

7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDER, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Lai joined QSA in 2010 as an Accountant and was later promoted to her current position as Finance Manager in 2012. Ms. Lai brings with her over 10 years of experience in finance and accounting.

7.4.3 Involvement of our key management in other businesses/corporations

As at the LPD, none of our key management is involved in the operation of other businesses or corporations besides our Group.

7.5 DECLARATIONS FROM OUR PROMOTERS, DIRECTORS AND KEY MANAGEMENT

None of our Promoters, Directors and key management is or was involved in any of the following events, whether within or outside Malaysia:-

- (i) A petition under any bankruptcy or insolvency law was filed (and not struck out) against such person or any partnership in which he was a partner, or any corporation of which he was a director or key management;
- (ii) Disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of the corporation;
- (iii) Charged and/or convicted in criminal proceeding, or is a named subject of pending criminal proceedings;
- (iv) Any judgment entered against such person involving a breach of any law or regulatory requirement that relates to the securities or futures industry; or
- (v) The subject of any order, judgment or ruling of any court, government or regulatory authority or body, permanently or temporarily enjoining him from engaging in any type of business practice or activity.

7.6 FAMILY RELATIONSHIPS AND ASSOCIATIONS

As at the LPD, there are no family relationships (as defined under Section 122A of the Act) and associations between or amongst our Directors, Promoters, substantial shareholder and key management.

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7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDER, DIRECTORS AND KEY MANAGEMENT (Cont'd)

7.7 SERVICE AGREEMENTS

As at the LPD, save as disclosed below, none of our Directors and/or key management has any existing or proposed service agreements with our Group.

Pursuant to a service agreement entered into between Mr. Pramotedham, QSA and the Company, Mr. Pramotedham was appointed as Executive Director and CEO of the Company for a period of 4 years from the date of admission of Kronologi to the Official List of Bursa Securities. His service agreement is subject to termination by either party giving 12 months prior notice in writing. In the event of early termination of his service agreement due to a change in control of the Company or the emergence of a new single largest shareholder in the Company, Mr. Pramotedham is entitled to a sum equivalent to 12 months of his salary and the full vesting of all shares previously granted to him under the SGP (if any).

Pursuant to a service agreement entered into between Mr. Teo, QSA and the Company, Mr. Teo was appointed as Executive Director and CTO of the Company for a period of 4 years from the date of admission of Kronologi to the Official List of Bursa Securities. His service agreement is subject to termination by either party giving 12 months prior notice in writing. In the event of early termination of his service agreement due to a change in control of the Company or the emergence of a new single largest shareholder in the Company, Mr. Teo is entitled to a sum equivalent to 12 months of his salary and the full vesting of all shares previously granted to him under the SGP (if any).

7.8 MANAGEMENT AND EMPLOYEES

The number of employees in our Group in the FYE 31 December 2011 to 2013, six (6)-month FPE 30 June 2014 and as at the LPD are as follows:

| Department | Total number of employees | | | | | Average year(s) of service as at the LPD * | | |
|--|---------------------------|-----------|-----------|--------------------------------|---------------|--|-----------|----------|
| | FYE 31 December | | | Six (6)-month FPE 30 June 2014 | As at the LPD | <1 | 1 - 5 | > 5 |
| | 2011 | 2012 | 2013 | | | Year | Years | Years |
| Sales | 10 | 18 | 20 | 25 | 21 | 10 | 9 | 2 |
| Management | 5 | 7 | 6 | 7 | 5 | 1 | 2 | 2 |
| Human Resource, Administration & Finance | 4 | 8 | 12 | 13 | 14 | 3 | 11 | 0 |
| Technical | 9 | 11 | 18 | 21 | 23 | 11 | 7 | 5 |
| Marketing | 1 | 1 | 2 | 2 | 2 | 1 | 1 | 0 |
| Total | 29 | 45 | 58 | 68 | 65 | 26 | 30 | 9 |

Note:-

* Compiled based on the number of employees as at the LPD.

7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDER, DIRECTORS AND KEY MANAGEMENT (Cont'd)

As at the LPD, our employees are based at the following geographical locations:-

| Country | Number of employees as at the LPD |
|--------------|-----------------------------------|
| Malaysia | 10 |
| Singapore | 36 |
| Thailand | 6 |
| Indonesia | 8 |
| Philippines | 5 |
| Total | 65 |

For the FYE 31 December 2012, our total employees increased from 29 employees to 45 employees. The increase in all categories of employees was mainly due to the expansion of our business offering to cover EDM managed services. For the FYE 31 December 2013, our total employees have increased from 45 employees to 58 employees due to the increase in our Group's operations and businesses. For the six (6)-month FPE 30 June 2014, our total employees have increased from 58 to 68 due to our business expansion.

None of our employees are members of any union nor have there been any major industrial disputes in the past. We do not employ any contractual/ temporary employee.

We recognise the importance of human resources as a central element to our success. All new employees recruited by our Group are required to undergo in-house orientation conducted by the respective division heads to familiarise themselves with our Group's corporate vision, culture and policies. New technical personnel are also provided training to equip them with the necessary working knowledge and skills in order for them to carry out their job responsibilities efficiently. We hold regular training sessions to ensure that all of our personnel are familiar with the latest technology and market trends as follows:-

| Month & Year | Programmes | Organiser | Location |
|----------------|---|--|--------------|
| May 2014 | New hire technical and product training | Internal | Singapore |
| February 2014 | StorNext Pre-sales Training | Internal and Quantum Corporation | Kuala Lumpur |
| October 2013 | Asigra Certification Training | Asigra Inc. | Singapore |
| September 2013 | Product Certification Training - StorNext & Big Data | Internal and Quantum Corporation | Singapore |
| May 2013 | VMWare vShpere FastTrack | 3rd Party Certified Trainer Avantus Training Pte. Ltd. | Singapore |
| April 2013 | Product Certification Training - QD6000 | Internal and Quantum Corporation | Singapore |
| March 2013 | Product training for new sales and presales personnel | Internal | Singapore |
| June 2012 | Product training for new sales and presales personnel | Internal | Singapore |
| February 2012 | Product Certification Training - StorNext | Internal and Quantum Corporation | Singapore |

8. APPROVALS AND CONDITIONS

8.1 APPROVALS FROM RELEVANT AUTHORITIES

Our Listing Scheme is an exempt transaction under Section 212(8) of the CMSA and is therefore not subject to the approval of the SC.

Bursa Securities had, vide its letter dated 30 September 2014 approved our admission to the Official List and listing of and quotation for our entire enlarged issued and paid-up share capital of Kronologi on the ACE Market of Bursa Securities including new Share(s) to be issued arising from the SGP.

Our Company has voluntarily submitted an application to the SC for a Shariah compliance review to be carried out by the SAC as part of the process of determining our Shariah status. The SAC had, vide its letter dated 25 July 2014, classified our Company's Shares as Shariah-compliant.

The SC had, via its letter dated 3 October 2014, acknowledged the notification made by Kronologi under the equity requirements for public companies. The SC also acknowledged that no equity conditions will be imposed on Kronologi in connection with the Listing, as Kronologi is a MSC-Malaysia status company. However, if Kronologi undertakes subsequent proposals involving:-

- (i) transfer of listing status to the Main Market of Bursa Securities; or
- (ii) acquisition which results in a significant change in the business direction or policy of Kronologi,

Kronologi must submit such applications to the SC under the equity requirement for public companies and the SC will reassess if such proposals are still exempted.

Kronologi was granted MSC-Malaysia status by the MDeC vide its letter dated 27 May 2014. To maintain its preferential status, Kronologi is expected to operate according to certain conditions as set out in Section 8.2 below.

8.2 CONDITIONS ON APPROVALS

The conditions imposed by Bursa Securities vide its letter dated 30 September 2014 in respect of the Listing are as follows:-

| Details of conditions imposed | Status of compliance |
|---|----------------------|
| (i) Bank Islam to ensure that the Company is in compliance with Rule 3.19(1) of the Listing Requirements, in respect of shares to be granted to promoters of Kronologi under the proposed SGP. | Noted. |
| (ii) Submission of the following information in respect to the moratorium on the shareholdings of Promoters to the Bursa Depository:- (a) Name of shareholders; (b) Number of shares; and (c) Date of expiry of the moratorium for each block of shares. | To be complied. |
| (iii) Approvals from other relevant authorities have been obtained for implementation of the listing proposal; | Complied. |
| (iv) Make the relevant announcements pursuant to paragraphs 8.1 and 8.2 of Guidance Notes 15 of the Listing Requirements; | To be complied. |
| (v) Furnish Bursa Securities a copy of the schedule of distribution showing compliance to the share spread requirements based on the entire issued and paid-up share capital of Kronologi on the first day of listing; | To be complied. |
| (vi) Any director of the Company that has not attended the Mandatory Accreditation Programme must do so prior to listing of the Company; | To be complied. |

8. APPROVALS AND CONDITIONS (Cont'd)

| Details of conditions imposed | Status of compliance |
|---|-----------------------------|
| (vii) In relation to the public offering to be undertaken by Kronologi, please announce at least 2 market days prior to the listing date, the result of the offering including the following:- (a) Level of subscription of public balloting and placement; (b) Basis of allotment/allocation; (c) A table showing the distribution for placement tranche; and (d) Disclosure of placees who become substantial shareholder of Kronologi arising from the public offering, if any. | To be complied. |
| (viii) Bank Islam is required to submit a confirmation to Bursa Securities of full compliance of the proposed SGP pursuant to paragraph 6.44(1) of the Listing Requirements and stating the effective date of implementation; | To be complied. |
| (ix) In the event the new ordinary shares to be issued pursuant to proposed SGP will be listed and quoted as the existing securities of the same class, quotation of the new ordinary shares will commence on the next market day after the following:- (a) Submission of the share certificate together with a covering letter containing the summary of the corporate proposal to Bursa Depository before 10 a.m. on the market day prior to the listing date; (b) Receipt of confirmation from Bursa Depository that the additional new shares are ready for crediting into the respective account holders; and (c) An announcement in accordance to paragraph 12.2 Guidance Note 17 is submitted via Bursa Link before 3 p.m. on the market day prior to the listing date. | Noted. |
| (x) In the event the new ordinary shares to be issued pursuant to proposed SGP will be separately quoted from the existing securities i.e. "A" shares, the listing and quotation of the new ordinary shares will take place two (2) market days upon the receipt of an application for quotation by Bursa Securities as specified under Part C of Annexure Guidance Note 17-B; | Noted. |
| (xi) Bank Islam is required to ensure full compliance of all the requirements pertaining to the proposed SGP as provided under the Listing Requirements at all times; and | Noted. |
| (xii) Kronologi/Bank Islam to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the admission to the Official List on the ACE Market is completed. | To be complied. |

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8. APPROVALS AND CONDITIONS (Cont'd)

The conditions imposed by MDeC vide its letter dated 27 May 2014 in respect of the MSC-Malaysia status granted to Kronologi are as follows:-

| Details of conditions imposed | Status of compliance |
|--|----------------------|
| <p>Kronologi hereby agrees to:</p> <p>(i) complete business registration of the proposed entity as a locally incorporated company under the Companies Act 1965 within one (1) month from the date of this letter, commence operations of the proposed entity within six (6) months from the date of this letter, and undertake such activities specified in the Company's business plan ("Business Plan") as approved by MDeC below ("MSC Malaysia Qualifying Activities") within six (6) months from the date of this letter or by such date(s) as may be specified in the Business Plan (which date(s) may be extended or modified with the written consent of MDeC) and thereafter continue with such business and activities unless otherwise approved by MDeC. The MSC Malaysia Qualifying Activities are as follows:-</p> <p>(a) Research, development and commercialization of the following solution:</p> <ul style="list-style-type: none"> FABRiK Solution Suite <p>(b) Provision of implementation, maintenance and technical services related to the above mentioned solution.</p> <p>Any changes proposed to the above MSC Malaysia Qualifying Activities as detailed in the Business Plan must receive the prior written consent of MDeC;</p> | To be complied. |
| <p>(ii) locate the implementation and operation of the MSC Malaysia Qualifying Activities in a Designated Premises in MSC Malaysia Cyberjaya with minimum office space of 1,000 sq ft within six (6) months from the date of this letter. Kronologi shall obtain MDeC's prior written approval in the event of any changes in the location or address of the company;</p> | To be complied. |
| <p>(iii) ensure that at all times at least 15% of the total number of employees (excluding support staff) of Kronologi shall be "knowledge workers" (as defined by MDeC). "Knowledge workers" shall be recruited, employed and/or appointed solely for the purpose of undertaking the MSC Malaysia Qualifying Activities.</p> <p>The recruitment, employment and/or appointment of foreign "knowledge workers" (if any) shall be sole responsibility of Kronologi and MDeC shall not be held responsible for any liability arising from such recruitment, employment and/or appointment;</p> | Complied. |
| <p>(iv) ensure that any products produced pursuant to the MSC Malaysia Qualifying Activities are original, and that no part or portion of such Product is an infringement or violation of any intellectual property or any proprietary rights of any third party, or constitutes a misappropriation of know-how belonging to any third party;</p> | Noted. |
| <p>(v) submit to MDeC a copy of the Company's Annual Report and Audited Statements in parallel with submission to the Companies Commission of Malaysia;</p> | To be complied. |
| <p>(vi) ensure that all information and/or documents furnished by Kronologi to MDeC or any other authority or agency do not contain any false, untrue or inaccurate statements or omit to state any facts, the omission of which would make any statements made therein in the light of the circumstances under which they are made, misleading;</p> | Complied. |

8. APPROVALS AND CONDITIONS (Cont'd)

| Details of conditions imposed | Status of compliance |
|--|----------------------|
| (vii) inform and obtain the prior approval of MDeC for any proposed change in the name of Kronologi; | Noted. |
| (viii) inform MDeC of any change in the equity structure or shareholding structure of Kronologi, or such other changes that may affect the direction or operation of Kronologi. MDeC must be informed of any change before steps are taken to effect such change; and | Noted. |
| (ix) comply with all such statutory, regulatory and/or licensing requirements as may be applicable, including but not limited to the Transfer Pricing Guidelines issued by the Inland Revenue Board of Malaysia on 2 July 2003 and such other amendments as may be applicable from time to time. | Noted. |
| The MSC-Malaysia status granted to Kronologi shall not be transferable or assignable in any way whatsoever without the prior written consent of MDeC. | Noted. |

8.3 MORATORIUM ON SALE OF SHARES

In compliance with the Listing Requirements, a moratorium will be imposed on the sale, transfer or assignment of Shares held by our Promoters as follows:-

- (i) The moratorium applies to our Promoters' entire shareholdings for a period of six (6) months from the date of our admission to the ACE Market of Bursa Securities ("**First 6-Month Moratorium**");
- (ii) Upon the expiry of the First 6-Month Moratorium, we must ensure that our Promoters' aggregate shareholdings amounting to at least 45% of our issued and paid-up ordinary share capital remain under moratorium for a further six (6) months ("**Second 6-Month Moratorium**"); and
- (iii) Upon the expiry of the Second 6-Month Moratorium, our Promoters may sell, transfer or assign up to a maximum of one third per annum (on a straight line basis) of our Shares held under moratorium.

Details of our Shares held by our Promoters which will be subject to moratorium are as follows:-

| Shareholders | Direct shareholdings after the IPO | |
|--|------------------------------------|--|
| | No. of Shares | % of enlarged issued and paid-up share capital |
| Piti Pramotedham | 125,677,968 | 53.03 |
| Teo Chong Meng Philip Dominic [^] | 250,000 [*] | 0.11 |
| Total | 125,927,968 | 53.14 |

Notes:-

^{*} Assuming all pink form share allocation is fully taken up.

[^] Moratorium applicable only for First 6-Month Moratorium.

9. OTHER INFORMATION**9.1 INFORMATION ON MATERIAL LAND AND BUILDINGS**

As at the LPD, we do not own or lease any material land and buildings.

A summary of the material land and buildings rented by our Group as at the LPD is as follows:-

| Landlord | Tenant | Location | Description/ Existing Use | Period of tenancy/ Date of expiry of tenancy | Annual rental | Built-Up Area (sq ft) | Date of issuance of CF / CCC / CSC [^] |
|--|--------|--|--|---|--|--------------------------|---|
| (i) KLS Realty Sdn Bhd | QSA(M) | B705, Phileo Damansara 1 No. 9, Jalan 16/11 Off Jalan Damansara 46350 Petaling Jaya Selangor Darul Ehsan Malaysia | An office unit within a 12- storey office building/ Office Premises | 1 May 2014 to 30 April 2015 | RM53,870 | 2,494 | 18 July 2000 |
| (ii) MapleTree Facilities Services Pte. Ltd. for and on behalf of DBS Trustee Limited | QSA | 51, Changi Business Park Central 2 No. 09-12, The Signature Singapore 486066 | An office unit within a 9- storey office building/ Office Premises | 1 June 2014 to 31 May 2017 | SGD256,334 (equivalent to RM657,348) | 5,453 | 5 August 2005 |
| (iii) HSBC Institutional Trust Services (Singapore) Limited (as trustee of MapleTree Logistics Trust) | QSA | #02-0210 Changi South Street 3 Singapore 486147 | A warehouse unit within a part 2-storey part 6-storey warehouse building/ Warehouse | 14 April 2013 to 13 April 2016 | SGD70,930 (equivalent to RM181,950) | 3,283 | 23 March 2000 |

Note:-

[^] Certificate of Fitness for Occupation ("CF"), Certificate of Completion and Compliance ("CCC") and Certificate of Statutory Completion ("CSC").

There is no breach of any property or land use conditions and/or non-compliance with any regulatory requirement, land rules, building regulations and environmental issue which may materially affect our Group's operation and utilisation of assets in respect of the property rented by our Group as set out above.

9. OTHER INFORMATION (Cont'd)**9.2 EQUIPMENT**

Our key equipment that we utilise for our EDM managed services operations are as follows:-

| Key Equipment | Description and Use | Net Book Value as at 30 June 2014 (RM'000) |
|-----------------------------|--|---|
| Back-end equipment | Equipment situated at our command centre and data centre, i.e. servers, hard disk drives, tape libraries and networking and monitoring devices, for the purpose of establishing connection with equipment situated at our End-User Customers' premises | 5,021 |
| Front-end equipment | Equipment situated at our End-User Customers' premises for the purpose of establishing connection with our command centre, i.e. the POD (please refer to Section 5.7.1(iii) of this Prospectus for further information). | 2,139 |
| Total Net Book Value | | 7,160 |

Our Group's EDM managed services infrastructure is designed such that it allows for future capacity upgrades on demand. Accordingly, our Board is of the opinion that our Group has sufficient capacity to meet the current and anticipated level of demand for our EDM managed services operations, and will continue to monitor the capacity requirements to ensure that our Group's operations run smoothly.

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10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST

Pursuant to the Listing Requirements, subject to certain exemptions, a "related party transaction" is a transaction entered into by a listed issuer or its subsidiaries, which involves the interest, direct or indirect, of a related party. A "related party" is defined as a director, major shareholder or person connected with such director or major shareholder (including a director or major shareholder within the preceding six (6) months before the transaction was entered into). "Major shareholder" means a shareholder with a shareholding of ten percent (10%) or more (or five percent (5%) or more where such person is the largest shareholder in the company) of all the voting shares in the company.

After the Listing, we will be required to seek our shareholders' approval each time we enter into material related party transactions in accordance with the Listing Requirements. However, if the related party transactions can be deemed as recurrent related party transactions, we may seek a general mandate from our shareholders to enter into these transactions without having to seek separate shareholders' approval each time we wish to enter into such related party transactions during the validity period of the mandate. The interested person shall abstain from voting on resolution(s) pertaining to the respective transaction. Under the Listing Requirements, related party transactions may be aggregated to determine its materiality if the transactions occurred within a 12 month period, are entered into with the same party or with parties related to one another or if the transactions involved the acquisition or disposal of securities of interests in one corporation/asset or of various parcels of land contiguous to each other.

The related party transactions (non-recurrent and recurrent) disclosed hereunder are based on the related relationship at the point the transactions were entered into.

10.1 NON-RECURRENT RELATED PARTY TRANSACTIONS

(a) Pursuant to our Group's Acquisitions, we have undertaken the following related party transactions:-

| Transacting parties | Nature of transaction | Total value of consideration (RM) | Interested related parties at the point of transaction |
|---------------------|-----------------------|-----------------------------------|--|
| Kronologi and KA | Acquisition of QSA | 17,642,135 | Mr. Pramotedham:- Director of Kronologi, QSA and KA. Substantial shareholder of Kronologi and KA. Mr. Teo:- Director of QSA and KA and key management of Kronologi. |
| Kronologi and KA | Acquisition of KS | 121,865 | Mr. Pramotedham:- Director of Kronologi, KS and KA. Substantial shareholder of Kronologi and KA. Mr. Teo:- Director of KA and key management of Kronologi. |

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)

| Transacting parties | Nature of transaction | Total value of consideration (RM) | Interested related parties at the point of transaction |
|---------------------|-----------------------|-----------------------------------|---|
| Kronologi and KA | Acquisition of KM | 100 | Mr. Pramotedham:- Director of Kronologi, KM and KA. Substantial shareholder of Kronologi and KA. Mr. Teo:- Director of KA and key management of Kronologi. Ms. Lai Ching Thing:- Director of KM and key management of Kronologi. |

(b) Save as disclosed below, there are no other material related party transactions which are non-recurrent in nature that we had entered into or proposed to be entered by our Group with related parties for the FYE 31 December 2011 to 2013 and six (6)-month FPE 30 June 2014.

The following table sets out the material transactions which were entered into by our Group in respect of the past three (3) FYE 31 December 2011 to 2013 with related parties that were part of the previous group structure, where KA was the immediate holding company of our subsidiaries and associate:-

| Transacting Parties | Nature of Transaction | Value for the FYE 31 December | | | Interested related parties at the point of transaction |
|---|--|-------------------------------|----------------|----------------|--|
| | | 2011 RM'000 | 2012 RM'000 | 2013 RM'000 | |
| QSA and Team3 Associate Pte. Ltd. ("Team3") | Purchase of data cartridges from Team3 by QSA | 4,663 | N/A | N/A | Liaw Shoo Khen, the common director with interest, has resigned from QSA and Team 3 since December 2011. |
| QSA and Sandz Solutions (Singapore) Pte. Ltd. ("Sandz") | Sales of Quantum products and services by QSA to Sandz | 2,708 | N/A | N/A | Liaw Shoo Khen, the common director with interest, has resigned from QSA and Sandz since December 2011. |
| KS and Caldecott Investments Limited ("CIL") | Loan from CIL to KS for KS' operations | - | 1,732 | - | CIL:- Substantial shareholder of KA. * KS was the wholly-owned subsidiary of KA prior to our Group's Acquisitions. |

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)

| Transacting Parties | Nature of Transaction | Value for the FYE 31 December | | | Interested related parties at the point of transaction |
|---------------------|---|-------------------------------|----------------|----------------|--|
| | | 2011 RM'000 | 2012 RM'000 | 2013 RM'000 | |
| QSA and QIS | Loan from QSA to QIS for setting up QIS' operations | - | 2,401 | 3,076 | Mr. Pramotedham:- Director of QIS and QSA. Substantial shareholder of QSA by virtue of his substantial shareholdings in KA. |
| QSA and QIS | <p>Payment of management fee by QIS to QSA. The management fee charged was for services rendered by QSA to QIS in the initial set up of QI, such as follows:-</p> <p>(i) set up of in-country operation including registration of office and physical location;</p> <p>(ii) recruitment of key staff;</p> <p>(iii) identified and appointed distributors and resellers;</p> <p>(iv) established customer relationships using QSA's platform; and</p> <p>(v) provided resources to support market development, sales, marketing, administration and back-office operation.</p> <p>This arrangement has ceased since December 2012.</p> | - | 1,262 | - | Mr. Pramotedham:- Director of QSA and QIS. Substantial shareholder of QSA by virtue of his substantial shareholdings in KA. |

All the above transactions were conducted based on negotiated terms and the Directors of our Company are of the opinion that the above transactions were transacted in the best interests of growing our Group's business.

The transactions set out in (b) above have ceased prior to 31 December 2013. Accordingly, there were no material transactions in the six (6)-month FPE 30 June 2014 entered into by our Group with related parties that were part of the previous group structure, where KA was the immediate holding company of our subsidiaries and associate.

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)**10.2 RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE AND/OR TRADING NATURE**

Details of the recurrent related party transactions which, when aggregated are material to our Group in accordance with the Listing Requirements, entered into in respect of the past three (3) FYE 31 December 2011 to 2013 and six (6)-month FPE 30 June 2014 are as follows:-

| Transacting Parties | Nature of Transaction | Value for | | | | Interested related parties at the point of transaction |
|---------------------|---|-----------------|-------------|-------------|---------------------------------------|---|
| | | FYE 31 December | | | Six (6)-month FPE 30 June 2014 RM'000 | |
| | | 2011 RM'000 | 2012 RM'000 | 2013 RM'000 | | |
| QSA and QIS | Purchase by QSA of infrastructure technology equipment from QIS | - | 491 | 5,656 | 1,735 | Mr. Pramotedham:- Director of QSA and QIS. Substantial shareholder of QSA by virtue of his substantial shareholdings in KA or Kronologi. |
| QSA and QIS | Sale by QSA of infrastructure technology equipment to QIS | - | 212 | 334 | 1,200 | Mr. Pramotedham:- Director of QSA and QIS. Substantial shareholder of QSA by virtue of his substantial shareholdings in KA or Kronologi. |

The Directors of our Company are of the opinion that all the above transactions have been conducted in the ordinary course of business and carried out on an arm's length basis. The Audit Committee will review the Group's related party transactions moving forward.

We will make disclosures in our annual report of the aggregate value of the recurrent related party transactions entered into by us based on the nature of the transactions made, names of the related parties involved and their relationship with our Group during the financial year and in the annual reports for the subsequent financial years.

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10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)**10.3 TRANSACTIONS THAT ARE UNUSUAL IN NATURE OR CONDITION**

Save as disclosed in Section 10.1 and Section 10.2 of this Prospectus above, our Directors have confirmed that there are no transactions that were unusual in its nature or condition, involving goods, services, tangible or intangible assets, to which we were a party in respect of the past three (3) FYE 31 December 2011 to 2013 and six (6)-month FPE 30 June 2014.

10.4 OUTSTANDING LOANS MADE TO OR FOR THE BENEFIT OF THE RELATED PARTIES

Save as disclosed below, there are no outstanding loans (including guarantees of any kind) made by us to or for the benefit of the related parties in the past three (3) FYE 31 December 2011 to 2013 and six (6)-month FPE 30 June 2014:-

| | <-----As at 31 December-----> | | | As at 30 June |
|---|-------------------------------|--------------------|----------------|----------------|
| | 2011 RM'000 | 2012 RM'000 | 2013 RM'000 | 2014 RM'000 |
| Loan by QSA to QIS for setting up QIS' operations | - | 2,340 [^] | - | - |

Note:-

[^] The loan equivalent to USD765,258 was unsecured, interest-bearing at 3% and was repayable within the next 12 months.

The above transaction was carried out based on negotiated terms and the Directors of our Company are of the opinion that the above transaction was transacted in the best interests of growing our Group's business. Our Group does not intend to grant any loans (including guarantees of any kind) to or for the benefit of related parties in the future, other than in the ordinary course of business in accordance with the law.

10.5 INTERESTS IN A SIMILAR BUSINESS / CONFLICT OF INTEREST

As at the LPD, none of our Directors or substantial shareholders has any interest, whether direct or indirect, in any businesses or corporations which are carrying on a similar trade as our Group.

Save as disclosed in Section 10.1 and Section 10.2 of this Prospectus above, none of our other Directors or substantial shareholders has any interest, whether direct or indirect, in any businesses or corporations which are customers and/or suppliers of our Group.

10.6 DECLARATION BY ADVISERS ON CONFLICT OF INTEREST**10.6.1 Principal Adviser, Sponsor, Sole Underwriter and Placement Agent**

Bank Islam has confirmed that there is no conflict of interest in its capacity as the Principal Adviser, Sponsor, Sole Underwriter and Placement Agent to our Group in relation to the IPO. The Underwriting Agreement, which certain details are set out in Section 3.10.2 and Section 3.10.4 of this Prospectus, was entered into on arms-length basis and on market terms.

10.6.2 Solicitors for the Listing

Messrs. Cheang & Ariff has confirmed that there is no conflict of interest in its capacity as the Solicitors to our Group in relation to the IPO.

10.6.3 Solicitors on Singapore Law

Messrs. Shook Lin & Bok LLP has confirmed that there is no conflict of interest in its capacity as the Solicitors on Singapore Law in relation to the IPO.

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)

10.6.4 External Auditors and Reporting Accountants

Messrs. SJ Grant Thornton has confirmed that there is no conflict of interest in its capacity as the External Auditors and Reporting Accountants in relation to the IPO.

10.6.5 Independent Market Researcher

Smith Zander has confirmed that there is no conflict of interest in its capacity as the Independent Market Researcher to our Group in relation to the IPO.

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11. FINANCIAL INFORMATION**11.1 HISTORICAL PROFORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF OUR GROUP**

The following historical Proforma Consolidated Statement of Profit or Loss and Other Comprehensive Income for the past three (3) FYE 31 December 2011 to 2013 and six (6)-month FPE 30 June 2014 are provided for illustrative purposes and have been extracted from the audited financial statements of Kronologi and our subsidiaries assuming that our Group has been in existence throughout the financial years/period under review. Additionally, the unaudited consolidated financial information for the six (6)-month FPE 30 June 2013 has been prepared for comparison purpose only.

The Proforma Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with our management's discussion and analysis of proforma financial conditions, results of operations and prospects set out in Section 11.4 of this Prospectus and the Reporting Accountants' Letter on the Proforma Consolidated Financial Information together with the basis of assumption as set out in the accompanying notes in Section 11.2 of this Prospectus.

There has been no exceptional or extraordinary item on all the audited financial statements of our Company and subsidiaries for the financial years/period under review.

| | <-----Audited-----> | | | Unaudited | Audited |
|--|-----------------------------|----------|----------|-------------------------|------------------|
| | <-----FYE 31 December-----> | | | Six (6)-month | |
| | 2011 | 2012 | 2013 | <-----FPE 30 June-----> | |
| | RM'000 | RM'000 | RM'000 | 2013 | 2014 |
| | | | | RM'000 | RM'000 |
| Revenue | 32,778 | 35,795 | 42,170 | 20,974 | 28,099 |
| Cost of sales | (20,690) | (18,792) | (26,306) | (13,090) | (19,158) |
| Gross profit | 12,088 | 17,003 | 15,864 | 7,884 | 8,941 |
| Other income | 996 | 2,115 | 917 | 318 | 306 |
| Selling and distribution expenses | (3,945) | (6,270) | (7,389) | (3,082) | (3,535) |
| Administrative expenses | (2,825) | (7,837) | (4,589) | (1,895) | (2,230) |
| Interest expenses | - | (6) | (82) | (42) | (248) |
| PBT | 6,314 | 5,005 | 4,721 | 3,183 | 3,234 |
| Tax (expense)/income ⁶ | (952) | (788) | (51) | (34) | 176 ⁸ |
| Overestimate of tax expense | 106 | 85 | 894 | - | - |
| Subtotal – Tax (expense) / income | (846) | (703) | 843 | (34) | 176 |
| PAT | 5,468 | 4,302 | 5,564 | 3,149 | 3,410 |
| Other comprehensive income: | | | | | |
| Exchange translation difference relating to foreign subsidiaries | 122 | (215) | 516 | 455 | (173) |
| Total comprehensive income | 5,590 | 4,087 | 6,080 | 3,604 | 3,237 |

11. FINANCIAL INFORMATION (Cont'd)

| | <-----Audited-----> | | | Unaudited | Audited |
|--|-----------------------------|---------|-------------------|-------------------------|------------------|
| | <-----FYE 31 December-----> | | | Six (6)-month | |
| | 2011 | 2012 | 2013 | <-----FPE 30 June-----> | |
| | RM'000 | RM'000 | RM'000 | 2013 | 2014 |
| | | | | RM'000 | RM'000 |
| Assumed no. of Shares in issue ¹ ('000) | 177,741 | 177,741 | 177,741 | 177,741 | 177,741 |
| EBITDA | 6,363 | 5,591 | 6,256 | 3,818 | 4,433 |
| Basic EPS ² (sen) | 3.07 | 2.42 | 3.13 | 1.77 | 1.92 |
| Gross profit margin ³ (%) | 36.88 | 47.50 | 37.62 | 37.59 | 31.82 |
| PBT margin ⁴ (%) | 19.26 | 13.98 | 11.20 | 15.18 | 11.51 |
| PAT margin ⁵ (%) | 16.68 | 12.02 | 13.19 | 15.01 | 12.14 |
| Effective tax rate ⁶ (%) | 15.08 | 15.74 | 1.08 ⁷ | 1.07 ⁷ | N/A ⁸ |

Notes:-

- 1) The assumed number of Shares in issue after Acquisitions but before Public Issue.
- 2) Basic EPS is calculated based on PAT of our Group divided by the assumed number of Shares in issue.
- 3) Gross profit margin is calculated based on gross profit divided by revenue.
- 4) PBT margin is calculated based on PBT divided by revenue.
- 5) PAT margin is calculated based on PAT divided by revenue.
- 6) Effective tax rate is calculated based on tax expense divided by PBT.
- 7) The low effective tax rate was mainly due to the tax incentives enjoyed by our Group as detailed in Section 11.4.1(c)(vi) of this Prospectus.
- 8) The tax income was due to utilisation of PIC scheme and unutilised capital allowances of our subsidiary.

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11. FINANCIAL INFORMATION (Cont'd)

11.2 REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION

(Prepared for inclusion in this Prospectus)



Grant Thornton

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REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION

(Prepared for inclusion in the Prospectus)

14 November 2014

The Board of Directors
Kronologi Asia Berhad
Third Floor, No. 79 (Room A)
Jalan SS21/60
Damansara Utama
47400 Petaling Jaya
Selangor Darul Ehsan

Dear Sirs,

KRONOLOGI ASIA BERHAD ("KRONOLOGI" or "THE COMPANY") AND ITS SUBSIDIARIES ("KRONOLOGI GROUP" OR "THE GROUP")

Report on the Compilation of Proforma Consolidated Financial Information

Initial public offering and the listing of and quotation for 236,988,000 ordinary shares of RM0.10 each in Kronologi ("Kronologi Shares") on the ACE Market of Bursa Malaysia Securities Berhad

We have completed our assurance engagement to report on the compilation of Proforma Consolidated Financial Information for which the Directors of Kronologi are solely responsible. The Proforma Consolidated Financial Information of Kronologi Group consists of the proforma consolidated statement of financial position as at 30 June 2014, the proforma consolidated statement of cash flows for the six (6)-month financial period ("FPE") from 1 January 2014 to 30 June 2014 and the proforma consolidated statement of profit or loss and other comprehensive income for the financial years ended ("FYE") 31 December 2011 to 2013 and for the six (6)-month financial period from 1 January 2014 to 30 June 2014 together with the notes and assumptions thereto, as set out in the accompanying statements, for which we have stamped for the purpose of identification.

The applicable criteria on the basis of which the Directors of Kronologi has compiled the Proforma Consolidated Financial Information are specified in the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines") and related Notes as set out in the Appendix A to the Proforma Consolidated Financial Information.

The proforma consolidated statement of financial position has been compiled by the Directors of Kronologi, to illustrate the impact of the event or transaction as set out below:

11. FINANCIAL INFORMATION (Cont'd)
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1. Floatation Exercise

In conjunction with, and as an integral part of the listing of Kronologi on the ACE Market of Bursa Securities, the Company will undertake the following:-

1.1 Listing Scheme
1.1.1 Public Issue

The Company will undertake a public issue of 59,247,000 new Kronologi Shares, representing 25.0% of the enlarged issued and paid-up share capital of Kronologi, at an issue price of RM0.29 per Kronologi Share, payable in full on application.

The Shares will be allocated and allotted in the following manner:-

1) Malaysian Public

4,739,500 new Kronologi Shares, representing approximately 2.0% of the enlarged issued and paid-up share capital, to be made available for application by the Malaysian Public via balloting.

2) Eligible Directors, employees and persons who have contributed to the success of the Kronologi Group

7,109,500 new Kronologi Shares, representing approximately 3.0% of the enlarged issued and paid-up share capital, to be reserved for the eligible Directors, employees and persons who have contributed to the success of the Kronologi Group.

3) Private placement to identified investors

47,398,000 new Kronologi Shares, representing approximately 20.0% of the enlarged issued and paid-up share capital, to be placed to identified investors.

Upon completion of the Public Issue, the issued and paid-up share capital of the Company will increase to RM23,698,800, comprising 236,988,000 Kronologi Shares.

All the new Kronologi Shares shall rank equally in all respects with the existing issued and paid-up share capital of the Company, including the voting rights and rights to all dividends and distributions that may be declared, made or paid subsequent to the date of the allotment thereof.

1.1.2 Share grant plan ("SGP")

In conjunction with the Listing, Kronologi will also implement a SGP involving up to 30% of the issued and paid-up share capital of Kronologi at any time during the existence of the SGP to be granted to eligible Directors and employees of Kronologi and its subsidiaries.

The SGP will not have an immediate material effect on the consolidated net assets of the Company. However, the potential effect on the consolidated net assets of the Company in the future would depend on the number and price of the Kronologi Shares granted.

11. FINANCIAL INFORMATION (Cont'd)**Grant Thornton**

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For the purposes of the proforma consolidated statement of profit or loss and other comprehensive income for the FYE 31 December 2011 to 2013, the group structure is assumed to have been in existence throughout the financial years under review. The proforma consolidated statement of profit or loss and other comprehensive income for the six (6)-month financial period from 1 January 2014 to 30 June 2014 and the proforma consolidated statement of cash flows for the six (6)-month financial period from 1 January 2014 to 30 June 2014 have taken into consideration the acquisition of subsidiaries and associate which occurred during the FPE 30 June 2014.

As part of this process, information about the financial position, financial performance and cash flows has been extracted by the Directors from the relevant financial statements for FYE 31 December 2011 to 2013 and for the six (6)-month financial period from 1 January 2014 to 30 June 2014 on which audit reports have been published.

This letter is required by and is given for the purpose of complying with the Prospectus Guidelines and for no other purpose.

Directors' Responsibility for the Proforma Consolidated Financial Information

The Directors of Kronologi are responsible for compiling the Proforma Consolidated Financial Information based on the applicable criteria as specified in the Prospectus Guidelines and the basis described in the Notes of Appendix A to the Proforma Consolidated Financial Information.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by the Prospectus Guidelines about whether the Proforma Consolidated Financial Information has been compiled by the Directors of Kronologi based on the applicable criteria.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of Proforma Financial Information Included in a Prospectus, issued by the International Auditing and Assurance Standards Board. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors of Kronologi have compiled the Proforma Consolidated Financial Information on the basis of the applicable criteria.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Proforma Consolidated Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Proforma Consolidated Financial Information.

11. FINANCIAL INFORMATION (Cont'd)
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Reporting Accountants' Responsibilities (Cont'd)

The purpose of Proforma Consolidated Financial Information included in a prospectus is solely to illustrate the impact of any significant events or transactions on the unadjusted financial information of Kronologi Group as if the event had occurred or the transaction has been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction, when they occur, would have been as presented.

A reasonable assurance engagement to report on whether the Proforma Consolidated Financial Information has been compiled based on the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors of Kronologi in the compilation of the Proforma Consolidated Financial Information of Kronologi Group provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:-

- i) the related proforma adjustments give appropriate effect to those criteria; and
- ii) the Proforma Consolidated Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of Kronologi Group, the event or transaction in respect of which the Proforma Consolidated Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Proforma Consolidated Financial Information.

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

Our opinion

In our opinion:

- (a) the Proforma Consolidated Financial Information of Kronologi Group have been properly prepared by the Directors of Kronologi on a basis as set out in the Notes in Appendix A to the Proforma Consolidated Financial Information using financial statements prepared in accordance with the approved Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS"), as appropriate, and in a manner consistent with both the format of the financial statements and the accounting policies adopted by the Kronologi Group; and
- (b) each material adjustment made to the information used in the preparation of the Proforma Consolidated Financial Information is appropriate for the purposes of preparing the Proforma Consolidated Financial Information.

11. FINANCIAL INFORMATION (Cont'd)**Grant Thornton**

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Other matters

This letter has been prepared for inclusion in the prospectus of Kronologi Group in connection with the listing of the shares of Kronologi on the ACE Market of Bursa Securities. As such, this report should not be used, circulated, quoted or otherwise referred to in any document or used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

Yours faithfully,

SJ GRANT THORNTON

NO. AF: 0737

CHARTERED ACCOUNTANTS

HOOI KOK MUN

Approval Number: 2207/01/16 (J)

Chartered Accountant

11. FINANCIAL INFORMATION (Cont'd)**Appendix A**

KRONOLOGI ASIA BERHAD AND ITS SUBSIDIARIES
(Company No: 1067697-K)
PROFORMA CONSOLIDATED FINANCIAL INFORMATION

1. Introduction of Kronologi Group

The Proforma Consolidated Financial Information has been prepared, for illustrative purposes only, based on the audited financial statements of Kronologi and its subsidiaries for the past three financial years/period ended 31 December 2011 to 2013 and 30 June 2014 in a manner consistent with both the format of the financial statements and the accounting policies adopted by Kronologi Group, after giving effect to the proforma adjustments which are considered appropriate.

Kronologi was incorporated on 25 October 2013 and the audited financial statements of Kronologi for the financial period from 25 October 2013 to 30 June 2014 were used for the purposes of preparing the Proforma Consolidated Financial Information.

The Proforma Consolidated Financial Information comprises the following:-

- a) the proforma consolidated statement of profit or loss and other comprehensive income of Kronologi Group for the past three FYE 31 December 2011 to 2013 and for the six (6)-month financial period from 1 January 2014 to 30 June 2014;
- b) the proforma consolidated statement of financial position of Kronologi Group as at 30 June 2014; and
- c) the proforma consolidated statement of cash flows of Kronologi Group for the six (6)-month financial period from 1 January 2014 to 30 June 2014.

For the purposes of the proforma consolidated statement of profit or loss and other comprehensive income for the FYE 31 December 2011 to 2013, the group structure is assumed to have been in existence throughout the financial years under review. The proforma consolidated statement of profit or loss and other comprehensive income and the proforma consolidated statement of cash flows for the six (6)-month financial period from 1 January 2014 to 30 June 2014 have taken into consideration the acquisition of subsidiaries and associate which occurred during the six (6)-month FPE 30 June 2014.

