	96,765	63,638,961
Additions	-	550,949	7,206,915	53,156	-	13,048	7,824,068
Written off	-	(90,655)	(9,449)	-	-	-	(100,104)
At 31.12.2015	10,000,000	30,898,678	29,605,130	661,949	87,355	109,813	71,362,925
Accumulated depreciation							
At 1.1.2015	423,432	18,283,135	13,454,877	593,118	38,289	85,981	32,878,832
Charge for the financial year	106,150	4,498,972	4,150,513	28,129	16,822	13,553	8,814,139
Written off	-	(87,113)	(6,075)	-	-	-	(93,188)
At 31.12.2015	529,582	22,694,994	17,599,315	621,247	55,111	99,534	41,599,783
Net carrying amount							
At 31.12.2015	9,470,418	8,203,684	12,005,815	40,702	32,244	10,279	29,763,142

5. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM18,131,126 (2015: RM7,824,068) which are satisfied by the following:

	Group 2016 RM	Group 2015 RM
Finance lease arrangements	8,538,959	4,827,751
Cash payments	9,592,167	2,996,317
	18,131,126	7,824,068

(b) The carrying amount of assets of the Group under finance lease arrangements are as follows:

	Group 2016 RM	Group 2015 RM
Computer equipment	8,053,840	-
Telecommunication and other equipment	261,065	1,669,376
	8,314,905	1,669,376

(c) Buildings of the Group with carrying amount of RM10,914,893 (2015: RM9,470,418) have been pledged as security to secure the term loans granted to a subsidiary as disclosed in Note 17.

6. INVESTMENT PROPERTIES

	Group 2016 RM	Group 2015 RM
At cost		
At 1 January	4,500,000	4,500,000
Transfer to property, plant and equipment (Note 5)	(2,000,000)	-
At 31 December	2,500,000	4,500,000
Accumulated depreciation		
At 1 January	238,311	190,544
Charge for the financial year	152,647	47,767
Transfer to property, plant and equipment (Note 5)	(164,894)	-
At 31 December	226,064	238,311
Net carrying amount		
At 31 December	2,273,936	4,261,689

6. INVESTMENT PROPERTIES (continued)

The Group's investment properties comprise a commercial property (2015: two commercial properties) that is leased to a third party.

The investment properties of the Group with carrying amount of RM2,273,936 (2015: RM4,261,689) has been pledged as security for term loans as disclosed in Note 17.

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

	Group	
	2016	**2015**
	RM	**RM**
Rental income	194,184	191,669
Direct operating expenses	(103,742)	(58,266)

Fair value of investment properties are categorised as follows:

	Group	
	Level 2	**Total**
	RM	**RM**
31.12.2016		
Leasehold buildings	2,880,000	2,880,000
31.12.2015		
Leasehold buildings	5,264,048	5,264,048

The valuation of investment property as at 31 December 2016 and 31 December 2015 is determined using open market method which was derived by way of independent valuation performed by the professional valuer. The valuation was generally derived using the sales comparison approach, where sales prices of comparable buildings in close proximity are adjusted for differences in key attributes such as property size and is therefore recognised under Level 2 of the fair value hierarchy.

The directors and the professional valuer consider that it is appropriate to use the sales comparison approach.

There were no transfers between Level 1, Level 2 and Level 3 during the financial years ended 31 December 2016 and 31 December 2015.

7. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill RM	Development costs RM	Computer software RM	Total RM
Group				
Cost				
At 1.1.2015	36,005,230	7,480,744	3,590,935	47,076,909
Additions				
- developed internally	-	750,636	-	750,636
- acquired separately	-	-	201,328	201,328
	-	750,636	201,328	951,964
At 31.12.2015	36,005,230	8,231,380	3,792,263	48,028,873
Additions				
- developed internally	-	274,750	-	274,750
- acquired separately	-	-	464,127	464,127
	-	274,750	464,127	738,877
At 31.12.2016	36,005,230	8,506,130	4,256,390	48,767,750
Accumulated amortisation and impairment				
At 1.1.2015	320,000	7,313,505	2,554,273	10,187,778
Amortisation charge for the financial year	-	51,586	475,928	527,514
At 31.12.2015	320,000	7,365,091	3,030,201	10,715,292
Amortisation charge for the financial year	-	32,011	227,028	259,039
At 31.12.2016	320,000	7,397,102	3,257,229	10,974,331
Net carrying amounts				
At 31.12.2015	35,685,230	866,289	762,062	37,313,581
At 31.12.2016	35,685,230	1,109,028	999,161	37,793,419

(a) Amortisation

The amortisation of development costs and computer software of the Group amounting to RM32,011 (2015: RM51,586) and RM227,028 (2015: RM475,928) are included in cost of sales and administrative expenses respectively.

(b) Development costs

Development costs represent software under development and yet to be commercialised. It is reasonably anticipated that the costs will be recovered through future commercial activities.

7. GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

(c) Computer software

It represents software acquired that is not integral to the functionality of equipment.

(d) Impairment of goodwill

Directors review the business performance based on the type of products and services of the strategic business units which represent its reportable operating segments. For the purpose of impairment testing, goodwill acquired through business combinations is allocated to the following Group's cash generating units ("CGUs") which are also reportable operating segments, which represent the lowest level within the Group at which the goodwill is monitored for internal reporting purposes.

Goodwill arising from business combination has been allocated to the Group's CGUs identified according to the following segments for impairment testing:

	Group	
	2016	2015
	RM	RM
Information Technology ("IT")	31,189,056	31,189,056
Information and Communication Technology ("ICT")	4,027,178	4,027,178
Satellite-based network services ("SAT")	468,996	468,996
	35,685,230	35,685,230

The recoverable amount of CGUs has been determined based on value-in-use calculations using cash flows projection from financial budget and forecasts approved by Directors covering a five-year period. The same method has also been used in the previous financial year.

For each of the CGUs with significant amount of goodwill, the value-in-use calculation is most sensitive to the following key assumptions:

2016

Revenue (% of annual growth rate)	3% - 5%
Operating expenses (% of annual growth rate)	5% - 10%
Gross margin (% of revenue)	20% - 80%
Discount rate	9% - 15%

2015

Revenue (% of annual growth rate)	3% - 5%
Operating expenses (% of annual growth rate)	5%
Gross margin (% of revenue)	20% - 80%
Discount rate	12%

7. GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

(d) Impairment of goodwill (continued)

Revenue growth rate is extrapolated using a constant growth rate which does not exceed the long-term average growth rate of the respective CGUs.

Gross margin is the forecasted margin as a percentage of revenue over the five year projection period. These are increased over the projection period for anticipated efficiency improvements.