The proforma consolidated statement of financial position as at 30 June 2014 have been presented in this report for illustrative purposes only to show the effects of the listing scheme as set out in Note 2 of this report on the assumption that the transaction has been completed on 30 June 2014.

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11. FINANCIAL INFORMATION (Cont'd)**Appendix A**

KRONOLOGI ASIA BERHAD AND ITS SUBSIDIARIES
(Company No: 1067697-K)
PROFORMA CONSOLIDATED FINANCIAL INFORMATION

2. Listing Scheme

In conjunction with, and as an integral part of the listing of Kronologi on the ACE Market of Bursa Securities, the Company will undertake the following:-

(i) Public Issue

The Company will undertake a public issue of 59,247,000 new Kronologi Shares, representing 25% of the enlarged issued and paid-up share capital of Kronologi, at an issue price of RM0.29 per Kronologi Share, payable in full on application.

The Shares will be allocated and allotted in the following manner:-

1) Malaysian Public

4,739,500 new Kronologi Shares, representing approximately 2.0% of the enlarged issued and paid-up share capital, to be made available for application by the Malaysian Public via balloting.

2) Eligible Directors, employees and persons who have contributed to the success of the Group

7,109,500 new Kronologi Shares, representing approximately 3.0% of the enlarged issued and paid-up share capital, to be reserved for the eligible Directors, employees and persons who have contributed to the success of the Group.

3) Private placement to identified investors

47,398,000 new Kronologi Shares, representing approximately 20.0% of the enlarged issued and paid-up share capital, to be placed to identified investors.

Upon completion of the Public Issue, the issued and paid-up share capital of the Company will increase to RM23,698,800, comprising 236,988,000 Kronologi Shares.

All the new Kronologi Shares shall rank equally in all respects with the existing issued and paid-up share capital of the Company, including the voting rights and rights to all dividends and distributions that may be declared, made or paid subsequent to the date of the allotment thereof.

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11. FINANCIAL INFORMATION (Cont'd)**Appendix A**

KRONOLOGI ASIA BERHAD AND ITS SUBSIDIARIES
(Company No: 1067697-K)
PROFORMA CONSOLIDATED FINANCIAL INFORMATION

3. Utilisation

The gross proceeds arising from the Public Issue amounting to RM17,181,630 are expected to be fully utilised for the core business of Kronologi Group in the following manner:-

| | RM'000 | % |
|---------------------------------------|---------------|---------------|
| Business expansion | 6,000 | 34.92 |
| Research and development expenditure* | 3,500 | 20.37 |
| Working capital | 4,482 | 26.09 |
| Estimated listing expenses | 3,200 | 18.62 |
| | <u>17,182</u> | <u>100.00</u> |

* It is assumed that the research and development expenditure qualifies to be deferred in statement of financial position in accordance with MFRS 138.

The estimated listing expenses of RM3.2 million will be allocated to both the new and existing Kronologi Shares in a rational and consistent basis to be set off against the share premium account and charged out to statement of profit or loss and other comprehensive income as expenses respectively as follows:

| | RM'000 |
|--|--------------|
| Share premium | 1,949 |
| Statement of profit or loss and other comprehensive income | <u>1,251</u> |
| | <u>3,200</u> |

4. Basis of Preparation

The Proforma Consolidated Financial Information has been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS") after incorporating adjustments that are appropriate for the preparation of the Proforma Consolidated Financial Information.

The Proforma Consolidated Financial Information have been prepared using the bases and accounting principles consistent with those adopted in the latest audited financial statements and after giving the effect to the proforma adjustments which are considered as appropriate.

The Proforma Consolidated Financial Information have been prepared for illustrative purposes only and because of its nature, may not give a true picture of the actual financial results, financial position and cash flows of Kronologi Group.

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11. FINANCIAL INFORMATION (Cont'd)**Appendix A**

KRONOLOGI ASIA BERHAD AND ITS SUBSIDIARIES
(Company No: 1067697-K)
PROFORMA CONSOLIDATED FINANCIAL INFORMATION

4. Basis of Preparation (cont'd)

The Proforma Consolidated Financial Information has been prepared using the merger method to account for the acquisitions of subsidiaries. Under the merger method,

- (a) If the cost of merger is lower than the nominal value of the share capital of the subsidiaries acquired, a credit balance will arise and be treated as merger reserve under the proforma consolidated statement of financial position.
- (b) If the cost of merger exceeds the nominal value of the share capital of the subsidiaries acquired, a debit balance will arise and be treated as merger deficit under the proforma consolidated statement of financial position.

There were no exceptional items in all the financial years/period under review.

5. Significant Accounting Policies

The Proforma Consolidated Financial Information has been prepared using the bases and the accounting principles consistent with those adopted in the audited financial statements as stated in Note 7 of the Accountants' Report.

6. Presentation Currency

The Proforma Consolidated Financial Information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

7. Conversion Rate

In preparing the Proforma Consolidated Financial Information, we have converted all figures stated in Singapore Dollar ("SGD") and US Dollar ("USD") into RM based on the following exchange rate:-

- (i) Proforma consolidated statement of financial position

| - At closing rate | FYE 31.12.2011 | FYE 31.12.2012 | FYE 31.12.2013 | FPE 30.6.2014 |
|-------------------|----------------|----------------|----------------|----------------|
| | USD1: RM3.1685 | USD1: RM3.0580 | USD1: RM3.2815 | USD1: RM3.2105 |
| | SGD1: RM2.4373 | SGD1: RM2.5032 | SGD1: RM2.5943 | SGD1: RM2.5703 |

- (ii) Proforma consolidated statement of profit or loss and other comprehensive income

| - At average rate | FYE 31.12.2011 | FYE 31.12.2012 | FYE 31.12.2013 | FPE 30.6.2014 |
|-------------------|----------------|----------------|----------------|----------------|
| | USD1: RM3.0572 | USD1: RM3.0785 | USD1: RM3.1700 | USD1: RM3.2643 |
| | SGD1: RM2.4371 | SGD1: RM2.4745 | SGD1: RM2.5305 | SGD1: RM2.5892 |

The translation from the respective various currencies to RM for QSA and KS in this report is to comply with the requirement of Prospectus Guidelines – Paragraph 13.12 where all financial statements prepared in currency other than RM must be translated into RM.

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11. FINANCIAL INFORMATION (Cont'd)**Appendix A**

KRONOLOGI ASIA BERHAD AND ITS SUBSIDIARIES
(Company No: 1067697-K)
PROFORMA CONSOLIDATED FINANCIAL INFORMATION

7) Proforma Consolidated Statement of Financial Position as at 30 June 2014

The proforma consolidated statement of financial position of Kronologi Group as at 30 June 2014 as set out below is prepared solely for illustrative purposes only to show the effects of the implementation of the listing scheme referred in Note 2 had the transaction been effected on 30 June 2014.

| | Kronologi Group As at 30 June 2014 Audited RM'000 | Proforma I RM'000 | Proforma II RM'000 |
|---------------------------------|--|------------------------------|-------------------------------|
| ASSETS | | | |
| <u>Non-current assets</u> | | | |
| Property, plant and equipment | 8,780 | 8,780 | 8,780 |
| Research and development | - | - | 3,500 |
| Other receivables | 384 | 384 | 384 |
| Deferred tax assets | 245 | 245 | 245 |
| Total non-current assets | 9,409 | 9,409 | 12,909 |
| <u>Current assets</u> | | | |
| Inventories | 5,374 | 5,374 | 5,374 |
| Trade receivables | 9,238 | 9,238 | 9,238 |
| Other receivables | 2,836 | 2,836 | 1,580 |
| Amount owing from an associate | 219 | 219 | 219 |
| Cash and bank balances | 1,147 | 18,329 | 12,885 |
| Total current assets | 18,814 | 35,996 | 29,296 |
| TOTAL ASSETS | 28,223 | 45,405 | 42,205 |

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11. FINANCIAL INFORMATION (Cont'd)**Appendix A**

KRONOLOGI ASIA BERHAD AND ITS SUBSIDIARIES
(Company No: 1067697-K)
PROFORMA CONSOLIDATED FINANCIAL INFORMATION

7) Proforma Consolidated Statement of Financial Position as at 30 June 2014 (cont'd)

| | Kronologi Group As at 30 June 2014 Audited RM'000 | Proforma I RM'000 | Proforma II RM'000 |
|--------------------------------|--|------------------------------|-------------------------------|
| EQUITY AND LIABILITIES | | | |
| EQUITY | | | |
| Share capital | 17,774 | 23,699 | 23,699 |
| Share premium | - | 11,257 | 9,308 |
| Reserves | (9,087) | (9,087) | (10,338) |
| Total equity | 8,687 | 25,869 | 22,669 |
| LIABILITIES | | | |
| <u>Non-current liabilities</u> | | | |
| Deferred income | 1,201 | 1,201 | 1,201 |
| Finance lease liabilities | 1,737 | 1,737 | 1,737 |
| Total non-current liabilities | 2,938 | 2,938 | 2,938 |

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14 NOV 2014

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11. FINANCIAL INFORMATION (Cont'd)

Appendix A

KRONOLOGI ASIA BERHAD AND ITS SUBSIDIARIES
(Company No: 1067697-K)
PROFORMA CONSOLIDATED FINANCIAL INFORMATION

7) Proforma Consolidated Statement of Financial Position as at 30 June 2014 (cont'd)

| | Kronologi Group As at 30 June 2014 Audited RM'000 | Proforma I RM'000 | Proforma II RM'000 |
|--|--|------------------------------|-------------------------------|
| <u>Current liabilities</u> | | | |
| Trade payables | 4,090 | 4,090 | 4,090 |
| Other payables | 3,858 | 3,858 | 3,858 |
| Amount due to an associate | 928 | 928 | 928 |
| Deferred income | 6,341 | 6,341 | 6,341 |
| Finance lease liabilities | 1,381 | 1,381 | 1,381 |
| Total current liabilities | 16,598 | 16,598 | 16,598 |
| Total liabilities | 19,536 | 19,536 | 19,536 |
| TOTAL EQUITY AND LIABILITIES | 28,223 | 45,405 | 42,205 |
| No. of ordinary shares in issue ('000) | 177,741 | 236,988 | 236,988 |
| Net Assets ("NA") (RM'000) | 8,687 | 25,869 | 22,669 |
| NA per share (RM) | 0.05 | 0.11 | 0.10 |

The following transactions are assumed to have been effected as at 30 June 2014:-

(i) Proforma I

Proforma I incorporates the Public Issue as set out in Note 2 of this report.

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14 NOV 2014

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11. FINANCIAL INFORMATION (Cont'd)**Appendix A**

KRONOLOGI ASIA BERHAD AND ITS SUBSIDIARIES
(Company No: 1067697-K)
PROFORMA CONSOLIDATED FINANCIAL INFORMATION

7) Proforma Consolidated Statement of Financial Position as at 30 June 2014 (cont'd)

The following transactions are assumed to have been effected as at 30 June 2014:-

(ii) Proforma II

After Proforma I, Kronologi is expected to fully utilise the gross proceeds arising from the Public Issue amounting to RM17,181,630 in the manner as set out in Note 3 of this report.

(iii) The movements of total equity of Kronologi Group after taking into account the transactions mentioned in Notes 2 and 3 above are as follows:-

| | Number of Ordinary Shares '000 | Non- distributable | | | | Distributable | |
|----------------------------------|---|----------------------------|----------------------------|-----------------------------|----------------------------------|--------------------------------|-----------------|
| | | Share Capital RM'000 | Share Premium RM'000 | Merger Deficit RM'000 | Translation Reserve RM'000 | Retained Earnings RM'000 | Total RM'000 |
| As at 30 June 2014 | 177,741 | 17,774 | - | (17,406) | (173) | 8,492 | 8,687 |
| Proforma I | | | | | | | |
| - Public Issue | 59,247 | 5,925 | 11,257 | - | - | - | 17,182 |
| After Proforma I | 236,988 | 23,699 | 11,257 | (17,406) | (173) | 8,492 | 25,869 |
| Proforma II | | | | | | | |
| - Estimated share issue expenses | - | - | (1,949) | - | - | (1,251) | (3,200) |
| After Proforma II | 236,988 | 23,699 | 9,308 | (17,406) | (173) | 7,241 | 22,669 |

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14 NOV 2014

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11. FINANCIAL INFORMATION (Cont'd)**Appendix A**

KRONOLOGI ASIA BERHAD AND ITS SUBSIDIARIES
(Company No: 1067697-K)
PROFORMA CONSOLIDATED FINANCIAL INFORMATION

7) Proforma Consolidated Statement of Financial Position as at 30 June 2014 (cont'd)

- (iv) The movement in cash and cash equivalents of Kronologi Group after taking into account the transactions mentioned in Notes 2 and 3 above are as follows:-

| | RM'000 |
|--|---------|
| Balance as at 30 June 2014 | 1,147 |
| Proforma I | |
| - Public Issue | 17,182 |
| After Proforma I | 18,329 |
| Proforma II | |
| - Research and development expenditure | (3,500) |
| - Listing expenses | (1,944) |
| After Proforma II | 12,885 |

As at 30 June 2014, the listing expenses amounting to RM1,256,000 has been incurred and deferred by Kronologi.

- (v) The conversion rate used for the preparation of proforma consolidated statement of financial position is as set out in Note 6 of this report.

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11. FINANCIAL INFORMATION (Cont'd)

Appendix A

KRONOLOGI ASIA BERHAD AND ITS SUBSIDIARIES

(Company No: 1067697-K)

PROFORMA CONSOLIDATED FINANCIAL INFORMATION

8) Proforma Consolidated Statement of Profit or Loss and Other Comprehensive Income

The proforma consolidated statement of profit or loss and other comprehensive income of Kronologi Group for the past three (3) FYE 31 December 2011 to 2013 and for the six (6)-month financial period from 1 January 2014 to 30 June 2014 are provided for illustrative purposes only and have been extracted from the audited financial statements of Kronologi and its subsidiaries to show the results of Kronologi Group, based on the accounting policies as set out in Note 7 of the Accountants' Report and are prepared on the assumption that Kronologi Group has been in existence throughout the financial years/period under review.

| | FYE 31.12.2011 RM'000 | FYE 31.12.2012 RM'000 | FYE 31.12.2013 RM'000 | FPE 30.6.2014 RM'000 |
|---|-----------------------------|-----------------------------|-----------------------------|----------------------------|
| Revenue | 32,778 | 35,795 | 42,170 | 28,099 |
| Cost of sales | (20,690) | (18,792) | (26,306) | (19,158) |
| Gross profit | 12,088 | 17,003 | 15,864 | 8,941 |
| Other income | 996 | 2,115 | 917 | 306 |
| Selling and distribution expenses | (3,945) | (6,270) | (7,389) | (3,535) |
| Administrative expenses | (2,825) | (7,837) | (4,589) | (2,230) |
| Interest expenses | - | (6) | (82) | (248) |
| Profit before tax ("PBT") | 6,314 | 5,005 | 4,721 | 3,234 |
| Tax (expense)/ income | (846) | (703) | 843 | 176 |
| Profit for the financial years/period | 5,468 | 4,302 | 5,564 | 3,410 |
| Other comprehensive income/ (loss) | | | | |
| Foreign currency translation differences | 122 | (215) | 516 | (173) |
| Total comprehensive income for the financial years/period | 5,590 | 4,087 | 6,080 | 3,237 |
| Earnings before interest, taxes, depreciation and amortisation ("EBITDA") | 6,363 | 5,591 | 6,256 | 4,433 |
| Depreciation of property, plant and equipment | (49) | (603) | (1,526) | (951) |
| Interest expenses | - | (6) | (82) | (248) |
| Interest income | - | 23 | 73 | - |
| PBT | 6,314 | 5,005 | 4,721 | 3,234 |

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11. FINANCIAL INFORMATION (Cont'd)**Appendix A**

KRONOLOGI ASIA BERHAD AND ITS SUBSIDIARIES
(Company No: 1067697-K)
PROFORMA CONSOLIDATED FINANCIAL INFORMATION

8) Proforma Consolidated Statement of Profit or Loss and Other Comprehensive Income (cont'd)

| | FYE 31.12.2011 | FYE 31.12.2012 | FYE 31.12.2013 | FPE 30.6.2014 |
|--------------------------------------|---------------------------------|---------------------------------|---------------------------------|--------------------------------|
| Number of Kronologi Shares # | 177,741 | 177,741 | 177,741 | 177,741 |
| Basic earnings per Share (sen/Share) | 3.07 | 2.42 | 3.13 | 1.92 |
| Gross profit margin (%) | 36.88 | 47.50 | 37.62 | 31.82 |
| PBT margin (%) | 19.26 | 13.98 | 11.20 | 11.51 |
| Profit after tax margin (%) | 16.68 | 12.02 | 13.19 | 12.14 |

Based on existing share capital of 177,741,000 Kronologi Shares. No diluted EPS has been presented as the effect is anti-dilutive.

- i) Kronologi Group's results have been restated through appropriate consolidation adjustments to eliminate inter-company transactions under the existing group structure.
- ii) There were no extraordinary or exceptional items in all the financial years/period under review.
- iii) The conversion rate used for the preparation of proforma consolidated statement of profit or loss and other comprehensive income is as set out in Note 6 of this report.

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11. FINANCIAL INFORMATION (Cont'd)**Appendix A**

KRONOLOGI ASIA BERHAD AND ITS SUBSIDIARIES
(Company No: 1067697-K)
PROFORMA CONSOLIDATED FINANCIAL INFORMATION

9) Proforma Consolidated Statement of Cash Flows

The following is the proforma consolidated statement of cash flows of Kronologi Group for the six (6)-month financial period from 1 January 2014 to 30 June 2014 which has been prepared for illustrative purposes only on the assumption that the listing scheme referred in Note 2 had been effected on 30 June 2014.

| | FPE 30.6.2014 RM'000 |
|--|---|
| Cash flows from operating activities | |
| Profit before tax | 3,234 |
| Adjustments for: | |
| Depreciation of property, plant and equipment | 951 |
| Interest expenses | 248 |
| Unrealised gain on foreign exchange | (40) |
| | <u>4,393</u> |
| Changes in working capital :- | |
| Inventories | 2,119 |
| Receivables | (2,953) |
| Payables | (3,689) |
| Associate | 910 |
| Deferred income | <u>2,932</u> |
| Cash generated from operations/ Net cash from operating activities | <u>3,712</u> |
| Cash flows from investing activities | |
| Purchase of property, plant and equipment | (578) |
| Research and development expenditure | |
| - by listing proceeds | (3,500) |
| Repayments to an associate | <u>(223)</u> |
| Net cash used in investing activities | <u>(4,301)</u> |

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11. FINANCIAL INFORMATION (Cont'd)**Appendix A**

KRONOLOGI ASIA BERHAD AND ITS SUBSIDIARIES
(Company No: 1067697-K)
PROFORMA CONSOLIDATED FINANCIAL INFORMATION

9) Proforma Consolidated Statement of Cash Flows (cont'd)

**1.1.2014
to
30.6.2014
RM'000**

Cash flows from financing activities

| | |
|--|---------|
| Issuance of shares capital | 10 |
| Repayment to financial institution | (1,732) |
| Repayment to finance lease liabilities | (469) |
| Interest paid | (248) |
| Dividend paid | (2,324) |
| Listing proceeds through Public Issue | 17,182 |
| Payment of listing expenses | (1,944) |

Cash flows from financing activities

10,475

Net increase in cash and cash equivalents

9,886

Effect of foreign exchange translation

12

Cash and cash equivalents at beginning of the financial period

2,987

Cash and cash equivalents at end of the financial period

12,885

The proforma consolidated statement of cash flows have been prepared based on accounting policies as set out in Note 7 of the Accountants' Report and basis consistent with those normally adopted in the preparation of Proforma Consolidated Financial Information of Kronologi Group.

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11. FINANCIAL INFORMATION (Cont'd)**11.3 CAPITALISATION AND INDEBTEDNESS**

The following information should be read in conjunction with the Reporting Accountants' Letter on the Proforma Consolidated Financial Information and Accountants' Report as set out in Section 11.2 and Section 12 of this Prospectus respectively.

The following table shows our Group's capitalisation and indebtedness:-

- (i) Based on our Proforma Consolidated Statement of Financial Position as at 30 June 2014; and
- (ii) As adjusted for the Public Issue and utilisation of proceeds from the Public Issue.

| | As at 30 June 2014 RM'000 | After Public Issue and utilisation of proceeds RM'000 |
|--|---------------------------------|--|
| Indebtedness:- | | |
| <u>Current</u> | | |
| Finance lease liabilities | 1,381 | 1,381 |
| <u>Non-current</u> | | |
| Finance lease liabilities | 1,737 | 1,737 |
| Total Indebtedness | <u>3,118</u> | <u>3,118</u> |
| Shareholders' equity | <u>8,687</u> | <u>22,669</u> |
| Total capitalisation and indebtedness | <u>11,805</u> | <u>25,787</u> |
| Gearing ratio (times) | 0.36 | 0.14 |

11.4 MANAGEMENT'S DISCUSSION AND ANALYSIS OF PROFORMA FINANCIAL CONDITIONS, RESULTS OF OPERATIONS AND PROSPECTS

The following management's discussion and analysis of our Group's proforma financial conditions and results of operations should be read in conjunction with the Accountants' Report as set out in Section 12 of this Prospectus.

The discussion and analysis contains data derived from our audited financial statements as well as forward-looking statements that involves risks and uncertainties. The results may differ significantly from those projected in the forward-looking statements. Factors that may cause future results to differ significantly from those included in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly the risk factors as set out in Section 4 of this Prospectus.

11. FINANCIAL INFORMATION (Cont'd)**11.4.1 Analysis of our Group's operating results**

Our Group is involved in the provision of EDM solutions, specialising in data assurance and protection to ensure business continuity for our clients. Our portfolio of products and services provide our clients with the ability to achieve data assurance and protection through the systematic backup, storage and recovery of enterprise data to ensure business continuity.

Please refer to Section 5 of this Prospectus for our Group's detailed business overview.

(a) Segmental analysis

Our Group's revenue mainly comprises four (4) sources as follows:-

- EDM infrastructure technology comprising hardware and software;
- EDM value-added solutions and professional services (for implementation of EDM infrastructure technology solutions by our Group);
- EDM managed services; and
- Annual maintenance and technical support (for EDM infrastructure technology solutions implemented by our Group).

The table below sets forth the breakdown of our Group's revenue and gross profit for the respective financial years:-

Revenue analysis:-**(i) Analysis of contribution to revenue by companies:-**

| Company | <-----Audited-----> | | | | | | Unaudited | | Audited | |
|-----------------------------|-----------------------------|---------------|---------------|---------------|---------------|---------------|---------------------------------------|---------------|---------------|---------------|
| | <-----FYE 31 December-----> | | | | | | <---- Six (6)-month FPE 30 June-----> | | | |
| | 2011 | | 2012 | | 2013 | | 2013 | | 2014 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| QSA | 32,133 | 95.06 | 34,283 | 90.86 | 40,827 | 87.16 | 20,367 | 90.71 | 23,546 | 78.27 |
| QSA(M) | 1,671 | 4.94 | 2,505 | 6.64 | 2,697 | 5.76 | 1,508 | 6.72 | 780 | 2.59 |
| KS | - | - | 943 | 2.50 | 3,319 | 7.08 | 577 | 2.57 | 5,758 | 19.14 |
| KM | - | - | - | - | - | - | - | - | - | - |
| Subtotal | 33,804 | 100.00 | 37,731 | 100.00 | 46,843 | 100.00 | 22,452 | 100.00 | 30,084 | 100.00 |
| Consolidation adjustment | (1,026) | | (1,936) | | (4,673) | | (1,478) | | (1,985) | |
| Consolidated revenue | 32,778 | | 35,795 | | 42,170 | | 20,974 | | 28,099 | |

11. FINANCIAL INFORMATION (Cont'd)**(ii) Analysis of contribution to revenue by core activities:-**

| Activities | Audited | | | | | | Unaudited | | Audited | |
|---|-----------------|---------------|---------------|---------------|---------------|---------------|-------------------|---------------|---------------|---------------|
| | FYE 31 December | | | | | | Six (6)-month FPE | | 30 June | |
| | 2011 | | 2012 | | 2013 | | 2013 | | 2014 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| EDM infrastructure technology | 19,703 | 58.29 | 16,193 | 42.92 | 22,027 | 47.02 | 10,878 | 48.45 | 15,640 | 51.99 |
| Value-added solutions and professional services | 8,700 | 25.74 | 14,435 | 38.26 | 13,219 | 28.22 | 6,488 | 28.90 | 7,442 | 24.74 |
| EDM managed services | - | - | 320 | 0.85 | 2,522 | 5.38 | 224 | 1.00 | 1,709 | 5.68 |
| Maintenance and technical support services | 5,401 | 15.97 | 6,783 | 17.97 | 9,075 | 19.38 | 4,862 | 21.65 | 5,293 | 17.59 |
| Subtotal | 33,804 | 100.00 | 37,731 | 100.00 | 46,843 | 100.00 | 22,452 | 100.00 | 30,084 | 100.00 |
| Consolidation adjustment | (1,026) | | (1,936) | | (4,673) | | (1,478) | | (1,985) | |
| Consolidated revenue | 32,778 | | 35,795 | | 42,170 | | 20,974 | | 28,099 | |

(iii) Analysis of revenue by geographical location:-

| Country | Audited | | | | | | Unaudited | | Audited | |
|-----------------------------|-----------------|---------------|---------------|---------------|---------------|---------------|-------------------|---------------|---------------|---------------|
| | FYE 31 December | | | | | | Six (6)-month FPE | | 30 June | |
| | 2011 | | 2012 | | 2013 | | 2013 | | 2014 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| Singapore | 16,873 | 49.91 | 23,301 | 61.76 | 28,416 | 60.66 | 15,191 | 67.66 | 20,989 | 69.77 |
| Malaysia | 3,508 | 10.38 | 4,739 | 12.56 | 7,746 | 16.54 | 3,247 | 14.46 | 3,235 | 10.75 |
| Thailand | 3,865 | 11.43 | 2,137 | 5.66 | 3,025 | 6.46 | 1,965 | 8.75 | 1,656 | 5.50 |
| Others | 9,558 | 28.28 | 7,554 | 20.02 | 7,656 | 16.34 | 2,049 | 9.13 | 4,204 | 13.98 |
| Subtotal | 33,804 | 100.00 | 37,731 | 100.00 | 46,843 | 100.00 | 22,452 | 100.00 | 30,084 | 100.00 |
| Consolidation adjustment | (1,026) | | (1,936) | | (4,673) | | (1,478) | | (1,985) | |
| Consolidated revenue | 32,778 | | 35,795 | | 42,170 | | 20,974 | | 28,099 | |

11. FINANCIAL INFORMATION (Cont'd)**Gross profit analysis:-****(iv) Analysis of contribution to gross profit by companies:-**

| Company | <-----Audited-----> <-----FYE 31 December-----> | | | | | | Unaudited | | Audited | |
|----------------------------------|--|---------------|---------------|---------------|---------------|---------------|------------------------|---------------|------------------|---------------|
| | 2011 | | 2012 | | 2013 | | Six (6)-month FPE 2013 | | FPE 30 June 2014 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| QSA | 11,449 | 94.71 | 16,111 | 93.33 | 16,425 | 87.46 | 8,291 | 97.66 | 8,649 | 83.44 |
| QSA(M) | 639 | 5.29 | 826 | 4.79 | 1,366 | 7.27 | 501 | 5.90 | 434 | 4.19 |
| KS | - | - | 325 | 1.88 | 990 | 5.27 | (302) | (3.56) | 1,283 | 12.37 |
| KM | - | - | - | - | - | - | - | - | - | - |
| Subtotal | 12,088 | 100.00 | 17,262 | 100.00 | 18,781 | 100.00 | 8,490 | 100.00 | 10,366 | 100.00 |
| Consolidation adjustment | - | | (259) | | (2,917) | | (606) | | (1,425) | |
| Consolidated gross profit | 12,088 | | 17,003 | | 15,864 | | 7,884 | | 8,941 | |

(v) Analysis of contribution to gross profit by core activities:-

| Activities | <-----Audited-----> <-----FYE 31 December-----> | | | | | | Unaudited | | Audited | |
|---|--|---------------|---------------|---------------|---------------|---------------|------------------------|---------------|------------------|---------------|
| | 2011 | | 2012 | | 2013 | | Six (6)-month FPE 2013 | | FPE 30 June 2014 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| EDM infrastructure technology | 1,069 | 8.84 | 746 | 4.39 | 1,041 | 6.56 | 631 | 8.00 | 1,199 | 13.41 |
| Value-added solutions and professional services | 7,992 | 66.12 | 12,062 | 70.94 | 10,444 | 65.83 | 5,907 | 74.95 | 5,271 | 58.95 |
| EDM managed services | - | - | (64) | (0.38) | (629) | (3.96) | (453) | (5.75) | (173) | (1.93) |
| Maintenance and technical support services | 3,027 | 25.04 | 4,259 | 25.05 | 5,008 | 31.57 | 1,797 | 22.80 | 2,644 | 29.57 |
| Subtotal | 12,088 | 100.00 | 17,003 | 100.00 | 15,864 | 100.00 | 7,884 | 100.00 | 8,941 | 100.00 |

11. FINANCIAL INFORMATION (Cont'd)**(vi) Analysis of gross profit margin by companies**

| Company | -----Audited----- -----FYE 31 December----- | | | Unaudited | Audited |
|---------|--|-----------|-----------|----------------------------|--------------------------|
| | 2011 % | 2012 % | 2013 % | Six (6)-month 2013 % | FPE 30 June 2014 % |
| QSA | 35.63 | 46.99 | 40.23 | 40.71 | 36.73 |
| QSA(M) | 38.24 | 32.97 | 50.65 | 33.24 | 55.64 |
| KS | - | 34.46 | 29.83 | (52.34) | 22.28 |
| KM | - | - | - | - | - |

(vii) Analysis of gross profit margin by core activities:-

| Activities | -----Audited----- -----FYE 31 December----- | | | Unaudited | Audited |
|---|--|-----------|-----------|----------------------------|--------------------------|
| | 2011 % | 2012 % | 2013 % | Six (6)-month 2013 % | FPE 30 June 2014 % |
| EDM infrastructure technology | 5.72 | 5.07 | 5.02 | 6.17 | 7.91 |
| Value-added solutions and professional services | 91.87 | 85.09 | 88.10 | 91.06 | 70.84 |
| EDM managed services | - | (19.96) | (68.90) | (202.26) | (19.56) |
| Maintenance and technical support services | 56.05 | 64.73 | 57.86 | 44.54 | 57.33 |
| Kronologi Group | 36.88 | 47.50 | 37.62 | 37.59 | 31.82 |

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11. FINANCIAL INFORMATION (Cont'd)**(b) Financial Commentaries*****FYE 31 December 2011***

Our Group recorded revenue of RM32.778 million with EDM infrastructure technology having the highest contribution amounting to RM19.703 million or 58.29% of our total revenue. The remaining portion of our revenue was contributed by value-added solutions and professional services and maintenance and technical support service representing RM8.700 million or 25.74% and RM5.401 million or 15.97% of our total revenue respectively.

Our Group's revenue was derived mainly from Singapore accounting for 49.91% or RM16.873 million of our total revenue. This was followed by Thailand with a contribution of RM3.865 million or 11.43%. Malaysia is our third largest contributor, contributing RM3.508 million or 10.38% of our total revenue.

Our Group recorded a gross profit of RM12.088 million representing a gross profit margin of 36.88%. The main contributor to our gross profit margin was from services rendered via our value-added solutions and professional services, which achieved gross profit margin of 91.87%, followed by maintenance and technical support which gained a gross profit margin of 56.05% in the financial year under review.

We achieved PBT and PAT of RM6.314 million and RM5.468 million respectively. Our PBT and PAT margin was 19.26% and 16.68% respectively.

FYE 31 December 2012

For the financial year under review, our Group's revenue increased by RM3.017 million or 9.20% to RM35.795 million as compared to RM32.778 million achieved in the FYE 31 December 2011.

Our Group's EDM infrastructure technology revenue decreased by RM3.510 million or 17.81% to RM16.193 million due to the softer market environment which resulted in lower demand for the EDM infrastructure technology. This was in contrast to the significant increase of RM5.735 million or 65.92% in our value-added solutions and professional services revenue from RM8.700 million to RM14.435 million. The increase in this revenue segment was due to the completion of several large channel partner-led Singapore government related projects where the EDM infrastructure technology component was completed at end 2011 whilst the value-added solutions and professional services were delivered and recognised in 2012.

The Singapore market continued to be our main contributor with a 61.76% share or RM23.301 million of our total revenue followed by the Malaysia market recording RM4.739 million or 12.56% of our total revenue.

Our Group's gross profit increased by RM4.915 million or 40.66% from RM12.088 million to RM17.003 million whilst our gross profit margin increased from 36.88% to 47.50% in the financial year under review. This was in line with the increased contribution from our maintenance and technical support services and value-added solutions and professional services, both of which carried higher gross profit margins. During the financial year under review, our Group introduced the complementary EDM managed services in August 2012 and incurred depreciation arising from the purchase of equipment and employment of additional technical staff resulting in gross loss of approximately RM64,000, representing gross loss margin of 19.96%.

Our gross profit margin for value-added solutions and professional services decreased to 85.09% from 91.87% due to an increase in our technical team headcount to provide better customer service in each of our existing countries resulting in higher payroll related and other associated costs. On the other hand, our maintenance and technical

11. FINANCIAL INFORMATION (Cont'd)

support services' gross profit margin registered an increase from 56.05% to 64.73% due to economies of scale arising from an increase in our customer base and improvement in our efficiency.

For the financial year under review, notwithstanding the increase in our revenue, our Group recorded lower PBT and PAT of RM5.005 million (2011: RM6.314 million) and RM4.302 million (2011: RM5.468 million) respectively. The PBT margin and PAT margin was 13.98% (2011: 19.26%) and 12.02% (2011: 16.68%) respectively. The decrease in our profitability was mainly due to the following:-

- (i) a management fee of approximately RM4.481 million paid by QSA to its former immediate holding company, KA, for group corporate services including strategic, financial and corporate advisory services rendered to the group's business, mutually agreed at SGD300,000 per month commencing July 2012. This arrangement has ceased in December 2012;
- (ii) increase in payroll-related and other associated costs (included under cost of sales, selling and distribution expenses, and administration expenses) arising from our Group's expansion into the SEA market and introduction of our new complementary EDM managed services; and
- (iii) offset by a management fee of approximately RM1.262 million received from our associate, QIS (further information is set out in "*Other Income*" section below).

Further details for (i) and (ii) above are set out in "*Selling and Distribution Expenses*" and "*Administrative expenses*" sections below.

FYE 31 December 2013

For the financial year under review, our Group registered revenue of RM42.170 million, representing an increase of RM6.375 million or 17.81% as compared with the previous financial year. The increase was primarily contributed by our EDM infrastructure technology segment, which saw an increase by RM5.834 million or 36.03% from RM16.193 million to RM22.027 million. This was due to increased effectiveness of our go-to-market team and wider coverage which was a direct result of our investment in technical and sales team, increase in marketing and promotional related activities and channel enablement programmes undertaken during the year. Channel enablement programmes involve pre-sales, sales and technical training and certification for our partners.

As a result of our efforts in introducing EDM managed services, our EDM managed services segmental contribution increased substantially by RM2.202 million or 688.13% to RM2.522 million. This was attributable to the launch of our "Kronicles Assure" products in the financial year under review. Despite an increase in our Group's EDM infrastructure technology revenue, revenue from our EDM value-added solutions and technical services was lower by RM1.216 million or 8.42% from RM14.435 million to RM13.219 million due mainly to a one-off revenue increase in 2012 which did not recur in 2013. The one-off revenue increase was a result of value-added solutions and professional services delivered in 2012 for several large EDM infrastructure technology projects which were completed in 2011. There was also an increase in our maintenance and technical support services segment from RM6.783 million to RM9.075 million, representing an increase of RM2.292 million or 33.79%, due to an increase in our installed base.

Similarly to the previous years, a significant portion of our revenue amounting to RM28.416 million or 60.66% was generated from the Singapore market. Malaysia market's contribution continued to grow with a share of 16.54% or RM7.746 million as compared to 12.56% or RM4.739 million in the previous year.

11. FINANCIAL INFORMATION (Cont'd)

Our Group's gross profit decreased by RM1.139 million or 6.70% from RM17.003 million in the FYE 31 December 2012 to RM15.864 million in the financial year under review due mainly to a full financial year of depreciation costs of equipment amounting to RM1.271 million and payroll staff costs arising from increase in our technical staff headcount from the introduction of the complementary EDM managed services. This also resulted in our EDM managed services recording losses of RM0.629 million and gross loss margin of 68.90%. The introduction of the complementary EDM managed services improved revenue by RM2.202 million and this was consistent with the increase in our EBITDA from RM5.591 million to RM6.256 million.

Notwithstanding the decline in our value-added solutions and professional services revenue, the corresponding gross profit margin increased from 85.09% to 88.10% due to services secured during the financial year under review which carried higher margins.

The reduction of gross profit margin for maintenance and technical support services was due to the increase in investment of resources such as headcount to support our growth plans i.e. to expand our EDM solutions business to existing and new geographical markets and offer our EDM managed services business in SEA. We had employed an additional seven (7) technical staff to provide better customer service as reflected in the increase in the cost of sales for payroll related cost of RM0.787 million in the financial year under review (as shown under "Cost of Sales" section below).

Our Group recorded a PBT of RM4.721 million (2012 : RM5.005 million) and PAT of RM5.564 million (2012 : RM4.302 million) during the financial year under review. The reduction in the PBT for the financial year under review as compared to the previous financial year was due mainly to the following:-

- (i) further increase in payroll related costs arising from the expansion of our business; and
- (ii) non-recurrent management fee of approximately RM1.262 million received from our associate, QIS in 2012.

The increase in PAT against the PBT was mainly attributable to the reversal of overestimated tax expense estimated for the FYE 31 December 2012. Further information on the tax incentives are set out in "Tax expense" section below.

Six (6)-month FPE 30 June 2014

For the financial period under review, our Group registered revenue of RM28.099 million, representing an increase of 33.97% or RM7.125 million as compared to the revenue of RM20.974 million registered in the six (6)-month FPE 30 June 2013. EDM infrastructure technology still represented the main revenue contributor at 51.99% or RM15.640 million of the total revenue as compared with the previous financial period of 48.45% or RM10.878 million. The growth was due to the effectiveness of the go-to-market team and wider coverage which was a direct result of our investment in technical and sales team, increase in marketing and promotional related activities and channel enablement programs undertaken during the period. Notwithstanding an increase in our revenue, our gross profit margin decreased from 37.59% to 31.82% in the current financial period due to an increase in our cost of sales (further details as set out below), where the percentage increase in our cost of sales was higher than the percentage increase in our revenue.

The contribution from value added solutions and professional services increased by RM0.954 million or 14.70% from RM6.488 million to RM7.442 million in the current financial period, in line with the increase in revenue from EDM infrastructure technology. The revenue contribution from the newly-introduced complementary EDM managed services increased from 1.00% representing RM0.224 million in the previous financial period to 5.68% representing RM1.709 million in the current financial period under

11. FINANCIAL INFORMATION (Cont'd)

review due to the successful roll-out of our EDM managed services for the six (6)-month FPE 30 June 2014.

Similar to the previous years, a significant portion of our Group's revenue amounting to 69.77% or RM20.989 million was generated from the Singapore market as compared to 67.66% or RM15.191 million in the previous financial period. Malaysia market's contribution remains the second largest with a share of 10.75% or RM3.235 million in the current financial period as compared to 14.46% or RM3.247 million in the previous financial period.

Our Group's gross profit margin decreased from 37.59% to 31.82% in the current financial period under review mainly due to the following:-

- (i) depreciation costs of equipment arising from additional equipment purchased during the period amounting to approximately RM2.510 million as compared to RM1.327 million purchased in the previous financial period;
- (ii) payroll related costs arising from the increase in our technical staff headcount by six (6) personnel in the current financial period as compared to the previous financial period; and
- (iii) rental of data centre facilities arising from increase in facility rented by approximately RM0.060 million as compared to previous financial period.

The gross profit margin from EDM infrastructure technology increased from 6.17% to 7.91% in the current financial period under review due to more sales of high-end EDM infrastructure technology products which carried slightly higher margin.

The increase in GP margin for maintenance was higher at 57.33% or RM2.644 million as compared with the previous corresponding financial period of 44.54% or RM1.797 million was due to higher number of maintenance contracts secured as a result of our Group's go-to-market strategies notwithstanding an increase in headcount, as the percentage increase in maintenance revenue was higher than the percentage increase in payroll related cost.

The gross profit margin of value-added solutions and professional services decreased from 91.06% in the previous financial period to 70.84% in the current financial period due to an increase in payroll related cost. In addition, a value-added services project with a lower gross profit margin of 16.00% was secured during the current financial period under review. This was due to the outsourcing of certain components of the project in which we did not have in-house expertise to complete (e.g. custom engineering, out-of-territory customer support and network infrastructure installation and support), which was consistent with the increase in our related cost during the period, as set out in Section 11.4.1 (c)(i) below.

The gross loss margin of our EDM managed services reduced significantly from 202.26% in the six (6)-month FPE 30 June 2013 to 19.56% in the six (6)-month FPE 30 June 2014. This was due to the success of our go-to-market strategies in securing more EDM managed services in the six (6)-month FPE 30 June 2014.

Our Group recorded a PBT of RM3.234 million and PAT of RM3.410 million during the six (6)-month FPE 30 June 2014 (six (6)-month FPE 30 June 2013: PBT of RM3.183 million and PAT of RM3.149 million). Our Group recognized a tax income of RM0.176 million arising from utilisation of PIC scheme and recognition of deferred tax on unutilised capital allowance of our subsidiary as our Group foresees that it can offset against future taxable income.

11. FINANCIAL INFORMATION (Cont'd)**(c) Other key factors affecting the profitability of our Group**

The other key factors affecting the profitability of our Group include those factors discussed below and elsewhere in this Prospectus, in particular the risk factors under Section 4 of this Prospectus:-

(i) Cost of Sales

The components of our costs of sales are as follows:-

- (i) EDM infrastructure technology related;
- (ii) maintenance, technical support services, value-added solutions and professional services related;
- (iii) EDM managed services related; and
- (iv) payroll related.

A breakdown of the components of our cost of sales for the past three (3) FYE 31 December 2011 to 2013 and six (6)-month FPE 30 June 2014 are as follows:-

| Cost Components | <----- FYE 31 December -----> | | | | | | Six (6)-month FPE 30 June 2014 | |
|--|-------------------------------|---------------|----------------|---------------|----------------|---------------|--------------------------------------|---------------|
| | 2011 RM'000 | % | 2012 RM'000 | % | 2013 RM'000 | % | RM'000 | % |
| EDM infrastructure technology related | 19,370 | 89.20 | 16,048 | 78.40 | 22,006 | 78.42 | 14,438 | 73.22 |
| Maintenance, technical support services, value-added solutions and professional services related | 1,292 | 5.95 | 2,714 | 13.26 | 2,405 | 8.57 | 2,895 | 14.68 |
| EDM managed services related | - | - | 384 | 1.88 | 1,542 | 5.49 | 966 | 4.90 |
| Payroll related | 1,054 | 4.85 | 1,323 | 6.46 | 2,110 | 7.52 | 1,420 | 7.20 |
| Subtotal | 21,716 | 100.00 | 20,469 | 100.00 | 28,063 | 100.00 | 19,719 | 100.00 |
| Consolidation Adjustment | (1,026) | | (1,677) | | (1,757) | | (561) | |
| Total | 20,690 | | 18,792 | | 26,306 | | 19,158 | |

EDM infrastructure technology related costs

Our EDM infrastructure technology related costs represents the largest components to our cost of sales which primarily consist of EDM hardware, such as automated tape library, disc backup systems, standalone tape drives and etc. Our Group's EDM infrastructure technology related costs contributed 89.20%, 78.40%, 78.42% and 73.22% of our total cost of sales for the FYE 31 December 2011 to 2013 and six (6)-month FPE 30 June 2014 respectively.

The movement in the EDM infrastructure technology related costs were in line with the movement of our EDM infrastructure technology revenue for the financial years/period under review where an increase in our revenue will result in an increase in our costs and vice versa.

11. FINANCIAL INFORMATION (Cont'd)*Maintenance, technical support services, value-added solutions and professional services related costs*

Our maintenance and technical support services mainly represents break-fix maintenance between the QSA Group and Quantum Corporation for technical support, whereby Quantum Corporation will provide the necessary technical support such as addressing queries and troubleshooting problems as and when required by our End-User Customers. Our value-added solutions and professional services comprises our value add in the design, installation configuration and implementation of EDM solutions including value-added after sales services such as Health Checks and capacity planning for our End-User Customers.

The increase in this cost component by RM1.422 million or 110.06% in the FYE 31 December 2012 as compared to the FYE 31 December 2011 was due to certain services (e.g. custom engineering, out-of-territory customer support and network infrastructure installation and support) being outsourced to third parties to facilitate completion of the projects secured during the financial year under review.

This total cost component constituted 5.95%, 13.26%, 8.57% and 14.68% of the total cost of sales for the FYE 31 December 2011 to 2013 and six (6)-month FPE 30 June 2014 respectively.

EDM managed services related costs

EDM managed services related costs comprise mainly of EDM infrastructure technology equipment, depreciation and rental of data center facilities. For the FYE 31 December 2012 to 2013 and six (6)-month FPE 30 June 2014, the EDM managed services costs were approximately RM0.384 million, RM1.542 million and RM0.966 million respectively.

The significant increase in the FYE 31 December 2013 as compared to the FYE 31 December 2012 was attributable to the depreciation costs of the EDM infrastructure technology equipment amounting to RM1.271 million.

Payroll related costs

Our Group's payroll related costs are costs related to technical staff salary and their related costs such as the statutory contribution, travelling allowances and other staff related costs.

The total payroll related costs constituted RM1.054 million, RM1.323 million, RM2.110 million and RM1.420 million for the FYE 31 December 2011 to 2013 and six (6)-month FPE 30 June 2014 respectively. The significant increase between 2012 and 2013 of RM0.787 million or 59.49% was attributable to an increase in our technical team headcount by seven (7) personnel to provide better customer service in our existing countries and to support the rollout of EDM managed services.

11. FINANCIAL INFORMATION (Cont'd)**(ii) Other Income**

Other income for the FYE 31 December 2011 to 2013 and six (6)-month FPE 30 June 2014 was approximately RM0.996 million, RM2.115 million, RM0.917 million and RM0.306 million respectively. Other income derived mainly from marketing and administrative support received from Quantum Corporation which was fairly consistent year-on-year. Quantum Corporation allocates a marketing fund to QSA for marketing support activities on reimbursement basis. Periodically, Quantum Corporation will approve additional funds for corporate related events or meetings on reimbursement basis. The reimbursement is made on a quarterly basis.

The significant increase in the FYE 31 December 2012 was mainly due to the management fee income received from our associate, QIS amounting to RM1.262 million. The management fee charged was for services rendered by QSA to QIS in the initial set up of QI, such as follows:-

- (i) set up of in-country operation including registration of office and physical location;
- (ii) recruitment of key staff;
- (iii) identified and appointed distributors and resellers;
- (iv) established customer relationships using QSA's platform; and
- (v) provided resources to support market development, sales, marketing, administration and back-office operation.

(iii) Selling and Distribution Expenses

Selling and distribution expenses incurred for the FYE 31 December 2011 to 2013 and six (6)-month FPE 30 June 2014 amounted to RM3.945 million, RM6.270 million, RM7.389 million and RM3.535 million respectively due mainly to increase in payroll related costs, marketing and promotional expenses and travelling and accommodations expenses.

Payroll related costs which includes sales and marketing staff salaries, statutory contribution, commissions, bonuses and other sales staff related costs, amounted to RM3.154 million, RM5.003 million, RM6.477 million and RM2.946 million representing 71.71%, 69.79%, 87.66% and 83.31% respectively for the FYE 31 December 2011 to 2013 and six (6)-month FPE 30 June 2014. This was in line with the increase in our sales and marketing employees from 11 to 19 to 22 to 23 in the past three (3) FYE 31 December 2011 to 2013 and six (6)-month FPE 30 June 2014 respectively.

(iv) Administrative Expenses

Our Group's administrative expenses amounted to RM2.825 million, RM7.837 million, RM4.589 million and RM2.230 million for the FYE 31 December 2011 to 2013 and six (6)-month FPE 30 June 2014 respectively. Administrative expenses comprise mainly of payroll related costs and rental of premises. The significant increase in the FYE 31 December 2012 was mainly due to the following:-

- (i) increase in the respective cost of components as further elaborated below in tandem with business expansion and introduction of EDM managed services; and
- (ii) a management fee paid to QSA's former immediate holding company, KA, amounting to approximately RM4.481 million (as mentioned in Section 11.4.1(b) above under the financial commentaries for the FYE 31 December 2012).

11. FINANCIAL INFORMATION (Cont'd)*Payroll related costs*

Payroll related costs comprise salaries of our administrative staff, statutory contribution, staff welfare, staff training and other staff related expenses. In the FYE 31 December 2011 to 2013 and six (6)-month FPE 30 June 2014, the payroll related costs are RM0.947 million, RM1.561 million RM2.373 million and RM1.119 million respectively. The increase in payroll related cost was attributable to an increase in our team headcount to cater for increased administrative and operational activities arising from expansion of our presence in the SEA region and introduction of EDM managed services which was in line with our Group's plans to expand our EDM infrastructure technology business to existing and new geographical markets and offer our EDM managed services business in SEA. In addition, the increase was also due to a general increase in employee remuneration. As set out in Section 7.8 of this Prospectus, our administration and finance employees increased from 4 to 8 to 12 to 14 in the past three (3) FYE 31 December 2011 to 2013 and six (6)-month FPE 30 June 2014 respectively.

Rental of premises

Our Group's rental of premises for the FYE 31 December 2011 to 2013 and six (6)-month FPE 30 June 2014 is RM0.627 million, RM0.755 million, RM0.866 million and RM0.433 million respectively. The increase in the rental of premises in the FYE 31 December 2012 was due to new leasing of office in Indonesia while in the FYE 31 December 2013 was due to the relocation of our Group's warehouse to the current larger warehouse in Singapore. In addition, the gradual increase in the rental of premises was also due to the increase in rental rates.

Apart from the major components stated above, the increase in our administrative expenses was also due to professional fees and depreciation.

(v) Interest Expenses

Our Group's interest expenses were derived from interest arising from our purchase of infrastructure technology equipment using finance lease facilities granted and borrowing from a financial institution.

(vi) Tax Expense

For the FYE 31 December 2011, the Group's incurred a tax expense of RM0.952 million which represents 15.08% of PBT. The lower tax rate was due to our Group's primary business being situated in Singapore where the tax rate was 17%. The aggregate tax rate is lower by approximately 2% due to the timing difference between capital allowance and depreciation of PPE. In addition, we also enjoyed some enhanced deduction such as staff training, cloud computing and lease of prescribed automated equipment from the Productivity and Innovation Credit ("PIC") scheme under the Inland Revenue of Singapore. The PIC scheme is a scheme by the Government of Singapore to encourage business to invest in productivity and innovation. It is a scheme that benefits all businesses, especially SMEs. Individual companies need not apply to be part of the scheme as the scheme is made available to all businesses as long as they meet the eligibility criteria. PIC scheme allows businesses to enjoy 400% tax deductions/ allowances and/or 60% cash payout for investment in innovation and productivity improvements under the PIC scheme which is available for years of assessment 2011 to 2018 (Source: *Management of Kronologi*).

11. FINANCIAL INFORMATION (Cont'd)

For the FYE 31 December 2013, our Group recorded a lower tax expense of RM0.051 million resulting in an effective tax rate of 1.08%. The lower tax expense was due to the utilisation of the PIC scheme enjoyed by QSA as described above. Besides the lower tax expense recorded in the FYE 31 December 2013, our Group also reversed our estimated tax expenses incurred in 2012 amounting to RM0.758 million due to utilisation of group relief transferred from KS.

For the six (6)-month FPE 30 June 2014, our Group recognized a tax income of RM0.176 million arising from the utilisation of PIC scheme and unutilised capital allowance.

Currently, our Group's operations are mainly conducted in Singapore while our Malaysian operations are not significant and as such, Malaysian taxes are not material to our Group. In line with this, the implementation of the Malaysian GST is not expected to materially impact the business of our Group.

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11. FINANCIAL INFORMATION (Cont'd)**(d) Impact of Foreign Exchange / Commodity Prices / Interest Rates / Inflation on Operating Profits****(i) Foreign Exchange**

Our purchases are denominated in the USD whilst our sales are denominated in USD and SGD. As a result, we have natural hedge in our operations and transactions from foreign currency fluctuations. Our management constantly monitors our Group's foreign currency exposure and reviews our Group's need to hedge. Nonetheless, should the exposure become substantial, we will consider hedging our position.

In addition, financial statements of our subsidiaries in Singapore are denominated in USD (for QSA) and SGD (for KS). As such, any future significant depreciation in USD and/or SGD against RM may have a material negative impact on our Group's reported operating profits based in Malaysia.

(ii) Interest Rates

As at 30 June 2014, our Group's total borrowings stood at RM3.118 million comprise of finance lease liabilities at the average effective interest rate of 6.30% per annum.

Our Group's objective in managing our interest rate expenses is to ensure an acceptable level of exposure to interest rate fluctuations.

As at the LPD, our borrowings have fixed and determinable payments.

There is no material impact in the fluctuations of interest rate on our historical profits for the past three (3) FYE 31 December 2011 to 2013 and six (6)-month FPE 30 June 2014.

(iii) Inflation

There was no material impact of inflation on our Group's financial results for the past three (3) FYE 31 December 2011 to 2013 and six (6)-month FPE 30 June 2014.

(e) Exceptional and Extraordinary Items

There were no exceptional and extraordinary items for the past three (3) FYE 31 December 2011 to 2013 and six (6)-month FPE 30 June 2014.

(f) Government / Economic / Fiscal / Monetary Policies

Risks relating to government, economic, fiscal or monetary policies or factors which may materially affect our operations are set out in Section 4 of this Prospectus. Save as disclosed in Section 4, Section 6 and Section 11 of this Prospectus, there is no government, economic, fiscal or monetary policies or factors that have materially impacted our historical profits for the past three (3) FYE 31 December 2011 to 2013 and six (6)-month FPE 30 June 2014.

11. FINANCIAL INFORMATION (Cont'd)**11.4.2 Liquidity and capital resources**

Our operations are funded by a combination of internal and external source of funds. Our Group's internal sources of funds comprises of cash generated from our operating activities and cash and bank balances, while our external funds are mainly funds from borrowings.

The interest rate of the borrowings is based on prevailing market rates. The principal use of the borrowings is for our Group's expansion plan, namely acquisition of PPE and working capital purposes.

The table below sets out the summarised proforma consolidated statement of cash flows of our Group for the six (6)-month FPE 30 June 2014:-

| | Proforma consolidated statement of cash flows for the six (6)-month FPE 30 June 2014 RM'000 |
|---|--|
| Net cash from operating activities | 3,712 |
| Net cash used in investing activities | (801) |
| Net cash used in financing activities | (4,763) |
| Effects of foreign exchange rate changes on cash and cash equivalents | 12 |
| Net decrease in cash and cash equivalents | (1,840) |
| Cash and cash equivalents at beginning of year | 2,987 |
| Cash and cash equivalents at end of year | 1,147 |
| Represented by:- | |
| Cash and bank balances | 1,147 |

There are no legal, financial or economic restrictions on the ability of our subsidiaries to transfer funds to our Company in the form of cash dividends, loans or advances to meet the obligations of our Company.

Net cash from operating activities

For the six (6)-month FPE 30 June 2014, the amount generated from operations before working capital changes were approximately RM4.393 million. After accounting for key items set out below, our Group's net cash from operating activities was approximately RM3.712 million:-

- (i) an increase of receivables of approximately RM2.953 million due to higher revenue recorded at period end and higher prepayment cost made for listing expenses;
- (ii) a decrease in inventories by RM2.119 million mainly due to the faster turnover of inventories;
- (iii) a decrease in payables of approximately RM3.689 million which was due to higher repayment; and
- (iv) an increase in deferred income of approximately RM2.932 million as a result of more maintenance contract secured during the six (6)-month FPE 30 June 2014.

11. FINANCIAL INFORMATION (Cont'd)**Net cash used in investing activities**

For the six (6)-month FPE 30 June 2014, our Group recorded net cash used in investing activities of approximately RM0.801 million which represents additional purchase of mainly EDM infrastructure technology equipments and repayment to associate amounting to RM0.578 million and RM0.223 million respectively.

Net cash used in financing activities

For the six (6)-month FPE 30 June 2014, our Group recorded net cash used in financing activities of approximately RM4.763 million. The net cash used in financing activities was mainly due to the following transactions:-

- (i) a dividend paid in respect of the previously declared dividend amounting to RM2.324 million; and
- (ii) a bullet repayment (without any penalty) for borrowings from financial institutions amounting to RM1.732 million which was made due to the purchase by our customer of the particular EDM infrastructure technology equipment (which we had initially acquired via borrowings) and repayment of finance lease liabilities amounting to RM0.469 million.

Our Board is of the opinion that after taking into consideration the existing level of cash and cash equivalents and the gross proceeds from the Public Issue, our Group would have adequate working capital for a period of 12 months from the date of this Prospectus.

11.4.3 Borrowings and financial instruments

As at 30 June 2014, our total outstanding borrowings consisted of finance lease which amounted to approximately RM3.118 million.

Our total borrowings, all of which were interest-bearing and denominated in SGD can be analysed further as follows:-

| | Payable within 12 months | | Payable after 12 months | | Total | |
|---|-----------------------------|--------|----------------------------|--------|---------|--------|
| | SGD'000 | RM'000 | SGD'000 | RM'000 | SGD'000 | RM'000 |
| Finance lease liabilities | 523 | 1,381 | 657 | 1,737 | 1,180 | 3,118 |
| Total borrowings | 523 | 1,381 | 657 | 1,737 | 1,180 | 3,118 |
| Gearing ratio as at 30 June 2014 (times)^ | | | | | | 0.36 |

Note:

^ Computed based on total borrowings over our proforma shareholders' equity (after the Acquisitions but before the Public Issue and utilisation of proceeds) as at 30 June 2014 of RM8.687 million.

Our Directors shall evaluate and closely monitor the financial position of our Group prior to entering into any financing facilities in order to meet repayment obligations. As at 30 June 2014, a total of RM1.381 million of our borrowings are payable within 12 months whilst the remaining RM1.737 million are payable after 12 months.

Our Group has not defaulted on payments of either interest and/or principal sum in respect of any bank borrowings throughout the past three (3) FYE December 2011 to 2013 and up to the LPD.

11. FINANCIAL INFORMATION (Cont'd)**11.4.4 Breach of terms and conditions or covenants associated with credit arrangement or bank loan**

As at the LPD, neither us nor our subsidiaries and associate are in breach of any terms and conditions and covenants associated with credit arrangements or bank loans, which can materially affect our financial results or business operations, or the investments by holders of securities in our Company.

11.4.5 Material Commitment

As at the LPD, our Group has not incurred any material commitment for capital expenditure that may have a material and adverse impact on our financial position.

11.4.6 Contingent Liabilities

As at the LPD, there is no indirect and/or material contingent liabilities incurred by our Group, which may have a substantial impact on the financial position of our Group.

11.4.7 Trend Information**(a) Business and financial prospects**

In respect of the FYE 31 December 2014, our Board has observed the following trends based on the revenue and operations of our Group for the past financial years under review:-

(i) Going forward, we believe that we are in a position to sustain and grow our revenue in view of, inter-alia, the following:-

- Favourable industry prospects for EDM and EDM managed services industry in SEA as set out in Section 6 of this Prospectus. Smith Zander forecasts the EDM industry in SEA to grow at a CAGR of 7.3% between 2014 and 2016 to reach USD937.3 million (RM3.0 billion) in 2016 and the managed IT services industry in SEA to continue to grow from USD21.9 billion (RM69.4 billion) in 2014 to USD26.6 billion (RM84.3 billion) in 2016 at a CAGR of 10.2%, and part of this growth is expected to be attributed to the increased adoption of EDM managed services. (Source: report by Smith Zander)

The market outlook for both these markets is therefore positive, with demand being driven by the increased volume of digital data, the importance of digital data to enterprises, the growth in the number of enterprises, the emergence of internet-enabled computing and virtualisation technology, and the promulgation by SEA Governments of IT adoption through favourable policies and initiatives. With the positive market outlook for both the above markets, our Group is expected to benefit and continue to grow in the future.

- Our continuous sales and marketing efforts to secure sales in line with our Group's future plan (as set out in Section 5.8 of this Prospectus) to expand our EDM infrastructure technology solutions business to existing and new geographical markets and offer EDM managed services in SEA using our track records in the provision of EDM infrastructure technology.
- (ii) Our Group has been a specialised EDM player since 2002, and have since established ourselves as a regional industry player, with presence in Singapore, Malaysia, Philippines, Thailand, Indonesia and India. Over the

11. FINANCIAL INFORMATION (Cont'd)

last twelve (12) years, we have developed a significant market presence through our relationships with our End-User Customers and distributors. The selling price of our products are determined by market competition and we may offer discounts where appropriate and necessary.

From our track record, our Board believes that we would be able to maintain a reasonable margin and maintain our competitiveness through our technical capabilities, experience, know-how and our established presence across the markets and industries. We leverage on our internal know-how as a specialised EDM player to have an optimum cost framework to achieve economies of scale in delivering our EDM solutions and services. We believe we have a competitive cost advantage compared to general IT vendors offering EDM solutions and other specialised IT industry players.

- (iii) Our main components of expenses include salary and staff related expenses, depreciation and travelling and accommodation expenses. Such expenses are generally expected to move in line with the growth of our business, as we increase our expenditure on recruitment of staff, increasing sales and marketing activities and penetrating new markets; and
- (iv) We expect to continue to enjoy the tax incentives pursuant to the PIC scheme under Inland Revenue Authority in Singapore and moving forward under the MSC-Malaysia status granted by MDeC in May 2014.

(b) Order book

Due to the nature of our business, we do not maintain an order book. We generate our revenues as and when we deliver our products pursuant to PO.

As at the LPD, the financial performance, position and operations of our Group are not affected by any one of the following:-

- (i) Known trends, demands, commitments, events or uncertainties that have had, or that our Group reasonably expects to have, a material favourable or unfavourable impact on the financial performance, position and operations of our Group other than those disclosed in this section and Section 4 and Section 5 of this Prospectus;
- (ii) Material capital expenditure commitments save as disclosed in Section 11.4.5 of this Prospectus;
- (iii) Unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group save as disclosed in this section and Section 4 of this Prospectus; and
- (iv) Known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical financial statements not indicative of the future financial performance and position other than those disclosed in this section and Section 4 of this Prospectus.

Information on our Group's business and financial prospects, significant trends in sales, costs and selling prices is set out in this section, Section 4 and Section 5 of this Prospectus. Given the outlook of the industry as set out in Section 6 of this Prospectus, our Group's competitive strengths as set out in Section 5.1.3 and our Group's dedication to implement the future plans and strategies as set out in Section 5.8.1 of this Prospectus, our Board is optimistic about the future prospects of our Group.

11. FINANCIAL INFORMATION (Cont'd)**11.4.8 Other key financial ratios**

The key financial ratios of our Group are as follows:-

| | <-----FYE 31 December-----> | | | Six (6)- month FPE 30 June 2014 |
|---|-----------------------------|----------------|----------------|--|
| | 2011 RM'000 | 2012 RM'000 | 2013 RM'000 | RM'000 |
| Trade receivables | | | | |
| Revenue | 32,778 | 35,795 | 42,170 | 28,099 |
| Trade receivables | 8,665 | 4,497 | 7,856 | 9,238 |
| Trade receivables turnover period (days) | 96 | 46 | 68 | 60α |
| Trade payables | | | | |
| Cost of sales | 20,690 | 18,792 | 26,306 | 19,158 |
| Trade payables | 3,568 | 3,822 | 3,521 | 4,090 |
| Trade payables turnover period (days) | 63 | 74 | 49 | 39β |
| Inventories [@] | | | | |
| Cost of sales | 20,690 | 18,792 | 26,306 | 19,158 |
| Closing inventories | 3,749 | 6,030 | 7,623 | 5,374 |
| (-) Consumable spare parts | (2,122) | (2,042) | (2,124) | (2,282) |
| Adjusted closing inventories | 1,627 | 3,988 | 5,499 | 3,092 |
| Inventories turnover period (days) | 29 | 77 | 76 | 29β |
| Current ratio (times) [^] | 1.54 | 1.14 | 1.04 | 1.13 |
| Gearing ratio (times) ^{^ *} | # N/A | 0.13 | 0.60 | 0.36 |

Notes:-

[@] For a more reflective inventory turnover period, adjustment was made to closing inventories to exclude consumable spare parts, which are slow moving stocks kept for the purpose of providing maintenance services to our End-User Customers.

[^] The ratios are computed based on proforma consolidated financial information which has been prepared based on the audited financial statements of our subsidiaries and associate for the FYE 31 December 2011 to 2013 and six (6)-month FPE 30 June 2014 using the bases, format and accounting principles consistent with those adopted in the financial statements of our Group, after giving effect to the proforma adjustments which are considered appropriate.

^{*} Borrowings comprise finance lease liabilities and/or borrowing from a financial institution.

[#] Not applicable as our Group did not have any borrowings as at 31 December 2011.

^{α} Based on annualised revenue for the six (6)-month FPE 30 June 2014.

^{β} Based on annualised cost of sales for the six (6)-month FPE 30 June 2014.

11. FINANCIAL INFORMATION (Cont'd)**Trade receivables**

As at 30 June 2014, the trade receivables of our Group amounted to RM9.238 million, the aging of which are analysed as follows:-

| | Within credit period 30 – 90 days | <----Exceed credit period by----> | | | | | Total | Subsequent collection as at the LPD |
|---------------------------------|---|-----------------------------------|-----------------|-----------------|--------------|--------|-------|---|
| | | 1 – 30 days | 31 – 60 days | 61 – 90 days | > 90 days | | | |
| Trade receivables (RM'000) | 7,966 | 960 | 75 | 228 | 9 | 9,238 | | 8,901 |
| % of total trade receivables | 86.23 | 10.39 | 0.81 | 2.47 | 0.10 | 100.00 | | 96.35% |

Trade receivables are non-interest bearing and the normal credit term granted to regular customers range from 30 to 90 days. They are recorded at their original invoice amounts which represent their fair value on initial recognition. Other credit terms are addressed and approved on a case by case basis. We subject new customers to credit verification procedures. It is our Group's policy to make provision for all trade receivables that are in dispute, under legal action or where recoveries are considered to be doubtful. Our Board has confirmed that as at 30 June 2014, there was no provision required for doubtful debts.

Our trade receivables turnover period decreased by 50 days to 46 days for the FYE 31 December 2012 from 96 days for the FYE 31 December 2011 due to better monitoring of credit exposure. Our trade receivables turnover period increased from 46 days for the FYE 31 December 2012 to 68 days for the FYE 31 December 2013 due primarily to the increase in deferred income arising from advance billing as reflected in the increase from RM2.617 million in the FYE 31 December 2012 to RM4.736 million in the FYE 31 December 2013. For the six (6)-month FPE 30 June 2014, our trade receivables turnover period is 60 days which is within the normal credit period.

Our Group seeks to maintain a healthy control over our outstanding trade receivables collection through a diligent and detailed credit management practice in monitoring the outstanding balances. As set out in the above table, only 13.77% of the total receivables exceeded the credit term granted while the remaining balances of 86.23% or RM7.966 million is within the credit term granted. As at the LPD, out of the 13.77% of the total receivables which exceeded the credit term granted, 1.81% representing RM0.167 million has been settled.

Trade payables

As at 30 June 2014, the trade payables of our Group amounted to RM4.090 million, the aging of which are analysed as follows:-

| | Within credit period 30 – 60 days | <-----Exceed credit period by-----> | | | | | Total | Subsequent payment as at the LPD |
|------------------------------|---|-------------------------------------|-----------------|-----------------|--------------|--------|-------|--|
| | | 1 – 30 days | 31 – 60 days | 61 – 90 days | > 90 days | | | |
| Trade payables (RM'000) | 3,753 | 312 | 2 | - | 23 | 4,090 | | 4,071 |
| % of total trade payables | 91.77 | 7.62 | 0.05 | - | 0.56 | 100.00 | | 99.54 |

11. FINANCIAL INFORMATION (Cont'd)

Our trade payables turnover period increased from 63 days to 74 days and subsequently decreased to 49 days for the FYE 31 December 2011 to 2013 respectively. The increase in the payables turnover period for the FYE 31 December 2012 was due to the increase in purchases made in December 2012 which was consistent with the increase in our sales order. The reduction of the payables turnover period for the FYE 31 December 2013 was attributable to prompt repayment made to the suppliers in the financial year under review. Our trade payables turnover period for the six (6)-month FPE 30 June 2014 is 39 days which is within the normal credit period.

For the six (6)-month FPE 30 June 2014, 91.77% of trade payables fall within the credit period granted.

Inventories

As at 30 June 2014, the adjusted closing inventories of our Group amounted to RM3.092 million, the aging of which are analysed as follows:-

| | 0 - 30 days | 31 - 60 days | 61 - 90 days | 91 - 180 days | 181 - 365 days | > 365 days and < 3 years | Total |
|---|----------------|-----------------|-----------------|------------------|-------------------|--------------------------------|--------|
| Adjusted closing inventories (RM'000) | 1,915 | 44 | 86 | 162 | 625 | 260 | 3,092 |
| % of total adjusted closing inventories | 61.93 | 1.42 | 2.78 | 5.24 | 20.21 | 8.42 | 100.00 |

For the FYE 31 December 2012, our inventories turnover period stood at 77 days as compared to the FYE 31 December 2011 of 29 days. The increase in inventories turnover period was attributable to the increase in purchases made in December 2012 which is consistent with the increase in our sales order. For the FYE 31 December 2013, our Group's inventories turnover period decreased slightly by 1 day to 76 days. For the six (6)-month FPE 30 June 2014, the inventories turnover period stood at 29 days. The decrease in inventories turnover period was due to faster turnover of our inventories as a result of better inventory management during the financial period under review.

Inventory turnover period is a mathematical computation at the end of a financial reporting period. The amount of inventory recorded at the end of the year may not be reflective of the turnaround of inventory during the year. This is a result of timing differences arising from delivery of shipment and any other logistical circumstances which may not be entirely in our control. As such, we may on a year to year basis record year-end inventory balances which are higher or lower than the year before, resulting in a fluctuation of our inventory turnover period, as can be seen in the past three (3) FYE 31 December 2011 to 2013 and six (6)-month FPE 30 June 2014.

Our Group's inventories include a portion of consumable spare parts amounting to RM2.282 million as at 30 June 2014. These inventories are used to support our maintenance and technical support services, which are generally slow moving as it is dependent on when End-User Customers require break-fixes. The consumable spare parts are kept as we continue to provide maintenance service contracts for old EDM infrastructure equipment that are still being used by our End-User Customers. Accordingly, provisions and write-offs, if any, for consumable spare parts will be provided in accordance to our Group's internal policy when required.

The overall assessment on provisions for stock obsolescence on trading inventories is performed annually and provisions are made immediately if such need arises. Our Board has confirmed that as at 30 June 2014, there was no provision required for stock obsolescence on trading inventories.

11. FINANCIAL INFORMATION (Cont'd)**Current ratio**

For the FYE 31 December 2011 to 2013, our Group's current ratio had gradually decreased from 1.54 times to 1.04 times and increased to 1.13 times in the six (6)-month FPE 30 June 2014.

Our current ratio decreased from 1.54 times in the FYE 31 December 2011 to 1.14 times in the FYE 31 December 2012 due primarily to loan given by former immediate holding company, namely KA, amounting to RM4.201 million for working capital purposes.

For the FYE 31 December 2013, our Group's current ratio decreased from 1.14 times for the FYE 31 December 2012 to 1.04 times as the proportionate increase in receivables was lower than the proportionate increase in payables.

For the six (6)-month FPE 30 June 2014, our Group's current ratio had increased from 1.04 times to 1.13 times due to the increase in receivables.

Gearing ratio

For the FYE 31 December 2011, we did not have any borrowings.

For the FYE 31 December 2012, our Group's gearing ratio was 0.13 times due to finance lease obligation amounting to RM1.091 million arising from acquisition of PPE. For the FYE 31 December 2013, it increased to 0.60 times due to the additional finance lease obligation for the Group's EDM managed services business amounting to RM2.731 million.

Our Group's gearing ratio is 0.36 times for the six (6)-month FPE 30 June 2014 as compared to 0.60 times of the last financial year. The decrease was attributable to the increase in shareholders' equity as a result of the comprehensive income generated during the current financial period under review amounting to RM3.237 million.

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11. FINANCIAL INFORMATION (Cont'd)

11.5 DIVIDEND POLICY

It is our Directors' policy to allow our shareholders to participate in the profits of our Group as well as leaving adequate reserves for the future growth of our Group.

Notwithstanding the above, our Group's ability to distribute dividends or make other distributions to our shareholders is subject to various factors, such as profits recorded and excess of funds not required to be retained for working capital of our business. Our Directors will take into consideration amongst others the following factors when recommending dividends for approval by our shareholders or when declaring any dividends:-

- (i) The availability of adequate reserves and cash flows;
- (ii) Our operating cash flow requirements and financing commitments;
- (iii) Our anticipated future operating conditions, as well as future expansion, capital expenditure and investment plans; and
- (iv) Any material impact of tax laws and other regulatory requirements.

However, investors should note that the intention to recommend dividends should not be treated as a legal obligation on our Company to do so. The level of dividends should also not be treated as an indication of our Company's future dividend policy. There is no assurance that dividends will be paid out in the future or on timing of any dividends that are to be paid in the future. In determining dividends in respect of subsequent financial years, consideration will be given to maximising shareholders' value.

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12. ACCOUNTANTS' REPORT

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Date: 14 November 2014

The Board of Directors

Kronologi Asia Berhad

Third Floor, No. 79 (Room A)

Jalan SS21/60

Damansara Utama

47400 Petaling Jaya

Selangor Darul Ehsan

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Dear Sirs,

ACCOUNTANTS' REPORT

KRONOLOGI ASIA BERHAD ("KRONOLOGI" OR "THE COMPANY") AND ITS SUBSIDIARIES ("THE GROUP")

1. INTRODUCTION

This report has been prepared by us, an Approved Company Auditor, for inclusion in this Prospectus in connection with the listing of and quotation for the entire enlarged issued and paid-up share capital of Kronologi on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on the official list of Bursa Securities and should not be relied upon for any other purposes.

2. ABBREVIATIONS

Unless the context otherwise requires, the following words and abbreviations shall apply throughout this report:-

| | |
|------------------|--|
| Bursa Securities | ACE Market of Bursa Malaysia Securities Berhad |
| FPE | Financial period ended |
| FYE | Financial year ended |
| IDR | Indonesian Rupiah |
| INR | Indian Rupee |
| KA | Kronicles (Asia) Pte. Ltd. |
| Kronologi | Kronologi Asia Berhad |
| Kronologi Group | Kronologi, QSA, QSA(M), KM, KS, QIS and QI, collectively |
| Kronologi Shares | Ordinary shares of RM0.10 each in Kronologi |
| KM | Kronicles (Malaysia) Sdn. Bhd. |
| KS | Kronicles (Singapore) Pte. Ltd. |
| PHP | Philippines Peso |
| QI | Quantum Storage (India) Pvt. Ltd. |
| QIS | Quantum Storage (India) Pte. Ltd. |
| QSA | Quantum Storage (South Asia) Pte. Ltd. |
| QSA(M) | Quantum Storage South Asia Sdn. Bhd. |
| RM | Ringgit Malaysia |
| SGD | Singapore Dollar |
| SGP | Share grant plan |
| THB | Thailand Baht |
| USD | US Dollar |

12. ACCOUNTANTS' REPORT (Cont'd)
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3. GENERAL INFORMATION
3.1 Background of Kronologi

The Company was incorporated on 25 October 2013 and domiciled in Malaysia under the Companies Act, 1965, as a private limited liability company under the name of Kronologi Asia Sdn. Bhd.. On 20 June 2014, the Company changed its status from private limited company to a public limited company.

3.1.1 Listing Scheme

In conjunction with, and as an integral part of the listing of Kronologi on the ACE Market of Bursa Securities, the Company will undertake the following:-

Public Issue

The Company will undertake a public issue of 59,247,000 new Kronologi Shares, representing 25% of the enlarged issued and paid-up share capital of Kronologi, at an issue price of RM0.29 per Kronologi Share, payable in full on application.

The Shares will be allocated and allotted in the following manner:-

1) Malaysian Public

4,739,500 new Kronologi Shares, representing approximately 2.0% of the enlarged issued and paid-up share capital, to be made available for application by the Malaysian Public via balloting.

2) Eligible Directors, employees and persons who have contributed to the success of the Group

7,109,500 new Kronologi Shares, representing approximately 3.0% of the enlarged issued and paid-up share capital, to be reserved for the eligible Directors, employees and persons who have contributed to the success of the Group.

3) Private placement to identified investors

47,398,000 new Kronologi Shares, representing approximately 20.0% of the enlarged issued and paid-up share capital, to be placed to identified investors.

Upon completion of the Public Issue, the issued and paid-up share capital of the Company will increase to RM23,698,800 comprising 236,988,000 Kronologi Shares.

All the new Kronologi Shares shall rank equally in all respects with the existing issued and paid-up share capital of the Company, including the voting rights and rights to all dividends and distributions that may be declared, made or paid subsequent to the date of the allotment thereof.

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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3. GENERAL INFORMATION (CONT'D)**3.1.1 Listing Scheme (cont'd)****SGP**

In conjunction with the Listing Scheme, Kronologi will also implement SGP of up to 30% of the issued and paid-up share capital of Kronologi at any time during the existence of the SGP to be granted to the eligible Directors and employees of Kronologi and its subsidiaries.

The SGP will not have an immediate material effect on the consolidated net assets of the Company. However, the potential effect on the consolidated net assets of the Company in the future would depend on the number and price of the Kronologi Shares granted.

3.2 Share Capital

The changes in the Company's authorised share capital since its date of incorporation were as follows:-

| Date of creation | Number of ordinary shares | Par value | Cumulative total |
|------------------|---------------------------|-----------|------------------|
| | | RM | RM |
| 25 October 2013 | 400,000 | 1.00 | 400,000 |
| 16 May 2014 | 4,000,000 | 0.10 | 400,000 |
| 30 May 2014 | 250,000,000 | 0.10 | 25,000,000 |

The changes in the Company's issued and fully paid-up share capital since its date of incorporation were as follows:-

| Date of allotment | Number of ordinary shares | Par value RM | Consideration | Cumulative total | |
|-------------------|---------------------------|--------------|--|------------------|------------------------|
| | | | | RM | No. of ordinary shares |
| 25 October 2013 | 2 | 1.00 | Cash | 2 | 2 |
| 16 January 2014 | 9,998 | 1.00 | Cash | 10,000 | 10,000 |
| 16 May 2014 | 100,000 | 0.10 | Sub-division of shares | 10,000 | 100,000 |
| 30 May 2014 | 177,641,000 | 0.10 | Other than cash for the acquisitions of subsidiaries and associate | 17,774,100 | 177,741,000 |

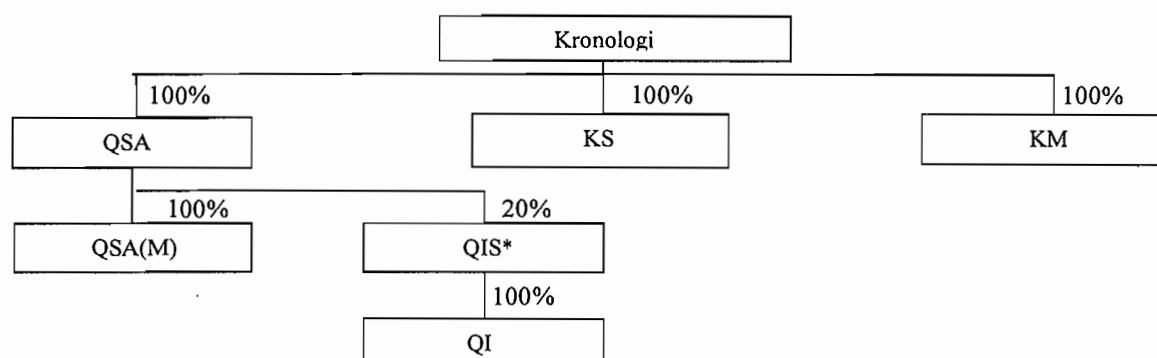
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3. GENERAL INFORMATION (CONT'D)**3.3 Group Structure**

The subsidiaries and associate were previously held by KA prior to being acquired by Kronologi on 30 May 2014.

The current group structure of Kronologi Group is as follows:



* An investment in an associate is accounted for using the equity method from the date on which it becomes an associate. For the financial years under review, QIS was making losses and QSA has discontinued recognising its share of losses to the extent of its cost of investment in QIS, i.e. USD15. Hence, the financial statements of QIS are not presented in this report.

3.4 Principal Activities

The principal activities of the Company is that of an investment holding and to carry out business as consultants and advisors, planning and designing, research and development on matters relating to new emergence of information technology software, application, multimedia development, information systems, data management software, data protection solution and process, system back-up and disaster recovery systems and other related business.

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3. GENERAL INFORMATION (CONT'D)**3.4 Principal Activities (cont'd)**

The principal activities of its subsidiaries are as follows: -

| Name of company | Date and place of incorporation | Issued and paid-up share capital | Effective equity interest | Principal activities |
|-----------------------------|---------------------------------|----------------------------------|---------------------------|--|
| QSA | 21 November 2002, Singapore | SGD 100,002 | 100% | Infrastructure technology business providing data protection, hardware and software solutions to larger size enterprises. |
| KS | 21 April 2010, Singapore | SGD 50,000 | 100% | Managed services business providing a holistic comprehensive and automated daily backup targeted at medium size enterprises. |
| KM | 13 April 2012, Malaysia | RM 100 | 100% | Managed services business providing a holistic comprehensive and automated daily backup targeted at medium size enterprises. |
| Subsidiary of QSA QSA(M) | 13 October 2005, Malaysia | RM 2 | 100% | Provision of administrative and support services to its holding company, QSA. |

3.5 Share Capital History of Subsidiaries**(i) QSA**

The changes in QSA's issued and fully paid-up share capital since its date of incorporation were as follows:-

| Date of allotment | Number of ordinary shares | Consideration | Cumulative total | |
|-------------------|---------------------------|---------------|------------------|------------------------|
| | | | SGD | No. of ordinary shares |
| 21 November 2002 | 100,002 | Cash | 100,002 | 100,002 |

There is no authorised share capital in the company.

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3. GENERAL INFORMATION (CONT'D)**3.5 Share Capital History of Subsidiaries (cont'd)****(ii) KS**

The changes in KS's issued and fully paid-up share capital since its date of incorporation were as follows:-

| Date of allotment | Number of ordinary shares | Consideration | Cumulative total | |
|-------------------|---------------------------|---------------|------------------|------------------------|
| | | | SGD | No. of ordinary shares |
| 21 April 2010 | 1 | Cash | 1 | 1 |
| 9 July 2010 | 49,999 | Cash | 50,000 | 50,000 |

There is no authorised share capital in the company.

(iii) QSA(M)

The changes in QSA(M)'s authorised share capital since its date of incorporation were as follows:-

| Date of creation | Number of ordinary shares | Par value RM | Cumulative total | |
|------------------|---------------------------|--------------|------------------|------------------------|
| | | | RM | No. of ordinary shares |
| 13 October 2005 | 100,000 | 1.00 | 100,000 | 100,000 |

The changes in QSA(M)'s issued and fully paid-up share capital since its date of incorporation were as follows:-

| Date of allotment | Number of ordinary shares | Par value RM | Consideration | Cumulative total | |
|-------------------|---------------------------|--------------|---------------|------------------|------------------------|
| | | | | RM | No. of ordinary shares |
| 13 October 2005 | 2 | 1.00 | Cash | 2 | 2 |

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3. GENERAL INFORMATION (CONT'D)**3.5 Share Capital History of Subsidiaries (cont'd)****(iv) KM**

The changes in KM's authorised share capital since its date of incorporation were as follows:-

| Date of creation | Number of ordinary shares | Par value RM | Cumulative total | |
|------------------|---------------------------|-----------------|------------------|------------------------|
| | | | RM | No. of ordinary shares |
| 13 April 2012 | 100,000 | 1.00 | 100,000 | 100,000 |

The changes in the KM's issued and paid-up share capital since its date of incorporation were as follows:-

| Date of allotment | Number of ordinary shares | Par value RM | Consideration | Cumulative total | |
|-------------------|---------------------------|-----------------|---------------|------------------|------------------------|
| | | | | RM | No. of ordinary shares |
| 13 April 2012 | 100 | 1.00 | Cash | 100 | 100 |

3.6 Dividend

No dividend has been paid or declared by Kronologi since the date of incorporation.