Discount rate was estimated based on the industry weighted average cost of capital. The discount rate applied to the cash flow projections is pre-tax and reflects Directors' estimate of the risks specific to the CGUs at the date of assessment.

Directors believe that there is no reasonably possible change in the key assumptions that would cause the carrying value of the CGUs to exceed their recoverable amount. As a result of the analysis, Directors did not identify an impairment for the goodwill.

8. INVESTMENT IN SUBSIDIARIES

	Company	
	2016	**2015**
	RM	**RM**
At cost		
Unquoted shares	58,403,181	58,403,181

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

Name of Company	Ownership interest 2016 %	Ownership interest 2015 %	Principal activities
Privasia Sdn. Bhd.	100	100	Outsourcing, consultation, e-procurement and related functions
Privanet Sdn. Bhd.	100	100	Provision of total wireless and communication solutions
Privasat Sdn. Bhd. (formerly known as IPSAT Sdn. Bhd.)	100	100	Providing high speed internet broadband access (satellite services)
Spring Reach Distribution Sdn. Bhd.	70	70	Trading of electronic and telecommunication equipment
Privagen Sdn. Bhd.	60	60	Trading of information technology equipment and software

8. INVESTMENT IN SUBSIDIARIES (continued)

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

Name of Company	Ownership interest 2016 %	2015 %	Principal activities
Subsidiaries of Privasia Sdn. Bhd.			
Privasia (Sabah) Sdn. Bhd.	100	100	Provision of supplying, testing and commissioning of IT active equipment
Privacom Sdn. Bhd.	100	100	Dealer in data processing equipment, computer system and provision of telecommunication and computer network consultancy services, temporarily ceased operations
Subsidiaries of Privanet Sdn. Bhd.			
Privatel Sdn. Bhd.	75	75	Provision of network engineering services
Scantel Sdn. Bhd.	100	100	Provision of communication solutions

(a) Non-controlling interests ("NCI") in subsidiaries

The financial information of the Group's subsidiaries that have NCI are as follows:

	Spring Reach Distribution Sdn. Bhd. RM	Privagen Sdn. Bhd. RM	Privatel Sdn. Bhd. RM	Total RM
2016				
NCI percentage of ownership	30%	40%	25%	
Carrying amount of NCI	(296,371)	(178,899)	290,259	(185,011)
Profit/(Loss) allocated to NCI	3,630	(133,758)	354,597	224,469
2015				
NCI percentage of ownership	30%	40%	25%	
Carrying amount of NCI	(300,001)	(45,141)	(264,338)	(609,480)
Loss allocated to NCI	(187,938)	(125,141)	(614,458)	(927,537)

8. INVESTMENT IN SUBSIDIARIES (continued)

(b) Summarised financial information of non-controlling interests (continued)

The summarised financial information (before intra-group elimination) of the Group's subsidiaries that have NCI are as follows:

	Spring Reach Distribution Sdn. Bhd. RM	Privagen Sdn. Bhd. RM	Privatel Sdn. Bhd. RM
Summarised statements of financial position			
As at 31 December 2016			
Non-current assets	599	374	1,141,440
Current assets	4,169,564	306,510	11,586,813
Non-current liabilities	-	-	(189,160)
Current liabilities	(5,160,469)	(754,133)	(11,333,058)
Net (liabilities)/assets	(990,306)	(447,249)	1,206,035
Summarised statements of comprehensive income			
Financial year ended 31 December 2016			
Revenue	33,838	1,497,290	14,457,554
(Loss)/Profit for the financial year	(37,158)	(251,047)	1,700,535
Total comprehensive (loss)/income	(37,158)	(251,047)	1,226,652
Summarised cash flow information			
Financial year ended 31 December 2016			
Cash flows from/(used in) operating activities	103,276	(11,855)	(1,372,124)
Cash flows used in investing activities	-	-	(751,207)
Cash flows from financing activities	-	-	747,064
Net increase/(decrease) in cash and cash equivalents	103,276	(11,855)	(1,376,267)
Dividends paid to NCI	-	-	-

8. INVESTMENT IN SUBSIDIARIES (continued)

(b) Summarised financial information of non-controlling interests (continued)

The summarised financial information (before intra-group elimination) of the Group's subsidiaries that have NCI are as follows: (continued)

	Spring Reach Distribution Sdn. Bhd. RM	Privagen Sdn. Bhd. RM	Privatel Sdn. Bhd. RM
Summarised statements of financial position			
As at 31 December 2015			
Non-current assets	6,314	820	698,817
Current assets	4,309,351	219,230	6,038,527
Non-current liabilities	-	-	(115,321)
Current liabilities	(5,268,813)	(416,252)	(7,442,640)
Net liabilities	(953,148)	(196,202)	(820,617)
Summarised statements of comprehensive income			
Financial year ended 31 December 2015			
Revenue	382,892	538,119	9,238,167
(Loss)/Profit for the financial year, representing total comprehensive (loss)/income	(616,698)	(318,239)	402,395
Summarised statements of comprehensive income			
Financial year ended 31 December 2015			
Cash flows from/(used in) operating activities	37,926	(231,197)	773,015
Cash flows from/(used in) investing activities	-	204,013	(66,798)
Cash flows used in financing activities	-	-	(366,566)
Net increase/(decrease) in cash and cash equivalents	37,926	(27,184)	339,651
Dividends paid to NCI	-	-	-

9. INVESTMENT IN AN ASSOCIATE

	Group 2016 RM	Group 2015 RM
At cost		
Unquoted shares	30	30
Share of post acquisition reserves	(30)	(30)
	-	-

(a) There is no quoted market price available for the associate as this is a private company.

(b) Details of the associate, which is incorporated in Malaysia is as follows:

Name of Company	Ownership interest 2016	Ownership interest 2015	Principal activities
Infocrats Sdn. Bhd.	30%	30%	Provision of systems development in computer software solutions and packages.

(c) The summarised financial information of the Group's associate is as follows:

	2016 RM	2015 RM
Infocrats Sdn. Bhd.		
Liabilities		
Current liabilities	21,705	15,051
Net liabilities	21,705	15,051
Results		
Loss for the financial year, representing total comprehensive loss for the financial year	(6,654)	(4,724)

9. INVESTMENT IN AN ASSOCIATE (continued)

(d) The reconciliation of net assets of the associate to the carrying amount of the investment in an associate is follows:

	2016 RM	2015 RM
Infocrats Sdn. Bhd.		
Share of net assets at the acquisition date	30	30
Share of post-acquisition losses	(30)	(30)
Carrying amount in the consolidated statement of financial position	-	-
Group's share of results	(1,996)	(1,417)

The Group's share of accumulated losses in the associate is restricted to the Group's cost of investment in the associate. Accordingly, the Group has excluded its current year's share of losses of associate amounting to RM1,996 (2015: RM1,417) from its financial statements.