4. FINANCIAL STATEMENTS AND AUDITORS

The auditors of Kronologi Group for the relevant financial years/period are as follows:

| <u>Company</u> | <u>FYE/FPE</u> | <u>Name of Auditors</u> | <u>Auditors' Report</u> |
|----------------|----------------------|-------------------------|-------------------------|
| Kronologi | FPE 30 June 2014 | SJ Grant Thornton | Appendix I |
| QSA | FYE 31 December 2011 | Deloitte & Touche LLP | Appendix II |
| | FYE 31 December 2012 | Deloitte & Touche LLP | Appendix III |
| | FYE 31 December 2013 | Deloitte & Touche LLP | Appendix IV |
| | FPE 30 June 2014 | SJ Grant Thornton | Appendix V |
| KS | FYE 31 December 2012 | Deloitte & Touche LLP | Appendix VI |
| | FYE 31 December 2013 | Deloitte & Touche LLP | Appendix VII |
| | FPE 30 June 2014 | SJ Grant Thornton | Appendix VIII |
| QSA(M) | FYE 31 December 2011 | WK Hong & Co. | Appendix IX |
| | FYE 31 December 2012 | WK Hong & Co. | Appendix X |
| | FYE 31 December 2013 | SJ Grant Thornton | Appendix XI |
| | FPE 30 June 2014 | SJ Grant Thornton | Appendix XII |

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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4. FINANCIAL STATEMENTS AND AUDITORS (CONT'D)

The auditors of Kronologi Group for the relevant financial years/period are as follows (cont'd):

| <u>Company</u> | <u>FYE/FPE</u> | <u>Name of Auditors</u> | <u>Auditors' Report</u> |
|----------------|----------------------|-------------------------|-------------------------|
| KM | FPE 31 December 2012 | WK Hong & Co. | Appendix XIII |
| | FYE 31 December 2013 | SJ Grant Thornton | Appendix XIV |
| | FPE 30 June 2014 | SJ Grant Thornton | Appendix XV |

These financial statements are prepared on a basis consistent with the accounting policies adopted by Kronologi and its subsidiaries as disclosed in Note 7 of this report and comply with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs").

All the respective financial statements in this report were reported without any audit qualification.

The financial statements of KS are presented only for FYE 31 December 2012, FYE 31 December 2013 and FPE 30 June 2014 in this report as KS was held by an unrelated third party prior to 3 January 2012.

The financial year end adopted by Kronologi Group is 31 December.

5. CONVERSION RATE

In the preparation of our report, we have converted all figures stated in respective overseas subsidiary's functional currency into RM. The applied rate of exchange for the financial years/period under review as extracted from Bank Negara Malaysia's website www.bnm.gov.my are as below:-

Statements of profit or loss and other comprehensive income based on average rate for the relevant years/period.

| FYE/FPE | 31.12.2011 | 31.12.2012 | 31.12.2013 | 30.6.2014 |
|---------|------------|------------|------------|-----------|
| | RM | RM | RM | RM |
| USD1 | 3.0572 | 3.0785 | 3.1700 | 3.2643 |
| SGD1 | 2.4371 | 2.4745 | 2.5305 | 2.5892 |

Statements of financial position based on closing rates at the respective reporting dates.

| FYE/FPE | 31.12.2011 | 31.12.2012 | 31.12.2013 | 30.6.2014 |
|---------|------------|------------|------------|-----------|
| | RM | RM | RM | RM |
| USD1 | 3.1685 | 3.0580 | 3.2815 | 3.2105 |
| SGD1 | 2.4373 | 2.5032 | 2.5943 | 2.5703 |

The financial statements of the Group and of the Company are presented in RM which is the presentation currency.

No translation or conversion is required for QSA(M) and KM as they are operating in Malaysia and the financial statements were prepared in RM.

The translation from the respective various currencies to RM for QSA and KS in this report is to comply with the requirement of Prospectus Guidelines – Paragraph 13.12 where all financial statements prepared in currency other than RM must be translated into RM.

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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6. BASIS OF PREPARATION**6.1 Statement of Compliance**

The financial statements as mentioned in Note 4 have been prepared in accordance with the MFRSs issued by Malaysian Accounting Standards Board ("MASB") and IFRSs for FYE/FPE 31 December 2011, 2012, 2013 and FPE 30 June 2014.

6.2 Basis of Measurement

The financial statements as mentioned in Note 4 have been prepared under the historical cost convention, unless otherwise indicated in the summary of significant accounting policies.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group and the company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial market 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.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to their fair value measurement as a whole:

- Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.
- Level 3 Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy as explained above.

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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6. BASIS OF PREPARATION (CONT'D)**6.3 Standards Issued but Not Yet Effective**

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the MASB but are not yet effective, and have not been adopted early by the Group and the Company.

Management anticipates that all relevant pronouncements will be adopted in the Group's and the Company's accounting policies for the first period beginning or/after the effective date of pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's and the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the financial statements.

The initial application of the above standards, amendments and interpretation are not expected to have any financial impacts to the financial statements, except for:

MFRS 9 Financial Instruments

MFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in MFRS 139 Financial Instruments: Recognition and Measurement. MFRS 9 requires financial assets to be classified into two measurement categories: fair value and amortised cost, determined at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. Most of the requirements for financial liabilities are retained, except for cases where the fair value option is taken, the part of a fair value change due to an entity's own risk is recorded in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch.

The adoption of MFRS 9 will result in a change in accounting policy. The Group and the Company are currently examining the financial impact of adopting MFRS 9.

6.4 Significant Accounting Estimates and Judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the company's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and experience assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

6.5 Estimation Uncertainty

Information about significant estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below:-

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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6. BASIS OF PREPARATION (CONT'D)**6.5 Estimation Uncertainty (cont'd)**Useful lives of depreciable assets

The management estimates the useful lives of the property, plant and equipment to be within 1 to 5 years and reviews the useful lives of depreciable assets at each of the reporting date. The management assesses that the useful lives represent the expected utility of the assets to the Group and the company. The carrying amounts of the Group's and the company's property, plant and equipment at each of the reporting period is disclosed in the Notes of this report. Actual results, however, may vary due to change in the expected level of usage and technological developments, resulting in the adjustment to the Group's and the company's assets.

The management expects that the expected useful lives of the property, plant and equipment would not have material difference from the management's estimates hence it would not result in material variance in the Group and the company's profit for the financial years.

Inventories

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, the management takes into account the most reliable evidence available at the times the estimates are made. The Group's and the company's core business is subject to economical and technology changes which may cause selling prices to change rapidly, and the Group's and the company's profit to change.

The carrying amounts of the Group's and the company's inventories at the end of each reporting period are disclosed in the Notes of this report.

The management expects that the expected net realisable values of the inventories would not have material difference from the management's estimation of net realisable values hence it would not result in material variance in the Group's and the company's profit for the financial years.

Impairment of loans and receivables

The Group and the company assesses at end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group and the company considers factors such as the probability of insolvency or significant financial difficulties of the receivables and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

The carrying amounts of the Group's and the company's receivables at the end of each reporting period are disclosed in the Notes of this report.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which all the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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7. SIGNIFICANT ACCOUNTING POLICIES

The Group and the Company apply the significant accounting policies, as summarised below, consistently throughout all period's presented in the financial statements.

7.1 Consolidation***Subsidiaries***

Subsidiaries are entities, including structured entities, controlled by the Company. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. Besides, the Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

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

Upon the disposal of investment in a subsidiary, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

Basis of Consolidation

The Group financial statements consolidate the audited financial statements of the Company and all of its subsidiaries, which have been prepared in accordance with the Group's accounting policies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. The financial statements of the Company and its subsidiaries are all drawn up to the same reporting date.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets together with any exchange differences.

Under the merger method of accounting, the results of subsidiaries are presented as if the merger had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting credit differences is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the merged entities, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

Associate

Associate are entities in which the Group has significant influence, but no control, over their financial and operating policies.

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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7. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**7.1 Consolidation (cont'd)***Associate (cont'd)*

The Group's investment in its associate is accounted for using the equity method. Under the equity method, investment in an associate is carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The share of the result of an associate is reflected in profit or loss. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, where there has been a change recognised directly in the equity of an associate or a joint venture, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss and other comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries 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 investment 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.

The financial statements of the associate are prepared as of the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies of the associate in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investments in its associate. The Group determines at end of the reporting period whether there is any objective evidence that the investments in the associate are impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and their carrying value, then recognises the amount in the "share of profit of investments accounted for using the equity method" in profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. 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 re-measured. 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.

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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7. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**7.1 Consolidation (cont'd)***Associate (cont'd)*

In the Company's separate financial statements, investments in associate are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

7.2 Property, plant and equipment and depreciation

Property, plant and equipment are initially stated at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the company and the cost of the item can be measured reliably. All other property, plant and equipment are stated at historical cost less accumulated depreciation and less any impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation of property, plant and equipment is provided on the straight line method in order to write off the cost of each asset over its estimated useful life. Work in progress is not depreciated until it is completed and ready for its intended use. Other property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:-

| | |
|------------------------|------------|
| Cloud computing assets | 20% - 100% |
| Office equipment | 20% |
| Furniture and fittings | 20% |
| Renovation | 20% |

The residual values, useful life and depreciation method are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable, or at least annually to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gain or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

7.3 Inventories

Inventories are stated at the lower of cost and net realisable value after adequate write down has been made for deteriorated, obsolete and slow-moving inventories. Cost of inventories is determined on the first-in first-out basis.

12. ACCOUNTANTS' REPORT (Cont'd)
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7. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)
7.3 Inventories (cont'd)

Net realisable value represents the estimated selling price in the ordinary course of business less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

7.4 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

Finance lease

Leases in terms of which the Group or the company assume substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group or the company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases

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

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Associated costs, such as maintenance and insurance, are expensed as incurred.

7.5 Impairment of non-financial assets

At each of the reporting period, the Group and the company review the carrying amounts of its assets to determine whether there is any indication of impairment.

If any such indication exists, or when annual impairment testing for an asset is required, the recoverable amount is estimated and an impairment loss is recognised whenever the recoverable amount of the asset or a cash-generating unit is less than its carrying amount. Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

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7. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**7.5 Impairment of non-financial assets (cont'd)**

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. Impairment losses are recognised in the profit or loss immediately in those expense categories consistent with the function of the impaired asset.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

7.6 Financial instrumentsInitial recognition and measurement

Financial assets and financial liabilities are recognised when the Group or the company becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value. Financial assets and financial liabilities are measured subsequently as described below.

Financial assets - categorisation and subsequent measurement

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:-

- (a) financial assets at fair value through profit or loss;
- (b) held to maturity investments;
- (c) loans and receivables; and
- (d) available-for-sale financial assets.

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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7. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**7.6 Financial instruments (cont'd)**Financial assets - categorisation and subsequent measurement (cont'd)

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at the end of each reporting period. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets.

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

At each of the reporting period, the Group and the company have not designated any financial assets at fair value through profit or loss, held to maturity investments and available-for-sale financial assets. The Group and the company carries only loans and receivables on its statements of financial position.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less impairment. Discounting is omitted where the effect of discounting is immaterial. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process. The Group's and the company's cash and cash equivalents, trade and most of the other receivables fall into this category of financial instruments.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

Financial liabilities - categorisation and subsequent measurement

After the initial recognition, financial liability is classified as:

- (a) financial liability at fair value through profit or loss;
- (b) other liabilities measured at amortised cost using the effective interest method; and
- (c) financial guarantee contracts.

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7. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**7.6 Financial instruments (cont'd)**Financial liabilities - categorisation and subsequent measurement (cont'd)

A financial liability or a part of it is derecognised when, and only when, the obligation under the liability is extinguished, discharged, cancelled or expired, or through amortisation process. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

At each of the reporting period, the Group and the company have not designated any financial liabilities at fair value through profit or loss. The Group and the company carry only other financial liabilities on its statements of financial position.

Other liabilities measured at amortised cost

The Group's and the company's financial liabilities include borrowings, trade and other payables.

Other liabilities are subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group and the company have an unconditional right to defer settlement of the liability for at least 12 months after the end of each reporting period.

7.7 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and bank balances which have an insignificant risk of changes in value.

7.8 Impairment of financial assets

The Group and the company assess at each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group and the company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group and the company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the carrying amount of the financial assets and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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7. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**7.8 Impairment of financial assets (cont'd)**Financial assets carried at amortised cost (cont'd)

The carrying amount of the financial asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the profit or loss.

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

7.9 Equity, reserves and dividend payments

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the company after deducting all of its liabilities. Share capital is equity instruments.

Share capital represents the nominal value of shares that have been issued.

Retained earnings include all current and prior period retained profits.

Dividends are accounted for in shareholder's equity as an appropriation of retained earnings and recognised as a liability in the period in which they are declared.

The distribution of non-cash assets to owners is recognised as dividend payable when the dividend is approved by shareholders. The dividend payable is measured at the fair value of the assets to be distributed. At the end of the financial year and on the settlement date, the company reviews the carrying amount of the dividend payable, with any changes in the fair value of the dividend payable recognised in equity. When the company settles the dividend payable, the difference between the carrying amount of the dividend distributed and the carrying amount of the dividend payable is recognised as a separate line item in profit or loss.

All transactions with owners of the parent are recorded separately within equity.

7.10 Provisions

Provisions are recognised when there is a present legal or constructive obligation that can be estimated reliably, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Any reimbursement that the Group and the company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability.

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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7. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**7.11 Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the company and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Rendering of services

Revenue from services rendered is recognised upon completion of installation of goods at customer location. Maintenance revenue is recognised on accrual basis for the support of the sale of goods to the customer over the period of maintenance contract on a straight-line basis.

Interest income

Interest income is recognised on an accrual basis using the effective interest method in profit or loss.

Deferred income

Revenue invoiced where services have not been rendered at reporting date is recognised as deferred income.

7.12 Employee benefitsShort-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the period in which the associated services are rendered by employees of the Group and of the company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

A provision is made for the estimated liability for leave as a result of services rendered by employees up to the end of the reporting period.

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group and the company pay fixed contributions into separate entities of funds and will have no legal or constructive obligation to pay further contribution if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years.

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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7. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**7.12 Employee benefits (cont'd)**Defined contribution plans (cont'd)

Such contributions are recognised as expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiaries also make contributions to their respective countries' statutory pension schemes.

Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

7.13 Borrowings costs

All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group and the company incurred in connection with the borrowing of funds.

7.14 Tax expense

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

Current tax

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

Current tax is recognised in the financial statements as a liability (or an asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects either accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of each reporting period.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted by the end of the reporting period.

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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7. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**7.14 Tax expense (cont'd)**Deferred tax (cont'd)

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

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

7.15 Contingencies

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

7.16 Foreign currency translationTransactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at each of the reporting date.

All differences are taken to the profit or loss with the exception of all monetary items that forms part of a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising in translation of non-monetary items is recognised in line with the gain or loss of the item that gave rise to the translation difference (translation differences on items whose gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss respectively).

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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7. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**7.16 Foreign currency translation (cont'd)**Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange prevailing at the reporting date and their profit or loss and other comprehensive income are translated at average rate over each of the reporting period. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the profit or loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in foreign currency translation reserve in equity.

7.17 Segmental reporting

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

7.18 Related parties

A related party is a person or entity that is related to the Group. A related party transaction is a transfer of resources, services or obligations between the Group and its related party, regardless of whether a price is charged.

(a) A person or a close member of that person's family is related to the Group if that person:-

- (i) Has control or joint control over the Group;
- (ii) Has significant influence over the Group; or
- (iii) Is a member of the key management personnel of the ultimate holding company of the Group, or the Group.

(b) An entity is related to the Group if any of the following conditions applies:-

- (i) The entity and the Group are members of the same group;
- (ii) One entity is an associate or joint venture of the other entity;
- (iii) Both entities are joint ventures of the same third party;
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) The entity is a post-employment benefit plan for the benefits of employees of either the Group or an entity related to the Group;
- (vi) The entity is controlled or jointly-controlled by a person identified in (a) above; or
- (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of the parent of the entity).

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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8. FINANCIAL INFORMATION

Kronologi was a private limited company incorporated under the Companies Act, 1965 and domiciled in Malaysia since 25 October 2013 and subsequently converted to a public limited company on 20 June 2014. There were no consolidated financial statements prepared for the Group for FYE 2011, 2012 and 2013 as the Group was not in existence as at the end of these FYE. The summarised financial statements of the individual companies in the Group are shown in Note 9.2 to 9.6 below.

On 30 May 2014, Kronologi acquired the following companies:

- (i) The entire issued and paid-up share capital of KM, comprising 100 ordinary shares of RM1.00 each from KA for a purchase consideration of RM100 satisfied by the issuance of 1,000 Kronologi Shares;
- (ii) The entire issued and paid-up share capital of KS, amounting to SGD50,000, comprising 50,000 ordinary shares from KA for a purchase consideration of RM121,865 satisfied by the issuance of 1,218,650 Kronologi Shares; and
- (iii) The entire issued and paid-up share capital of QSA, amounting to SGD100,002, comprising 100,002 ordinary shares from KA for a purchase consideration of RM17,642,135 satisfied by the issuance of 176,421,350 Kronologi Shares.

Subsequently, KM, KS and QSA become the wholly-owned subsidiaries of the Company. The consolidated financial statement as at 30 June 2014 is shown in Note 9.1 below.

The financial information presented in this report are extracted from respective subsidiaries' audited financial statements, modified as appropriate, for the purpose of this report.

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION**9.1 Kronologi Group****9.1.1 Summarised Consolidated Statement of Profit or Loss and Other Comprehensive Income**

The following table sets out the summary of the financial results prepared based on the audited financial statements of Kronologi Group for the FPE 30 June 2014:-

| FPE | Note | 1.1.2014 to 30.6.2014 |
|---|-------|-----------------------------|
| | | RM |
| Revenue | 9.1.5 | 28,099,047 |
| Cost of sales | | (19,158,499) |
| Gross profit | | 8,940,548 |
| Other income | | 306,388 |
| Selling and distribution expenses | | (3,535,426) |
| Administrative expenses | | (2,236,475) |
| Finance cost | | (247,473) |
| Profit before tax | 9.1.6 | 3,227,562 |
| Tax income | 9.1.8 | 175,516 |
| Profit for the financial period | | 3,403,078 |
| Other comprehensive loss | | |
| Items that will be reclassified subsequently to profit or loss | | |
| Exchange translation differences | | (172,328) |
| Total comprehensive income for the financial period | | 3,230,750 |
| Gross profit margin (%) | | 31.82% |
| Profit before tax margin (%) | | 11.49% |
| Profit after tax margin (%) | | 12.11% |
| Weighted average number of ordinary shares issued | | 29,653,500 |
| Net earnings per share (sen) | | 0.11 |

Note:-

- (i) There were no exceptional items in all the financial period under review.

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.1 Kronologi Group (cont'd)****9.1.2 Summarised Consolidated Statement of Financial Position**

The following table sets out the summary of the financial position prepared based on the audited financial statements of the Kronologi Group for the FPE 30 June 2014:-

| FPE | Note | 30.6.2014 |
|--|--------|--------------|
| | | RM |
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 9.1.9 | 8,780,035 |
| Investment in an associate | 9.1.10 | - |
| Other receivables | 9.1.11 | 383,821 |
| Deferred tax assets | 9.1.12 | 245,341 |
| Total non-current assets | | 9,409,197 |
| Current assets | | |
| Inventories | 9.1.13 | 5,374,251 |
| Trade receivables | 9.1.14 | 9,238,359 |
| Other receivables | 9.1.11 | 2,835,989 |
| Amount due from an associate | 9.1.15 | 218,754 |
| Cash and bank balances | 9.1.16 | 1,147,430 |
| Total current assets | | 18,814,783 |
| TOTAL ASSETS | | 28,223,980 |
| EQUITY AND LIABILITIES | | |
| EQUITY | | |
| Equity attributable to owners of the parent: | | |
| Share capital | 9.1.17 | 17,774,100 |
| Merger deficit | 9.1.18 | (17,406,096) |
| Exchange translation reserves | 9.1.19 | (172,328) |
| Retained earnings | | 8,491,758 |
| Total equity | | 8,687,434 |
| LIABILITIES | | |
| Non-current liabilities | | |
| Deferred income | 9.1.20 | 1,201,610 |
| Finance lease liabilities | 9.1.21 | 1,736,908 |
| Total non-current liabilities | | 2,938,518 |

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.1 Kronologi Group (cont'd)****9.1.2 Summarised Consolidated Statement of Financial Position (cont'd)**

The following table sets out the summary of the financial position prepared based on the audited financial statements of the Kronologi Group for the FPE 30 June 2014 (cont'd):-

| FPE | Note | 30.6.2014 |
|-------------------------------------|--------|-------------------|
| | | RM |
| <u>Current liabilities</u> | | |
| Trade payables | 9.1.22 | 4,090,245 |
| Other payables | 9.1.23 | 3,858,183 |
| Deferred income | 9.1.20 | 6,340,456 |
| Amount due to an associate | 9.1.15 | 928,150 |
| Finance lease liabilities | 9.1.21 | 1,380,994 |
| Total current liabilities | | 16,598,028 |
| Total liabilities | | 19,536,546 |
| TOTAL EQUITY AND LIABILITIES | | 28,223,980 |
| Net assets ("NA") | | 8,687,434 |
| Number of ordinary shares | | 177,741,000 |
| NA per share (RM) | | 0.05 |

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.1 Kronologi Group (cont'd)****9.1.3 Summarised Consolidation Statement of Cash Flows**

The following table sets out the summary of cash flows prepared based on the audited financial statements of the Kronologi Group for the FPE 30 June 2014:-

| FPE | 1.1.2014 to 30.6.2014 |
|---|-----------------------------|
| | RM |
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Profit before tax | 3,227,562 |
| Adjustments for:- | |
| Depreciation of property, plant and equipment | 950,925 |
| Impairment loss on investment in an associate | 49 |
| Interest expense | 247,473 |
| Unrealised gain on foreign exchange | (40,033) |
| | 4,385,976 |
| Changes in working capital:- | |
| Inventories | 2,119,203 |
| Receivables | (2,952,830) |
| Payables | (3,682,008) |
| Associate | 909,940 |
| Deferred income | 2,931,765 |
| Net cash from operating activities | 3,712,046 |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Purchase of property, plant and equipment | (578,075) |
| Repayment to an associate | (223,085) |
| Net cash used in investing activities | (801,160) |
| CASH FLOWS FROM FINANCING ACTIVITIES | |
| Issuance of share capital | 10,000 |
| Interest paid | (247,473) |
| Dividend paid | (2,324,608) |
| Repayment of financial institutions | (1,731,726) |
| Repayment of finance lease liabilities | (469,407) |
| Net cash used in financing activities | (4,763,214) |
| CASH AND CASH EQUIVALENTS | |
| Net changes | (1,852,328) |
| Effects of exchange translation difference | 12,117 |
| Effect of acquisition of subsidiaries | 2,987,641 |
| Carried forward | 1,147,430 |

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.1 Kronologi Group (cont'd)****9.1.4 Summarised Consolidated Statement of Changes in Equity**

The following table sets out the summary of changes in equity prepared based on the audited financial statements of the Kronologi Group for FPE 30 June 2014:-

| | Attributable to owners of the parent | | | | Total RM |
|---|--------------------------------------|------------------------------|----------------|-------------------|--------------|
| | Non- distributable | | | Distributable | |
| | Share capital | Exchange translation reserve | Merger deficit | Retained earnings | |
| | RM | RM | RM | RM | |
| Effect on acquisition of subsidiaries | - | - | (17,406,096) | 5,088,680 | (12,317,416) |
| Exchange translation differences | - | (172,328) | - | - | (172,328) |
| Profit for the financial period | - | - | - | 3,403,078 | 3,403,078 |
| Total comprehensive income for the financial period | - | (172,328) | - | 3,403,078 | 3,230,750 |
| | - | (172,328) | (17,406,096) | 8,491,758 | (9,086,666) |
| Transactions with owners: | | | | | |
| At 25 October 2013 (date of incorporation) | 2 | - | - | - | 2 |
| Issuance of share capital | 17,774,098 | - | - | - | 17,774,098 |
| Balance as at 30 June 2014 | 17,774,100 | (172,328) | (17,406,096) | 8,491,758 | 8,687,434 |

9.1.5 Revenue

| FPE | 1.1.2014 to 30.6.2014 RM |
|-----------------------|-----------------------------------|
| | |
| Sale of goods | 15,161,156 |
| Rendering of services | 12,937,891 |
| | <u>28,099,047</u> |

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.1 Kronologi Group (cont'd)****9.1.6 Profit before tax**

Profit before tax has been determined after charging/(crediting), amongst other items, the following items:-

| FPE | 1.1.2014 to 30.6.2014 |
|---|-----------------------------|
| | RM |
| Audit fee | 61,097 |
| Depreciation of property, plant and equipment | 950,925 |
| Directors' remuneration | 546,661 |
| Director's fee | 12,000 |
| Interest expense | 247,473 |
| Impairment loss on investment in an associate | 49 |
| Rental of premises | 703,848 |
| Gain on foreign exchange: | |
| Realised | (54,145) |
| Unrealised | (40,033) |

9.1.7 Employee benefits expense

| FPE | 1.1.2014 to 30.6.2014 |
|---------------------------------|-----------------------------|
| | RM |
| Salaries, allowance and bonuses | 4,392,414 |
| Defined contribution plans | 389,463 |
| Others | 6,883 |
| Directors' remuneration | 695,326 |
| | 5,484,086 |

The details of Directors' remuneration are as follows:-

| FPE | 1.1.2014 to 30.6.2014 |
|----------------------------|-----------------------------|
| | RM |
| Remuneration | 521,238 |
| Fee | 12,000 |
| Defined contribution plans | 25,070 |
| Other | 353 |
| | 558,661 |

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.1 Kronologi Group (cont'd)****9.1.8 Tax income**

| FPE | 1.1.2014 to 30.6.2014 |
|---|-----------------------------|
| | RM |
| Deferred tax relating to origination of temporary differences | 58,914 |
| Underprovision for deferred tax in prior year | (234,430) |
| | (175,516) |

A reconciliation of income tax expense applicable to profit before tax at the statutory tax rate to income tax income at the effective tax rate of the Group is as follows:

| FPE | 1.1.2014 to 30.6.2014 |
|---|-----------------------------|
| | RM |
| Profit before tax | 3,227,562 |
| Tax at Malaysian statutory tax rate of 25% | 806,890 |
| Tax effects in respect of:- | |
| Effects of different tax rates in other jurisdictions | (150,527) |
| Expenses not deductible for tax purposes | 191,082 |
| Income not subject to tax | (8,804) |
| Partial tax exemption and tax incentives | (443,970) |
| Double deduction | (655) |
| Origination of deferred tax assets not recognised | (335,102) |
| Underprovision for deferred tax in prior year | (234,430) |
| | (175,516) |

In accordance with Productivity and Innovation Credit ("PIC") Scheme, QSA and KS are entitled to 400% tax allowance for investment in innovation and productivity improvements. The tax benefits are currently available from year of assessment 2011 to 2018.

The unabsorbed capital allowances which can be carried forward to offset against future taxable profit amounted to approximately RM2,649,000 for the Group.

9.1.9 Property, plant and equipment

| FPE | 30.6.2014 |
|------------------------|-----------|
| | RM |
| Net carrying amount | |
| Cloud computing assets | 7,255,111 |
| Office equipment | 1,077,825 |
| Furniture and fittings | 81,071 |
| Renovation | 329,558 |
| Work-in-progress | 36,470 |
| | 8,780,035 |

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.1 Kronologi Group (cont'd)****9.1.9 Property, plant and equipment (cont'd)**

Addition to property, plant and equipment during the financial period amounting to RM2,062,275 were financed by finance lease. Cash payment of RM578,075 was made to purchase property, plant and equipment.

The carrying amount of the office equipment assets held under finance lease are RM3,550,002 at the end of the reporting period.

9.1.10 Investment in an associate

| FPE | 30.6.2014 |
|--------------------------|-----------|
| | RM |
| Unquoted shares, at cost | 49 |
| Less: Impairment losses | (49) |
| | - |

The details of the associate are as follows:-

| Name of associate | Country of incorporation | Effective interest | Principal activities |
|-----------------------------------|--------------------------|--------------------|--|
| | | 30.6.2014 | |
| | | % | |
| Quantum Storage (India) Pte. Ltd. | Singapore | 20 | Investment holding and infrastructure technology business providing data protection, hardware and software solutions to enterprises. |

The associate is audited by another firm of auditors.

The summary of financial information of the associate, not adjusted for the proportion of ownership interest held by the Company, is set out below:

| FPE | Unaudited 30.6.2014 |
|-------------------|------------------------|
| | RM |
| Total assets | 3,970,056 |
| Total liabilities | 7,982,802 |
| Revenue | 3,789,908 |
| Net loss | 278,517 |

The Company's share of the associate's net liabilities is zero as the Company discontinued recognising further losses when the Company's share of loss of the associate exceeds its interest in the associate. As at 30 June 2014, the Company's share of unrecognised losses of the associate for the period amounted to RM55,703.

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.1 Kronologi Group (cont'd)****9.1.11 Other receivables**

| FPE | 30.6.2014 |
|--|-----------|
| | RM |
| Non-current asset | |
| Prepayments | 383,821 |
| Current assets | |
| Other receivables | 95,261 |
| Deposits | 461,712 |
| Prepayments | 2,279,016 |
| | 2,835,989 |
| Total other receivables | 3,219,810 |
| Analysed prepayments as: | |
| Non-current | |
| Later than one year but not later than two years | 220,880 |
| Later than two years but not later than five years | 162,941 |
| | 383,821 |
| Current | 2,279,016 |
| | 2,662,837 |

Included in prepayments is an amount of RM1,328,304 is in respect of trade transactions which are maintenance fees paid in advance to suppliers.

Currency exposure profile of other receivables is as follows:-

| FPE | 30.6.2014 |
|-----|-----------|
| | RM |
| USD | 98,134 |
| SGD | 479,571 |
| THB | 6,544 |
| PHP | 6,061 |
| IDR | 24,804 |

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.1 Kronologi Group (cont'd)****9.1.12 Deferred tax assets**

The deferred tax assets as at reporting date are made up of temporary difference arising from:-

| FPE | Effect on acquisitions of subsidiaries | Recognised in profit or loss | Effect on exchange translation differences | 30.6.2014 |
|-------------------------------|--|---------------------------------|---|-----------|
| | RM | RM | RM | RM |
| Property, plant and equipment | (62,371) | 77,216 | - | 14,845 |
| Provisions | 117,894 | 82,165 | - | 200,059 |
| Unabsorbed capital allowances | 14,737 | 16,135 | - | 30,872 |
| | 70,260 | 175,516 | - | 245,776 |
| Exchange translation reserve | 3,769 | - | (4,204) | (435) |
| | 74,029 | 175,516 | (4,204) | 245,341 |

Deferred tax assets have not been recognised in respect of the following items due to uncertainty of its recoverability.

| FPE | 30.6.2014 |
|---|-----------|
| | RM |
| Carrying amount of qualifying property, plant and equipment in excess of their tax base | 643,112 |
| Unabsorbed capital allowances | 2,617,698 |
| Others | (2,892) |
| | 3,257,918 |

9.1.13 Inventories

| FPE | 30.6.2014 |
|--|------------|
| | RM |
| Trading goods | 3,092,673 |
| Consumable spare parts | 2,281,578 |
| | 5,374,251 |
| Inventories recognised as an expenses in cost of sales | 11,678,054 |

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.1 Kronologi Group (cont'd)****9.1.14 Trade receivables**

The normal credit term granted to trade receivables ranged from 60 days to 90 days.

Trade receivables are recognised at their original invoice amounts which represent their fair value initial recognition.

Currency exposure profile of trade receivables is as follows:-

| FPE | 30.6.2014 |
|-----|-----------|
| | RM |
| USD | 4,628,428 |
| SGD | 4,480,757 |

9.1.15 Amount due from/(to) an associate

| FPE | 30.6.2014 |
|---------------------|-----------|
| | RM |
| Trade in nature | (928,150) |
| Non-trade in nature | 218,754 |

The outstanding balances arising from trade transactions are unsecured, interest free and repayable within 30 days from the date of transactions.

The outstanding balances arising from non-trade transactions are unsecured, interest free and repayable on demand.

Currency exposure profile of the amount due from/(to) an associate is as follows:-

| FPE | 30.6.2014 |
|-----|-----------|
| | RM |
| USD | (928,150) |
| SGD | 218,754 |

9.1.16 Cash and bank balances

Currency exposure profile of cash and bank balances is as follows:-

| FPE | 30.6.2014 |
|-----|-----------|
| | RM |
| USD | 97,371 |
| SGD | 950,422 |
| THB | 841 |
| IDR | 3,042 |

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.1 Kronologi Group (cont'd)****9.1.17 Share capital**

| FPE | No. of ordinary shares 30.6.2014 | 30.6.2014 |
|--|-------------------------------------|-------------------|
| | Unit | RM |
| Authorised: | | |
| At date of incorporation (RM1.00 each) | 400,000 | 400,000 |
| Sub-division of shares | 4,000,000 | 400,000 |
| Created during the financial period (RM0.10 each) | 246,000,000 | 24,600,000 |
| At end of the period | 250,000,000 | 25,000,000 |
| Issued and fully paid: | | |
| At date of incorporation (RM1.00 each) | 2 | 2 |
| Issuance during the financial period (RM1.00 each) | 9,998 | 9,998 |
| | 10,000 | 10,000 |
| Sub-division of shares | 100,000 | 10,000 |
| Acquisitions of subsidiaries (RM0.10 each) | 177,641,000 | 17,764,100 |
| At end of the period | 177,741,000 | 17,774,100 |

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company residual assets.

On 16 January 2014, Kronologi increased its issued and paid-up share capital by RM 9,998, comprising 9,998 ordinary shares of RM 1.00 each.

On 16 May 2014, Kronologi undertook a share sub-division of every one (1) existing ordinary share of RM 1.00 each into ten (10) Kronologi Shares.

On 30 May 2014, Kronologi acquired the entire issued and paid up share capital of subsidiaries as disclosed in Note 9.2.7 to this report by issuing new shares.

9.1.18 Merger deficit

The merger deficit arise as and when the combination take place, where the cost of merger exceeds the nominal value of the share capital of the subsidiaries acquired.

9.1.19 Exchange translation reserve

The exchange translation reserve comprises foreign exchange differences arising from the translation of financial statements of the foreign subsidiaries whose functional currencies are different from the Group's presentation currency.

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.1 Kronologi Group (cont'd)****9.1.20 Deferred income**

| FPE | 30.6.2014 |
|--|------------------|
| | RM |
| Deferred income | 7,542,066 |
| Analysed as: | |
| Non-current | |
| Later than one year but not later than two years | 791,412 |
| Later than two years but not later than five years | 410,198 |
| | 1,201,610 |
| Current | 6,340,456 |
| | 7,542,066 |

9.1.21 Finance lease liabilities

| FPE | 30.6.2014 |
|---|-----------|
| | RM |
| Finance lease outstanding | 3,391,521 |
| Less: Interest in suspense | (273,619) |
| Principal outstanding | 3,117,902 |
| Payable within one year | 1,380,994 |
| Payable after one year but not later than two years | 1,103,986 |
| Payable after two years but not later than five years | 632,922 |
| | 1,736,908 |
| Principal outstanding | 3,117,902 |

The average effective finance lease rate is 6.30% per annum.

The leases term is 3 years and on a fixed repayment basis. All leases obligations are denominated in SGD.

The Group's obligations under finance leases are secured by the lessor's title to the leased assets (Note 9.1.9).

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.1 Kronologi Group (cont'd)****9.1.22 Trade payables**

The normal credit terms granted by the suppliers ranged from 30 days to 60 days.

Currency exposure profile of trade payables is as follows:-

| FPE | 30.6.2014 |
|-----|-----------|
| | RM |
| USD | 3,453,747 |
| SGD | 636,498 |

9.1.23 Other payables

| FPE | 30.6.2014 |
|----------------------------------|-----------|
| | RM |
| Other payables | 1,263,889 |
| Accruals | 2,549,468 |
| Deposits received from customers | 44,826 |
| | 3,858,183 |

Currency exposure profile of the other payables is as follows:-

| FPE | 30.6.2014 |
|-----|-----------|
| | RM |
| USD | 1,983,807 |
| SGD | 1,065,853 |
| THB | 10,543 |
| PHP | 2,884 |
| IDR | 5,316 |

9.1.24 Related party disclosures

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Kronologi Group either directly or indirectly.

The remuneration of Directors and other members of key management personnel during the financial period are as follows:

| FPE | 1.1.2014 to 30.6.2014 |
|-------------------------------|-----------------------------|
| | RM |
| Salaries and other emoluments | 993,604 |
| Director's fee | 12,000 |
| Defined contribution plans | 72,003 |
| Others | 1,322 |
| | 1,078,929 |

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.1 Kronologi Group (cont'd)****9.1.25 Lease commitments**

The future minimum lease payments payable under non-cancellable operating lease commitments are as follows:

| FPE | 30.6.2014 |
|--|------------------|
| | RM |
| Not later than one year | 963,789 |
| Later than one year but not later than two years | 649,472 |
| Later than two years but not later than five years | 595,350 |
| | <u>2,208,611</u> |

Lease commitments represents rentals payables for rent of the office space and premises. Leases are negotiated for terms of 1 to 3 years.

9.1.26 Categories of financial instruments

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

- (a) Loans and receivables (L&R); and
(b) Other liabilities measured at amortised cost (AC)

| | Carrying amount | L&R | AC |
|------------------------------|-------------------|-------------------|-------------------|
| | RM | RM | RM |
| 30.6.2014 | | | |
| Financial assets | | | |
| Trade receivables | 9,238,359 | 9,238,359 | - |
| Other receivables | 556,973 | 556,973 | - |
| Amount due from an associate | 218,754 | 218,754 | - |
| Cash and bank balances | 1,147,430 | 1,147,430 | - |
| | <u>11,161,516</u> | <u>11,161,516</u> | <u>-</u> |
| Financial liabilities | | | |
| Trade payables | 4,090,245 | - | 4,090,245 |
| Other payables | 3,813,357 | - | 3,813,357 |
| Amount due to an associate | 928,150 | - | 928,150 |
| Finance lease liabilities | 3,117,902 | - | 3,117,902 |
| | <u>11,949,654</u> | <u>-</u> | <u>11,949,654</u> |

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.1 Kronologi Group (cont'd)****9.1.27 Financial instruments****Financial risk management objectives and policies**

The Group is exposed to financial risks arising from its operations and the use of financial instruments. Financial risk management policy is established to ensure that adequate resources are available for the development of the Group's business whilst managing its credit risk, liquidity risk, foreign currency risk and interest rate risk. The Group operates within clearly defined policies and procedures that are approved by the Board of Directors to ensure the effectiveness of the risk management process.

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activity are set out as follows:-

(a) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations

Concentration of credit risk exists when changes in economic, industry and geographical factors similarly affect the counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group's portfolio of financial instrument is broadly diversified along geographical lines and transactions are entered into with diverse creditworthy counterparties, thereby mitigate any significant concentration of credit risk.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group does not offer credit terms without the approval of the head of credit control.

The areas where the Group is exposed to credit risk are as follows:-

Receivables

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

With a credit policy in place to ensure the credit risk is monitored on an ongoing basis, the management has taken reasonable steps to ensure that receivables are stated at their realisable values. A significant portion of the receivables are regular customers that have been transacting with the Group. The Group uses aging analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than credit terms granted are deemed to have higher credit risk, and are monitored individually.

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.1 Kronologi Group (cont'd)****9.1.27 Financial instruments (cont'd)****Financial risk management objectives and policies (cont'd)****(a) Credit risk (cont'd)****Receivables (cont'd)**

The ageing analysis for trade receivables are as follows:-

| | Gross/Net |
|----------------------|------------------|
| | RM |
| 30.6.2014 | |
| Within credit terms | 7,965,950 |
| Past due 0-30 days | 959,757 |
| Past due 31-60 days | 75,506 |
| Past due 61-90 days | 228,234 |
| Past due 91-120 days | 8,912 |
| | <u>9,238,359</u> |

Trade receivables that are neither past due nor impaired are creditworthy receivables with good payment records with the Group. None of the Group's receivables that are neither past due nor impaired have been renegotiated during the financial period.

Trade receivables of RM1,272,409 were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default and the amounts are subsequently recovered.

The net carrying amount of receivables is considered a reasonable approximate to fair value. The maximum exposure to credit risk is the carrying value of each class of receivables mentioned above. Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due as a result of shortage of funds. In managing its exposures to liquidity risk that arises principally from its various payables, the Group maintains 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.

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.1 Kronologi Group (cont'd)****9.1.27 Financial instruments (cont'd)****Financial risk management objectives and policies (cont'd)****(b) Liquidity risk (cont'd)**

The Group aims to maintain a balance of sufficient cash and flexibility in funding by keeping diverse sources of committed and uncommitted credit facilities.

The following are areas of the Group's exposure to liquidity risk:-

| | Carrying amount | Contractual cash flows | Within 1 year | Later than 1 year but not later than 2 years | Later than 2 years but not later than 5 years |
|------------------------------|--------------------|---------------------------|------------------|---|---|
| | RM | RM | RM | RM | RM |
| 30.6.2014 | | | | | |
| Financial liabilities | | | | | |
| Trade payables | 4,090,245 | 4,090,245 | - | - | - |
| Other payables | 3,813,357 | 3,813,357 | - | - | - |
| Amount due to an associate | 928,150 | 928,150 | - | - | - |
| Finance lease liabilities | 3,117,902 | 3,391,521 | 1,552,923 | 1,186,336 | 652,262 |
| | 11,946,654 | 12,223,373 | 1,552,923 | 1,186,336 | 652,262 |

(c) Foreign currency risk

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

The maximum foreign currency exposure at each of the reporting period are detailed in respective notes in this report.

The Group has transactional currency exposures that are denominated in currencies other than the functional currency of the Group which is mainly denominated in USD, SGD, THB, PHP and IDR.

At each of the reporting period, the management of the Group determined that the effects of sensitivity of the Group's profit for the financial period to a reasonably possible change in the above various currencies exchange rates to be immaterial.

(d) Interest rate risk

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

Although the debts are fixed borrowings, there is an inherent risk in stating their fair value due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.1 Kronologi Group (cont'd)****9.1.27 Financial instruments (cont'd)****Financial risk management objectives and policies (cont'd)****(d) Interest rate risk (cont'd)**

The Group's interest rate management objective is to manage the interest expenses consistent with maintaining an acceptable level of exposure to interest rate fluctuation.

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

| | |
|--|------------------|
| | 30.6.2014 |
| | RM |

Fixed rate instrument

Finance lease liabilities (Note 9.1.21)

3,117,902

Fair value sensitivity analysis for fixed rate instruments:-

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

Fair value of financial instruments

The table below analyses financial instruments not carried at fair value for which fair value is disclosed, together with their values and carrying amounts shown in the statement of financial position.

| | Note | Level 2 | |
|--|------|------------|-----------------|
| | | Fair value | Carrying amount |
| | | RM | RM |

30.6.2014**Financial liability**

Finance lease liabilities

9.1.21

2,836,970

3,117,902

The fair value of finance lease liabilities are estimated using discounted cash flows analysis based on the effective interest rate.

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.1 Kronologi Group (cont'd)****9.1.28 Operating segments****(a) Business segments**

For the management purposes, the Group is organised into business units based on its products and services, which comprises the following:

EDM Infrastructure Technology Provision of EDM infrastructure technology which comprises both hardware and software. EDM hardware refers to computer components used to record, store and retain digital data while EDM software supports the process of data backup, storage, recovery and restoration.

EDM Managed Services Comprehensive service provided for data assurance and operational continuity. The EDM managed services comprise the backup, storage, recovery and restoration of enterprise data, Health Checks, capacity planning, remote monitoring and disaster recovery services.

Investment holdings

Management monitors operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

| | Note | EDM Infrastructure Technology | EDM Managed Services | Investment Holdings | Others | Total | Elimination/ Adjustment | Total as per consolidated financial statements |
|---|------|-------------------------------------|----------------------------|------------------------|---------|------------|----------------------------|---|
| | | RM | RM | RM | RM | RM | RM | RM |
| Group Revenue: | | | | | | | | |
| External customers | | 23,163,919 | 4,935,128 | - | - | 28,099,047 | - | 28,099,047 |
| Inter-segment | i | 567,127 | 823,371 | - | 595,047 | 1,985,545 | (1,985,545) | - |
| Total revenue | | 23,731,046 | 5,758,499 | - | 595,047 | 30,084,592 | (1,985,545) | 28,099,047 |
| Profit before tax | | 2,614,560 | 659,819 | (79,626) | 32,858 | 3,237,611 | (49) | 3,227,562 |
| Tax income | | 175,516 | - | - | - | 175,516 | - | 175,516 |
| Profit after tax | | 2,790,076 | 659,819 | (79,626) | 32,858 | 3,403,137 | (49) | 3,403,078 |
| Finance costs | | | | | | | | (247,473) |
| Impairment loss on investment in an associate | | | | | | | | (49) |

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.1 Kronologi Group (cont'd)****9.1.28 Operating segments (cont'd)****(a) Business segments (cont'd)**

| | EDM Infrastructure Technology | EDM Managed Services | Investment Holdings | Others | Total | Elimination/ Adjustment | Total as per consolidated financial statements |
|--|-------------------------------------|----------------------------|------------------------|--------|-------|----------------------------|---|
| | RM | RM | RM | RM | RM | RM | RM |

Assets:

| | | | | | | | |
|------------------|------------|-----------|-----------|---------|------------|-------------|------------|
| Segmental assets | 22,208,086 | 8,974,130 | 1,272,349 | 263,916 | 32,718,481 | (4,494,501) | 28,223,980 |
|------------------|------------|-----------|-----------|---------|------------|-------------|------------|

Liabilities:

| | | | | | | | |
|-----------------------|--------------|-------------|-------------|-----------|--------------|-----------|--------------|
| Segmental liabilities | (13,296,935) | (8,861,818) | (1,341,975) | (538,278) | (24,039,006) | 4,502,460 | (19,536,546) |
|-----------------------|--------------|-------------|-------------|-----------|--------------|-----------|--------------|

Notes to the nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements:

- i. Inter-segment revenues are eliminated on consolidation.
- ii. Other material non-cash income/(expenses) consist of the following items:

| | 1.1.2014 to 30.6.2014 RM |
|---|-----------------------------------|
| Unrealised gain on foreign exchange | 40,033 |
| Depreciation of property, plant and equipment | (950,925) |

- iii. Additions to non-current assets consist of:

| | 30.6.2014 RM |
|-------------------------------|-----------------|
| Property, plant and equipment | 2,640,350 |

(b) Geographical segment

Revenue information based on the geographical location of customers and assets respectively are as follows:-

| | 1.1.2014 to 30.6.2014 RM |
|-------------|-----------------------------------|
| Singapore | 19,783,689 |
| Malaysia * | 2,454,816 |
| Philippines | 2,123,262 |
| Thailand | 1,656,652 |
| Other | 2,080,628 |
| | 28,099,047 |

* Company's home country

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.1 Kronologi Group (cont'd)****9.1.29 Capital management**

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and financially prudent capital ratios in order to support its current business as well as future expansion so as to maximise shareholder value.

The Group manages this capital structure and make adjustments to it, in light of changes in economic conditions including the interest rate movements. To maintain and adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

9.2 Kronologi**9.2.1 Summarised Statement of Profit or Loss and Other Comprehensive Income**

The following table sets out the summary of the financial results prepared based on the audited financial statement of Kronologi for FPE 30 June 2014:-

| FPE | Note | 25.10.2013 (date of incorporation) to 30.6.2014 |
|---|-------|---|
| | | RM |
| Revenue | | - |
| Administrative expenses | | (79,626) |
| Loss before tax | 9.2.5 | (79,626) |
| Tax expense | 9.2.6 | - |
| Loss for the financial period, represent total comprehensive loss for the financial period | | (79,626) |
| Weighted average number of ordinary shares issued | | 29,653,500 |

Note:-

- (i) There were no exceptional items in the financial period under review.

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.2 Kronologi (cont'd)****9.2.2 Summarised Statement of Financial Position**

The following table sets out the summary of the financial position prepared based on the audited financial statement of Kronologi for FPE 30 June 2014:-

| FPE | Note | 30.6.2014 |
|------------------------------|--------|-------------|
| | | RM |
| ASSETS | | |
| <u>Non-current asset</u> | | |
| Investments in subsidiaries | 9.2.7 | 17,764,100 |
| Total non-current asset | | 17,764,100 |
| <u>Current assets</u> | | |
| Prepayments | | 1,256,380 |
| Bank balance | | 15,969 |
| Total current assets | | 1,272,349 |
| TOTAL ASSETS | | 19,036,449 |
| EQUITY AND LIABILITIES | | |
| EQUITY | | |
| Share capital | 9.2.8 | 17,774,100 |
| Accumulated losses | | (79,626) |
| Total equity | | 17,694,474 |
| LIABILITY | | |
| <u>Current liabilities</u> | | |
| Amount due to a subsidiary | 9.2.9 | 582,279 |
| Other payables | 9.2.10 | 759,696 |
| Total current liabilities | | 1,341,975 |
| TOTAL EQUITY AND LIABILITIES | | 19,036,449 |
| NA | | 17,694,474 |
| Number of ordinary shares | | 177,741,000 |
| NA per share (RM) | | 0.10 |

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.2 Kronologi (cont'd)****9.2.3 Summarised Statement of Cash Flows**

The following table sets out the summary of cash flows prepared based on the audited financial statement of Kronologi for FPE 30 June 2014:-

| FPE | 25.10.2013 (date of incorporation) to 30.6.2014 |
|---|---|
| | RM |
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Loss before tax | (79,626) |
| Adjustments for:- | |
| Unrealised loss on foreign exchange | 2,014 |
| Operating loss before working capital changes | (77,612) |
| Changes in working capital:- | |
| Prepayments | (1,256,380) |
| Other payables | 759,696 |
| Net cash used in operating activities | (574,296) |
| CASH FLOWS FROM FINANCING ACTIVITIES | |
| Issuance of share capital | 10,000 |
| Advance from a subsidiary | 580,265 |
| Net cash from financing activities | 590,265 |
| CASH AND CASH EQUIVALENTS | |
| Net changes | 15,969 |
| At date of incorporation | - |
| Carried forward | 15,969 |

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.2 Kronologi (cont'd)****9.2.4 Summarised Statement of Changes in Equity**

The following table sets out the summary of changes in equity prepared based on the audited financial statement of Kronologi for FPE 30 June 2014:-

| | Share capital | Distributable | |
|---|---------------|--------------------|------------|
| | | Accumulated losses | Total |
| | RM | RM | RM |
| At 25 October 2013 (date of incorporation) | 2 | - | 2 |
| Issuance of ordinary shares | 17,774,098 | - | 17,774,098 |
| Total comprehensive loss for the financial period | - | (79,626) | (79,626) |
| At 30 June 2014 | 17,774,100 | (79,626) | 17,694,474 |

9.2.5 Loss before tax

Loss before tax has been determined after charging the following:-

| FPE | 25.10.2013 (date of incorporation) to 30.6.2014 |
|-------------------------------------|---|
| | RM |
| Director's fee | 12,000 |
| Unrealised loss on foreign exchange | 2,014 |

9.2.6 Tax expense

There is no provision for tax expense and a reconciliation of the statutory income tax rate to the effective income tax rate of Kronologi are not presented as Kronologi has no chargeable income.

9.2.7 Investments in subsidiaries

| FPE | 30.6.2014 |
|--------------------------|------------|
| | RM |
| Unquoted shares, at cost | 17,764,100 |

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.2 Kronologi (cont'd)****9.2.7 Investments in subsidiaries (cont'd)**

The details of the subsidiaries are as follows:-

| <u>Name of subsidiaries</u> | <u>Country of incorporation</u> | <u>Effective interest</u> <u>30.6.2014</u> % | <u>Principal activities</u> |
|---|---------------------------------|--|---|
| Quantum Storage (South Asia) Pte. Ltd.* | Singapore | 100 | Infrastructure technology business providing data protection, hardware and software solutions to larger size enterprises. |
| Kronicles (Singapore) Pte. Ltd.* | Singapore | 100 | Managed services business providing a holistic comprehensive and automated daily backup targeted at medium sized enterprises. |
| Kronicles (Malaysia) Sdn. Bhd. | Malaysia | 100 | Managed services business providing a holistic comprehensive and automated daily backup targeted at medium sized enterprises. |
| <u>Subsidiary of Quantum Storage (South Asia) Pte. Ltd.</u> | | | |
| Quantum Storage South Asia Sdn. Bhd. | Malaysia | 100 | Provision of administrative and support services to its holding company. |

* An audit has been carried out by SJ Grant Thornton for the purpose of forming a group opinion.

Acquisitions of subsidiaries

- (i) On 30 May 2014, Kronologi acquired the entire issued and paid-up share capital of KM, comprising 100 ordinary shares of RM1.00 each from KA for a purchase consideration of RM100 satisfied by the issuance of 1,000 Kronologi Shares;
- (ii) On 30 May 2014, Kronologi acquired the entire issued and paid-up share capital of KS, amounting to SGD50,000, comprising 50,000 ordinary shares from KA for a purchase consideration of RM121,865 satisfied by the issuance of 1,218,650 Kronologi Shares; and
- (iii) On 30 May 2014, Kronologi acquired the entire issued and paid-up share capital of QSA, amounting to SGD100,002, comprising 100,002 ordinary shares from KA for a purchase consideration of RM17,642,135 satisfied by the issuance of 176,421,350 Kronologi Shares.

The consolidated financial statements have been prepared using the merger method to account for the acquisitions of subsidiaries. Merger reserve or deficit are determined as the difference between the cost of merger and nominal value of the share capital of the subsidiaries acquired and recognised in statement of financial position.

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.2 Kronologi (cont'd)****9.2.7 Investments in subsidiaries (cont'd)****Impact of the acquisition on the Consolidated Statements of Profit or Loss and Other Comprehensive Income**

In the financial period when the merger took place, the subsidiaries' profits are included in the Group's profits for the full financial period, irrespective of the effective date of merger.

9.2.8 Share capital

| FPE | No. of ordinary shares 30.6.2014 | 30.6.2014 |
|--|-------------------------------------|-------------------|
| | Unit | RM |
| Authorised: | | |
| At date of incorporation (RM1.00 each) | 400,000 | 400,000 |
| Sub-division of shares | 4,000,000 | 400,000 |
| Created during the financial period (RM0.10 each) | 246,000,000 | 24,600,000 |
| At end of the period | 250,000,000 | 25,000,000 |
| Issued and fully paid: | | |
| At date of incorporation (RM1.00 each) | 2 | 2 |
| Issuance during the financial period (RM1.00 each) | 9,998 | 9,998 |
| | 10,000 | 10,000 |
| Sub-division of shares | 100,000 | 10,000 |
| Acquisitions of subsidiaries (RM0.10 each) | 177,641,000 | 17,764,100 |
| At end of the period | 177,741,000 | 17,774,100 |

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company residual assets.

On 16 January 2014, Kronologi increased its issued and paid-up share capital by RM 9,998, comprising 9,998 ordinary shares of RM 1.00 each;

On 16 May 2014, Kronologi undertook a share sub-division of every one (1) existing ordinary share of RM 1.00 each into ten (10) Kronologi Shares.

On 30 May 2014, Kronologi acquired the entire issued and paid up share capital of subsidiaries as disclosed in Note 9.2.7 to this report by issuing its new shares.

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.2 Kronologi (cont'd)****9.2.9 Amount due to a subsidiary**

The amount due to a subsidiary represents balances of non-trade transactions which are unsecured, interest free and repayable on demand.

9.2.10 Other payables

Currency exposure profile of other payables is as follows:-

| FPE | 30.6.2014 |
|-----|-----------|
| | RM |
| SGD | 55,060 |

9.2.11 Employee benefits expense

| FPE | 25.10.2013 (date of incorporation) to 30.6.2014 |
|--------------------------------|---|
| | RM |
| Salaries, wages and emoluments | 46,933 |
| Defined contribution plans | 5,652 |
| Social security contributions | 258 |
| Director's fee | 12,000 |
| | 64,843 |

9.2.12 Related party disclosures

The significant related party transactions of the Company, other than those disclosed in this financial statements are as follows:-

| FPE | 25.10.2013 (date of incorporation) to 30.6.2014 |
|--------------------------------|---|
| | RM |
| Transactions with a subsidiary | |
| (i) Recharge of expense | 74,264 |
| (ii) Fund advances | 506,000 |

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.2 Kronologi (cont'd)****9.2.13 Related party disclosures (cont'd)**Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly.

The remuneration of Directors and other members of key management personnel during the financial period are as follows:

| FPE | 25.10.2013 (date of incorporation) to 30.6.2014 |
|-------------------------------|---|
| | RM |
| Salaries and other emoluments | 46,933 |
| Director's fee | 12,000 |
| Defined contribution plans | 5,910 |
| | <u>64,843</u> |

9.2.14 Categories of financial instruments

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

- (a) Loans and receivables (L&R); and
(b) Other liabilities measured at amortised cost (AC)

| | Carrying amount | L&R | AC |
|------------------------------|------------------|----------|------------------|
| | RM | RM | RM |
| 30.6.2014 | | | |
| Financial asset | | | |
| Bank balance | 15,969 | 15,969 | - |
| Financial liabilities | | | |
| Other payables | 759,697 | - | 759,697 |
| Amount due to a subsidiary | 582,278 | - | 582,278 |
| | <u>1,341,975</u> | <u>-</u> | <u>1,341,975</u> |

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.2 Kronologi (cont'd)****9.2.15 Financial instruments****Financial risk management objectives and policies**

The Company is exposed to financial risks arising from its operations and the use of financial instruments. Financial risk management policy is established to ensure that adequate resources are available for the development of the Company's business whilst managing its credit risk, liquidity risk, foreign currency risk and interest rate risk. The Company operates within clearly defined policies and procedures that are approved by the Board of Directors to ensure the effectiveness of the risk management process.

The main areas of financial risks faced by the Company and the policy in respect of the major areas of treasury activity are set out as follows:-

(a) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as and when they fall due as a result of shortage of funds. In managing its exposures to liquidity risk that arises principally from its various payables, the Company maintains 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.

The Company aims to maintain a balance of sufficient cash and flexibility in funding by keeping diverse sources of committed and uncommitted credit facilities.

Analysis of financial instruments by contractual maturities

All the financial instruments of the Company matures within 12 months from the reporting period.

(b) Foreign currency risk

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

The maximum foreign currency exposure as at reporting date is detailed in respective notes to the report.

The Company has transactional currency exposures that are denominated in currency other than the functional currency of the Company which is mainly denominated in SGD.

At the reporting period, the management of the Company determined that the effects of sensitivity of the Company's financial performance for the financial period a reasonably possible change in the above various currencies exchange rates to be immaterial.

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.2 Kronologi (cont'd)****9.2.15 Financial instruments (cont'd)****Financial risk management objectives and policies (cont'd)**

The main areas of financial risks faced by the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

(c) Interest rate risk***Fair value sensitivity analysis for fixed rate instruments:-***

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

Fair value of financial instruments

The carrying amounts of payables and cash and cash equivalents approximate their fair value due to the relatively short term nature of these financial instruments and insignificant impact of discounting.

9.2.16 Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and financially prudent capital ratios in order to support its current business as well as future expansion so as to maximise shareholder value.

The Company manage this capital structure and make adjustments to it, in light of changes in economic conditions including the interest rate movements. To maintain and adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.3 QSA****9.3.1 Summarised Statement of Profit or Loss and Other Comprehensive Income**

The following table sets out the summary of the financial results prepared based on the audited financial statements of QSA for the past three (3) FYE 31 December 2011, 2012, 2013 and FPE 30 June 2014:-

| FYE/FPE | Note | 1.1.2011 to 31.12.2011 | | 1.1.2012 to 31.12.2012 | | 1.1.2013 to 31.12.2013 | | 1.1.2014 to 30.6.2014 | |
|---|-------|------------------------------|--------------|------------------------------|--------------|------------------------------|--------------|-----------------------------|--------------|
| | | USD | RM | USD | RM | USD | RM | USD | RM |
| Revenue | 9.3.5 | 10,510,523 | 32,132,771 | 11,136,277 | 34,283,028 | 12,879,421 | 40,827,765 | 7,213,195 | 23,546,032 |
| Cost of sales | | (6,765,461) | (20,683,368) | (5,903,011) | (18,172,419) | (7,697,793) | (24,402,004) | (4,563,664) | (14,897,168) |
| Gross profit | | 3,745,062 | 11,449,403 | 5,233,266 | 16,110,609 | 5,181,628 | 16,425,761 | 2,649,531 | 8,648,864 |
| Other income | | 299,899 | 916,851 | 673,294 | 2,072,736 | 196,771 | 623,764 | 49,643 | 162,050 |
| Selling and distribution expenses | | (1,187,536) | (3,630,535) | (1,666,600) | (5,130,628) | (1,809,588) | (5,736,394) | (908,007) | (2,964,007) |
| Administrative expenses | | (832,103) | (2,543,905) | (2,386,003) | (7,345,311) | (2,043,928) | (6,479,251) | (986,300) | (3,219,578) |
| | | 2,025,322 | 6,191,814 | 1,853,957 | 5,707,406 | 1,524,883 | 4,833,880 | 804,867 | 2,627,329 |
| Finance costs | | - | - | - | - | - | - | (3,903) | (12,741) |
| Profit before tax | 9.3.6 | 2,025,322 | 6,191,814 | 1,853,957 | 5,707,406 | 1,524,883 | 4,833,880 | 800,964 | 2,614,588 |
| Tax (expense)/income | 9.3.8 | (276,556) | (845,487) | (253,277) | (779,713) | 281,127 | 891,173 | 53,769 | 175,516 |
| Profit for the financial years/period | | 1,748,766 | 5,346,327 | 1,600,680 | 4,927,693 | 1,806,010 | 5,725,053 | 854,733 | 2,790,104 |
| Other comprehensive income/(loss) | | | | | | | | | |
| Items that will be reclassified subsequently to profit or loss | | | | | | | | | |
| Exchange translation differences | | - | 121,950 | - | (217,525) | - | 532,773 | - | (179,863) |
| Total comprehensive income for the financial years/period | | 1,748,766 | 5,468,277 | 1,600,680 | 4,710,168 | 1,806,010 | 6,257,826 | 854,733 | 2,610,241 |

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.3 QSA (cont'd)****9.3.1 Summarised Statement of Profit or Loss and Other Comprehensive Income (cont'd)**

The following table sets out the summary of the financial results prepared based on the audited financial statements of QSA for the past three (3) FYE 31 December 2011, 2012, 2013 and FPE 30 June 2014 (cont'd):-

| FYE/FPE | Note | 1.1.2011 to 31.12.2011 | | 1.1.2012 to 31.12.2012 | | 1.1.2013 to 31.12.2013 | | 1.1.2014 to 30.6.2014 | |
|---|------|------------------------------|----------|------------------------------|----------|------------------------------|----------|-----------------------------|----------|
| | | USD | RM | USD | RM | USD | RM | USD | RM |
| Gross profit margin (%) | | | 35.63 | | 46.99 | | 40.23 | | 36.73 |
| Profit before tax margin (%) | | | 19.27 | | 16.65 | | 11.84 | | 11.10 |
| Profit after tax margin (%) | | | 16.64 | | 14.37 | | 14.02 | | 11.85 |
| Weighted average number of ordinary shares issued | | | 100,002 | | 100,002 | | 100,002 | | 100,002 |
| Net earnings per share (sen) | | | 5,346.22 | | 4,927.59 | | 5,724.94 | | 2,790.05 |

Note:-

- (i) There were no exceptional items in all the financial years/period under review.

9.3.2 Summarised Statement of Financial Position

The following table sets out the summary of the financial position prepared based on the audited financial statements of QSA for the past three (3) FYE 31 December 2011, 2012, 2013 and FPE 30 June 2014:-

| FYE/FPE | Note | 31.12.2011 | | 31.12.2012 | | 31.12.2013 | | 30.6.2014 | |
|-------------------------------|--------|------------|---------|------------|---------|------------|-----------|-----------|-----------|
| | | USD | RM | USD | RM | USD | RM | USD | RM |
| ASSETS | | | | | | | | | |
| Non-current assets | | | | | | | | | |
| Property, plant and equipment | 9.3.9 | 33,638 | 106,582 | 128,141 | 391,855 | 324,202 | 1,063,869 | 447,125 | 1,435,495 |
| Investment in a subsidiary | 9.3.10 | 1 | 3 | 1 | 3 | 1 | 3 | 1 | 3 |
| Investment in an associate | 9.3.11 | - | - | 15 | 46 | 15 | 49 | 15 | 48 |
| Other receivables | 9.3.12 | 27,717 | 87,821 | 33,866 | 103,562 | 65,923 | 216,326 | 119,552 | 383,822 |
| Amount due from an associate | 9.3.13 | - | - | 29,022 | 88,749 | 20,092 | 65,932 | - | - |
| Deferred tax assets | 9.3.14 | - | - | 19,369 | 59,231 | 18,496 | 60,695 | 72,265 | 232,007 |
| Total non-current assets | | 61,356 | 194,406 | 210,414 | 643,446 | 428,729 | 1,406,874 | 638,958 | 2,051,375 |

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.3 QSA (cont'd)****9.3.2 Summarised Statement of Financial Position (cont'd)**

The following table sets out the summary of the financial position prepared based on the audited financial statements of QSA for the past three (3) FYE 31 December 2011, 2012, 2013 and FPE 30 June 2014 (cont'd):-

| FYE/FPE | Note | 31.12.2011 | | 31.12.2012 | | 31.12.2013 | | 30.6.2014 | |
|--|--------|------------|------------|------------|------------|------------|------------|-----------|------------|
| | | USD | RM | USD | RM | USD | RM | USD | RM |
| <u>Current assets</u> | | | | | | | | | |
| Inventories | 9.3.15 | 1,183,345 | 3,749,429 | 1,925,425 | 5,887,950 | 2,323,173 | 7,623,492 | 1,673,961 | 5,374,252 |
| Trade receivables | 9.3.16 | 2,656,437 | 8,416,921 | 1,163,634 | 3,558,393 | 2,114,328 | 6,938,167 | 2,566,926 | 8,241,116 |
| Other receivables | 9.3.12 | 370,968 | 1,175,412 | 339,324 | 1,037,654 | 396,899 | 1,302,425 | 484,050 | 1,554,044 |
| Amount due from former holding company | 9.3.17 | - | - | 60,000 | 183,480 | 75,860 | 248,935 | - | - |
| Amount due from ultimate holding company | 9.3.17 | - | - | - | - | - | - | 182,736 | 586,674 |
| Amount due from an associate | 9.3.13 | - | - | 765,258 | 2,340,159 | - | - | 68,137 | 218,754 |
| Amount due from a subsidiary | 9.3.18 | 378,944 | 1,200,684 | 386,262 | 1,181,189 | 103,852 | 340,790 | 138,285 | 443,964 |
| Amount due from a related company | 9.3.19 | - | - | 223 | 682 | - | - | 1,046,629 | 3,360,202 |
| Cash and bank balances | 9.3.20 | 477,128 | 1,511,780 | 988,795 | 3,023,735 | 772,478 | 2,534,887 | 76,217 | 244,695 |
| Total current assets | | 5,066,822 | 16,054,226 | 5,628,921 | 17,213,242 | 5,786,590 | 18,988,696 | 6,236,941 | 20,023,701 |
| TOTAL ASSETS | | 5,128,178 | 16,248,632 | 5,839,335 | 17,856,688 | 6,215,319 | 20,395,570 | 6,875,899 | 22,075,076 |
| EQUITY AND LIABILITIES | | | | | | | | | |
| EQUITY | | | | | | | | | |
| Share capital | 9.3.21 | 69,538 | 214,559 | 69,538 | 214,559 | 69,538 | 214,559 | 69,538 | 214,559 |
| Retained earnings | | 1,691,497 | 5,243,330 | 2,810,126 | 8,687,029 | 1,816,136 | 5,536,082 | 2,670,869 | 8,326,186 |
| Exchange translation reserves | | - | 121,950 | - | (95,575) | - | 437,198 | - | 257,335 |
| Total equity | | 1,761,035 | 5,579,839 | 2,879,664 | 8,806,013 | 1,885,674 | 6,187,839 | 2,740,407 | 8,798,080 |
| LIABILITIES | | | | | | | | | |
| <u>Non-current liabilities</u> | | | | | | | | | |
| Amount due to a subsidiary | 9.3.18 | - | - | 6,182 | 18,905 | 3,269 | 10,727 | 1,812 | 5,817 |
| Deferred income | 9.3.22 | 157,375 | 498,643 | 131,892 | 403,326 | 273,499 | 897,487 | 369,352 | 1,185,805 |
| Finance lease liabilities | 9.3.23 | - | - | - | - | 64,898 | 212,963 | 77,103 | 247,539 |
| Deferred tax liabilities | 9.3.14 | 3,072 | 9,734 | - | - | - | - | - | - |
| Total non-current liabilities | | 160,447 | 508,377 | 138,074 | 422,231 | 341,666 | 1,121,177 | 448,267 | 1,439,161 |

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.3 QSA (cont'd)****9.3.2 Summarised Statement of Financial Position (cont'd)**

The following table sets out the summary of the financial position prepared based on the audited financial statements of QSA for the past three (3) FYE 31 December 2011, 2012, 2013 and FPE 30 June 2014 (cont'd):-

| FYE/FPE | Note | 31.12.2011 | | 31.12.2012 | | 31.12.2013 | | 30.6.2014 | |
|---------------------------------|--------|------------|------------|------------|------------|------------|------------|-----------|------------|
| | | USD | RM | USD | RM | USD | RM | USD | RM |
| Current liabilities | | | | | | | | | |
| Trade payables | 9.3.24 | 1,126,101 | 3,568,051 | 1,238,630 | 3,787,731 | 1,069,262 | 3,508,783 | 1,004,300 | 3,224,305 |
| Other payables | 9.3.25 | 1,252,109 | 3,967,307 | 713,616 | 2,182,237 | 1,707,097 | 5,601,839 | 745,727 | 2,394,156 |
| Amount due to an associate | 9.3.13 | - | - | 46,219 | 141,338 | 8,834 | 28,989 | 289,099 | 928,152 |
| Amount due to a subsidiary | 9.3.18 | - | - | - | - | - | - | 3,708 | 11,905 |
| Amount due to related companies | 9.3.19 | - | - | - | - | 29,199 | 95,817 | - | - |
| Deferred income | 9.3.22 | 522,486 | 1,655,497 | 541,132 | 1,654,782 | 1,142,792 | 3,750,072 | 1,588,420 | 5,099,622 |
| Finance lease liabilities | 9.3.23 | - | - | - | - | 30,795 | 101,054 | 55,971 | 179,695 |
| Tax payable | | 306,000 | 969,561 | 282,000 | 862,356 | - | - | - | - |
| Total current liabilities | | 3,206,696 | 10,160,416 | 2,821,597 | 8,628,444 | 3,987,979 | 13,086,554 | 3,687,225 | 11,837,835 |
| Total liabilities | | 3,367,143 | 10,668,793 | 2,959,671 | 9,050,675 | 4,329,645 | 14,207,731 | 4,135,492 | 13,276,996 |
| TOTAL EQUITY AND LIABILITIES | | 5,128,178 | 16,248,632 | 5,839,335 | 17,856,688 | 6,215,319 | 20,395,570 | 6,875,899 | 22,075,076 |
| NA | | | 5,579,839 | | 8,806,013 | | 6,187,839 | | 8,798,080 |
| Number of ordinary shares | | | 100,002 | | 100,002 | | 100,002 | | 100,002 |
| NA per share (RM) | | | 55.80 | | 88.06 | | 61.88 | | 87.98 |

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.3 QSA (cont'd)****9.3.3 Summarised Statement of Cash Flows**

The following table sets out the summary of cash flows prepared based on the audited financial statements of QSA for the past three (3) FYE 31 December 2011, 2012, 2013 and FPE 30 June 2014:-

| FYE/FPE | 1.1.2011 to 31.12.2011 | | 1.1.2012 to 31.12.2012 | | 1.1.2013 to 31.12.2013 | | 1.1.2014 to 30.6.2014 | |
|---|------------------------------|-------------|------------------------------|-------------|------------------------------|-------------|-----------------------------|-------------|
| | USD | RM | USD | RM | USD | RM | USD | RM |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | | |
| Profit before tax | 2,025,322 | 6,191,814 | 1,853,957 | 5,707,406 | 1,524,883 | 4,833,880 | 800,964 | 2,614,588 |
| Adjustments for:- | | | | | | | | |
| Bad debts written off | 2,315 | 7,077 | - | - | - | - | - | - |
| Depreciation of property, plant and equipment | 14,619 | 44,693 | 69,298 | 213,334 | 78,146 | 247,723 | 46,668 | 152,338 |
| Interest income | - | - | (7,462) | (22,972) | (23,133) | (73,332) | - | - |
| Inventories written down | 16,203 | 49,536 | 128,570 | 395,803 | 62,762 | 198,956 | - | - |
| Inventories written off | - | - | 4,172 | 12,843 | 15,459 | 49,005 | - | - |
| Unrealised loss/(gain) on foreign exchange | 35,707 | 109,164 | (133) | (409) | 24,520 | 77,728 | 2,712 | 8,854 |
| | 2,094,166 | 6,402,284 | 2,048,402 | 6,306,005 | 1,682,637 | 5,333,960 | 850,344 | 2,775,780 |
| Changes in working capital:- | | | | | | | | |
| Inventories | (299,157) | (914,583) | (874,822) | (2,693,139) | (475,969) | (1,508,822) | 649,212 | 2,119,223 |
| Receivables | (934,604) | (2,857,270) | 1,559,261 | 4,800,185 | (1,039,370) | (3,294,808) | (575,022) | (1,877,043) |
| Payables | 516,160 | 1,578,004 | 406,372 | 1,251,015 | 823,126 | 2,609,312 | (316,240) | (1,032,304) |
| Associate | - | - | (475,268) | (1,463,112) | 736,803 | 2,335,666 | 232,424 | 758,701 |
| Related companies | - | - | - | - | 29,787 | 94,425 | (125,445) | (409,490) |
| Subsidiary | (99,665) | (304,696) | (627) | (1,930) | 272,335 | 863,302 | (52,786) | (172,111) |
| Deferred income | 291,457 | 891,042 | (6,837) | (21,047) | 736,370 | 2,334,292 | 541,481 | 1,767,556 |
| Cash generated from operating activities | 1,568,357 | 4,794,781 | 2,656,481 | 8,177,977 | 2,765,719 | 8,767,327 | 1,203,968 | 3,930,312 |
| Tax paid | (208,628) | (637,818) | (317,542) | (977,553) | (19,936) | (63,197) | - | - |
| Net cash from operating activities | 1,359,729 | 4,156,963 | 2,338,939 | 7,200,424 | 2,745,783 | 8,704,130 | 1,203,968 | 3,930,312 |

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.3 QSA (cont'd)****9.3.3 Summarised Statement of Cash Flows (cont'd)**

The following table sets out the summary of cash flows prepared based on the audited financial statements of QSA for the past three (3) FYE 31 December 2011, 2012, 2013 and FPE 30 June 2014 (cont'd):-

| FYE/FPE | 1.1.2011 to 31.12.2011 | | 1.1.2012 to 31.12.2012 | | 1.1.2013 to 31.12.2013 | | 1.1.2014 to 30.6.2014 | |
|--|------------------------------|-------------|------------------------------|-------------|------------------------------|-------------|-----------------------------|-------------|
| | USD | RM | USD | RM | USD | RM | USD | RM |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | | |
| Purchase of property, plant and equipment | (47,523) | (145,287) | (163,801) | (504,261) | (175,505) | (556,351) | (112,888) | (368,500) |
| Loan to a related company | - | - | (470,000) | (1,446,895) | - | - | - | - |
| Advance to a related company | - | - | (223) | (687) | - | - | (950,578) | (3,102,972) |
| Repayment of loan from a related company | - | - | 470,000 | 1,446,895 | - | - | - | - |
| Interest received | - | - | 7,462 | 22,972 | 23,133 | 73,332 | - | - |
| Investment in an associate | - | - | (15) | (46) | - | - | - | - |
| Loan to an associate | - | - | (780,047) | (2,401,375) | - | - | - | - |
| Repayment of loan by an associate | - | - | 510,000 | 1,570,035 | - | - | - | - |
| (Loan)/Repayment from former holding company | - | - | (60,000) | (184,710) | (15,860) | (50,276) | 75,903 | 247,770 |
| Advance to ultimate holding company | - | - | - | - | - | - | (182,736) | (596,505) |
| Repayment from a related company | - | - | - | - | 223 | 707 | - | - |
| Advance from subsidiary | - | - | - | - | - | - | 3,708 | 11,905 |
| Net cash used in investing activities | (47,523) | (145,287) | (486,624) | (1,498,072) | (168,009) | (532,588) | (1,166,591) | (3,808,302) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | | | |
| Dividend paid | (1,740,024) | (5,319,602) | (1,346,499) | (4,145,197) | (2,792,138) | (8,851,077) | (712,138) | (2,324,632) |
| Repayment of finance lease liabilities | - | - | - | - | (1,953) | (6,190) | (21,391) | (69,827) |
| Net cash used in financing activities | (1,740,024) | (5,319,602) | (1,346,499) | (4,145,197) | (2,794,091) | (8,857,267) | (733,529) | (2,394,459) |
| CASH AND CASH EQUIVALENTS | | | | | | | | |
| Net changes | (427,818) | (1,307,926) | 505,816 | 1,557,155 | (216,317) | (685,725) | (696,152) | (2,272,449) |
| Effects of exchange translation difference | (26,861) | (55,384) | 5,851 | (45,200) | - | 196,877 | (109) | (17,743) |
| Brought forward | 931,807 | 2,875,090 | 477,128 | 1,511,780 | 988,795 | 3,023,735 | 772,478 | 2,534,887 |
| Carried forward | 477,128 | 1,511,780 | 988,795 | 3,023,735 | 772,478 | 2,534,887 | 76,217 | 244,695 |

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.3 QSA (cont'd)****9.3.4 Summarised Statement of Changes in Equity**

The following table sets out the summary of changes in equity prepared based on the audited financial statements of QSA for the past three (3) FYE 31 December 2011, 2012 and 2013 and FPE 30 June 2014:-

| | | | Non- distributable | | Distributable | | | |
|---|---------------|---------|------------------------------|-----------|-------------------|-------------|-------------|-------------|
| | | | Exchange translation reserve | | | | | |
| | Share capital | | | | Retained earnings | | Total | |
| | USD | RM | USD | RM | USD | RM | USD | RM |
| At date 1 January 2011 | 69,538 | 214,559 | - | - | 2,547,203 | 7,859,395 | 2,616,741 | 8,073,954 |
| Exchange translation differences | - | - | - | 121,950 | - | - | - | 121,950 |
| Profit for the financial year | - | - | - | - | 1,748,766 | 5,346,327 | 1,748,766 | 5,346,327 |
| Total comprehensive income for the financial year | - | - | - | 121,950 | 1,748,766 | 5,346,327 | 1,748,766 | 5,468,277 |
| Dividends payable (Note 9.3.26) | - | - | - | - | (2,604,472) | (7,962,392) | (2,604,472) | (7,962,392) |
| At 31 December 2011 | 69,538 | 214,559 | - | 121,950 | 1,691,497 | 5,243,330 | 1,761,035 | 5,579,839 |
| Exchange translation differences | - | - | - | (217,525) | - | - | - | (217,525) |
| Profit for the financial year | - | - | - | - | 1,600,680 | 4,927,693 | 1,600,680 | 4,927,693 |
| Total comprehensive income for the financial year | - | - | - | (217,525) | 1,600,680 | 4,927,693 | 1,600,680 | 4,710,168 |
| Dividends payable (Note 9.3.26) | - | - | - | - | (482,051) | (1,483,994) | (482,051) | (1,483,994) |
| At 31 December 2012 | 69,538 | 214,559 | - | (95,575) | 2,810,126 | 8,687,029 | 2,879,664 | 8,806,013 |
| Exchange translation differences | - | - | - | 532,773 | - | - | - | 532,773 |
| Profit for the financial year | - | - | - | - | 1,806,010 | 5,725,053 | 1,806,010 | 5,725,053 |
| Total comprehensive income for the financial year | - | - | - | 532,773 | 1,806,010 | 5,725,053 | 1,806,010 | 6,257,826 |
| Dividends payable (Note 9.3.26) | - | - | - | - | (2,800,000) | (8,876,000) | (2,800,000) | (8,876,000) |
| At 31 December 2013 | 69,538 | 214,559 | - | 437,198 | 1,816,136 | 5,536,082 | 1,885,674 | 6,187,839 |
| Exchange translation differences | - | - | - | (179,863) | - | - | - | (179,863) |
| Profit for the financial period | - | - | - | - | 854,733 | 2,790,104 | 854,733 | 2,790,104 |
| Total comprehensive income for the financial period | - | - | - | (179,863) | 854,733 | 2,790,104 | 854,733 | 2,610,241 |
| At 30 June 2014 | 69,538 | 214,559 | - | 257,335 | 2,670,869 | 8,326,186 | 2,740,407 | 8,798,080 |

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.3 QSA (cont'd)****9.3.5 Revenue**

| FYE/FPE | 1.1.2011 to 31.12.2011 | | 1.1.2012 to 31.12.2012 | | 1.1.2013 to 31.12.2013 | | 1.1.2014 to 30.6.2014 | |
|-----------------------|------------------------------|------------|------------------------------|------------|------------------------------|------------|-----------------------------|------------|
| | USD | RM | USD | RM | USD | RM | USD | RM |
| Sale of goods | 9,074,992 | 27,744,066 | 7,752,612 | 23,866,413 | 10,393,684 | 32,947,979 | 5,585,983 | 18,234,324 |
| Rendering of services | 1,435,531 | 4,388,705 | 3,383,665 | 10,416,615 | 2,485,737 | 7,879,786 | 1,627,212 | 5,311,708 |
| | 10,510,523 | 32,132,771 | 11,136,277 | 34,283,028 | 12,879,421 | 40,827,765 | 7,213,195 | 23,546,032 |

9.3.6 Profit before tax

Profit before tax has been determined after charging/(crediting), amongst other items, the following items:-

| FYE/FPE | 1.1.2011 to 31.12.2011 | | 1.1.2012 to 31.12.2012 | | 1.1.2013 to 31.12.2013 | | 1.1.2014 to 30.6.2014 | |
|---|------------------------------|----------|------------------------------|-----------|------------------------------|-----------|-----------------------------|----------|
| | USD | RM | USD | RM | USD | RM | USD | RM |
| Audit fee | 19,720 | 60,288 | 22,951 | 70,655 | 22,388 | 70,970 | 11,083 | 36,178 |
| Depreciation of property, plant and equipment | 14,619 | 44,693 | 69,298 | 213,334 | 78,146 | 247,723 | 46,668 | 152,338 |
| Directors' remuneration | 275,788 | 843,139 | 348,535 | 1,072,965 | 332,764 | 1,054,862 | 209,335 | 683,332 |
| Bad debts written off | 2,315 | 7,077 | - | - | - | - | - | - |
| Inventories written down | 16,203 | 49,536 | 128,570 | 395,803 | 62,762 | 198,956 | - | - |
| Inventories written off | - | - | 4,172 | 12,843 | 15,459 | 49,005 | - | - |
| Rental of premises | 193,407 | 591,284 | 225,306 | 693,605 | 256,311 | 812,506 | 124,478 | 406,334 |
| Loss/(gain) on foreign exchange: | | | | | | | | |
| Realised | (16,727) | (51,138) | (73,735) | (226,993) | 9,862 | 31,263 | (12,739) | (41,584) |
| Unrealised | 35,707 | 109,164 | (133) | (409) | 24,520 | 77,728 | 2,712 | 8,854 |
| Interest income: | | | | | | | | |
| Related company | - | - | (3,632) | 11,181 | - | - | - | - |
| Associate | - | - | (3,830) | 11,791 | (23,133) | (73,332) | - | - |

9.3.7 Employee benefits expense

| FYE/FPE | 1.1.2011 to 31.12.2011 | | 1.1.2012 to 31.12.2012 | | 1.1.2013 to 31.12.2013 | | 1.1.2014 to 30.6.2014 | |
|---------------------------------|------------------------------|-----------|------------------------------|-----------|------------------------------|-----------|-----------------------------|-----------|
| | USD | RM | USD | RM | USD | RM | USD | RM |
| Salaries, allowance and bonuses | 1,074,016 | 3,283,482 | 1,146,191 | 3,528,549 | 1,542,438 | 4,889,528 | 871,377 | 2,844,435 |
| Defined contribution plans | 97,448 | 297,918 | 146,687 | 451,576 | 195,957 | 621,184 | 84,304 | 275,194 |
| Others | 238,835 | 730,166 | 354,155 | 1,090,266 | 600,052 | 1,902,165 | 173,271 | 565,609 |
| Directors' remuneration | 275,788 | 843,139 | 348,535 | 1,072,965 | 332,764 | 1,054,862 | 209,335 | 683,332 |
| | 1,686,087 | 5,154,705 | 1,995,568 | 6,143,356 | 2,671,211 | 8,467,739 | 1,338,287 | 4,368,570 |

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.3 QSA (cont'd)****9.3.7 Employee benefits expense (cont'd)**

The details of Directors' remuneration are as follow:-

| FYE/FPE | 1.1.2011 to 31.12.2011 | | 1.1.2012 to 31.12.2012 | | 1.1.2013 to 31.12.2013 | | 1.1.2014 to 30.6.2014 | |
|----------------------------|------------------------------|----------------|------------------------------|------------------|------------------------------|------------------|-----------------------------|----------------|
| | USD | RM | USD | RM | USD | RM | USD | RM |
| Remuneration | 124,723 | 381,303 | 330,428 | 1,017,223 | 316,643 | 1,003,759 | 199,600 | 651,554 |
| Other emoluments | 144,001 | 440,240 | - | - | - | - | - | - |
| Defined contribution plans | 6,953 | 21,257 | 17,927 | 55,188 | 15,984 | 50,669 | 9,600 | 31,337 |
| Skills development fund | 111 | 339 | 180 | 554 | 137 | 434 | 135 | 441 |
| | <u>275,788</u> | <u>843,139</u> | <u>348,535</u> | <u>1,072,965</u> | <u>332,764</u> | <u>1,054,862</u> | <u>209,335</u> | <u>683,332</u> |

9.3.8 Tax expense/(income)

| FYE/FPE | 1.1.2011 to 31.12.2011 | | 1.1.2012 to 31.12.2012 | | 1.1.2013 to 31.12.2013 | | 1.1.2014 to 30.6.2014 | |
|---|------------------------------|----------------|------------------------------|----------------|------------------------------|------------------|-----------------------------|------------------|
| | USD | RM | USD | RM | USD | RM | USD | RM |
| Current year's tax expense | 306,000 | 935,503 | 282,000 | 868,137 | - | - | - | - |
| Overprovision for current tax in prior year | (32,516) | (99,408) | (6,282) | (19,339) | (282,000) | (893,940) | - | - |
| Deferred tax relating to origination of temporary differences | 5,364 | 16,399 | (22,441) | (69,085) | 873 | 2,767 | 18,048 | 58,914 |
| Underprovision of deferred tax in prior years | (2,292) | (7,007) | - | - | - | - | (71,817) | (234,430) |
| | <u>276,556</u> | <u>845,487</u> | <u>253,277</u> | <u>779,713</u> | <u>(281,127)</u> | <u>(891,173)</u> | <u>(53,769)</u> | <u>(175,516)</u> |

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.3 QSA (cont'd)****9.3.8 Tax expense/(income) (cont'd)**

A reconciliation of income tax expense/(income) applicable to profit before tax at the statutory tax rate to income tax expense/(income) at the effective tax rate of the QSA is as follows:

| FYE/FPE | 1.1.2011 to 31.12.2011 | | 1.1.2012 to 31.12.2012 | | 1.1.2013 to 31.12.2013 | | 1.1.2014 to 30.6.2014 | |
|---|------------------------------|-----------|------------------------------|-----------|------------------------------|-----------|-----------------------------|-----------|
| | USD | RM | USD | RM | USD | RM | USD | RM |
| Profit before tax | 2,025,322 | 6,191,814 | 1,853,957 | 5,707,406 | 1,524,883 | 4,833,880 | 800,964 | 2,614,588 |
| Tax at Singapore statutory tax rate of 17% | 344,305 | 1,052,609 | 315,173 | 970,260 | 259,230 | 821,759 | 136,164 | 444,480 |
| Tax effects in respect of:- | | | | | | | | |
| Expenses not deductible for tax purposes | 18,043 | 55,161 | 9,705 | 29,877 | 16,221 | 51,420 | 17,893 | 58,408 |
| Income not subject to tax | (30,373) | (92,856) | (850) | (2,617) | - | - | - | - |
| Partial tax exemption and tax incentives | (20,611) | (63,012) | (64,469) | (198,468) | (274,578) | (870,412) | (136,009) | (443,974) |
| Overprovision of current tax in prior years | (32,516) | (99,408) | (6,282) | (19,339) | (282,000) | (893,940) | - | - |
| Underprovision of deferred tax in prior years | (2,292) | (7,007) | - | - | - | - | (71,817) | (234,430) |
| | 276,556 | 845,487 | 253,277 | 779,713 | (281,127) | (891,173) | (53,769) | (175,516) |

In accordance with Productivity and Innovation Credit ("PIC") Scheme, the company is entitled to 400% tax allowance for investment in innovation and productivity improvements. The tax benefits are currently available from year of assessment 2011 to 2018.