As at 31 December 2016, the cumulative unrecognised share of losses of the associate is RM3,383 (2015: RM1,387).

10. OTHER INVESTMENT

	Group/Company	
	2016 RM	2015 RM
Non-current		
Unquoted shares, at cost	500,000	500,000

Fair value information has not been disclosed for the Group's and the Company's unquoted investment which is carried at cost because the fair value cannot be measured reliably. It represents investment in the ordinary shares of a company which is not quoted on any market and information on any comparable industry peer is not available.

11. DEFERRED TAX ASSETS/(LIABILITIES)

	Group	
	2016 RM	2015 RM
At 1 January	(1,028,734)	(2,247,206)
Recognised in profit or loss (Note 22)	(496,279)	1,218,472
At 31 December	(1,525,013)	(1,028,734)

11. DEFERRED TAX ASSETS/(LIABILITIES) (continued)

Presented after appropriate offsetting as follows:

	Group 2016 RM	Group 2015 RM
Deferred tax assets	1,073,987	1,073,987
Deferred tax liabilities	(2,599,000)	(2,102,721)
	(1,525,013)	(1,028,734)

This is in respect of estimated deferred tax assets/(liabilities) arising from temporary differences as follows:

	Group 2016 RM	Group 2015 RM
Deferred tax assets		
Unutilised tax losses	1,073,987	1,073,987
Deferred tax liabilities		
Differences between carrying amounts of property, plant and equipment and their tax base	(2,599,000)	(2,102,721)

The deferred tax assets and liabilities are not available for set-off as they arise from different taxable entities within the Group.

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

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Unutilised tax losses	29,036,709	24,249,407	1,184,026	984,750
Unabsorbed capital allowances	6,499,539	3,672,228	-	-
	35,536,248	27,921,635	1,184,026	984,750

The availability of unused tax losses for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to no substantial changes in shareholdings of those subsidiaries under the Income Tax Act, 1967 and guidelines issued by the tax authority.

12. INVENTORIES

	Group 2016 RM	Group 2015 RM
At lower of cost and net realisable value:		
Finished goods	2,350,822	3,218,269

During the financial year, inventories of the Group recognised as cost of sales amounted to RM12,622,800 (2015: RM8,991,872).

13. TRADE AND OTHER RECEIVABLES

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Trade receivables				
Third parties	32,955,187	30,802,553	-	-
Subsidiaries	-	-	4,501,167	1,582,230
	32,955,187	30,802,553	4,501,167	1,582,230
Less: Impairment loss for trade receivables				
- Third parties	(4,135,668)	(2,175,233)	-	-
	28,819,519	28,627,320	4,501,167	1,582,230
Other receivables				
Amounts owing by subsidiaries	-	-	3,282,397	3,480,166
Other receivables	2,637,170	1,451,294	19,988	80,500
Deposits	1,094,778	2,675,963	2,000	2,000
Prepayments	4,935,338	2,806,330		
	8,667,286	6,933,587	3,304,385	3,562,666
Less: Impairment loss for other receivables	(8,000)	(3,000)	-	-
	8,659,286	6,930,587	3,304,385	3,562,666
Total trade and other receivables	37,478,805	35,557,907	7,805,552	5,144,896

(a) Trade receivables

The Group's and the Company's normal trade credit term extended to customers ranging from 7 to 90 days (2015: 7 to 90 days). Other credit terms are assessed and approved on a case by case basis.

13. TRADE AND OTHER RECEIVABLES (continued)

(a) Trade receivables (continued)

The Group and the Company maintain an ageing analysis is respect of trade receivables only. The ageing analysis of the Group's and of the Company's trade receivables are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Neither past due nor impaired	13,091,453	8,144,641	330,201	261,661
1 to 30 days past due not impaired	4,993,944	2,327,812	260,908	225,507
31 to 60 days past due not impaired	1,692,591	1,741,945	263,309	251,279
61 to 90 days past due not impaired	1,441,113	846,680	153,304	253,606
More than 91 days past due not impaired	7,600,418	15,566,242	3,493,445	590,177
	28,819,519	28,627,320	4,170,966	1,320,569
Impaired	4,135,668	2,175,233	-	-
	32,955,187	30,802,553	4,501,167	1,582,230

Receivables that are impaired

The Group's and the Company's trade receivables that are impaired at the reporting date and the reconciliation of movement in the impairment of trade receivables is as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
At 1 January	2,175,233	1,316,358	-	-
Charge for the financial year				
- Individual impairment loss (Note 20)	2,266,698	858,875	-	-
Reversal of impairment loss (Note 20)	(248,298)	-	-	-
Written off	(57,965)	-	-	-
At 31 December	4,135,668	2,175,233	-	-

Trade receivables that are individually determined to be impaired at the reporting date relate to receivables that are in significant financial difficulties and have defaulted on payments.

13. TRADE AND OTHER RECEIVABLES (continued)

(b) Other receivables

Amounts owing by subsidiaries represent advances which are unsecured, non-interest bearing and repayable on demand.

14. CURRENT TAX ASSETS

This amount is in respect of tax paid in advance to the tax authorities.

15. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Cash and bank balances	6,599,555	4,068,533	18,676	5,120
Deposits with licensed banks	4,328,716	5,156,694	-	-
Cash and cash equivalents as reported in the statements of financial position	10,928,271	9,225,227	18,676	5,120
Less - Bank overdrafts (Note 17)	(5,163,417)	(101,143)	-	-
- Deposits pledged as security	(4,024,790)	(3,165,360)	-	-
Cash and cash equivalents as reported in the statements of cash flows	1,740,064	5,958,724	18,676	5,120

Deposits with licensed banks were placement with period of three months or less, depending on the immediate cash requirements of the Group and bear effective interest at rates ranging from 2.95% to 3.50% (2015: 2.95% to 3.20%) per annum.

Included in the deposits with licensed banks of the Group is an amount of RM4,024,790 (2015: RM3,165,360) pledged as security for term loans, bank overdrafts and bank guarantees granted to subsidiaries as disclosed in Note 17.

Included in deposits pledged as security of the Group are amounts of RM500,000 and RM66,600 (2015: RM500,000 and RM66,600) respectively held in trust by a director of a subsidiary and a director of the Company respectively as security for term loans granted to subsidiaries as disclosed in Note 17.