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.3 QSA (cont'd)****9.3.9 Property, plant and equipment**

| FYE/FPE | 31.12.2011 | | 31.12.2012 | | 31.12.2013 | | 30.6.2014 | |
|----------------------------|------------|---------|------------|---------|------------|-----------|-----------|-----------|
| | USD | RM | USD | RM | USD | RM | USD | RM |
| Net carrying amount | | | | | | | | |
| Office equipment | 31,174 | 98,775 | 35,362 | 108,137 | 195,164 | 640,431 | 335,302 | 1,076,487 |
| Furniture and fittings | 2,464 | 7,807 | 1,927 | 5,893 | 26,190 | 85,943 | 23,201 | 74,487 |
| Renovation | - | - | 90,852 | 277,825 | 102,848 | 337,495 | 88,622 | 284,521 |
| | 33,638 | 106,582 | 128,141 | 391,855 | 324,202 | 1,063,869 | 447,125 | 1,435,495 |

Additions to property, plant and equipment during the financial period amounting to USD56,703/RM185,096 (31.12.2013: USD98,702/RM312,885; 31.12.2012 and 31.12.2011: Nil) were financed by finance lease. Cash payments of USD112,888/RM368,500 (31.12.2013: USD175,505/RM556,351; 31.12.2012: USD163,801/RM504,261 and 31.12.2011: USD47,523/RM145,287) was made to purchase property, plant and equipment.

The carrying amount of the office equipment assets held under finance lease are USD168,929/RM542,347 (31.12.2013: USD101,960/RM334,582; 31.12.2012 and 31.12.2011: Nil) at the end of the reporting period.

9.3.10 Investment in a subsidiary

| FYE/FPE | 31.12.2011 | | 31.12.2012 | | 31.12.2013 | | 30.6.2014 | |
|---------------------------------|------------|----|------------|----|------------|----|-----------|----|
| | USD | RM | USD | RM | USD | RM | USD | RM |
| Unquoted equity shares, at cost | 1 | 3 | 1 | 3 | 1 | 3 | 1 | 3 |

The details of the subsidiary are as follows:-

| Name of subsidiary | Country of incorporation | Proportion of ownership interest and voting power | | | | Principal activities |
|--------------------------------------|--------------------------|---|------------|------------|-----------|---|
| | | 31.12.2011 | 31.12.2012 | 31.12.2013 | 30.6.2014 | |
| | | % | % | % | % | |
| Quantum Storage South Asia Sdn. Bhd. | Malaysia | 100 | 100 | 100 | 100 | Trading in computer hardware, accessories, devices, spare parts, peripherals, appliances and related products. In year 2012, the company changed its principal activity to that of provision of administrative and support services to its holding company. |

The subsidiary is audited by WK Hong & Co. for the FYE 31 December 2011 and 2012 and for the FYE 31 December 2013 and FPE 30 June 2014 are audited by SJ Grant Thornton.

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.3. QSA (cont'd)****9.3.11 Investment in an associate**

| FYE/FPE | 31.12.2011 | | 31.12.2012 | | 31.12.2013 | | 30.6.2014 | |
|---------------------------------|------------|----|------------|----|------------|----|-----------|----|
| | USD | RM | USD | RM | USD | RM | USD | RM |
| Unquoted equity shares, at cost | - | - | 15 | 46 | 15 | 49 | 15 | 48 |

The details of the associate are as follows:-

| Name of associate | Country of incorporation | Proportion of ownership interest and voting power | | | | Principal activities |
|-----------------------------------|--------------------------|---|------------|------------|-----------|--|
| | | 31.12.2011 | 31.12.2012 | 31.12.2013 | 30.6.2014 | |
| | | % | % | % | % | |
| Quantum Storage (India) Pte. Ltd. | Singapore | - | 20 | 20 | 20 | Investment holding and infrastructure technology business providing data protection, hardware and software solutions to enterprises. |

The associate is audited by another firm of auditors.

The summary of financial information of the associate, not adjusted for the proportion of ownership interest held by the company, is set out below:

| FYE/FPE | 31.12.2012 | | 31.12.2013 | | 30.6.2014 | |
|-------------------|------------|-----------|------------|------------|-----------|-----------|
| | USD | RM | USD | RM | USD | RM |
| Total assets | 1,040,937 | 3,033,337 | 662,577 | 2,174,246 | 1,236,585 | 3,970,056 |
| Total liabilities | 1,833,819 | 5,607,819 | 1,975,530 | 6,482,702 | 2,486,467 | 7,982,802 |
| Revenue | 857,110 | 2,638,613 | 3,731,466 | 11,828,747 | 1,161,029 | 3,789,908 |
| Net loss | 794,324 | 2,445,326 | 508,309 | 1,611,340 | 85,323 | 278,517 |

The company's share of the associate's net liabilities is zero as the company discontinues recognising further losses when the company's share of loss of the associate exceeds its interest in the associate. As at 30 June 2014, the company's share of unrecognised losses of the associate for the period/years amounted to USD17,065/RM55,703 (31.12.2013: USD101,662/RM322,268; 31.12.2012: USD158,865/RM489,065).

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.3 QSA (cont'd)****9.3.12 Other receivables**

| FYE/FPE | 31.12.2011 | | 31.12.2012 | | 31.12.2013 | | 30.6.2014 | |
|--|------------|-----------|------------|-----------|------------|-----------|-----------|-----------|
| | USD | RM | USD | RM | USD | RM | USD | RM |
| Non-current asset | | | | | | | | |
| Prepayments | 27,717 | 87,821 | 33,866 | 103,562 | 65,923 | 216,326 | 119,552 | 383,822 |
| Current assets | | | | | | | | |
| Other receivables | 166,395 | 527,223 | 13,678 | 41,827 | 79,146 | 259,718 | 29,672 | 95,263 |
| Deposits | 78,430 | 248,505 | 112,665 | 344,530 | 137,534 | 451,318 | 138,182 | 443,634 |
| Prepayments | 126,143 | 399,684 | 212,981 | 651,297 | 180,219 | 591,389 | 316,196 | 1,015,147 |
| | 370,968 | 1,175,412 | 339,324 | 1,037,654 | 396,899 | 1,302,425 | 484,050 | 1,554,044 |
| Total other receivables | 398,685 | 1,263,233 | 373,190 | 1,141,216 | 462,822 | 1,518,751 | 603,602 | 1,937,866 |
| Analysed prepayments as: | | | | | | | | |
| Non-current | | | | | | | | |
| Later than one year but not later than two years | 19,093 | 60,496 | 23,162 | 70,829 | 28,893 | 94,812 | 68,800 | 220,883 |
| Later than two years but not later than five years | 8,624 | 27,325 | 10,704 | 32,733 | 37,030 | 121,514 | 50,752 | 162,939 |
| | 27,717 | 87,821 | 33,866 | 103,562 | 65,923 | 216,326 | 119,552 | 383,822 |
| Current | 126,143 | 399,684 | 212,981 | 651,297 | 180,219 | 591,389 | 316,196 | 1,015,147 |
| | 153,860 | 487,505 | 246,847 | 754,859 | 246,142 | 807,715 | 435,748 | 1,398,969 |

Prepayments are in respect of trade transactions which are maintenance fees paid in advance to suppliers.

Included in other receivables in FYE 31 December 2013 is an amount of USD23,146/RM75,874 was due from a company in which a Director has substantial financial interest is unsecured, interest free and repayable on demand.

Currency exposure profile of other receivables is as follows:-

| FYE/FPE | 31.12.2011 | | 31.12.2012 | | 31.12.2013 | | 30.6.2014 | |
|---------|------------|---------|------------|---------|------------|---------|-----------|---------|
| | USD | RM | USD | RM | USD | RM | USD | RM |
| SGD | 83,420 | 264,316 | 111,453 | 340,823 | 190,847 | 626,264 | 136,274 | 437,508 |
| THB | 2,850 | 9,030 | 3,009 | 9,202 | 2,021 | 6,632 | 2,038 | 6,543 |
| PHP | 1,900 | 6,020 | 1,259 | 3,850 | 684 | 2,245 | 1,888 | 6,062 |
| IDR | - | - | 8,102 | 24,776 | 7,528 | 24,703 | 9,540 | 30,628 |
| INR | - | - | 7,347 | 22,467 | - | - | - | - |

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.3 QSA (cont'd)****9.3.13 Amount due from/(to) an associate**

| FYE/FPE | 31.12.2011 | | 31.12.2012 | | 31.12.2013 | | 30.6.2014 | |
|--------------------|------------|----|------------|-----------|------------|----------|-----------|-----------|
| | USD | RM | USD | RM | USD | RM | USD | RM |
| Non-current | | | | | | | | |
| Trade nature | - | - | 29,022 | 88,749 | 20,092 | 65,932 | - | - |
| Current | | | | | | | | |
| Trade nature | - | - | (46,219) | (141,338) | (8,834) | (28,989) | (289,099) | (928,152) |
| Non-trade nature | - | - | 765,258 | 2,340,159 | - | - | 68,137 | 218,754 |

All outstanding balances arising from trade transactions are unsecured, interest free and repayable within 30 (31.12.2013, 2012 and 2011: 30) days from the date of transactions.

All outstanding balances arising from non-trade transactions are unsecured, interest free and repayable on demand.

Currency exposure profile of amount due from an associate is as follows:-

| FYE/FPE | 31.12.2011 | | 31.12.2012 | | 31.12.2013 | | 30.6.2014 | |
|---------|------------|----|------------|-----------|------------|----|-----------|---------|
| | USD | RM | USD | RM | USD | RM | USD | RM |
| SGD | - | - | 765,258 | 2,340,159 | - | - | 68,137 | 218,754 |

9.3.14 Deferred tax liabilities/(assets)

| FYE/FPE | Accelerated tax depreciation | | Unutilised capital allowance | | Provisions | | Exchange translation reserves | | Total | |
|---|------------------------------|---------|------------------------------|----|------------|----------|-------------------------------|-----|----------|----------|
| | USD | RM | USD | RM | USD | RM | USD | RM | USD | RM |
| At 1 January 2011 | | | | | | | | | | |
| Amount charged/(credited) to statement of profit or loss and other comprehensive income | 5,594 | 17,102 | - | - | (230) | (703) | - | - | 5,364 | 16,399 |
| Overprovision in prior years | (2,292) | (7,007) | - | - | - | - | - | - | (2,292) | (7,007) |
| Effect on exchange translation differences | - | - | - | - | - | - | - | 342 | - | 342 |
| At 31 December 2011 | 3,302 | 10,095 | - | - | (230) | (703) | - | 342 | 3,072 | 9,734 |
| Amount charged/(credited) to statement of profit or loss and other comprehensive income | 3,037 | 9,349 | - | - | (25,478) | (78,434) | - | - | (22,441) | (69,085) |
| Effect on exchange translation differences | - | - | - | - | - | - | - | 120 | - | 120 |
| At 31 December 2012 | 6,339 | 19,444 | - | - | (25,708) | (79,137) | - | 462 | (19,369) | (59,231) |

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.3 QSA (cont'd)****9.3.14 Deferred tax liabilities/(assets) (cont'd)**

| FYE/FPE | Accelerated tax depreciation | | Unutilised capital allowance | | Provisions | | Exchange translation reserves | | Total | |
|---|------------------------------|----------|------------------------------|----------|------------|-----------|-------------------------------|---------|----------|-----------|
| | USD | RM | USD | RM | USD | RM | USD | RM | USD | RM |
| At 31 December 2012 | 6,339 | 19,444 | - | - | (25,708) | (79,137) | - | 462 | (19,369) | (59,231) |
| Amount charged/(credited) to statement of profit or loss and other comprehensive income | 13,099 | 41,524 | - | - | (12,226) | (38,757) | - | - | 873 | 2,767 |
| Effect on exchange translation differences | - | - | - | - | - | - | - | (4,231) | - | (4,231) |
| At 31 December 2013 | 19,438 | 60,968 | - | - | (37,934) | (117,894) | - | (3,769) | (18,496) | (60,695) |
| Amount credited to statement of profit or loss and other comprehensive income | (23,655) | (77,216) | (4,943) | (16,135) | (25,171) | (82,165) | - | - | (53,769) | (175,516) |
| Effect on exchange translation differences | - | - | - | - | - | - | - | 4,204 | - | 4,204 |
| At 30 June 2014 | (4,217) | (16,248) | (4,943) | (16,135) | (63,105) | (200,059) | - | 435 | (72,265) | (232,007) |

9.3.15 Inventories

| FYE/FPE | 31.12.2011 | | 31.12.2012 | | 31.12.2013 | | 30.6.2014 | |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | USD | RM | USD | RM | USD | RM | USD | RM |
| Trading goods | 513,681 | 1,627,599 | 1,257,648 | 3,845,888 | 1,675,906 | 5,499,485 | 963,300 | 3,092,675 |
| Consumable spare parts | 669,664 | 2,121,830 | 667,777 | 2,042,062 | 647,267 | 2,124,007 | 710,661 | 2,281,577 |
| | <u>1,183,345</u> | <u>3,749,429</u> | <u>1,925,425</u> | <u>5,887,950</u> | <u>2,323,173</u> | <u>7,623,492</u> | <u>1,673,961</u> | <u>5,374,252</u> |
| Inventories recognised as an expenses in cost of sales | 5,641,208 | 17,246,301 | 4,485,345 | 13,808,135 | 5,877,302 | 18,631,047 | 3,577,543 | 11,678,174 |

9.3.16 Trade receivables

The normal credit term granted to trade receivables ranged from 60 days to 90 days (31.12.2013, 2012 and 2011: 30 days to 90 days).

Trade receivables are recognised at their original invoice amounts which represent their fair value initial recognition.

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.3 QSA (cont'd)****9.3.16 Trade receivables (cont'd)**

Currency exposure profile of trade receivables is as follows:-

| FYE/FPE | 31.12.2011 | | 31.12.2012 | | 31.12.2013 | | 30.6.2014 | |
|--------------|------------|-----------|------------|-----------|------------|-----------|-----------|-----------|
| | USD | RM | USD | RM | USD | RM | USD | RM |
| SGD | 845,765 | 2,679,806 | 447,413 | 1,368,189 | 1,214,758 | 3,986,228 | 1,125,272 | 3,612,686 |
| Chinese Yuan | 6,354 | 20,133 | - | - | - | - | - | - |

9.3.17 Amount due from former/ultimate holding company

The amount due from former holding company is non-trade in nature, unsecured, interest free and repayable on demand.

On 30 May 2014, Kronologi acquired the entire issued and paid-up share capital of the company from KA. Consequently, the company became a wholly-subsiidiary of Kronologi.

The outstanding balances from KA, the former holding company, had been settled during the financial period ended 30 June 2014.

9.3.18 Amount due from/(to) a subsidiary

| FYE/FPE | 31.12.2011 | | 31.12.2012 | | 31.12.2013 | | 30.6.2014 | |
|--------------------|------------|-----------|------------|-----------|------------|----------|-----------|----------|
| | USD | RM | USD | RM | USD | RM | USD | RM |
| Non-current | | | | | | | | |
| Trade nature | - | - | (6,182) | (18,905) | (3,269) | (10,727) | (1,812) | (5,817) |
| Current | | | | | | | | |
| Trade nature | 378,944 | 1,200,684 | 386,262 | 1,181,189 | 103,852 | 340,790 | 138,285 | 443,964 |
| Non-trade nature | - | - | - | - | - | - | (3,708) | (11,905) |

The maintenance fee received in advance from a subsidiary is as follows:

| FYE/FPE | 31.12.2011 | | 31.12.2012 | | 31.12.2013 | | 30.6.2014 | |
|---|------------|----------|------------|-----------|------------|----------|-----------|----------|
| | USD | RM | USD | RM | USD | RM | USD | RM |
| Non-current | | | | | | | | |
| Payable after one year but not later than two years | - | - | (2,913) | (8,908) | (2,787) | (9,146) | (1,647) | (5,287) |
| Payable after two years but not later than five years | - | - | (3,269) | (9,997) | (482) | (1,581) | (165) | (530) |
| | - | - | (6,182) | (18,905) | (3,269) | (10,727) | (1,812) | (5,817) |
| Current | (8,346) | (26,444) | (72,114) | (220,524) | (17,954) | (58,916) | (3,980) | (12,778) |
| | (8,346) | (26,444) | (78,296) | (239,429) | (21,223) | (69,643) | (5,792) | (18,595) |

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.3 QSA (cont'd)****9.3.18 Amount due from/(to) a subsidiary (cont'd)**

All outstanding balances arising from trade transactions are unsecured, repayable within 30 (31.12.2013, 2012 and 2011: 30) days from the date of transactions and interest free.

All outstanding balances arising from non-trade transactions are unsecured, interest free and repayable on demand.

Currency exposure profile of amount due from/(to) a subsidiary is as follows:-

| FYE/FPE | 31.12.2011 | | 31.12.2012 | | 31.12.2013 | | 30.6.2014 | |
|---------|------------|----|------------|-----------|------------|-------------|-----------|-------------|
| | USD | RM | USD | RM | USD | RM | USD | RM |
| RM | - | - | (84,708) | (259,037) | (344,209) | (1,129,522) | (368,683) | (1,183,657) |

9.3.19 Amounts due from/(to) related companies

Amounts due to related companies arising from non-trade transactions which are unsecured, interest free and repayable on demand.

Currency exposure profile of amount due from/(to) related companies are as follows:-

| FYE/FPE | 31.12.2011 | | 31.12.2012 | | 31.12.2013 | | 30.6.2014 | |
|---------|------------|----|------------|-----|------------|-----------|-----------|---------|
| | USD | RM | USD | RM | USD | RM | USD | RM |
| PHP | - | - | - | - | (1,058) | (3,472) | - | - |
| SGD | - | - | 223 | 682 | (43,171) | (141,666) | 237,447 | 762,324 |

9.3.20 Cash and bank balances

Currency exposure profile of cash and bank balances is as follows:-

| FYE/FPE | 31.12.2011 | | 31.12.2012 | | 31.12.2013 | | 30.6.2014 | |
|---------|------------|---------|------------|---------|------------|---------|-----------|---------|
| | USD | RM | USD | RM | USD | RM | USD | RM |
| SGD | 221,324 | 701,265 | 221,051 | 675,974 | 259,518 | 851,608 | 44,966 | 144,363 |
| THB | 324 | 1,027 | 264 | 807 | 565 | 1,854 | 947 | 3,040 |
| IDR | - | - | - | - | 1,120 | 3,675 | 262 | 841 |

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.3 QSA (cont'd)****9.3.21 Share capital**

| FYE/FPE | 31.12.2011 | | 31.12.2012 | | 31.12.2013 | | 30.6.2014 | |
|--|------------|---------|------------|---------|------------|---------|-----------|---------|
| | USD | RM | USD | RM | USD | RM | USD | RM |
| Issued and fully paid: | | | | | | | | |
| Brought forward/ carried forward | 69,538 | 214,559 | 69,538 | 214,559 | 69,538 | 214,559 | 69,538 | 214,559 |
| Number of ordinary share (unit) | | 100,002 | | 100,002 | | 100,002 | | 100,002 |

The holders of ordinary shares are entitled to receive dividends as and when declared by the company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

9.3.22 Deferred income

| FYE/FPE | 31.12.2011 | | 31.12.2012 | | 31.12.2013 | | 30.6.2014 | |
|--|------------|-----------|------------|-----------|------------|-----------|-----------|-----------|
| | USD | RM | USD | RM | USD | RM | USD | RM |
| Deferred income | 679,861 | 2,154,140 | 673,024 | 2,058,108 | 1,416,291 | 4,647,559 | 1,957,772 | 6,285,427 |
| Analysed as: | | | | | | | | |
| Non-current | | | | | | | | |
| Later than one year but not later than two years | 94,303 | 298,799 | 69,850 | 213,601 | 148,006 | 485,682 | 242,811 | 779,545 |
| Later than two years but not later than five years | 63,072 | 199,844 | 62,042 | 189,725 | 125,493 | 411,805 | 126,541 | 406,260 |
| Current | 157,375 | 498,643 | 131,892 | 403,326 | 273,499 | 897,487 | 369,352 | 1,185,805 |
| | 522,486 | 1,655,497 | 541,132 | 1,654,782 | 1,142,792 | 3,750,072 | 1,588,420 | 5,099,622 |
| | 679,861 | 2,154,140 | 673,024 | 2,058,108 | 1,416,291 | 4,647,559 | 1,957,772 | 6,285,427 |

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.3 QSA (cont'd)****9.3.23 Finance lease liabilities**

| FYE/FPE | 31.12.2011 | | 31.12.2012 | | 31.12.2013 | | 30.6.2014 | |
|---|------------|----|------------|----|------------|----------|-----------|----------|
| | USD | RM | USD | RM | USD | RM | USD | RM |
| Finance lease outstanding | - | - | - | - | 105,295 | 345,526 | 143,994 | 462,293 |
| Less: Interest in suspense | - | - | - | - | (9,602) | (31,509) | (10,920) | (35,059) |
| Principal outstanding | - | - | - | - | 95,693 | 314,017 | 133,074 | 427,234 |
| Payable within one year | - | - | - | - | 30,795 | 101,054 | 55,971 | 179,695 |
| Payable after one year but not later than two years | - | - | - | - | 32,855 | 107,814 | 59,903 | 192,318 |
| Payable after two years but not later than five years | - | - | - | - | 32,043 | 105,149 | 17,200 | 55,221 |
| | - | - | - | - | 64,898 | 212,963 | 77,103 | 247,539 |
| Principal outstanding | - | - | - | - | 95,693 | 314,017 | 133,074 | 427,234 |

The effective finance lease rate is 6.41% (31.12.2013: 6.41%) per annum.

The leases term is 3 years and on a fixed repayment basis. All leases obligations are denominated in SGD.

The company's obligations under finance leases are secured by the lessor's title to the leased assets (Note 9.3.9).

9.3.24 Trade payables

The normal credit terms granted by the suppliers ranged from 30 days to 60 days (31.12.2013: 30 days to 60 days).

Currency exposure profile of trade payables is as follows:-

| FYE/FPE | 31.12.2011 | | 31.12.2012 | | 31.12.2013 | | 30.6.2014 | |
|---------|------------|--------|------------|--------|------------|--------|-----------|--------|
| | USD | RM | USD | RM | USD | RM | USD | RM |
| SGD | 3,755 | 11,898 | 8,534 | 26,097 | 12,974 | 42,574 | 13,523 | 43,416 |

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.3 QSA (cont'd)****9.3.25 Other payables**

| FYE/FPE | 31.12.2011 | | 31.12.2012 | | 31.12.2013 | | 30.6.2014 | |
|------------------------------------|------------|-----------|------------|-----------|------------|-----------|-----------|-----------|
| | USD | RM | USD | RM | USD | RM | USD | RM |
| Other payables | 124,463 | 394,360 | 77,858 | 238,090 | 34,144 | 112,044 | 134,790 | 432,743 |
| Accruals | 263,197 | 833,940 | 635,758 | 1,944,147 | 960,815 | 3,152,914 | 610,937 | 1,961,413 |
| Dividends payable (Note 9.3.26) | 864,449 | 2,739,007 | - | - | 712,138 | 2,336,881 | - | - |
| | 1,252,109 | 3,967,307 | 713,616 | 2,182,237 | 1,707,097 | 5,601,839 | 745,727 | 2,394,156 |

Currency exposure profile of other payables is as follows:-

| FYE/FPE | 31.12.2011 | | 31.12.2012 | | 31.12.2013 | | 30.6.2014 | |
|---------|------------|-----------|------------|-----------|------------|-----------|-----------|---------|
| | USD | RM | USD | RM | USD | RM | USD | RM |
| SGD | 1,077,728 | 3,414,781 | 437,257 | 1,337,132 | 1,352,024 | 4,436,667 | 259,609 | 833,475 |
| THB | - | - | 9,395 | 28,730 | 7,873 | 25,835 | 3,284 | 10,543 |
| PHP | - | - | 15,181 | 46,423 | 7,438 | 24,408 | 898 | 2,883 |
| IDR | - | - | 23,674 | 72,395 | 6,661 | 21,858 | 1,656 | 5,317 |
| RM | - | - | 327 | 1,000 | 305 | 1,001 | - | - |

9.3.26 Dividends payable

| FYE/FPE | 31.12.2011 | | 31.12.2012 | | 31.12.2013 | | 30.6.2014 | |
|---|------------|-----------|------------|-----------|------------|-----------|-----------|----|
| | USD | RM | USD | RM | USD | RM | USD | RM |
| Interim dividend for of Nil (31.12.2013: USD28.00, 31.12.2012: USD4.82 and 31.12.2011: USD26.04) per share on 100,002 ordinary shares, one-tier tax exempt dividend | 2,604,472 | 7,962,392 | 482,051 | 1,483,994 | 2,800,000 | 8,876,000 | - | - |

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.3 QSA (cont'd)****9.3.27 Related party disclosure**

The significant related party transactions of the company, other than those disclosed in this report are as follows:

| FYE/FPE | 1.1.2011 to 31.12.2011 | | 1.1.2012 to 31.12.2012 | | 1.1.2013 to 31.12.2013 | | 1.1.2014 To 30.6.2014 | |
|--|------------------------------|-------------|------------------------------|-------------|------------------------------|-------------|-----------------------------|-------------|
| | USD | RM | USD | RM | USD | RM | USD | RM |
| (a) Transactions with former holding company | | | | | | | | |
| (i) Management fee | - | - | 1,455,706 | 4,481,391 | - | - | - | - |
| (b) Transactions with ultimate holding company | | | | | | | | |
| (i) Recharge of expense | - | - | - | - | - | - | 23,754 | 77,540 |
| (ii) Advance to | - | - | - | - | - | - | 158,982 | 518,965 |
| (c) Transactions with subsidiary | | | | | | | | |
| (i) Management fee | - | - | 85,218 | 262,344 | 415,702 | 1,317,775 | 182,028 | 594,194 |
| (ii) Sales | (332,652) | (1,016,984) | (543,116) | (1,671,983) | (428,045) | (1,356,903) | (64,716) | (211,252) |
| (d) Transactions with associate | | | | | | | | |
| (i) Management fee | - | - | 409,836 | 1,261,680 | - | - | - | - |
| (ii) Sales | - | - | (68,727) | (211,576) | (105,216) | (333,535) | (367,486) | (1,199,584) |
| (iii) Purchases | - | - | 159,632 | 491,427 | 1,784,179 | 5,655,847 | 531,624 | 1,735,380 |
| (iv) Loan to | - | - | 780,047 | 2,401,375 | 970,414 | 3,076,212 | - | - |
| (v) Interest income | - | - | (3,830) | (11,791) | (23,133) | (73,332) | - | - |
| (e) Transactions with related company | | | | | | | | |
| (i) Sales | - | - | - | - | - | - | (117,078) | (382,178) |
| (ii) Loan to | - | - | - | - | - | - | (665,183) | (2,171,357) |
| (iii) Interest income | - | - | (3,632) | (11,181) | - | - | - | - |
| (iv) Service fee | - | - | - | - | - | - | (250,394) | (817,361) |

The outstanding balances of related parties are disclosed in Notes 9.3.13, 9.3.17, 9.3.18 and 9.3.19 of this report.

Transactions with companies in which a Director is deemed to have substantial financial interest:

| FYE/FPE | 1.1.2011 to 31.12.2011 | | 1.1.2012 to 31.12.2012 | | 1.1.2013 to 31.12.2013 | | 1.1.2014 To 30.6.2014 | |
|-----------------------------------|------------------------------|-------------|------------------------------|----|------------------------------|----|-----------------------------|----|
| | USD | RM | USD | RM | USD | RM | USD | RM |
| Transactions with related parties | | | | | | | | |
| (i) Sales | (885,927) | (2,708,456) | - | - | - | - | - | - |
| (ii) Purchases | 1,546,915 | 4,729,229 | - | - | - | - | - | - |

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.3 QSA (cont'd)****9.3.27 Related party disclosure (cont'd)****Compensation of key management personnel**

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the company either directly or indirectly.

The remuneration of Directors and other members of key management personnel during the financial years/period are as follows:

| FYE/FPE | 1.1.2011 to 31.12.2011 | | 1.1.2012 to 31.12.2012 | | 1.1.2013 to 31.12.2013 | | 1.1.2014 To 30.6.2014 | |
|-------------------------------|------------------------------|-----------|------------------------------|-----------|------------------------------|-----------|-----------------------------|---------|
| | USD | RM | USD | RM | USD | RM | USD | RM |
| Salaries and other emoluments | 320,000 | 978,304 | 630,770 | 1,941,825 | 638,096 | 2,022,764 | 248,531 | 811,271 |
| Defined contribution plans | 17,626 | 53,886 | 37,760 | 116,244 | 33,600 | 106,512 | 15,270 | 49,845 |
| Skills development levy | 280 | 856 | 375 | 1,154 | 309 | 980 | 215 | 702 |
| | 337,906 | 1,033,046 | 668,905 | 2,059,223 | 672,005 | 2,130,256 | 264,016 | 861,818 |

9.3.28 Lease commitments

The future minimum lease payments payable under non-cancellable operating lease commitments are as follows:

| | 31.12.2011 | | 31.12.2012 | | 31.12.2013 | | 30.6.2014 | |
|--|------------|-----------|------------|-----------|------------|---------|-----------|-----------|
| | USD | RM | USD | RM | USD | RM | USD | RM |
| Not later than one year | 213,969 | 677,961 | 250,582 | 766,280 | 180,914 | 570,892 | 222,012 | 712,769 |
| Later than one year but not later than two years | 210,789 | 667,885 | 116,922 | 357,547 | 57,938 | 182,829 | 198,964 | 638,774 |
| Later than two years but not later than five years | 88,198 | 279,455 | - | - | 20,937 | 66,069 | 182,384 | 585,544 |
| | 512,956 | 1,625,301 | 367,504 | 1,123,827 | 259,789 | 819,790 | 603,360 | 1,937,087 |

Lease commitments represents rentals payables for rent of the office space. Leases are negotiated for terms of 1 to 3 years (31.12.2013: 1 to 2 years, 2012: 1 year and 2011: 1 to 2 years).

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.3 QSA (cont'd)****9.3.29 Categories of financial instruments**

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

- (a) Loans and receivables (L&R); and
 (b) Other liabilities measured at amortised cost (AC)

| | Carrying amount | | L&R | | AC | |
|--|------------------|-------------------|------------------|-------------------|------------------|------------------|
| | USD | RM | USD | RM | USD | RM |
| 31.12.2011 | | | | | | |
| Financial assets | | | | | | |
| Trade receivables | 2,656,437 | 8,416,921 | 2,656,437 | 8,416,921 | - | - |
| Other receivables | 244,825 | 775,728 | 244,825 | 775,728 | - | - |
| Amount due from a subsidiary | 387,290 | 1,227,128 | 387,290 | 1,227,128 | - | - |
| Cash and bank balances | 477,128 | 1,511,780 | 477,128 | 1,511,780 | - | - |
| | 3,765,680 | 11,931,557 | 3,765,680 | 11,931,557 | - | - |
| Financial liabilities | | | | | | |
| Trade payables | 1,126,101 | 3,568,051 | - | - | 1,126,101 | 3,568,051 |
| Other payables | 1,252,109 | 3,967,307 | - | - | 1,252,109 | 3,967,307 |
| | 2,378,210 | 7,535,358 | - | - | 2,378,210 | 7,535,358 |
| 31.12.2012 | | | | | | |
| Financial assets | | | | | | |
| Trade receivables | 1,163,634 | 3,558,393 | 1,163,634 | 3,558,393 | - | - |
| Other receivables | 126,343 | 386,357 | 126,343 | 386,357 | - | - |
| Amount due from former holding company | 60,000 | 183,480 | 60,000 | 183,480 | - | - |
| Amount due from an associate | 765,258 | 2,340,159 | 765,258 | 2,340,159 | - | - |
| Amount due from a subsidiary | 458,376 | 1,401,714 | 458,376 | 1,401,714 | - | - |
| Amount due from a related company | 223 | 682 | 223 | 682 | - | - |
| Cash and bank balances | 988,795 | 3,023,735 | 988,795 | 3,023,735 | - | - |
| | 3,562,629 | 10,894,520 | 3,562,629 | 10,894,520 | - | - |
| Financial liabilities | | | | | | |
| Trade payables | 1,238,630 | 3,787,731 | - | - | 1,238,630 | 3,787,731 |
| Other payables | 713,616 | 2,182,237 | - | - | 713,616 | 2,182,237 |
| Amount due to an associate | 48,452 | 148,166 | - | - | 48,452 | 148,166 |
| | 2,000,698 | 6,118,134 | - | - | 2,000,698 | 6,118,134 |

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.3 QSA (cont'd)****9.3.29 Categories of financial instruments (cont'd)**

The table below provides an analysis of financial instruments categorised as follows (cont'd):-

- (a) Loans and receivables (L&R); and
(b) Other liabilities measured at amortised cost (AC)

| | Carrying amount | | L&R | | AC | |
|--|------------------|-------------------|------------------|-------------------|------------------|------------------|
| | USD | RM | USD | RM | USD | RM |
| 31.12.2013 | | | | | | |
| Financial assets | | | | | | |
| Trade receivables | 2,114,328 | 6,938,167 | 2,114,328 | 6,938,167 | - | - |
| Other receivables | 216,680 | 711,035 | 216,680 | 711,035 | - | - |
| Amount due from former holding company | 75,860 | 248,935 | 75,860 | 248,935 | - | - |
| Amount due from a subsidiary | 121,806 | 399,707 | 121,806 | 399,707 | - | - |
| Cash and bank balances | 772,478 | 2,534,887 | 772,478 | 2,534,887 | - | - |
| | 3,301,152 | 10,832,731 | 3,301,152 | 10,832,731 | - | - |
| Financial liabilities | | | | | | |
| Trade payables | 1,069,262 | 3,508,783 | - | - | 1,069,262 | 3,508,783 |
| Other payables | 1,707,097 | 5,601,839 | - | - | 1,707,097 | 5,601,839 |
| Amount due to an associate | 8,834 | 28,989 | - | - | 8,834 | 28,989 |
| Amounts due to related companies | 29,199 | 95,817 | - | - | 29,199 | 95,817 |
| Finance lease liabilities | 95,693 | 314,017 | - | - | 95,693 | 314,017 |
| | 2,910,085 | 9,549,445 | - | - | 2,910,085 | 9,549,445 |
| 30.6.2014 | | | | | | |
| Financial assets | | | | | | |
| Trade receivables | 2,566,926 | 8,241,116 | 2,566,926 | 8,241,116 | - | - |
| Other receivables | 167,854 | 538,897 | 167,854 | 538,897 | - | - |
| Amount due from ultimate holding company | 182,736 | 586,674 | 182,736 | 586,674 | - | - |
| Amount due from an associate | 68,137 | 218,754 | 68,137 | 218,754 | - | - |
| Amount due from a subsidiary | 142,265 | 456,742 | 142,265 | 456,742 | - | - |
| Amounts due from related companies | 1,046,629 | 3,360,202 | 1,046,629 | 3,360,202 | - | - |
| Cash and bank balances | 76,217 | 244,695 | 76,217 | 244,695 | - | - |
| | 4,250,764 | 13,647,080 | 4,250,764 | 13,647,080 | - | - |

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.3 QSA (cont'd)****9.3.29 Categories of financial instruments (cont'd)**

The table below provides an analysis of financial instruments categorised as follows (cont'd):-

- (a) Loans and receivables (L&R); and
 (b) Other liabilities measured at amortised cost (AC)

| | Carrying amount | | L&R | | AC | |
|------------------------------|------------------|------------------|----------|----------|------------------|------------------|
| | USD | RM | USD | RM | USD | RM |
| 30.6.2014 (cont'd) | | | | | | |
| Financial liabilities | | | | | | |
| Trade payables | 1,004,300 | 3,224,305 | - | - | 1,004,300 | 3,224,305 |
| Other payables | 745,727 | 2,394,156 | - | - | 745,727 | 2,394,156 |
| Amount due to an associate | 289,099 | 928,152 | - | - | 289,099 | 928,152 |
| Amount due to a subsidiary | 3,708 | 11,905 | - | - | 3,708 | 11,905 |
| Finance lease liabilities | 133,074 | 427,234 | - | - | 133,074 | 427,234 |
| | 2,175,908 | 6,985,752 | - | - | 2,175,908 | 6,985,752 |

9.3.30 Financial instruments**Financial risk management objectives and policies**

The company is exposed to financial risks arising from its operations and the use of financial instruments. Financial risk management policy is established to ensure that adequate resources are available for the development of the company's business whilst managing its credit risk, liquidity risk, foreign currency risk and interest rate risk. The company operates within clearly defined policies and procedures that are approved by the Board of Directors to ensure the effectiveness of the risk management process.

The main areas of financial risks faced by the company and the policy in respect of the major areas of treasury activity are set out as follows:-

(a) Credit risk

Credit risk is the risk of a financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Concentration of credit risk exists when changes in economic, industry and geographical factors similarly affect the counterparties whose aggregate credit exposure is significant in relation to the company's total credit exposure. The company's portfolio of financial instrument is broadly diversified along geographical lines and transactions are entered into with diverse creditworthy counterparties, thereby mitigate any significant concentration of credit risk.

It is the company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The company does not offer credit terms without the approval of the head of credit control.

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.3 QSA (cont'd)****9.3.30 Financial instruments (cont'd)****Financial risk management objectives and policies (cont'd)****(a) Credit risk (cont'd)**

The areas where the company is exposed to credit risk are as follows:-

Receivables

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

With a credit policy in place to ensure the credit risk is monitored on an ongoing basis, the management has taken reasonable steps to ensure that receivables are stated at their realisable values. A significant portion of the receivables are regular customers that have been transacting with the company. The company uses aging analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than credit terms granted are deemed to have higher credit risk, and are monitored individually.

The ageing analysis for trade receivables are as follows:-

| | Gross | | Individually impaired | | Net | |
|----------------------|------------------|------------------|-----------------------|----------|------------------|------------------|
| | USD | RM | USD | RM | USD | RM |
| 31.12.2011 | | | | | | |
| Within credit terms | 2,197,313 | 6,962,187 | - | - | 2,197,313 | 6,962,187 |
| Past due 0-30 days | 404,083 | 1,280,337 | - | - | 404,083 | 1,280,337 |
| Past due 31-60 days | 22,516 | 71,342 | - | - | 22,516 | 71,342 |
| Past due 61-90 days | 26,050 | 82,539 | - | - | 26,050 | 82,539 |
| Past due 91-120 days | 6,475 | 20,516 | - | - | 6,475 | 20,516 |
| | 2,656,437 | 8,416,921 | - | - | 2,656,437 | 8,416,921 |
| 31.12.2012 | | | | | | |
| Within credit terms | 918,565 | 2,808,972 | - | - | 918,565 | 2,808,972 |
| Past due 0-30 days | 60,086 | 183,743 | - | - | 60,086 | 183,743 |
| Past due 31-60 days | - | - | - | - | - | - |
| Past due 61-90 days | 184,983 | 565,678 | - | - | 184,983 | 565,678 |
| | 1,163,634 | 3,558,393 | - | - | 1,163,634 | 3,558,393 |
| 31.12.2013 | | | | | | |
| Within credit terms | 1,847,187 | 6,061,544 | - | - | 1,847,187 | 6,061,544 |
| Past due 0-30 days | 267,141 | 876,623 | - | - | 267,141 | 876,623 |
| | 2,114,328 | 6,938,167 | - | - | 2,114,328 | 6,938,167 |
| 30.6.2014 | | | | | | |
| Within credit terms | 2,275,660 | 7,306,006 | - | - | 2,275,660 | 7,306,006 |
| Past due 0-30 days | 255,557 | 820,466 | - | - | 255,557 | 820,466 |
| Past due 31-60 days | 19,235 | 61,754 | - | - | 19,235 | 61,754 |
| Past due 61-90 days | 15,409 | 49,471 | - | - | 15,409 | 49,471 |
| Past due 91-120 days | 1,065 | 3,419 | - | - | 1,065 | 3,419 |
| | 2,566,926 | 8,241,116 | - | - | 2,566,926 | 8,241,116 |

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.3 QSA (cont'd)****9.3.30 Financial instruments (cont'd)****Financial risk management objectives and policies (cont'd)****(a) Credit risk (cont'd)**

Trade receivables that are neither past due nor impaired are creditworthy receivables with good payment records with the company. None of the company's receivables that are neither past due nor impaired have been renegotiated during the financial years/period.

Trade receivables of USD291,266/RM935,110 (31.12.2013: USD267,141/RM876,623, 31.12.2012: USD245,069/RM749,421 and 31.12.2011: USD459,124/RM1,454,734) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default and the amounts are subsequently recovered.

The net carrying amount of receivables is considered a reasonable approximate to fair value. The maximum exposure to credit risk is the carrying value of each class of receivables mentioned above. Trade receivables that are individually determined to be impaired at the end of the reporting period relate to receivables that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

(b) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as and when they fall due as a result of shortage of funds. In managing its exposures to liquidity risk that arises principally from its various payables, the company maintains 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.

The company aims to maintain a balance of sufficient cash and deposits and flexibility in funding by keeping diverse sources of committed and uncommitted credit facilities.

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.3 QSA (cont'd)****9.3.30 Financial instrument (cont'd)****Financial risk management objectives and policies (cont'd)****(b) Liquidity risk (cont'd)**

The following are areas of the company's exposure to liquidity risk:-

| | Carrying amount | | Contractual cash flows | | Within 1 year | | Later than 1 year but not later than 2 years | | Later than 2 years but not later than 5 years | |
|---------------------------------|-----------------|-----------|------------------------|-----------|---------------|-----------|--|---------|---|---------|
| | USD | RM | USD | RM | USD | RM | USD | RM | USD | RM |
| 31.12.2011 | | | | | | | | | | |
| Financial liabilities | | | | | | | | | | |
| Trade payables | 1,126,101 | 3,568,051 | 1,126,101 | 3,568,051 | 1,126,101 | 3,568,051 | - | - | - | - |
| Other payables | 1,252,109 | 3,967,307 | 1,252,109 | 3,967,307 | 1,252,109 | 3,967,307 | - | - | - | - |
| | 2,378,210 | 7,535,358 | 2,378,210 | 7,535,358 | 2,378,210 | 7,535,358 | - | - | - | - |
| 31.12.2012 | | | | | | | | | | |
| Financial liabilities | | | | | | | | | | |
| Trade payables | 1,238,630 | 3,787,731 | 1,238,630 | 3,787,731 | 1,238,630 | 3,787,731 | - | - | - | - |
| Other payables | 713,616 | 2,182,237 | 713,616 | 2,182,237 | 713,616 | 2,182,237 | - | - | - | - |
| Amount due to an associate | 46,219 | 141,338 | 46,219 | 141,338 | 46,219 | 141,338 | - | - | - | - |
| | 1,998,465 | 6,111,306 | 1,998,465 | 6,111,306 | 1,998,465 | 6,111,306 | - | - | - | - |
| 31.12.2013 | | | | | | | | | | |
| Financial liabilities | | | | | | | | | | |
| Trade payables | 1,069,262 | 3,508,783 | 1,069,262 | 3,508,783 | 1,069,262 | 3,508,783 | - | - | - | - |
| Other payables | 1,707,097 | 5,601,839 | 1,707,097 | 5,601,839 | 1,707,097 | 5,601,839 | - | - | - | - |
| Amount due to an associate | 8,834 | 28,989 | 8,834 | 28,989 | 8,834 | 28,989 | - | - | - | - |
| Amount due to related companies | 29,199 | 95,817 | 29,199 | 95,817 | 29,199 | 95,817 | - | - | - | - |
| Finance lease liabilities | 95,693 | 314,017 | 105,295 | 345,526 | 36,101 | 118,465 | 36,101 | 118,465 | 33,093 | 108,596 |
| | 2,910,085 | 9,549,445 | 2,919,687 | 9,580,954 | 2,850,493 | 9,353,893 | 36,101 | 118,465 | 33,093 | 108,596 |

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.3 QSA (cont'd)****9.3.30 Financial instruments (cont'd)****Financial risk management objectives and policies (cont'd)****(b) Liquidity risk (cont'd)**

The following are areas of the company's exposure to liquidity risk (cont'd):-

| | Carrying amount | | Contractual cash flows | | Within 1 year | | Later than 1 year but not later than 2 years | | Later than 2 years but not later than 5 years | |
|------------------------------|-----------------|-----------|------------------------|-----------|---------------|-----------|--|---------|---|--------|
| | USD | RM | USD | RM | USD | RM | USD | RM | USD | RM |
| 30.6.2014 | | | | | | | | | | |
| Financial liabilities | | | | | | | | | | |
| Trade payables | 1,004,300 | 3,224,305 | 1,004,300 | 3,224,305 | 1,004,300 | 3,224,305 | - | - | - | - |
| Other payables | 745,727 | 2,394,156 | 745,727 | 2,394,156 | 745,727 | 2,394,156 | - | - | - | - |
| Amount due to an associate | 289,099 | 928,152 | 289,099 | 928,152 | 289,099 | 928,152 | - | - | - | - |
| Amount due to a subsidiary | 3,780 | 11,905 | 3,780 | 11,905 | 3,708 | 11,905 | - | - | - | - |
| Finance lease liabilities | 133,074 | 427,234 | 143,994 | 462,293 | 63,268 | 203,122 | 63,268 | 203,122 | 17,458 | 56,049 |
| | 2,175,980 | 6,985,752 | 2,186,900 | 7,020,811 | 2,106,102 | 6,761,640 | 63,268 | 203,122 | 17,458 | 56,049 |

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.3 QSA (cont'd)****9.3.30 Financial instruments (cont'd)****Financial risk management objectives and policies (cont'd)****(d) Foreign currency risk**

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

The maximum foreign currency exposure at each of the reporting period are detailed in respective notes in this report.

The company has transactional currency exposures that are denominated in currencies other than the functional currency of the company are mainly denominated in SGD, THB, PHP, IDR, INR and RM.

At each of the reporting period, the management of the company determined that the effects of sensitivity of the company's profit for the financial years/period to a reasonably possible change in the above various currencies exchange rates to be immaterial.

(e) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of the company's financial instruments will fluctuate because of change in market interest rates.

Although the debts are fixed borrowings, there is an inherent risk in stating their fair value due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

The company's interest rate management objective is to manage the interest expenses consistent with maintaining an acceptable level of exposure to interest rate fluctuation.

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

| | 31.12.2011 | | 31.12.2012 | | 31.12.2013 | | 30.6.2014 | |
|--|------------|----|------------|----|------------|----|-----------|----|
| | USD | RM | USD | RM | USD | RM | USD | RM |

Fixed rate instrument

Finance lease

Liabilities

(Note 9.3.23)

| | | | | | | | |
|---|---|---|---|--------|---------|---------|---------|
| - | - | - | - | 95,693 | 314,017 | 133,074 | 427,234 |
|---|---|---|---|--------|---------|---------|---------|

Fair value sensitivity analysis for fixed rate instruments:-

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

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.3 QSA (cont'd)****9.3.30 Financial instruments (cont'd)****Financial risk management objectives and policies (cont'd)****Fair value of financial instruments**

The table below analyses financial instruments not carried at fair value for which fair value is disclosed, together with their values and carrying amounts shown in the statement of financial position.

| | Note | Level 2 | | | |
|----------------------------|--------|------------|---------|-----------------|---------|
| | | Fair value | | Carrying amount | |
| | | USD | RM | USD | RM |
| 31.12.2013 | | | | | |
| Financial liability | | | | | |
| Finance lease liability | 9.3.23 | 89,958 | 295,197 | 95,693 | 314,017 |
| 30.6.2014 | | | | | |
| Financial liability | | | | | |
| Finance lease liabilities | 9.3.23 | 127,593 | 409,637 | 133,074 | 427,234 |

The fair value of finance lease liabilities are estimated using discounted cash flows analysis based on the effective interest rate.

The carrying amounts of short term receivables, payables, cash and cash equivalents and borrowings approximate their fair value due to the relatively short term nature of these financial instruments and insignificant impact of discounting.

9.3.31 Capital management

The company's objectives when managing capital is to safeguard the company's ability to continue as a going concern in order to provide return for shareholder and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the company may issue new shares and debts. No changes were made in the objectives, policies or processes during the financial years/period.

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.4 KS****9.4.1 Summarised Statement of Profit or Loss and Other Comprehensive Income**

The following table sets out the summary of the financial results prepared based on the audited financial statements of KS for the past two (2) FYE 31 December 2012, 2013 and FPE 30 June 2014:-

| FYE/FPE | Note | 1.1.2012 to 31.12.2012 | | 1.1.2013 to 31.12.2013 | | 1.1.2014 to 30.6.2014 | |
|---|-------|------------------------------|------------|------------------------------|-------------|-----------------------------|-------------|
| | | SGD | RM | SGD | RM | SGD | RM |
| Revenue | 9.4.5 | 381,000 | 942,785 | 1,311,654 | 3,319,140 | 2,224,031 | 5,758,461 |
| Cost of sales | | (249,540) | (617,487) | (920,607) | (2,329,596) | (1,728,497) | (4,475,424) |
| Gross profit | | 131,460 | 325,298 | 391,047 | 989,544 | 495,534 | 1,283,037 |
| Other income | | 5,000 | 12,373 | 116,003 | 293,546 | 38,377 | 99,366 |
| Selling and distribution expenses | | (263,282) | (651,491) | (356,510) | (902,149) | (129,535) | (335,392) |
| Administration expenses | | (141,359) | (349,793) | (201,925) | (510,971) | (30,635) | (79,321) |
| Finance costs | | (6,760) | (16,728) | (32,328) | (81,806) | (90,657) | (234,729) |
| (Loss)/Profit before tax | 9.4.6 | (274,941) | (680,341) | (83,713) | (211,836) | 283,084 | 732,961 |
| Tax income | 9.4.8 | 6,800 | 16,827 | - | - | - | - |
| (Loss)/Profit for the financial years/period | | (268,141) | (663,514) | (83,713) | (211,836) | 283,084 | 732,961 |
| Other comprehensive income/(loss) | | | | | | | |
| Items that will be reclassified subsequently to profit or loss | | | | | | | |
| Exchange translation differences | | - | 2,030 | - | (16,320) | - | (448) |
| Total comprehensive (loss)/income for the financial years/period | | (268,141) | (661,484) | (83,713) | (228,156) | 283,084 | 732,513 |
| Gross profit margin (%) | | | 34.50 | | 29.81 | | 22.28 |
| (Loss)/Profit before tax margin (%) | | | (72.16) | | (6.38) | | 12.73 |
| (Loss)/Profit after tax margin (%) | | | (70.38) | | (6.38) | | 12.73 |
| Weighted average number of ordinary shares issued | | | 50,000 | | 50,000 | | 50,000 |
| Net (loss)/gain per share (sen) | | | (1,327.03) | | (423.67) | | 1465.92 |

Note:-

- (i) There were no exceptional items in all the financial years/period under review.

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.4 KS (cont'd)****9.4.2 Summarised Statement of Financial Position**

The following table sets out the summary of the financial position prepared based on the audited financial statements of KS for the past two (2) FYE 31 December 2012, 2013 and FPE 30 June 2014:-

| FYE/FPE | Note | 31.12.2012 | | 31.12.2013 | | 30.6.2014 | |
|---|--------|------------|-----------|------------|-----------|-----------|-----------|
| | | SGD | RM | SGD | RM | SGD | RM |
| ASSETS | | | | | | | |
| <u>Non-current asset</u> | | | | | | | |
| Property, plant and equipment | 9.4.9 | 2,565,894 | 6,422,946 | 2,350,956 | 6,099,085 | 2,836,860 | 7,291,581 |
| Total non-current asset | | 2,565,894 | 6,422,946 | 2,350,956 | 6,099,085 | 2,836,860 | 7,291,581 |
| <u>Current assets</u> | | | | | | | |
| Inventories | 9.4.10 | 56,580 | 141,631 | - | - | - | - |
| Trade receivables | 9.4.11 | 5,350 | 13,392 | 309,475 | 802,871 | 337,537 | 867,571 |
| Other receivables | 9.4.12 | 30,637 | 76,690 | 15,485 | 40,173 | 1,319 | 3,390 |
| Amount due from a related company | 9.4.13 | - | - | 35,565 | 92,266 | - | - |
| Cash and bank balances | 9.4.14 | 94,469 | 236,475 | 112,039 | 290,663 | 313,963 | 806,979 |
| Total current assets | | 187,036 | 468,188 | 472,564 | 1,225,973 | 652,819 | 1,677,940 |
| TOTAL ASSETS | | 2,752,930 | 6,891,134 | 2,823,520 | 7,325,058 | 3,489,679 | 8,969,521 |
| EQUITY AND LIABILITIES | | | | | | | |
| EQUITY | | | | | | | |
| Share capital | 9.4.15 | 50,000 | 121,865 | 50,000 | 121,865 | 50,000 | 121,865 |
| (Accumulated losses)/Retained earnings | | (170,529) | (425,604) | (254,242) | (637,440) | 28,842 | 95,521 |
| Exchange translation reserve | | - | 2,030 | - | (14,290) | - | (14,738) |
| Total equity | | (120,529) | (301,709) | (204,242) | (529,865) | 78,842 | 202,648 |
| LIABILITIES | | | | | | | |
| <u>Non-current liability</u> | | | | | | | |
| Borrowings | 9.4.16 | 278,066 | 696,055 | 698,502 | 1,812,124 | 579,453 | 1,489,368 |
| Total non-current liability | | 278,066 | 696,055 | 698,502 | 1,812,124 | 579,453 | 1,489,368 |
| <u>Current liabilities</u> | | | | | | | |
| Trade payables | 9.4.17 | 13,520 | 33,843 | 4,821 | 12,507 | 336,902 | 865,939 |
| Other payables | 9.4.18 | 64,923 | 162,515 | 474,719 | 1,231,564 | 240,900 | 619,185 |
| Amount due to ultimate holding company | 9.4.19 | 700,000 | 1,752,240 | - | - | - | - |
| Amount due to immediate holding company | 9.4.19 | 1,469,733 | 3,679,036 | 1,401,940 | 3,637,053 | - | - |
| Amounts due to related companies | 9.4.13 | 208,859 | 522,816 | 75 | 194 | 1,311,205 | 3,370,190 |
| Deferred income | 9.4.20 | - | - | - | - | 475,000 | 1,220,892 |
| Borrowings | 9.4.16 | 138,358 | 346,338 | 447,705 | 1,161,481 | 467,377 | 1,201,299 |
| Total current liabilities | | 2,595,393 | 6,496,788 | 2,329,260 | 6,042,799 | 2,831,384 | 7,277,505 |
| Total liabilities | | 2,873,459 | 7,192,843 | 3,027,762 | 7,854,923 | 3,410,837 | 8,766,873 |
| TOTAL EQUITY AND LIABILITIES | | 2,752,930 | 6,891,134 | 2,823,520 | 7,325,058 | 3,489,679 | 8,969,521 |

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.4 KS (cont'd)****9.4.2 Summarised Statement of Financial Position (cont'd)**

The following table sets out the summary of the financial position prepared based on the audited financial statements of KS for the past two (2) FYE 31 December 2012, 2013 and FPE 30 June 2014 (cont'd):-

| FYE/FPE | Note | 31.12.2012 | | 31.12.2013 | | 30.6.2014 | |
|---------------------------|------|------------|-----------|------------|-----------|-----------|---------|
| | | SGD | RM | SGD | RM | SGD | RM |
| NA | | | (301,709) | | (529,865) | | 202,648 |
| Number of ordinary shares | | | 50,000 | | 50,000 | | 50,000 |
| NA per share (RM) | | | (6.03) | | (10.60) | | 4.05 |

9.4.3 Summarised Statement of Cash Flows

The following table sets out the summary of the cash flows prepared based on the audited financial statements of KS for the past two (2) FYE 31 December 2012, 2013 and FPE 30 June 2014:-

| FYE/FPE | 1.1.2012 to 31.12.2012 | | 1.1.2013 to 31.12.2013 | | 1.1.2014 to 30.6.2014 | |
|--|------------------------------|-----------|------------------------------|-----------|-----------------------------|-----------|
| | SGD | RM | SGD | RM | SGD | RM |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| (Loss)/Profit before tax | (274,941) | (680,341) | (83,713) | (211,836) | 283,084 | 732,961 |
| Adjustments for:- | | | | | | |
| Depreciation of property, plant and equipment | 155,621 | 385,084 | 502,807 | 1,272,351 | 305,176 | 790,162 |
| Gain on disposal of property, plant and equipment | - | - | (98,329) | (248,822) | - | - |
| Interest expense | 6,760 | 16,728 | 32,328 | 81,806 | 90,657 | 234,729 |
| Unrealised (gain)/loss on foreign exchange | (630) | (1,560) | 3,576 | 9,048 | (7,462) | (19,179) |
| | (113,190) | (280,089) | 356,669 | 902,547 | 671,455 | 1,738,673 |
| Changes in working capital:- | | | | | | |
| Inventories | (52,155) | (129,058) | 56,580 | 143,176 | - | - |
| Receivables | 91,854 | 227,293 | (289,153) | (731,701) | (14,076) | (36,442) |
| Payables | 72,322 | 178,961 | (298,903) | (756,374) | 99,467 | 257,516 |
| Related company | 272 | 681 | (209,141) | (529,232) | 522,917 | 1,338,315 |
| Deferred income | - | - | - | - | 475,000 | 1,229,870 |
| Cash (used in)/generated from operating activities | (897) | (2,212) | (383,948) | (971,584) | 1,754,763 | 4,527,932 |
| Tax refund | 6,800 | 16,827 | - | - | - | - |
| Net cash from/(used in) operating activities | 5,903 | 14,615 | (383,948) | (971,584) | 1,754,763 | 4,527,932 |

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.4 KS (cont'd)****9.4.3 Summarised Statement of Cash Flows (cont'd)**

The following table sets out the summary of the cash flows prepared based on the audited financial statements of KS for the past two (2) FYE 31 December 2012, 2013 and FPE 30 June 2014 (cont'd):-

| FYE/FPE | 1.1.2012 to 31.12.2012 | | 1.1.2013 to 31.12.2013 | | 1.1.2014 to 30.6.2014 | |
|--|------------------------------|-------------|------------------------------|-----------|-----------------------------|-------------|
| | SGD | RM | SGD | RM | SGD | RM |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| Purchase of property, plant and equipment | (2,280,515) | (5,643,134) | (23,629) | (59,791) | (66,080) | (171,095) |
| Proceed from disposal of property, plant and equipment | - | - | 788,391 | 1,995,024 | - | - |
| Loan from immediate holding company | 1,469,612 | 3,636,555 | - | - | - | - |
| Loan from ultimate holding company | 700,000 | 1,732,150 | - | - | - | - |
| Loan from related companies | 208,587 | 516,141 | - | - | - | - |
| (Repayment to)/Advances from related companies | - | - | (35,565) | (89,997) | 830,215 | 2,149,593 |
| Repayment to immediate holding company | - | - | (67,652) | (171,193) | (1,401,940) | (3,629,903) |
| Net cash from/(used in) investing activities | 97,684 | 241,712 | 661,545 | 1,674,043 | (637,805) | (1,651,405) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | |
| Repayment of borrowings | (24,576) | (60,814) | (224,519) | (568,145) | (824,377) | (2,134,477) |
| Interest paid | (6,760) | (16,728) | (32,328) | (81,806) | (90,657) | (234,729) |
| Net cash used in financing activities | (31,336) | (77,542) | (256,847) | (649,951) | (915,034) | (2,369,206) |
| CASH AND CASH EQUIVALENTS | | | | | | |
| Net changes | 72,251 | 178,785 | 20,750 | 52,508 | 201,924 | 507,321 |
| Effect on exchange translation differences | (99) | 3,297 | (3,180) | 1,680 | - | 8,995 |
| Brought forward | 22,317 | 54,393 | 94,469 | 236,475 | 112,039 | 290,663 |
| Carried forward | 94,469 | 236,475 | 112,039 | 290,663 | 313,963 | 806,979 |

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.4 KS (cont'd)****9.4.4 Summarised Statement of Changes in Equity**

The following table sets out the summary of changes in equity prepared based on the audited financial statements of KS for the past two (2) FYE 31 December 2012, 2013 and FPE 30 June 2014:-

| | Share capital | | Non-distributable Exchange translation reserve | | Distributable (Accumulated losses)/ Retained earnings | | Total | |
|---|---------------|---------|---|----------|---|-----------|-----------|-----------|
| | SGD | RM | SGD | RM | SGD | RM | SGD | RM |
| At 1 January 2012 | 50,000 | 121,865 | - | - | 97,612 | 237,910 | 147,612 | 359,775 |
| Exchange translation differences | - | - | - | 2,030 | - | - | - | 2,030 |
| Loss for the financial year | - | - | - | - | (268,141) | (663,514) | (268,141) | (663,514) |
| Total comprehensive loss for the financial year | - | - | - | 2,030 | (268,141) | (663,514) | (268,141) | (661,484) |
| At 31 December 2012 | 50,000 | 121,865 | - | 2,030 | (170,529) | (425,604) | (120,529) | (301,709) |
| Exchange translation differences | - | - | - | (16,320) | - | - | - | (16,320) |
| Loss for the financial year | - | - | - | - | (83,713) | (211,836) | (83,713) | (211,836) |
| Total comprehensive loss for the financial year | - | - | - | (16,320) | (83,713) | (211,836) | (83,713) | (228,156) |
| At 31 December 2013 | 50,000 | 121,865 | - | (14,290) | (254,242) | (637,440) | (204,242) | (529,865) |
| Exchange translation differences | - | - | - | (448) | - | - | - | (448) |
| Profit for the financial period | - | - | - | - | 283,084 | 732,961 | 283,084 | 732,961 |
| Total comprehensive income for the financial period | - | - | - | (448) | 283,084 | 732,961 | 283,084 | 732,513 |
| At 30 June 2014 | 50,000 | 121,865 | - | (14,738) | 28,842 | 95,521 | 78,842 | 202,648 |

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.4 KS (cont'd)****9.4.5 Revenue**

| FYE/FPE | 1.1.2012 to 31.12.2012 | | 1.1.2013 to 31.12.2013 | | 1.1.2014 to 30.6.2014 | |
|-----------------------|------------------------------|---------|------------------------------|-----------|-----------------------------|-----------|
| | SGD | RM | SGD | RM | SGD | RM |
| Sale of goods | 251,800 | 623,080 | 314,816 | 796,641 | 914,130 | 2,366,865 |
| Rendering of services | 129,200 | 319,705 | 996,838 | 2,522,499 | 1,309,901 | 3,391,596 |
| | 381,000 | 942,785 | 1,311,654 | 3,319,140 | 2,224,031 | 5,758,461 |

9.4.6 (Loss)/Profit before tax

(Loss)/Profit before tax has been determined after charging/(crediting), amongst other items, the following items:-

| FYE/FPE | 1.1.2012 to 31.12.2012 | | 1.1.2013 to 31.12.2013 | | 1.1.2014 to 30.6.2014 | |
|---|------------------------------|---------|------------------------------|-----------|-----------------------------|----------|
| | SGD | RM | SGD | RM | SGD | RM |
| Interest expense: | | | | | | |
| - Finance lease | 2,316 | 5,731 | 32,328 | 81,806 | 90,657 | 234,729 |
| - Loan from a related company | 4,431 | 10,965 | - | - | - | - |
| - Others | 13 | 32 | - | - | - | - |
| Depreciation of property, plant and equipment | 155,621 | 385,084 | 502,807 | 1,272,351 | 305,176 | 790,162 |
| Gain on disposal of property, plant and equipment | - | - | (98,329) | (248,222) | - | - |
| Audit fee | 15,000 | 37,118 | 15,000 | 37,958 | 7,500 | 19,419 |
| Foreign exchange (gain)/loss: | | | | | | |
| - Realised | 8,090 | 20,019 | 5,748 | 14,545 | 333 | 862 |
| - Unrealised | (630) | (1,560) | 3,576 | 9,048 | (7,462) | (19,179) |
| Rental of premises | 61,181 | 151,392 | 90,000 | 227,745 | 68,116 | 176,366 |

9.4.7 Employee benefits expense

| FYE/FPE | 1.1.2012 to 31.12.2012 | | 1.1.2013 to 31.12.2013 | | 1.1.2014 to 30.6.2014 | |
|---------------------------------|------------------------------|---------|------------------------------|-----------|-----------------------------|---------|
| | SGD | RM | SGD | RM | SGD | RM |
| Salaries, allowance and bonuses | 287,725 | 711,976 | 504,714 | 1,277,179 | 162,290 | 420,201 |
| Defined contribution plans | 37,090 | 91,779 | 68,550 | 173,466 | 20,543 | 53,190 |
| Others | 1,316 | 3,256 | 7,199 | 18,217 | - | - |
| | 326,131 | 807,011 | 580,463 | 1,468,862 | 182,833 | 473,391 |

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.4 KS (cont'd)****9.4.8 Tax income**

| FYE/FPE | 1.1.2012 to 31.12.2012 | | 1.1.2013 to 31.12.2013 | | 1.1.2014 to 30.6.2014 | |
|---|------------------------------|----------|------------------------------|----|-----------------------------|----|
| | SGD | RM | SGD | RM | SGD | RM |
| Overprovision of current tax in prior years | (6,800) | (16,827) | - | - | - | - |

A reconciliation of income tax income applicable to (loss)/profit before tax at the statutory tax rate to income tax income at the effective tax rate of the KS is as follows:-

| FYE/FPE | 1.1.2012 to 31.12.2012 | | 1.1.2013 to 31.12.2013 | | 1.1.2014 to 30.6.2014 | |
|---|------------------------------|-----------|------------------------------|-----------|-----------------------------|-----------|
| | SGD | RM | SGD | RM | SGD | RM |
| (Loss)/Profit before tax | (274,941) | (680,341) | (83,713) | (211,836) | 283,084 | 732,961 |
| Tax at the Singapore income tax rate of 17% | (46,740) | (115,658) | (14,231) | (36,012) | 48,124 | 124,603 |
| Tax effect in respect of:- | | | | | | |
| Expenses that are not deductible | 38 | 94 | 1,585 | 4,011 | 23,971 | 62,066 |
| Income that is not subject to tax | (850) | (2,103) | (72) | (182) | (3,662) | (9,482) |
| Tax incentive | (392,407) | (971,011) | - | - | (172) | (445) |
| Group relief surrendered without payment | 547,855 | 1,355,667 | - | - | - | - |
| Net deferred tax assets that are not recognised | (107,691) | (266,481) | 12,718 | 32,183 | (68,261) | (176,742) |
| Others | (205) | (508) | - | - | - | - |
| Overprovision of current tax in prior years | (6,800) | (16,827) | - | - | - | - |
| Tax income for the years/period | (6,800) | (16,827) | - | - | - | - |

Subject to the agreement by the tax authorities at the end of the reporting period, KS has unutilised capital allowance of approximately SGD1,011,000/RM2,599,000 (31.12.2013: SGD224,000/RM581,000, 31.12.2012: Nil) and unutilised business losses of Nil (31.12.2013: SGD31,000/RM80,000, 31.12.2012: SGD31,000/RM78,000) that are available for offset against future taxable profits for which no deferred tax asset is recognised due to uncertainty of its recoverability.

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.4 KS (cont'd)****9.4.8 Tax income (cont'd)**

In accordance with Productivity and Innovation Credit ("PIC") Scheme, KS is entitled to 400% tax allowance for investment in innovation and productivity improvements. The tax benefits are currently available from year of assessment 2011 to 2018. As at 30 June 2014, KS has unutilised tax incentives approximately of SGD1,615,000/RM4,151,000 (31.12.2013: SGD1,294,000/RM3,357,000, 31.12.2012: SGD3,600,000/RM9,012,000) that are available to offset against future taxable profits.

Deferred tax (assets)/liabilities have not been recognised in respect of the following items due to uncertainty of its recoverability:-

| FYE/FPE | 1.1.2012 to 31.12.2012 | | 1.1.2013 to 31.12.2013 | | 1.1.2014 to 30.6.2014 | |
|---|------------------------------|-------------|------------------------------|-------------|-----------------------------|-------------|
| | SGD | RM | SGD | RM | SGD | RM |
| Temporary difference arising from: | | | | | | |
| Property, plant and equipment | (638,067) | (1,597,209) | (336,498) | (872,977) | (248,381) | (638,414) |
| Unabsorbed capital allowances | - | - | (224,147) | (581,505) | (1,011,000) | (2,598,573) |
| Unutilised business losses | (31,245) | (78,212) | (31,245) | (81,059) | - | - |
| Others | 4,591 | 11,492 | 1,981 | 5,139 | 1,117 | 2,871 |
| | (664,721) | (1,663,929) | (589,909) | (1,530,402) | (1,258,264) | (3,234,116) |

9.4.9 Property, plant and equipment

| FYE/FPE | 31.12.2012 | | 31.12.2013 | | 30.6.2014 | |
|----------------------------|------------|-----------|------------|-----------|-----------|-----------|
| | SGD | RM | SGD | RM | SGD | RM |
| Net carrying amount | | | | | | |
| Cloud computing assets | 2,502,388 | 6,263,978 | 2,336,767 | 6,062,274 | 2,822,671 | 7,255,111 |
| Office equipment | 366 | 916 | - | - | - | - |
| Work-in-progress | 63,140 | 158,052 | 14,189 | 36,811 | 14,189 | 36,470 |
| | 2,565,894 | 6,422,946 | 2,350,956 | 6,099,085 | 2,836,860 | 7,291,581 |

Additions to property, plant and equipment during the financial period amounting to SGD725,000/RM1,877,170 (31.12.2013: SGD264,240/RM685,520, 31.12.2012: SGD441,000/RM1,103,911) were acquired through finance leases arrangement. Cash payment of SGD66,080/RM171,095 (31.12.2013: SGD23,629/RM59,791, 31.12.2012: SGD2,280,515/RM5,643,134) was made to purchase property, plant and equipment.

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.4 KS (cont'd)****9.4.9 Property, plant and equipment (cont'd)**

The carrying amount of the cloud computing assets held under finance leases are SGD 1,223,650/ RM3,145,148 (31.12.2013: SGD554,984/RM1,439,795, 31.12.2012: SGD439,000/RM1,098,905) at the end of the reporting period/years.

9.4.10 Inventories

| FYE/FPE | 31.12.2012 | | 31.12.2013 | | 30.6.2014 | |
|--|------------|---------|------------|---------|-----------|----|
| | SGD | RM | SGD | RM | SGD | RM |
| Trading goods | 56,580 | 141,631 | - | - | - | - |
| Inventories recognised as an expenses in cost of sales | - | - | 56,580 | 146,785 | - | - |

9.4.11 Trade receivables

The normal credit terms granted to trade receivables are 30 days to 60 days (31.12.2013 and 31.12.2012: 30 days to 60 days).

Trade receivables are recognised at their original invoiced amounts which represent the fair value at initial recognition.

Currency exposure profile of trade receivables is as follows:-

| FYE/FPE | 31.12.2012 | | 31.12.2013 | | 30.6.2014 | |
|---------|------------|----|------------|--------|-----------|----|
| | SGD | RM | SGD | RM | SGD | RM |
| USD | - | - | 36,625 | 95,016 | - | - |

9.4.12 Other receivables

| FYE/FPE | 31.12.2012 | | 31.12.2013 | | 30.6.2014 | |
|-------------------|------------|--------|------------|--------|-----------|-------|
| | SGD | RM | SGD | RM | SGD | RM |
| Other receivables | 28,593 | 71,573 | 15,000 | 38,915 | - | - |
| Prepayments | 2,044 | 5,117 | 485 | 1,258 | 1,319 | 3,390 |
| | 30,637 | 76,690 | 15,485 | 40,173 | 1,319 | 3,390 |

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.4 KS (cont'd)****9.4.13 Amount due from/(to) related companies**

| FYE/FPE | 31.12.2012 | | 31.12.2013 | | 30.6.2014 | |
|------------------|------------|-----------|------------|--------|-----------|-------------|
| | SGD | RM | SGD | RM | SGD | RM |
| Trade nature | (272) | (681) | 35,565 | 92,266 | (480,915) | (1,236,096) |
| Non-trade nature | (208,587) | (522,135) | (75) | (194) | (830,290) | (2,134,094) |

All outstanding balances arising from trade transactions are unsecured and repayable within 30 days (31.12.2013 and 31.12.2012: 30 days) from the date of transaction and interest free.

An amount of SGD318,000/RM817,355 (31.12.2013 and 31.12.2012: Nil) in trade balances represents service fees received in advance.

All outstanding balances arising from non-trade transactions are unsecured, interest free and repayable on demand.

Currency exposure profile of amount due from/(to) related companies is as follows:-

| FYE/FPE | 31.12.2012 | | 31.12.2013 | | 30.6.2014 | |
|---------|------------|----|------------|--------|-----------|-------------|
| | SGD | RM | SGD | RM | SGD | RM |
| USD | - | - | 18,996 | 49,280 | (697,423) | (1,792,586) |
| RM | - | - | (75) | (194) | (75) | (193) |

9.4.14 Cash and bank balances

Currency exposure profile of cash and bank balances is as follows:-

| FYE/FPE | 31.12.2012 | | 31.12.2013 | | 30.6.2014 | |
|---------|------------|--------|------------|--------|-----------|-----|
| | SGD | RM | SGD | RM | SGD | RM |
| USD | 13,563 | 33,951 | 5,328 | 13,823 | 358 | 920 |

9.4.15 Share capital

| FYE/FPE | 31.12.2012 | | 31.12.2013 | | 30.6.2014 | |
|--|---------------|---------|---------------|---------|---------------|---------|
| | SGD | RM | SGD | RM | SGD | RM |
| Issued and fully paid: | | | | | | |
| Brought forward/ Carried forward | 50,000 | 121,865 | 50,000 | 121,865 | 50,000 | 121,865 |
| Number of ordinary share (unit) | 50,000 | | 50,000 | | 50,000 | |

The holders of ordinary shares are entitled to receive dividends as and when declared by the company. All ordinary shares carry one vote per share without restrictions and the ordinary shares have no par value.

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.4 KS (cont'd)****9.4.16 Borrowings**

| FYE/FPE | 31.12.2012 | | 31.12.2013 | | 30.6.2014 | |
|--|------------|-----------|------------|-----------|-----------|-----------|
| | SGD | RM | SGD | RM | SGD | RM |
| Non-current | | | | | | |
| Secured:- | | | | | | |
| Borrowing from a financial institution | - | - | 455,080 | 1,180,614 | - | - |
| Finance lease liabilities | 278,066 | 696,055 | 243,422 | 631,510 | 579,453 | 1,489,368 |
| | 278,066 | 696,055 | 698,502 | 1,812,124 | 579,453 | 1,489,368 |
| Current | | | | | | |
| Secured:- | | | | | | |
| Borrowing from a financial institution | - | - | 213,742 | 554,511 | - | - |
| Finance lease liabilities | 138,358 | 346,338 | 233,963 | 606,970 | 467,377 | 1,201,299 |
| | 138,358 | 346,338 | 447,705 | 1,161,481 | 467,377 | 1,201,299 |
| | 416,424 | 1,042,393 | 1,146,207 | 2,973,605 | 1,046,830 | 2,690,667 |

Borrowing from a financial institution

The non-current portion is repayable as follows:

| FYE/FPE | 31.12.2012 | | 31.12.2013 | | 30.6.2014 | |
|---|------------|----|------------|-----------|-----------|----|
| | SGD | RM | SGD | RM | SGD | RM |
| Payable after one year but not later than two years | - | - | 230,024 | 596,751 | - | - |
| Payable after two years but not later than five years | - | - | 225,056 | 583,863 | - | - |
| | - | - | 455,080 | 1,180,614 | - | - |

The effective borrowing rate is 7.00% (31.12.2013: 7.00% and 31.12.2012: Nil) per annum.

The borrowing repayment term is three (3) years and on a fixed repayment basis. The company's obligations under borrowing were secured by the lessor's title to the leased assets (Note 9.4.9) and corporate guarantee from QSA. The amount has been fully repaid during the FPE 30 June 2014.

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.4 KS (cont'd)****9.4.16 Borrowings (cont'd)****Finance lease liabilities**

| FYE/FPE | 31.12.2012 | | 31.12.2013 | | 30.6.2014 | |
|---|------------|-----------|------------|-----------|-----------|-----------|
| | SGD | RM | SGD | RM | SGD | RM |
| Finance lease outstanding | 457,060 | 1,144,113 | 509,600 | 1,322,055 | 1,139,644 | 2,929,226 |
| Less: Interest in suspense | (40,636) | (101,720) | (32,215) | (83,575) | (92,814) | (238,559) |
| Principal outstanding | 416,424 | 1,042,393 | 477,385 | 1,238,480 | 1,046,830 | 2,690,667 |
| Payable within one year | 138,358 | 346,338 | 233,963 | 606,970 | 467,377 | 1,201,299 |
| Payable after one year but not later than two years | 278,066 | 696,055 | 233,963 | 606,970 | 354,885 | 912,160 |
| Payable after two years but not later than five years | - | - | 9,459 | 24,540 | 224,568 | 577,208 |
| | 278,066 | 696,055 | 243,422 | 631,510 | 579,453 | 1,489,368 |
| | 416,424 | 1,042,393 | 477,385 | 1,238,480 | 1,046,830 | 2,690,667 |

The average effective finance lease rates was 6.24% (31.12.2013 and 31.12.2012: 5.98%) per annum.

The lease term is 3 years and on a fixed repayment basis. The company's obligations under finance leases are secured by the lessor's title to the leased assets (Note 9.4.9).

9.4.17 Trade payables

The normal credit terms granted by the suppliers ranged from 30 days to 60 days (31.12.2013: 30 to 60 days and 31.12.2012: 30 days to 120 days).

Currency exposure profile of trade payables is as follows:-

| FYE/FPE | 31.12.2012 | | 31.12.2013 | | 30.6.2014 | |
|---------|------------|--------|------------|----|-----------|---------|
| | SGD | RM | SGD | RM | SGD | RM |
| USD | 12,233 | 30,621 | - | - | 106,157 | 272,855 |

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.4 KS (cont'd)****9.4.18 Other payables**

| FYE/FPE | 31.12.2012 | | 31.12.2013 | | 30.6.2014 | |
|----------------------------------|------------|---------|------------|-----------|-----------|---------|
| | SGD | RM | SGD | RM | SGD | RM |
| Other payables | 2,325 | 5,820 | 397,880 | 1,032,220 | 27,320 | 70,220 |
| Accruals | 62,598 | 156,695 | 76,839 | 199,344 | 196,140 | 504,139 |
| Deposits received from customers | - | - | - | - | 17,440 | 44,826 |
| | 64,923 | 162,515 | 474,719 | 1,231,564 | 240,900 | 619,185 |

In year 2013, an amount of SGD300,000/RM778,290 included in other payables is an amount due to Caldecott Investment Limited in which is recorded as an amount due to ultimate holding company in year 2012. The group structure had changed upon acquisition of KA shares from Caldecott Investment Limited by Mr. Piti Pramotedham, a Director of KS.

9.4.19 Amount due to ultimate/ immediate holding company

Amount due to ultimate/ immediate holding company are non-trade in nature which unsecured, interest free and repayable on demand.

On 30 May 2014, Kronologi acquired the entire issued and paid-up share capital of the Company from KA. Consequently, the Company became a wholly-subsiary of Kronologi.