16. SHARE CAPITAL

	Group/Company			
	Number of shares		Amounts	
	2016	2015	2016	2015
	Unit	Unit	RM	RM
Ordinary shares of RM0.10 each				
Authorised:				
At beginning/end of the financial year	1,000,000,000	1,000,000,000	100,000,000	100,000,000
Issued and fully paid:				
At beginning/end of the financial year	558,200,020	558,200,020	55,820,002	55,820,002

The holders of ordinary shares are entitled to receive dividends from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

17. LOANS AND BORROWINGS

		Group	
		2016	2015
	Note	RM	RM
Non-current:			
Term loan I	(a)	-	7,826,161
Term loan II	(a)	3,561,935	-
Term loan III	(a)	8,942,704	-
Finance lease liabilities	(b)	6,147,738	1,622,591
		18,652,377	9,448,752
Current:			
Bankers' acceptances	(c)	324,326	-
Bank overdrafts	(c)	5,163,417	101,143
Term loan I	(a)	-	1,190,024
Term loan II	(a)	2,062,943	-
Term loan III	(a)	450,734	-
Term loan IV	(a)	152,357	-
Finance lease liabilities	(b)	3,420,135	1,729,886
		11,573,912	3,021,053
Total loans and borrowings:			
Bankers' acceptances	(c)	324,326	-
Bank overdrafts	(c)	5,163,417	101,143
Term loans	(a)	15,170,673	9,016,185
Finance lease liabilities	(b)	9,567,873	3,352,477
		30,226,289	12,469,805

17. LOANS AND BORROWINGS (continued)

(a) Term loans

Term loan I of a subsidiary had been fully repaid during the financial year and term loan interest was being charged at a rate of 4.40% per annum in the previous financial year. The term loan was secured and supported as follows:
(i) All contract proceeds from the major customer of a subsidiary; and
(ii) Debenture by way of a fixed and floating charge on all present and future assets of a subsidiary.

Term loans II and III of a subsidiary bear interest at rates of 5.27% and 4.74% per annum respectively and are repayable over 5 years and 15 years respectively commencing from the day of first drawdown and are secured and supported as follows:
(i) Legal charge over the buildings of a subsidiary as disclosed in the Note 5;
(ii) Legal charge over the investment property of a subsidiary as disclosed in Note 6;
(iii) All contract proceeds from the major customer and its related companies of a subsidiary;
(iv) Debenture by way of a fixed and floating charge over the specific assets of a subsidiary;
(v) Corporate guarantee of the Company; and
(vi) Joint and several guarantee of two directors.

Term loans II and III require the subsidiary to maintain a debt to equity ratio of not exceeding 1.25.

Term loan IV of a subsidiary bears interest rate at 8.25% per annum and is repayable over five years commencing from the day of first drawdown and is secured and supported as follows:
(i) Debenture creating a first rank fixed and floating charge over the customer's assets of a subsidiary, present and future;
(ii) General deed of assignment of the contract proceeds in relation to a project of a subsidiary;
(iii) Assignment over the Insurance/Takaful Policy over the equipment in relation to a project of a subsidiary;
(iv) Corporate guarantee of the Company; and
(v) Memorandum of deposit of sinking fund to be built up to maximum amount of RM180,000 only by way of quarterly sinking fund of RM45,000 only.

17. LOANS AND BORROWINGS (continued)

(b) Finance lease liabilities

Certain property, plant and equipment of the Group as disclosed in Note 5 are financed by finance lease arrangements. Such leases do not have terms for renewal which would give the Group an option to purchase at nominal values at the end of lease term. The average interest rate implicit in the leases is 3.83% (2015: 3.83%) per annum.

Future minimum lease payments under finance leases together with the present value of net minimum lease payments are as follow:

	Group	
	2016	**2015**
	RM	**RM**
Minimum lease payments		
Not later than one year	3,845,725	1,742,825
Later than one year and not later than 5 years	6,410,304	1,625,275
	10,256,029	3,368,100
Less: Future finance charges	(688,156)	(15,623)
Present value of minimum lease payments	9,567,873	3,352,477
Present value of minimum lease payments		
Not later than one year	3,420,135	1,729,886
Later than one year and not later than 5 years	6,147,738	1,622,591
	9,567,873	3,352,477
Less: Amount due within 12 months	(3,420,135)	(1,729,886)
Amount due after 12 months	6,147,738	1,622,591

(c) Bank overdrafts and bankers' acceptances

The bank overdrafts and bankers' acceptances of the Group are secured by way of:

(i) Corporate guarantee of the Company;
(ii) Joint and several guarantee by directors;
(iii) A deposit placed with licensed bank;
(iv) Deed of assignment of Benefits of Contract Proceeds from all contracts of a subsidiary financed by Bank;
(v) Charge over a subsidiary's Designated Escrow Account ("DEA"), fixed deposit and sinking fund account maintained; and
(vi) Memorandum of Charge over Fixed Deposits by a subsidiary in respect of sinking fund in the form of fixed deposits via 5% deduction from each contract proceeds received up to RM500,000 together with all interest accruing from time to time.

18. TRADE AND OTHER PAYABLES

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Trade payables				
Third parties	11,881,319	18,936,262	-	-
Other payables				
Third parties	2,811,456	1,842,028	26,106	46,577
Amounts owing to subsidiaries	-	-	7,848,765	5,990,535
Deposits and accruals	7,386,147	6,006,609	65,600	52,917
	10,197,603	7,848,637	7,940,471	6,090,029
Total trade and other payables	22,078,922	26,784,899	7,940,471	6,090,029

(a) The normal trade credit term granted by the trade creditors to the Group ranging from 30 to 60 days (2015: 30 to 60 days).

(b) The amounts owing to subsidiaries are unsecured, non-interest bearing and repayable upon demand.

19. REVENUE

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Dividend income	-	-	2,400,000	2,400,000
Information technology	38,396,619	46,270,636	-	-
Information communication technology	27,157,070	26,184,973	-	-
Management fees	-	-	2,956,742	2,955,964
Satellite-based network services	8,942,858	8,890,269	-	-
	74,496,547	81,345,878	5,356,742	5,355,964

20. PROFIT BEFORE TAX

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

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Amortisation of intangible assets	259,039	527,514	-	-
Auditors' remuneration:				
- statutory audit				
- current year	127,600	154,000	35,000	35,000
- over provision in prior financial years	(24,735)	-	-	-
- non-statutory audit fees	40,000	59,000	36,000	55,000
Bad debts written off	6,060	173,606	-	-
Depreciation of investment properties	152,647	47,767	-	-
Depreciation of property, plant and equipment	8,303,900	8,814,139	-	-
Employee benefits expense (Note 21)	14,896,225	13,727,653	229,000	230,500
Interest expenses:				
- bankers' acceptances and bank overdrafts	118,783	38,381	-	-
- finance lease payables	165,558	11,067	-	-
- term loans	369,474	430,305	-	-
- others	237,864	52,968	-	-
Impairment loss on:				
- trade receivables	2,266,698	858,875	-	-
- other receivables	5,000	-	-	-
Interest income	(76,124)	(54,545)	-	-
Inventories written off	-	129,492	-	-
Loss/(Gain) on foreign exchange			-	-
- realised	6,101	441,552	-	-
- unrealised	(575,802)	697,965	-	-
Property, plant and equipment written off	236	6,916	-	-
Rental expenses	196,289	300,439	-	-
Rental income	(194,184)	(191,669)	-	-
Reversal on impairment on trade receivables	(248,298)	-	-	-

21. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Salaries and wages	11,420,119	10,320,406	-	-
Defined contribution plans	1,001,455	1,181,831	-	-
Directors' remuneration (Note (i))	2,474,651	2,225,416	229,000	230,500
	14,896,225	13,727,653	229,000	230,500

(i) The aggregate amounts of emoluments received and receivable by directors of the Group and of the Company during the financial year are as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
- Directors' fees	216,000	216,000	216,000	216,000
- Directors' other emoluments	2,258,651	2,009,416	13,000	14,500
	2,474,651	2,225,416	229,000	230,500

22. TAX EXPENSE

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Current tax expense:				
Malaysian income tax:				
Based on results of the financial year	2,537,000	2,939,260	-	-
Over provision in prior financial year	(161,321)	(605,173)	-	-
	2,375,679	2,334,087	-	-
Deferred tax: (Notel1)				
Reversal and origination of temporary differences	375,272	(991,974)	-	-
Over provision in prior financial year	121,007	(226,498)	-	-
	496,279	(1,218,472)	-	-
Tax expense recognised in profit or loss	2,871,958	1,115,615	-	-

22. TAX EXPENSE (continued)

The reconciliations from the tax amount at statutory income tax rate to the Group's and the Company's tax expense are as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Profit before tax	3,208,974	3,307,849	1,940,170	1,885,376
Tax at Malaysian statutory income tax rate of 24% (2015: 25%)	770,154	826,962	465,641	471,344
Effect of changes in tax rates	-	17,929	-	-
Non-deductible expenses	269,611	740,488	62,533	73,559
Exempted income	-	-	(576,000)	(600,000)
Deferred tax not recognised on unutilised tax losses and unabsorbed capital allowances	1,827,507	361,907	47,826	55,097
Over provision in prior financial year				
- current income tax	(116,321)	(605,173)	-	-
- deferred tax	121,007	(226,498)	-	-
Tax expense recognised in profit or loss	2,871,958	1,115,615	-	-

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% (2015: 25%) of the estimated assessable profit for the financial year.

23. EARNINGS PER SHARE

(a) Basic earnings per share are based on the profit for the financial year attributable to owners of the Company and the weighted average number of ordinary shares outstanding during the financial year, calculated as follows:

	Group	
	2016 RM	2015 RM
Profit for the financial year attributable to owners of the Company	112,547	3,119,771

23. EARNINGS PER SHARE (continued)

(a) Basic earnings per share are based on the profit for the financial year attributable to owners of the Company and the weighted average number of ordinary shares outstanding during the financial year, calculated as follows: (continued)

	Group	
	2016	**2015**
	RM	**RM**
Weighted average number of ordinary shares for basic loss per share computation	558,200,020	558,200,020
Basic/Diluted earnings per ordinary share (sen)	0.02	0.56

(b) The diluted earnings per share of the Group for the financial year ended 31 December 2016 and 31 December 2015 are the same as the basic earnings per share of the Group as the Group has no dilutive potential ordinary shares.

24. DIVIDENDS

	Group/Company	
	2016	**2015**
	RM	**RM**
Recognised during the financial year:		
Dividends on ordinary shares:		
- Single tier final dividend for the financial year ended 31 December 2015: 0.20 sen per ordinary share of RM0.10 each, paid on 18 August 2016	1,116,400	-
- Single tier final dividend for the financial year ended 31 December 2014: 0.25 sen per ordinary share of RM0.10 each, paid on 15 July 2015	-	1,395,500
	1,116,400	1,395,500

25. SEGMENT INFORMATION

The Group prepared the following segment information in accordance with MFRS 8 Operating Segments based on the internal reports of the Group's strategic business units which are regularly reviewed by the Group's Chief Executive Officer ("CEO") for the purpose of making decisions about resource allocation and performance assessment.

The three reportable operating segments are as follows:

Segments	Product and services
Information Technology ("IT")	Comprise of IT infrastructure outsourcing, consultancy and systems integration and procurement management.
Information and Communications Technology ("ICT")	Provision of wireless broadband infrastructure, comprehensive mobile and wireless communications consultancy, and systems development for ICT and mobile solutions providers and enterprises.
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.

Other non-reportable segment comprises investment holding which is below the quantitative thresholds for determining reportable segment.

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

25. SEGMENT INFORMATION (continued)

	Note	IT RM	ICT RM	SAT RM	Adjustments and eliminations RM	Total RM
2016						
Revenue:						
Revenue from external customers	(a)	38,396,619	27,157,070	8,942,858	-	74,496,547
Inter-segment revenue		370,776	2,876,618	480,080	(3,727,474)	-
Total revenue		38,767,395	30,033,688	9,422,938	(3,727,474)	74,496,547
Results:						
Included in the measure of segment profit are:						
Amortisation of intangible assets		(228,919)	(30,120)	-	-	(259,039)
Depreciation of property, plant and equipment		(6,474,443)	(1,154,905)	(674,552)	-	(8,303,900)
Depreciation of investment properties		(101,431)	(51,216)	-	-	(152,647)
Employee benefits expense		(7,132,932)	(9,460,793)	(1,032,092)	2,729,592	(14,896,225)
Interest income		58,487	133,042	56,991	(172,396)	76,124
Interest expense		(588,963)	(406,050)	(27,544)	130,878	(891,679)
Impairment loss on trade and other receivables		-	(1,142,978)	(1,128,720)	-	(2,271,698)
Rental expenses		(93,752)	(150,276)	(149,352)	197,091	(196,289)
Reversal on impairment on trade receivables		-	248,298	-	-	248,298
Unrealised gain on forex exchange		(9,610)	51,664	533,748	-	575,802
Segment profit		10,202,917	(809,924)	(5,727,188)	(456,831)	3,208,974
Tax expense		(2,355,579)	(516,379)	-	-	(2,871,958)
Profit for the financial year		7,847,338	(1,326,303)	(5,727,188)	(456,831)	337,016
Segment assets		93,890,388	27,595,369	10,607,919	(63,660,272)	68,433,404
Unallocated assets						66,727,409
Total assets						135,160,813
Segment liabilities		39,146,256	34,110,652	16,350,680	(42,643,848)	46,963,740
Unallocated liabilities						7,940,471
Total liabilities						54,904,211

25. SEGMENT INFORMATION (continued)

	Note	IT RM	ICT RM	SAT RM	Adjustments and eliminations RM	Total RM
2015						
Revenue:						
Revenue from external customers	(a)	46,270,636	26,184,973	8,890,269	-	81,345,878
Inter-segment revenue		(7,616)	3,021,355	-	(3,013,739)	-
Total revenue		46,263,020	29,206,328	8,890,269	(3,013,739)	81,345,878
Results:						
Included in the measure of segment profit are:						
Amortisation of intangible assets		(524,230)	(3,284)	-	-	(527,514)
Bad debts written off		-	-	(173,606)	-	(173,606)
Depreciation of property, plant and equipment		(7,793,644)	(542,810)	(477,685)	-	(8,814,139)
Depreciation of investment properties		(47,767)	-	-	-	(47,767)
Employee benefits expense		(6,217,278)	(7,083,218)	(1,042,032)	614,875	(13,727,653)
Interest income		44,603	123	9,819	-	54,545
Interest expenses		(430,305)	(11,067)	(91,349)	-	(532,721)
Impairment loss on trade and other receivables		-	(31,959)	(826,916)	-	(858,875)
Inventories written off		-	(129,492)	-	-	(129,492)
Rental expenses		(122,229)	(211,808)	(154,911)	188,509	(300,439)
Rental income		388,758	-	-	(197,089)	191,669
Realised loss on forex exchange		(10,043)	(24,789)	(406,720)	-	(441,552)
Unrealised loss on forex exchange		-	(4,929)	(693,036)	-	(697,965)
Segment profit		5,735,917	(172,831)	(4,528,363)	2,273,126	3,307,849
Tax expense		(1,944,933)	(286,336)	1,115,654	-	(1,115,615)
Profit for the financial year		3,790,984	(459,167)	(3,412,709)	2,273,126	2,192,234
Segment assets		79,841,720	22,817,203	12,061,166	(56,681,018)	58,039,071
Unallocated assets						64,154,340
Total assets						122,193,411
Segment liabilities		28,881,323	30,425,651	12,076,738	(36,217,458)	35,166,254
Unallocated liabilities						6,191,171
Total liabilities						41,357,425

25. SEGMENT INFORMATION (continued)

(a) Inter-segment revenue are eliminated on consolidation.

(b) The Group operates predominantly in Malaysia and hence, no geographical segment is presented.

(c) The following are major customers with revenue equal or more than 10% of the Group revenue:

	Revenue		Segment
	2016 RM	2015 RM	
Customer A	35,333,000	33,500,000	IT
Customer B	6,648,000	12,140,000	IT

26. RELATED PARTIES

(a) Identity of related parties

Parties are considered to be related to the Group if the Group has the ability to directly 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.

Related parties of the Group include:
(i) Subsidiaries;
(ii) Associate;
(iii) Entities in which directors have substantial financial interests; and
(iv) Key management personnel of the Group and of the Company, comprise persons having the authority and responsibility for planning, directing and controlling the activities directly or indirectly.

(b) Significant related party transactions

Significant related party transactions other than disclosed elsewhere in the financial statements are as follows:

	Company	
	2016 RM	2015 RM
Subsidiaries		
Management fee	(2,956,742)	(2,955,964)
Secondment fee	2,729,592	2,791,878
A director's related company		
Professional fees	27,800	160,000

26. RELATED PARTIES (continued)

(c) Compensation of key management personnel

Key management personnel includes personnel having authority and responsibility for planning, directing and controlling the activities of the entities, directly or indirectly, including any director of the Group and of the Company.

The remuneration of the key management personnel is as follows:

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Short-term employee benefits	1,702,792	2,225,416	229,000	230,500

27. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned:
(i) Loans and receivables
(ii) Available-for-sale financial asset
(iii) Other financial liabilities

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Financial assets				
Loans and receivables				
Trade and other receivables	32,543,467	32,751,577	7,805,552	5,144,896
Deposits, cash and bank balances	10,928,271	9,225,227	18,676	5,120
	43,471,738	41,976,804	7,824,228	5,150,016
Available-for-sale				
Other investment	500,000	500,000	500,000	500,000
Financial liabilities				
Other financial liabilities				
Loans and borrowings	30,226,289	12,469,805	-	-
Trade and other payables	22,078,922	26,784,899	7,940,471	6,090,029
	52,305,211	39,254,704	7,940,471	6,090,029

27. FINANCIAL INSTRUMENTS (continued)

(b) Fair value measurement

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

It was not practicable to estimate the fair value of the Group's and of the Company's investment in unquoted shares due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

There have been no transfers between Level 1 and Level 2 during the financial years ended 31 December 2016 and 31 December 2015.

The following table provides the fair value measurement hierarchy of the Group's financial instruments:

		Fair value of financial instruments not carried at fair value			
	Carrying amount RM	**Level 1 RM**	**Level 2 RM**	**Level 3 RM**	**Total RM**
Group					
31 December 2016					
Financial liabilities					
Other financial liabilities					
- finance lease liabilities	9,567,873	-	10,256,029	-	10,256,029
31 December 2015					
Financial liabilities					
Other financial liabilities					
- finance lease liabilities	3,352,477	-	3,368,100	-	3,368,100

Level 2 fair value

Fair value of financial instruments not carried at fair value

The fair value of liability component of loans and borrowings is calculated based on the present value of future principal and interest cash flows, discounted at the market interest rate of similar liabilities that do not have a conversion option.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's and the Company's activities are exposed to a variety of financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, foreign currency risk and interest rate risk. The Group's and the Company's overall financial risk management objective is to optimise value for their shareholders. The Group and the Company do not trade in financial instruments.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are exercised by the Executive Directors and the Chief Financial Officer. The Audit Committee provides independent oversight to the effectiveness of the risk management process.

The Group's and the Company's exposure to the financial risks and the objectives, policies and processes put in place to manage these risks are discussed below:

(i) Credit risk

Trade and other receivables

Credit risk is the risk of financial loss to the Group and the Company that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. The Group and the Company have a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

As at end of the reporting date, the maximum exposure to credit risk arising from trade and other receivables is represented by their carrying amounts in the statements of financial position.