Currency exposure profile of amount due to immediate holding company is as follows:-

| FYE/FPE | 31.12.2012 | | 31.12.2013 | | 30.6.2014 | |
|---------|------------|---------|------------|----|-----------|----|
| | SGD | RM | SGD | RM | SGD | RM |
| USD | 73,319 | 183,532 | - | - | - | - |

9.4.20 Deferred income

| FYE/FPE | 31.12.2012 | | 31.12.2013 | | 30.6.2014 | |
|-----------------|------------|----|------------|----|-----------|-----------|
| | SGD | RM | SGD | RM | SGD | RM |
| Deferred income | - | - | - | - | 475,000 | 1,220,892 |
| Analysed as: | | | | | | |
| Current | - | - | - | - | 475,000 | 1,220,892 |

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.4 KS (cont'd)****9.4.21 Related party disclosure**

The significant related party transactions of the company, other than those disclosed in this report are as follows:

| FYE/FPE | 31.12.2012 | | 31.12.2013 | | 30.6.2014 | |
|---|------------|-----------|------------|-----------|-----------|-----------|
| | SGD | RM | SGD | RM | SGD | RM |
| (a) Transactions with immediate holding company | | | | | | |
| (i) Loan from | 1,678,319 | 4,153,000 | 1,087,500 | 2,751,919 | - | - |
| (b) Transactions with ultimate holding company | | | | | | |
| (i) Loan from | 700,000 | 1,732,150 | - | - | - | - |
| (c) Transactions with related company | | | | | | |
| (i) Loan from | - | - | - | - | 830,215 | 2,149,593 |
| (ii) Purchases | - | - | 17,462 | 44,188 | 146,704 | 379,846 |
| (iii) Sales | - | - | 763,450 | 1,931,910 | 318,000 | 823,366 |

The outstanding balances of related parties are disclosed in the Notes 9.4.13, 9.4.18 and 9.3.19 of this report.

Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the company either directly or indirectly.

The key management personnel did not receive any remuneration from the company during the financial years/period.

9.4.22 Commitments**(a) Capital commitment**

| FYE/FPE | 31.12.2012 | | 31.12.2013 | | 30.6.2014 | |
|---|------------|-----------|------------|----|-----------|----|
| | SGD | RM | SGD | RM | SGD | RM |
| Commitment for the acquisition of property, plant and equipment | 462,718 | 1,158,276 | - | - | - | - |

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.4 KS (cont'd)****9.4.22 Commitments (cont'd)****(b) Lease commitments**

The future minimum lease payments payable under non-cancellable operating lease commitments are as follows:

| FYE/FPE | 31.12.2012 | | 31.12.2013 | | 30.6.2014 | |
|--|------------|---------|------------|---------|-----------|---------|
| | SGD | RM | SGD | RM | SGD | RM |
| Not later than one year | 90,000 | 225,288 | 90,000 | 233,484 | 75,000 | 192,773 |
| Later than one year but not later than two years | 112,500 | 281,610 | 22,500 | 58,371 | - | - |
| | 202,500 | 506,898 | 112,500 | 291,855 | 75,000 | 192,773 |

Lease commitments represents rentals payables for rent of the office space. Leases are negotiated for terms of 1 to 2 years (31.12.2013 and 31.12.2012: 1 to 2 years).

9.4.23 Categories of financial instruments

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

- (a) Loans and receivables (L&R); and
(b) Other liabilities measured at amortised cost (AC)

| | Carrying amount | | L&R | | AC | |
|---|-----------------|-----------|---------|---------|-----------|-----------|
| | SGD | RM | SGD | RM | SGD | RM |
| 31.12.2012 | | | | | | |
| Financial assets | | | | | | |
| Trade receivables | 5,350 | 13,392 | 5,350 | 13,392 | - | - |
| Other receivables | 28,593 | 71,573 | 28,593 | 71,573 | - | - |
| Cash and bank balances | 94,469 | 236,475 | 94,469 | 236,475 | - | - |
| | 128,412 | 321,440 | 128,412 | 321,440 | - | - |
| Financial liabilities | | | | | | |
| Trade payables | 13,520 | 33,843 | - | - | 13,520 | 33,843 |
| Other payables | 64,923 | 162,515 | - | - | 64,923 | 162,515 |
| Amount due to ultimate holding company | 700,000 | 1,752,240 | - | - | 700,000 | 1,752,240 |
| Amount due to immediate holding company | 1,469,733 | 3,679,036 | - | - | 1,469,733 | 3,679,036 |
| Amount due to a related company | 208,859 | 522,816 | - | - | 208,859 | 522,816 |
| Borrowings | 416,424 | 1,042,393 | - | - | 416,424 | 1,042,393 |
| | 2,873,459 | 7,192,843 | - | - | 2,873,459 | 7,192,843 |

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.4 KS (cont'd)****9.4.23 Categories of financial instruments (cont'd)**

- (a) Loans and receivables (L&R); and
 (b) Other liabilities measured at amortised cost (AC)

| | Carrying amount | | L&R | | AC | |
|---|------------------|------------------|----------------|------------------|------------------|------------------|
| | SGD | RM | SGD | RM | SGD | RM |
| 31.12.2013 | | | | | | |
| Financial assets | | | | | | |
| Trade receivables | 309,475 | 802,871 | 309,475 | 802,871 | - | - |
| Other receivables | 15,000 | 38,915 | 15,000 | 38,915 | - | - |
| Amount due from a related company | 35,565 | 92,266 | 35,565 | 92,266 | - | - |
| Cash and bank balances | 112,039 | 290,663 | 112,039 | 290,663 | - | - |
| | <u>472,079</u> | <u>1,224,715</u> | <u>472,079</u> | <u>1,224,715</u> | <u>-</u> | <u>-</u> |
| Financial liabilities | | | | | | |
| Trade payables | 4,821 | 12,507 | - | - | 4,821 | 12,507 |
| Other payables | 474,719 | 1,231,564 | - | - | 474,719 | 1,231,564 |
| Amount due to immediate holding company | 1,401,940 | 3,637,053 | - | - | 1,401,940 | 3,637,053 |
| Amount due to a related company | 75 | 194 | - | - | 75 | 194 |
| Borrowings | 1,146,207 | 2,973,605 | - | - | 1,146,207 | 2,973,605 |
| | <u>3,027,762</u> | <u>7,854,923</u> | <u>-</u> | <u>-</u> | <u>3,027,762</u> | <u>7,854,923</u> |
| 30.6.2014 | | | | | | |
| Financial assets | | | | | | |
| Trade receivables | 337,537 | 867,571 | 337,537 | 867,571 | - | - |
| Cash and bank balances | 313,963 | 806,979 | 313,963 | 806,979 | - | - |
| | <u>651,500</u> | <u>1,674,550</u> | <u>651,500</u> | <u>1,674,550</u> | <u>-</u> | <u>-</u> |
| Financial liabilities | | | | | | |
| Trade payables | 336,902 | 865,939 | - | - | 336,902 | 865,939 |
| Other payables | 223,460 | 574,359 | - | - | 223,460 | 574,359 |
| Amounts due to related companies | 1,311,205 | 3,370,190 | - | - | 1,311,205 | 3,370,190 |
| Borrowings | 1,046,830 | 2,690,667 | - | - | 1,046,830 | 2,690,667 |
| | <u>2,918,397</u> | <u>7,501,155</u> | <u>-</u> | <u>-</u> | <u>2,918,397</u> | <u>7,501,155</u> |

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.4 KS (cont'd)****9.4.24 Financial instruments****Financial risk management objectives and policies**

The company is exposed to financial risks arising from its operations and the use of financial instruments. Financial risk management policy is established to ensure that adequate resources are available for the development of the company's business whilst managing its credit risk, liquidity risk, foreign currency risk and interest rate risk. The company operates within clearly defined policies and procedures that are approved by the Board of Directors to ensure the effectiveness of the risk management process.

The main areas of financial risks faced by the company and the policy in respect of the major areas of treasury activity are set out as follows:-

(a) Credit risk

Credit risk is the risk of a financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Concentration of credit risk exists when changes in economic, industry and geographical factors similarly affect the counterparties whose aggregate credit exposure is significant in relation to the company's total credit exposure. The company's portfolio of financial instrument is broadly diversified along geographical lines and transactions are entered into with diverse creditworthy counterparties, thereby mitigate any significant concentration of credit risk.

It is the company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The company do not offer credit terms without the approval of the head of credit control.

The areas where the company is exposed to credit risk are as follows:-

(i) Receivables

As at the end of each reporting period, the maximum exposure to credit risk arising from receivables is limited to the carrying amounts in the statements of financial position.

With a credit policy in place to ensure the credit risk is monitored on an ongoing basis, the management has taken reasonable steps to ensure that receivables are stated at their realisable values. The company uses aging analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than credit terms granted are deemed to have higher credit risk, and are monitored individually.

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.4 KS (cont'd)****9.4.24 Financial instruments (cont'd)****Financial risk management objectives and policies (cont'd)**

The main areas of financial risks faced by the company and the policy in respect of the major areas of treasury activity are set out as follows:-

(a) Credit risk**(i) Receivables**

The ageing analysis for trade receivables are as follows:-

| | Gross/Net | |
|---------------------|-----------|---------|
| | SGD | RM |
| 31.12.2012 | | |
| Within credit terms | 5,350 | 13,392 |
| 31.12.2013 | | |
| Within credit terms | 10,700 | 27,759 |
| Past due 0-30 days | 262,150 | 680,096 |
| Past due 31-60 days | 36,625 | 95,016 |
| | 309,475 | 802,871 |
| 30.6.2014 | | |
| Within credit terms | 208,040 | 534,725 |
| Past due 0-30 days | 54,597 | 140,331 |
| Past due 31-60 days | 5,350 | 13,751 |
| Past due 61-90 days | 69,550 | 178,764 |
| | 337,537 | 867,571 |

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

Trade receivables of SGD129,497/RM332,846 (31.12.2013: SGD298,775/RM775,112 and 31.12.2012: Nil) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default.

The net carrying amount of receivables is considered a reasonable approximate to fair value. The maximum exposure to credit risk is the carrying value of each class of receivables mentioned above. Trade receivables that are individually determined to be impaired at the end of the each reporting period relate to receivables that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.4 KS (cont'd)****9.4.24 Financial instruments (cont'd)****Financial risk management objectives and policies (cont'd)**

The main areas of financial risks faced by the company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

(a) Credit risk (cont'd)**(ii) Intercompany loan and advances**

The maximum exposure to credit risk is represented by their amounts in the statement of financial position.

The company provides unsecured loans and advances to a related company and monitors its results regularly.

As at the end of each reporting period, there was no indication that the loans and advances to its related company is not recoverable.

(b) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as and when they fall due as a result of shortage of funds. In managing its exposures to liquidity risk that arises principally from its various payables, the company maintains 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.

The company aims to maintain a balance of sufficient cash and the ultimate holding company and related companies had express their willingness to support the company financially whenever it is required.

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)
9.4 KS (cont'd)
9.4.24 Financial instruments (cont'd)
Financial risk management objectives and policies (cont'd)
(b) Liquidity risk (cont'd)

The following are areas of the company's exposure to liquidity risk:-

| | Carrying amount | | Contractual cash flows | | Within 1 year | | Later than 1 year but not later than 2 years | | Later than 2 years but not later than 5 years | |
|---|-----------------|-----------|------------------------|-----------|---------------|-----------|--|-----------|---|---------|
| | SGD | RM | SGD | RM | SGD | RM | SGD | RM | SGD | RM |
| 31.12.2012 | | | | | | | | | | |
| Financial liabilities | | | | | | | | | | |
| Trade payables | 13,520 | 33,843 | 13,520 | 33,843 | 13,520 | 33,843 | - | - | - | - |
| Other payables | 64,923 | 162,515 | 64,923 | 162,515 | 64,923 | 162,515 | - | - | - | - |
| Amount due to ultimate holding company | 700,000 | 1,752,240 | 700,000 | 1,752,240 | 700,000 | 1,752,240 | - | - | - | - |
| Amount due to immediate holding company | 1,469,733 | 3,679,036 | 1,469,733 | 3,679,036 | 1,469,733 | 3,679,036 | - | - | - | - |
| Amount due to related companies | 208,859 | 522,816 | 208,859 | 522,816 | 208,859 | 522,816 | - | - | - | - |
| Borrowings | 416,424 | 1,042,393 | 457,060 | 1,144,113 | 161,352 | 403,896 | 161,352 | 403,896 | 134,356 | 336,321 |
| | 2,873,459 | 7,192,843 | 2,914,095 | 7,294,563 | 2,618,387 | 6,554,346 | 161,352 | 403,896 | 134,356 | 336,321 |
| 31.12.2013 | | | | | | | | | | |
| Financial liabilities | | | | | | | | | | |
| Trade payables | 4,821 | 12,507 | 4,821 | 12,507 | 4,821 | 12,507 | - | - | - | - |
| Other payables | 474,719 | 1,231,564 | 474,719 | 1,231,564 | 474,719 | 1,231,564 | - | - | - | - |
| Amount due to immediate holding company | 1,401,940 | 3,637,053 | 1,401,940 | 3,637,053 | 1,401,940 | 3,637,053 | - | - | - | - |
| Amount due to a related company | 75 | 194 | 75 | 194 | 75 | 194 | - | - | - | - |
| Borrowings | 1,146,207 | 2,973,605 | 1,252,995 | 3,250,645 | 512,244 | 1,328,915 | 485,254 | 1,258,894 | 255,497 | 662,836 |
| | 3,027,762 | 7,854,923 | 3,134,550 | 8,131,963 | 2,393,799 | 6,210,233 | 485,254 | 1,258,894 | 255,497 | 662,836 |

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.4 KS (cont'd)****9.4.24 Financial instruments (cont'd)****Financial risk management objectives and policies (cont'd)****(b) Liquidity risk (cont'd)**

The following are areas of the company's exposure to liquidity risk:-

| | Carrying amount | | Contractual cash flows | | Within 1 year | | Later than 1 year but not later than 2 years | | Later than 2 years but not later than 5 years | |
|----------------------------------|-----------------|-----------|------------------------|-----------|---------------|-----------|--|---------|---|---------|
| | SGD | RM | SGD | RM | SGD | RM | SGD | RM | SGD | RM |
| 30.6.2014 | | | | | | | | | | |
| Financial liabilities | | | | | | | | | | |
| Trade payables | 336,902 | 865,939 | 336,902 | 865,939 | 336,902 | 865,939 | - | - | - | - |
| Other payables | 223,460 | 574,359 | 223,460 | 574,359 | 223,460 | 574,359 | - | - | - | - |
| Amounts due to related companies | 1,311,205 | 3,370,190 | 1,311,205 | 3,370,190 | 1,311,205 | 3,370,190 | - | - | - | - |
| Borrowings | 1,046,830 | 2,690,667 | 1,139,644 | 2,929,227 | 525,153 | 1,349,801 | 382,633 | 983,482 | 231,858 | 595,944 |
| | 2,918,397 | 7,501,155 | 3,011,211 | 7,739,715 | 2,396,720 | 6,160,289 | 382,633 | 983,482 | 231,858 | 595,944 |

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.4 KS (cont'd)****9.4.24 Financial instrument (cont'd)****Financial risk management objectives and policies (cont'd)****(c) Foreign currency risk**

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

The maximum foreign currency exposure as at each reporting date is detailed in respective notes to the financial statements.

The company has transactional currency exposures that are denominated in currencies other than the functional currency of the company which is mainly denominated in USD and RM.

At the end of each reporting period, the management of the company determined that the effects of sensitivity of the company's profit for the financial years/period to a reasonably possible change in the above various currencies exchange rates to be immaterial.

(d) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of the company's financial instruments will fluctuate because of change in market interest rates.

Although the debts are fixed borrowings, there is an inherent risk in stating their fair value due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

The company's interest rate management objective is to manage the interest expenses consistent with maintaining an acceptable level of exposure to interest rate fluctuation.

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

| FYE/FPE | 31.12.2012 | | 31.12.2013 | | 30.6.2014 | |
|---------|------------|----|------------|----|-----------|----|
| | SGD | RM | SGD | RM | SGD | RM |

Fixed rate instrument

| | | | | | | |
|--------------------------|---------|-----------|-----------|-----------|-----------|-----------|
| Borrowings (Note 9.4.16) | 416,424 | 1,042,393 | 1,146,207 | 2,973,605 | 1,046,830 | 2,690,667 |
|--------------------------|---------|-----------|-----------|-----------|-----------|-----------|

Fair value sensitivity analysis for fixed rate instruments:-

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

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.4 KS (cont'd)****9.4.24 Financial instrument (cont'd)****Financial risk management objectives and policies (cont'd)****Fair value of financial instruments**

The table below analyses financial instruments not carried at fair value for which fair value is disclosed, together with their values and carrying amounts shown in the statements of financial position.

| | Note | Level 2 | | | |
|----------------------------|--------|------------|-----------|-----------------|-----------|
| | | Fair value | | Carrying amount | |
| | | SGD | RM | SGD | RM |
| 31.12.2012 | | | | | |
| Financial liability | | | | | |
| Borrowings | 9.4.16 | 399,948 | 1,001,150 | 416,424 | 1,042,393 |
| 31.12.2013 | | | | | |
| Financial liability | | | | | |
| Borrowings | 9.4.16 | 1,088,757 | 2,824,562 | 1,146,207 | 2,973,605 |
| 30.6.2014 | | | | | |
| Financial liability | | | | | |
| Borrowings | 9.4.16 | 934,828 | 2,402,788 | 1,046,830 | 2,690,667 |

The fair value of the borrowings are estimated using discounted cash flows analysis based on the effective interest rate.

The carrying amounts of short term receivables, payables and cash and cash equivalents approximate their fair value due to the relatively short term nature of these financial instruments and insignificant impact of discounting.

9.4.25 Capital management

The company's objectives when managing capital is to safeguard the company's ability to continue as a going concern in order to provide return for shareholder and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the company may issue new shares and debts. No changes were made in the objectives, policies or processes during the financial years/period.

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.5 QSA(M)****9.5.1 Summarised Statement of Profit or Loss and Other Comprehensive Income**

The following table sets out the summary of the financial results prepared based on the audited financial statements of QSA(M) for the past three (3) FYE 31 December 2011, 2012, 2013 and FPE 30 June 2014:-

| FYE/FPE | Note | 1.12.2011 to 31.12.2011 | 1.1.2012 to 31.12.2012 | 1.1.2013 to 31.12.2013 | 1.1.2014 to 30.6.2014 |
|--|-------|-------------------------------|------------------------------|------------------------------|-----------------------------|
| | | RM | RM | RM | RM |
| Revenue | 9.5.5 | 1,671,192 | 2,504,955 | 2,697,491 | 780,300 |
| Cost of sales | | (1,032,264) | (1,679,379) | (1,331,384) | (346,605) |
| Gross profit | | 638,928 | 825,576 | 1,366,107 | 433,695 |
| Other income | | 79,405 | 41,119 | - | 31,550 |
| Selling and distribution expenses | | (314,438) | (488,055) | (751,072) | (236,058) |
| Administrative expenses | | (281,568) | (396,397) | (496,300) | (196,329) |
| Profit/(Loss) before tax | 9.5.6 | 122,327 | (17,757) | 118,735 | 32,858 |
| Tax (expense)/income | 9.5.8 | (625) | 60,413 | (48,343) | - |
| Profit for the financial years/period, represent total comprehensive income for the financial years/period | | 121,702 | 42,656 | 70,392 | 32,858 |
| Gross profit margin (%) | | 38.23 | 32.96 | 50.64 | 55.58 |
| Profit/(Loss) before tax margin (%) | | 7.32 | (0.71) | 4.40 | 4.21 |
| Profit after tax margin (%) | | 7.28 | 1.70 | 2.61 | 4.21 |
| Weighted average number of ordinary shares issued | | 2 | 2 | 2 | 2 |
| Net earnings per share (sen) | | 6,085,100 | 2,132,800 | 3,519,600 | 1,642,900 |

Note:-

- (i) There were no exceptional items in all the financial years/period under review.

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.45 QSA(M) (cont'd)****9.5.2 Summarised Statement of Financial Position**

The following table sets out the summary of financial position prepared based on the audited financial statements of QSA(M) for the past three (3) FYE 31 December 2011, 2012, 2013 and FPE 30 June 2014:-

| FYE/FPE | Note | 31.12.2011 | 31.12.2012 | 31.12.2013 | 30.6.2014 |
|---|--------|------------------|------------------|----------------|----------------|
| | | RM | RM | RM | RM |
| ASSETS | | | | | |
| <u>Non-current assets</u> | | | | | |
| Property, plant and equipment | 9.5.9 | 17,902 | 21,635 | 17,586 | 50,543 |
| Amount due from immediate holding company | 9.5.10 | 1,288 | 18,890 | 10,002 | 5,559 |
| Deferred tax assets | 9.5.11 | 1,264 | 61,677 | 13,334 | 13,334 |
| Total non-current assets | | 20,454 | 102,202 | 40,922 | 69,436 |
| <u>Current assets</u> | | | | | |
| Trade receivables | 9.5.12 | 247,840 | 925,433 | 115,071 | 129,672 |
| Other receivables | 9.5.13 | 20,954 | 22,095 | 19,940 | 22,175 |
| Amount due from immediate holding company | | - | - | 55,730 | 11,904 |
| Amounts due from related companies | 9.5.14 | - | 10,000 | 25,992 | 86,197 |
| Cash and bank balances | | 685,646 | 254,591 | 154,565 | 77,597 |
| Total current assets | | 954,440 | 1,212,119 | 371,298 | 327,545 |
| TOTAL ASSETS | | 974,894 | 1,314,321 | 412,220 | 396,981 |
| EQUITY AND LIABILITIES | | | | | |
| EQUITY | | | | | |
| Share capital | 9.5.15 | 2 | 2 | 2 | 2 |
| Accumulated losses | | (307,146) | (264,490) | (194,098) | (161,240) |
| Capital deficiency | | (307,144) | (264,488) | (194,096) | (161,238) |
| LIABILITIES | | | | | |
| <u>Non-current liability</u> | | | | | |
| Deferred income | 9.5.16 | 3,811 | 41,203 | 23,664 | 15,805 |
| Total non-current liability | | 3,811 | 41,203 | 23,664 | 15,805 |
| <u>Current liabilities</u> | | | | | |
| Other payables | 9.5.17 | 20,116 | 76,890 | 118,840 | 77,879 |
| Amount due to immediate holding company | 9.5.10 | 1,200,895 | 1,182,130 | 399,280 | 444,594 |
| Deferred income | 9.5.16 | 57,216 | 278,586 | 64,532 | 19,941 |
| Total current liabilities | | 1,278,227 | 1,537,606 | 582,652 | 542,414 |
| TOTAL LIABILITIES | | 1,282,038 | 1,578,809 | 606,316 | 558,219 |
| TOTAL EQUITY AND LIABILITIES | | 974,894 | 1,314,321 | 412,220 | 396,981 |

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.5 QSA(M) (cont'd)****9.5.2 Summarised Statement of Financial Position (cont'd)**

The following table sets out the summary of financial position prepared based on the audited financial statements of QSA(M) for the past three (3) FYE 31 December 2011, 2012, 2013 and FPE 30 June 2014 (cont'd):-

| FYE/FPE | Note | 31.12.2011 | 31.12.2012 | 31.12.2013 | 30.6.2014 |
|---------------------------|------|------------|------------|------------|-----------|
| | | RM | RM | RM | RM |
| Net liabilities ["NL"] | | (307,144) | (264,488) | (194,096) | (161,238) |
| Number of ordinary shares | | 2 | 2 | 2 | 2 |
| NL per share (RM) | | (153,572) | (132,244) | (97,048) | (80,619) |

9.5.3 Summarised Statement of Cash Flows

The following table sets out the summary of cash flows prepared based on the audited financial statements of QSA(M) for the past three (3) FYE 31 December 2011, 2012, 2013 and FPE 30 June 2014:-

| FYE/FPE | 1.1.2011 to 31.12.2011 | 1.1.2012 to 31.12.2012 | 1.1.2013 to 31.12.2013 | 1.1.2014 to 30.6.2014 |
|---------|------------------------------|------------------------------|------------------------------|-----------------------------|
| | RM | RM | RM | RM |

CASH FLOWS FROM OPERATING ACTIVITIES

| | | | | |
|---|---------|----------|---------|----------|
| Profit/(Loss) before tax | 122,327 | (17,757) | 118,735 | 32,858 |
| Adjustments for:- | | | | |
| Depreciation of property, plant and equipment | 4,025 | 4,721 | 5,848 | 5,523 |
| Loss on disposal of property, plant and equipment | - | 743 | - | - |
| Property, plant and equipment written off | - | 405 | - | - |
| Unrealised loss/(gain) on foreign exchange | 96,363 | (41,119) | 93,170 | (31,550) |
| | 222,715 | (53,007) | 217,753 | 6,831 |

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.5 QSA(M) (cont'd)****9.5.3 Summarised Statement of Cash Flows (cont'd)**

The following table sets out the summary of cash flows prepared based on the audited financial statements of QSA(M) for the past three (3) FYE 31 December 2011, 2012, 2013 and FPE 30 June 2014 (cont'd):-

| FYE/FPE | 1.1.2011 to 31.12.2011 | 1.1.2012 to 31.12.2012 | 1.1.2013 to 31.12.2013 | 1.1.2014 to 30.6.2014 |
|---|------------------------------|------------------------------|------------------------------|-----------------------------|
| | RM | RM | RM | RM |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Changes in working capital:- | | | | |
| Receivables | 2,331 | (678,734) | 812,517 | (16,836) |
| Payables | 5,006 | 56,774 | 41,950 | (40,961) |
| Immediate holding company | 248,374 | 4,752 | (922,862) | 81,307 |
| Deferred income | 29,646 | 258,762 | (231,593) | (52,450) |
| Net cash from/(used in) operating activities | 508,072 | (411,453) | (82,235) | (22,109) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Purchase of property, plant and equipment | (18,188) | (10,502) | (1,799) | (38,480) |
| Proceeds from disposal of property, plant and equipment | - | 900 | - | 43,826 |
| Advances to related companies | - | (10,000) | (15,992) | (60,205) |
| Net cash used in investing activities | (18,188) | (19,602) | (17,791) | (54,859) |
| CASH AND CASH EQUIVALENTS | | | | |
| Net changes | 489,884 | (431,055) | (100,026) | (76,968) |
| Brought forward | 195,762 | 685,646 | 254,591 | 154,565 |
| Carried forward | 685,646 | 254,591 | 154,565 | 77,597 |

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.5 QSA(M) (cont'd)****9.5.4 Summarised Statement of Changes in Equity**

The following table sets out the summary of changes in equity prepared based on the audited financial statements of QSA(M) for the past three (3) FYE 31 December 2011, 2012, 2013 and FPE 30 June 2014:-

| | Share capital | Distributable | |
|---|---------------|------------------------|-----------|
| | | ← Accumulated losses → | Total |
| | RM | RM | RM |
| At 1 January 2011 | 2 | (428,848) | (428,846) |
| Total comprehensive income for the financial year | - | 121,702 | 121,702 |
| At 31 December 2011 | 2 | (307,146) | (307,144) |
| Total comprehensive income for the financial year | - | 42,656 | 42,656 |
| At 31 December 2012 | 2 | (264,490) | (264,488) |
| Total comprehensive income for the financial year | - | 70,392 | 70,392 |
| At 31 December 2013 | 2 | (194,098) | (194,096) |
| Total comprehensive income for the financial period | - | 32,858 | 32,858 |
| At 30 June 2014 | 2 | (161,240) | (161,238) |

9.5.5 Revenue

| FYE/FPE | 1.1.2011 to 31.12.2011 | 1.1.2012 to 31.12.2012 | 1.1.2013 to 31.12.2013 | 1.1.2014 to 30.6.2014 |
|---|------------------------------|------------------------------|------------------------------|-----------------------------|
| | RM | RM | RM | RM |
| Sale of goods | 1,546,203 | 1,777,094 | 912,344 | 95,796 |
| Rendering of services | 124,989 | 468,799 | 478,033 | 89,458 |
| Service fee income from immediate holding company | - | 259,062 | 1,307,114 | 595,046 |
| | 1,671,192 | 2,504,955 | 2,697,491 | 780,300 |

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.5 QSA(M) (cont'd)****9.5.6 Profit/(Loss) before tax**

Loss before tax has been determined after charging/(crediting), amongst other items, the following items:-

| FYE/FPE | 1.1.2011 to 31.12.2011 | 1.1.2012 to 31.12.2012 | 1.1.2013 to 31.12.2013 | 1.1.2014 to 30.6.2014 |
|---|------------------------------|------------------------------|------------------------------|-----------------------------|
| | RM | RM | RM | RM |
| Audit fee | 4,000 | 4,388 | 9,000 | 4,500 |
| Directors' remuneration | 101,699 | 207,518 | 303,243 | 137,768 |
| Depreciation of property, plant and equipment | 4,025 | 4,721 | 5,848 | 5,523 |
| Loss on disposal of property, plant and equipment | - | 743 | - | - |
| Property, plant and equipment written off | - | 405 | - | - |
| Rental of premises | 35,478 | 53,870 | 53,870 | 26,935 |
| Loss/(gain) on foreign exchange: | | | | |
| Realised | 79,405 | 9,253 | 6,297 | - |
| Unrealised | 96,363 | (41,119) | 93,170 | (31,550) |

9.5.7 Employee benefits expense

| FYE/FPE | 1.1.2011 to 31.12.2011 | 1.1.2012 to 31.12.2012 | 1.1.2013 to 31.12.2013 | 1.1.2014 to 30.6.2014 |
|----------------------------------|------------------------------|------------------------------|------------------------------|-----------------------------|
| | RM | RM | RM | RM |
| Salaries, allowances and bonuses | 264,578 | 432,440 | 539,402 | 289,623 |
| Defined contribution plans | 32,021 | 56,405 | 73,779 | 36,452 |
| Social security contributions | 1,742 | 2,972 | 3,603 | 1,992 |
| Others | 4,161 | 28,495 | 92,243 | 51,054 |
| Directors' remuneration | 101,699 | 207,518 | 303,243 | 137,768 |
| | 404,201 | 727,830 | 1,012,270 | 516,889 |

The details of Directors' remuneration are as follows:-

| FYE/FPE | 1.1.2011 to 31.12.2011 | 1.1.2012 to 31.12.2012 | 1.1.2013 to 31.12.2013 | 1.1.2014 to 30.6.2014 |
|-------------------------------|------------------------------|------------------------------|------------------------------|-----------------------------|
| | RM | RM | RM | RM |
| Remuneration | 78,879 | 163,100 | 259,967 | 117,300 |
| Other emoluments | 11,400 | 21,400 | 7,200 | 3,600 |
| Defined contribution plans | 10,800 | 22,140 | 34,836 | 16,248 |
| Social security contributions | 620 | 878 | 1,240 | 620 |
| | 101,699 | 207,518 | 303,243 | 137,768 |

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.5 QSA(M) (cont'd)****9.5.8 Tax expense/(income)**

| FYE/FPE | 1.1.2011 to 31.12.2011 | 1.1.2012 to 31.12.2012 | 1.1.2013 to 31.12.2013 | 1.1.2014 to 30.6.2014 |
|--|------------------------------|------------------------------|------------------------------|-----------------------------|
| | RM | RM | RM | RM |
| Deferred tax expense/ (income) related to origination of temporary differences | 625 | (11,176) | 48,343 | - |
| Under provision of deferred tax in prior year | - | (49,237) | - | - |
| | 625 | (60,413) | 48,343 | - |

A reconciliation of income tax expense/(income) applicable to profit/(loss) before tax at the statutory tax rate to income tax expense/(income) at the effective tax rate of the QSA(M) is as follows:

| FYE/FPE | 1.1.2011 to 31.12.2011 | 1.1.2012 to 31.12.2012 | 1.1.2013 to 31.12.2013 | 1.1.2014 to 30.6.2014 |
|---|------------------------------|------------------------------|------------------------------|-----------------------------|
| | RM | RM | RM | RM |
| Profit/(Loss) before tax | 122,327 | (17,757) | 118,735 | 32,858 |
| Tax at Malaysian statutory tax rate of 20% (30.6.2014: 25%) | 24,465 | (3,551) | 23,747 | 8,215 |
| Tax effects in respect of:- | | | | |
| Expenses not deductible for tax purposes | 20,063 | 599 | 24,596 | 3,195 |
| Effect of previously unrecognised deferred tax assets now recognised | (43,903) | - | - | (3,522) |
| Income not subject to tax | - | (8,224) | - | (7,888) |
| Under provision of deferred tax in prior year | - | (49,237) | - | - |
| | 625 | (60,413) | 48,343 | - |

9.5.9 Property, plant and equipment

| FYE/FPE | 31.12.2011 | 31.12.2012 | 31.12.2013 | 30.6.2014 |
|----------------------------|------------|------------|------------|-----------|
| | RM | RM | RM | RM |
| Net carrying amount | | | | |
| Furniture and fitting | 129 | 157 | 122 | 104 |
| Office equipments | 973 | 7,521 | 7,156 | 5,399 |
| Renovation | 16,800 | 13,957 | 10,308 | 45,040 |
| | 17,902 | 21,635 | 17,586 | 50,543 |

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.5 QSA(M) (cont'd)****9.5.10 Amount due from/(to) immediate holding company**

| FYE/FPE | 31.12.2011 | 31.12.2012 | 31.12.2013 | 30.6.2014 |
|--------------------|-------------|-------------|------------|-----------|
| | RM | RM | RM | RM |
| Non-current | | | | |
| Trade nature | 1,288 | 18,890 | 10,002 | 5,559 |
| Current | | | | |
| Trade nature | (1,227,948) | (1,401,836) | (399,280) | (444,594) |
| Non-trade nature | 27,053 | 219,706 | 55,730 | 11,904 |

The maintenance fee prepayment to immediate holding company as follows:

| FYE/FPE | 31.12.2011 | 31.12.2012 | 31.12.2013 | 30.6.2014 |
|--|------------|------------|------------|-----------|
| | RM | RM | RM | RM |
| Non-current | | | | |
| Later than one year but not later than two years | 672 | 8,887 | 8,502 | 5,038 |
| Later than two years but not later than five years | 616 | 10,003 | 1,500 | 521 |
| | 1,288 | 18,890 | 10,002 | 5,559 |
| Current | 27,053 | 219,706 | 55,730 | 12,245 |
| | 28,341 | 238,596 | 65,732 | 17,804 |

Amount due to immediate holding company is in respect of trade transactions which are unsecured, interest free and repayable within 30 days (31.12.2013, 31.12.2012 and 31.12.2011: 30 days) from the date of transactions.

Analysis of currency exposure profile for amount due to immediate holding company:

| FYE/FPE | 31.12.2011 | 31.12.2012 | 31.12.2013 | 30.6.2014 |
|---------|------------|------------|------------|-----------|
| | RM | RM | RM | RM |
| USD | 1,227,948 | 1,401,836 | 399,280 | 456,839 |

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.5 QSA(M) (cont'd)****9.5.11 Deferred tax assets**

| FYE/FPE | Accelerated tax depreciation | Unutilised | | Total |
|---|---------------------------------|--------------------|----------------------|----------|
| | | Business losses | Capital allowance | |
| | RM | RM | RM | RM |
| At 1 January 2011 | (1,889) | - | - | (1,889) |
| Amount charged to statement of comprehensive income | 625 | - | - | 625 |
| At 31 December 2011 | (1,264) | - | - | (1,264) |
| Amount charged/(credited) to statement of comprehensive income | 558 | (58,429) | (2,542) | (60,413) |
| At 31 December 2012 | (706) | (58,429) | (2,542) | (61,677) |
| Amount charged/(credited) to statement of comprehensive income | 2,109 | 58,429 | (12,195) | 48,343 |
| At 31 December 2013/At 30 June 2014 | 1,403 | - | (14,737) | (13,334) |

9.5.12 Trade receivables

The normal credit terms granted to trade receivables are 30 days (31.12.2013, 31.12.2012 and 31.12.2011: 30 days).

Trade receivables are recognised at their original invoice amounts which represent their fair value initial recognition.

9.5.13 Other receivables

| FYE/FPE | 31.12.2011 | 31.12.2012 | 31.12.2013 | 30.6.2014 |
|-------------|------------|------------|------------|-----------|
| | RM | RM | RM | RM |
| Deposits | 17,972 | 18,080 | 18,080 | 18,080 |
| Prepayments | 2,982 | 4,015 | 1,860 | 4,095 |
| | 20,954 | 22,095 | 19,940 | 22,175 |

9.5.14 Amounts due from related companies

The amounts due from related companies are non-trade in nature, unsecured, interest free and repayable on demand.

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.5 QSA(M) (cont'd)****9.5.15 Share capital**

| FYE/FPE | 31.12.2011 | 31.12.2012 | 31.12.2013 | 30.6.2014 |
|---------|------------|------------|------------|-----------|
| | RM | RM | RM | RM |

Authorised:

100,000 ordinary shares of RM1 each

| | | | | |
|----------------------------------|---------|---------|---------|---------|
| Brought forward/ Carried forward | 100,000 | 100,000 | 100,000 | 100,000 |
|----------------------------------|---------|---------|---------|---------|

Issued and fully paid:

2 ordinary shares of RM1 each

| | | | | |
|----------------------------------|---|---|---|---|
| Brought forward/ Carried forward | 2 | 2 | 2 | 2 |
|----------------------------------|---|---|---|---|

The holders of ordinary shares are entitled to receive dividends as and when declared by the company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the company's residual assets.

9.5.16 Deferred income

| FYE/FPE | 31.12.2011 | 31.12.2012 | 31.12.2013 | 30.6.2014 |
|---------|------------|------------|------------|-----------|
| | RM | RM | RM | RM |

| | | | | |
|-----------------|--------|---------|--------|--------|
| Deferred income | 61,027 | 319,789 | 88,196 | 35,746 |
|-----------------|--------|---------|--------|--------|

Analysed as:**Non-current**

Later than one year but not later than two years

| | | | |
|-------|--------|--------|--------|
| 1,988 | 17,539 | 15,331 | 11,867 |
|-------|--------|--------|--------|

Later than two years but not later than five years

| | | | |
|-------|--------|-------|-------|
| 1,823 | 23,664 | 8,333 | 3,938 |
|-------|--------|-------|-------|

Current

| | | | |
|-------|--------|--------|--------|
| 3,811 | 41,203 | 23,664 | 15,805 |
|-------|--------|--------|--------|

| | | | |
|--------|---------|--------|--------|
| 57,216 | 278,586 | 64,532 | 19,941 |
|--------|---------|--------|--------|

| | | | |
|--------|---------|--------|--------|
| 61,027 | 319,789 | 88,196 | 35,746 |
|--------|---------|--------|--------|

9.5.17 Other payables

| FYE/FPE | 31.12.2011 | 31.12.2012 | 31.12.2013 | 30.6.2014 |
|---------|------------|------------|------------|-----------|
| | RM | RM | RM | RM |

| | | | | |
|----------------|-----|-------|-------|-------|
| Other payables | 145 | 4,833 | 1,185 | 3,593 |
|----------------|-----|-------|-------|-------|

| | | | | |
|----------|--------|--------|---------|--------|
| Accruals | 19,971 | 72,057 | 117,655 | 74,286 |
|----------|--------|--------|---------|--------|

| | | | |
|--------|--------|---------|--------|
| 20,116 | 76,890 | 118,840 | 77,879 |
|--------|--------|---------|--------|

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.5 QSA(M) (cont'd)****9.5.18 Related party disclosure**

The significant related party transactions of the company, other than those disclosed in this report are as follows:

| FYE/FPE | 1.1.2011 to 31.12.2011 | 1.1.2012 to 31.12.2012 | 1.1.2013 to 31.12.2013 | 1.1.2014 to 30.6.2014 |
|---|------------------------------|------------------------------|------------------------------|-----------------------------|
| | RM | RM | RM | RM |
| (a) Transactions with immediate holding company | | | | |
| (i) Service fee income | - | (259,062) | (1,307,114) | (595,047) |
| (ii) Maintenance fee income | - | - | (369,508) | (84,936) |
| (iii) Purchases | 1,026,142 | 1,677,053 | 1,331,384 | 95,796 |
| (b) Transactions with related company | | | | |
| (i) Loan to | - | 10,000 | 10,000 | 60,000 |

The outstanding balance of related party is disclosed in Notes 9.5.10 and 9.5.14 of this report.

Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the company either directly or indirectly.

The remuneration of key management personnel is same with the Directors' remuneration as disclosed in Note 9.5.7 of this report. The company has no other members of key management personnel apart from the Board of Directors.

9.5.19 Lease commitments

The future minimum lease payments payable under non-collectable operating lease commitments are as follows:-

| FYE/FPE | 31.12.2011 | 31.12.2012 | 31.12.2013 | 30.6.2014 |
|-----------------------|------------|------------|------------|-----------|
| | RM | RM | RM | RM |
| Not later than 1 year | - | - | 17,957 | 44,892 |

Operating lease commitments rentals payables for rent of office space. Leases are negotiated for terms of 12 months (31.12.2013 and 31.12.2012: 4 months).

12. ACCOUNTANTS' REPORT (Cont'd)**Grant Thornton**

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9. HISTORICAL FINANCIAL INFORMATION (CONT'D)**9.5 QSA(M) (cont'd)****9.5.20 Categories of financial instruments**

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

- (a) Loans and receivables (L&R); and
(b) Other liabilities measured at amortised cost (AC)

| | Carrying amount | L&R | AC |
|---|--------------------|------------------|------------------|
| | RM | RM | RM |
| 31.12.2011 | | | |
| Financial assets | | | |
| Trade receivables | 247,840 | 247,840 | - |
| Other receivables | 17,972 | 17,972 | - |
| Cash and bank balances | 685,646 | 685,646 | - |
| | <u>951,458</u> | <u>951,458</u> | <u>-</u> |
| Financial liabilities | | | |
| Other payables | 20,116 | - | 20,116 |
| Amount due to immediate holding company | 1,227,948 | - | 1,227,948 |
| | <u>1,248,064</u> | <u>-</u> | <u>1,248,064</u> |
| 31.12.2012 | | | |
| Financial assets | | | |
| Trade receivables | 925,433 | 925,433 | - |
| Other receivables | 18,080 | 18,080 | - |
| Amount due from a related company | 10,000 | 10,000 | - |
| Cash and bank balances | 254,591 | 254,591 | - |
| | <u>1,208,104</u> | <u>1,208,104</u> | <u>-</u> |
| Financial liabilities | | | |
| Other payables | 76,890 | - | 76,890 |
| Amount due to immediate holding company | 1,401,836 | - | 1,401,836 |
| | <u>1,478,726</u> | <u>-</u> | <u>1,478,726</u> |
| 31.12.2013 | | | |
| Financial assets | | | |
| Trade receivables | 115,071 | 115,071 | - |
| Other receivables | 18,080 | 18,080 | - |
| Amounts due from related companies | 25,992 | 25,992 | - |
| Cash and bank balances | 154,565 | 154,565 | - |
| | <u>313,708</u> | <u>313,708</u> | <u>-</u> |
| Financial liabilities | | | |
| Other payables | 118,840 | - | 118,840 |
| Amount due to immediate holding company | 399,280 | - | 399,280 |
| | <u>518,120</u> | <u>-</u> | <u>518,120</u> |