The carrying amount of the trade and other receivables are not secured by any collateral or supported by any other credit enhancements. In determining the recoverability of these receivables, the Group and the Company consider any change in the credit quality of the receivables from the date the credit was initially granted up to the reporting date. The Group and the Company have adopted policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

The Group and the Company use ageing analysis to monitor the credit quality of the trade receivables. The ageing of trade receivables as at the end of the financial year is disclosed in Note 13. Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. Management has taken reasonable steps to ensure that trade receivables that are neither past due nor impaired are stated at their realisable values. Impairment are made on specific receivables when there is objective evidence that the Group and the Company will not be able to collect all amounts due.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(i) Credit risk (continued)

Trade and other receivables (continued)

The Group and the Company monitor the results of the immediate holding company, subsidiaries and related companies in determining the recoverability of these intercompany balances.

Credit risk concentration profile
At the end of the reporting period, 41% (2015: 51%) of the Group's trade receivables was due from six (2015: four) major customers.

Financial guarantees

The Company is exposed to credit risk in relation to financial guarantees given to banks in respects of loans granted to certain subsidiaries. The Company monitors the results of the subsidiaries and their repayment on an on-going basis. The maximum exposure to credit risks amounts to RM20,658,416 (2015: RM9,117,328) representing the maximum amount the Company could pay if the guarantee is called. As at the reporting date, there was no indication that the subsidiaries would default on repayment.

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

(ii) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations when they fall due. The Group's and the Company's exposure to liquidity risk arise primarily from mismatches of the maturities between financial assets and liabilities. The Group's and the Company's exposure to liquidity risk arise principally from trade and other payables and borrowings.

The Group and the Company maintain a level of cash and cash equivalents 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.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(ii) **Liquidity risk** (continued)

Maturity analysis

The maturity analysis of the Group's and of the Company's financial liabilities by their relevant maturity at the reporting date are based on contractual undiscounted repayment obligations are as follows:

		<---Contractual cash flows			--->
	Carrying amount RM	On demand or within 1 year RM	Between 1 and 5 years RM	More than 5 years RM	Total RM
Group					
2016					
Trade and other payables	22,078,922	22,078,922	-	-	22,078,922
Loans and borrowings	30,226,289	12,137,424	22,137,602	-	34,275,026
	52,305,211	34,216,346	22,137,602	-	56,353,948
2015					
Trade and other payables	26,784,899	26,784,899	-	-	26,784,899
Loans and borrowings	12,469,805	3,042,918	9,882,182	-	12,925,100
	39,254,704	29,827,817	9,882,182	-	39,709,999

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(ii) Liquidity risk (continued)

Maturity analysis

The maturity analysis of the Group's and of the Company's financial liabilities by their relevant maturity at the reporting date are based on contractual undiscounted repayment obligations are as follows: (continued)

		<------Contractual cash flows			------>
	Carrying amount RM	On demand or within 1 year RM	Between 1 and 5 years RM	More than 5 years RM	Total RM
Company					
2016					
Trade and other payables	7,940,471	7,940,471	-	-	7,940,471
2015					
Trade and other payables	6,090,029	6,090,029	-	-	6,090,029

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(iii) Foreign currency risk

Foreign currency risk is the risk of fluctuation in fair value or future cash flows of a financial instrument as a result of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates related primarily to the Group's operating activities (when sales and purchases are denominated in a foreign currency).

The Group did not hedge any foreign trade receivables or payables denominated in foreign currencies during the financial year. The Group ensures that the net exposure is kept to an acceptable level.

The Group's unhedged financial assets of that are not denominated in their functional currency are as follows:

	Group	
	2016	**2015**
	RM	**RM**
United States Dollar ("USD")		
Trade receivables	1,629,283	4,091,464
Trade payables	(3,718,437)	(6,430,706)
	(2,089,154)	(2,339,242)

Sensitivity analysis for foreign currency risk

The Group's principal foreign currency exposure relates to United States Dollar ("USD").

The following table demonstrates the sensitivity to a reasonably possible change in the USD, with all other variables held constant on the Group's profit for the financial year.

	Change in rate	**Effect on profit for the financial year RM**
2016		
- USD	+10%	(156,687)
	-10%	156,687
2015		
- USD	+10%	(175,443)
	-10%	175,443

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(iv) Interest rate risk

Interest rate risk is the risk of fluctuation in fair value or future cash flows of the Group's financial instruments as a result of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from their long-term borrowings with floating interest rates. The Group manages the net exposure to interest rate risks by maintaining sufficient lines of credit to obtain acceptable lending costs and by monitoring the exposure to such risks on an ongoing basis. The Group does not enter into interest rate hedging transactions since it considers that the cost of such instruments outweigh the potential risk of interest rate fluctuation.

Sensitivity analysis for interest rate risk
The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant on the Group's profit for the financial year.

	Change in basis point	Effect on profit for the financial year RM
Group		
31 December 2016	+50	(77,469)
	-50	77,469
31 December 2015	+50	(34,190)
	-50	34,190

29. OPERATING LEASES

(a) Operating lease commitments – as lessee

The Group leases number of equipment under operating leases for average lease term between one to three years, with option to renew the lease at the end of the lease term.

Future minimum rental payable under the non-cancellable operating lease at the reporting date is as follows:

	Group 2016 RM	2015 RM
Not more than one year	163,208	23,624
Later than one year and not later than five years	93,049	2,154
	256,257	25,778

29. OPERATING LEASES (continued)

(b) Operating lease commitments – as lessor

The Group leases an investment property which has remaining lease term of three years. There are no restrictions placed upon the Company by entering into this lease.

Future minimum rental receivable under the non-cancellable operating lease at the reporting date is as follows:

	Group	
	2016	2015
	RM	RM
Not more than one year	194,184	194,184
Later than one year and not later than five years	202,275	307,458
	396,459	501,642

30. CAPITAL MANAGEMENT

The primary objective of the Group's and the Company's capital management is to ensure that they maintain a strong credit rating and healthy capital ratio in order to support its business and maximise shareholder value. The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the financial years ended 31 December 2016 and 31 December 2015.

The Group and the Company monitor capital using gearing ratio, which is net debt divided by total capital plus net debt. Net debt comprises borrowings, less deposits, cash and bank balances where total capital comprises the equity attributable to equity holders of the Group and of the Company. The gearing ratio at 31 December 2016 and 31 December 2015 are as follows:

		Group		Company	
		2016	2015	2016	2015
	Note	RM	RM	RM	RM
Loans and borrowings	17	30,226,289	12,469,805	-	-
Less:					
Deposits, cash and bank balances	15	(10,928,271)	(9,225,227)	(18,676)	(5,120)
Net debts		19,298,018	3,244,578	(18,676)	(5,120)
Total equity		80,256,602	80,835,986	58,786,938	57,963,168
Total net debt plus equity		99,554,620	84,080,564	58,768,262	57,958,048
Gearing ratio		19%	4%	*	*

* Not meaningful.

30. CAPITAL MANAGEMENT (continued)

Other than as disclosed in Note 17(a), the Company is also required to comply with the disclosure and necessary capital requirement as prescribed in the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Company has complied with these requirements for the financial years ended 31 December 2016 and 31 December 2015.

31. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Companies Act 2016

The Minister of Domestic Trade, Co-operatives and Consumerism appointed 31 January 2017 as the date on which Companies Act 2016 comes into operation except for Section 241 and Division 8 of Part III.

Accordingly, the Group and the Company shall prepare the financial statements for the financial year ending 31 December 2017 in accordance with the requirements of Companies Act 2016 which will be applied prospectively.

Amongst the key changes introduced in the Companies Act 2016 which will affect the financial statements of the Group and of the Company are, where applicable:

- the removal of the authorised share capital;
- shares issued will have no par or nominal value; and
- share premium and capital redemption reserve will become part of share capital

In addition, the financial statements disclosure requirements under the Companies Act 2016 are different from those requirements set out in the Companies Act 1965. Consequently, items to be disclosed in the Group's and the Company's financial statements for the financial year ending 31 December 2017 may be different from those disclosed in the financial statements for the current financial year.

SUPPLEMENTARY INFORMATION ON THE DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

On 25 March 2010, Bursa Malaysia Securities Berhad issued a directive pursuant to paragraphs 2.06 and 2.23 of Bursa Malaysia Securities Berhad Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the retained earnings or accumulated losses as at the end of the reporting period, into realised and unrealised profits and losses.

The following analysis of realised and unrealised profits or losses included in the retained earnings of the Group and of the Company as at 31 December 2016 and 31 December 2015 is presented in accordance with the directive of Bursa Malaysia Securities Berhad and prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		**Company**	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Total retained earnings of the Company and its subsidiaries				
- Realised	10,402,835	11,010,366	2,966,936	2,143,166
- Unrealised	(2,100,815)	(1,881,827)	-	-
	8,302,020	9,128,539	2,966,936	2,143,166
Add : Consolidation adjustments	16,319,591	16,496,925	-	-
Total retained earnings	24,621,611	25,625,464	2,966,936	2,143,166

Company No.: 825092-U

PRIVASIA TECHNOLOGY BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
Pursuant to Section 169(15) of the Companies Act, 1965

We, **DATUK ALI BIN ABDUL KADIR** and **PUVANESAN A/L SUBENTHIRAN**, being two of the directors of Privasia Technology Berhad, do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 6 to 78, are drawn up in accordance with the 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 2016 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out on page 79 has been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and presented based on the format as prescribed by Bursa Malaysia Securities Berhad.

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

....

DATUK ALI BIN ABDUL KADIR
Director

....

PUVANESAN A/L SUBENTHIRAN
Director

Kuala Lumpur

Date: 25 April 2017

Company No.: 825092-U

PRIVASIA TECHNOLOGY BERHAD
(Incorporated in Malaysia)

STATUTORY DECLARATION
Pursuant to Section 169(16) of the Companies Act, 1965

I, **AARON LOKE KHY-MIN**, being the officer primarily responsible for the financial management of the Company, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 6 to 78 and the supplementary information set out on page 79 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

....
AARON LOKE KHY-MIN

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 25 April 2017.

Before me,

PESURUHJAYA SUMPAH
W 703
MOHD FITRY ABDUL GHANI
MALAYSIA

NO: 58A, JALAN BUKIT RAJA
TAMAN SEPUTEH
58000 KUALA LUMPUR

Company No.: 825092-U

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PRIVASIA TECHNOLOGY BERHAD
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Privasia Technology Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 6 to 78.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as 31 December 2016, and of their financial performance and cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and of the Company in accordance with the *By-Laws* (*on Professional Ethics, Conduct and Practice*) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PRIVASIA TECHNOLOGY BERHAD (continued)
(Incorporated in Malaysia)

Key Audit Matters (continued)

Goodwill (Note 7 to the financial statements)

The Group has significant balances of goodwill. The goodwill is tested for impairment annually. In performing the impairment assessment, the directors have identified the cash generating unit to which the goodwill is allocated.

We focused on this area because the impairment assessment requires the exercise of significant judgements and estimates by the director on the discount rates applied in the recoverable amount calculation and assumptions supporting the underlying cash flow projections, including forecast growth rates and gross profit margin.

Our response:
Our audit procedures focused on evaluating the cash flow projections and the Group's forecasting procedures which included, among others:

- comparing the actual results with previous cash flow projections to assess the performance of the business and historical accuracy of the projections;
- comparing the Group's assumptions to externally derived data as well as our assessments in relation to key inputs such as discount rates, forecast growth rates, inflation rates and gross profit margin;
- testing the mathematical accuracy of the impairment assessment; and
- performing a sensitivity analysis around the key inputs that are expected to be most sensitive to the recoverable amount of the goodwill.

Trade receivables (Note 13 to the financial statements)

We focused on this area because the Group made judgements over both the events or changes in circumstances indicating that trade receivables are impaired and the estimation of the size of any such impairment. The trade receivables are monitored individually by the Group and therefore the impairment is assessed based on knowledge of each individual receivable.

Our response:
Our audit procedures included, among others:

- evaluating the design and assessing the implementation of controls associated with monitoring and impairment assessment of receivables that were either in default or significantly overdue;
- understanding of significant credit exposures which were significantly overdue or deemed to be in default through analysis of ageing reports and other collection reports prepared by the Group;
- obtaining confirmation of balances from selected samples of receivables;
- reviewing subsequent receipts, customer correspondence, and explanation on recoverability of significantly past due balances; and
- assessing the reasonableness of impairment charges for the identified credit exposures.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PRIVASIA TECHNOLOGY BERHAD (continued)
(Incorporated in Malaysia)

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

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

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PRIVASIA TECHNOLOGY BERHAD (continued)
(Incorporated in Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PRIVASIA TECHNOLOGY BERHAD (continued)
(Incorporated in Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

(a) In our opinion, the accounting and other records and the registers required by the Companies Act 1965 in Malaysia 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 Companies Act 1965 in Malaysia.

(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) Our auditors' reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Companies Act 1965 in Malaysia.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PRIVASIA TECHNOLOGY BERHAD (continued)
(Incorporated in Malaysia)

Other Reporting Responsibilities

The supplementary information set out on page 79 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

1. The financial statements of the Group and of the Company for the financial year ended 31 December 2015 were audited by another firm of chartered accountants whose report dated 18 April 2016 expressed an unmodified opinion on those financial statements.

2. 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 contents of this report.

Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants

Dato' Lock Peng Kuan
No. 02819/10/2018 J
Chartered Accountant

Kuala Lumpur

Date: 25 April 2017