

10. FINANCIAL INFORMATION

10.1 Reporting Accountants' letter on the compilation of pro forma consolidated financial information as at 30 April 2018



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2 5 SEP 2018

The Board of Directors
Securemetric Berhad
Level 5-E-06, Enterprise 4
Technology Park Malaysia
Lebuhraya Puchong-Sg. Besi
Bukit Jalil
57000 Kuala Lumpur

Dear Sirs,

**SECUREMETRIC BERHAD
REPORTING ACCOUNTANTS' LETTER ON THE COMPILATION OF PRO FORMA
CONSOLIDATED FINANCIAL INFORMATION AS AT 30 APRIL 2018**

We have completed our assurance engagement to report on the compilation of the Pro Forma Consolidated Financial Information of Securemetric Berhad ("Securemetric" or "the Company") and its proposed subsidiary companies (hereinafter collectively referred as "Securemetric Group"). The Pro Forma Consolidated Financial Information consists of the Pro Forma Consolidated Statement of Financial Position as at 30 April 2018 together with the accompanying notes thereon (as set out in the Notes to the Pro Forma Consolidated Financial Information which we have stamped for the purpose of identification) prepared by the Directors of the Company ("Directors").

The applicable criteria on the basis of which the Directors have compiled the Pro Forma Consolidated Financial Information are as disclosed in Notes to the Pro Forma Consolidated Financial Information and in accordance with the requirements of the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines")("Applicable Criteria").

The Pro Forma Consolidated Financial Information of the Securemetric Group have been compiled by the Directors, for illustrative purposes only, for the inclusion in the Prospectus in connection with the Initial Public Offering ("IPO") and the listing of and quotation for the entire enlarged issued share capital of Securemetric on the ACE Market of Bursa Malaysia Securities Berhad ("Listing").



**SECUREMETRIC BERHAD
REPORTING ACCOUNTANTS' LETTER ON THE COMPILATION OF PRO FORMA
CONSOLIDATED FINANCIAL INFORMATION AS AT 30 APRIL 2018 (CONT'D)**

Directors' Responsibility for the Pro Forma Consolidated Financial Information

The Directors are responsible for compiling the Pro Forma Consolidated Financial Information based on the Applicable Criteria.

Reporting Accountants' Independence and Other Ethical Requirements

We are independent of the Securemetric Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and IESBA Code.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by the Prospectus Guidelines about whether the Pro Forma Consolidated Financial Information has been compiled, in all material aspects, by the Directors based on the Applicable Criteria.

We conducted our engagement in accordance with International Standards on Assurance Engagement (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material aspects, the Pro Forma Consolidated Financial Information based on the Applicable Criteria.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinion on any historical financial information used in compiling the Pro Forma Consolidated Financial Information, nor have we, in the course of this engagement, perform an audit or review of the financial information used in compiling the Pro Forma Consolidated Financial Information.

The purpose of the Pro Forma Consolidated Financial Information included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for the purpose of illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.



**SECUREMETRIC BERHAD
REPORTING ACCOUNTANTS' LETTER ON THE COMPILATION OF PRO FORMA
CONSOLIDATED FINANCIAL INFORMATION AS AT 30 APRIL 2018 (CONT'D)**

Reporting Accountants' Responsibilities (Cont'd)

A reasonable assurance engagement to report on whether the Pro Forma Consolidated Financial Information has been compiled, in all material respects, based on the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the Directors in the compilation of the Pro Forma Consolidated Financial Information of the Securemetric Group in reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- (a) the related pro forma adjustments give appropriate effect to those criteria; and
- (b) the Pro Forma Consolidated Financial Information reflect 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 the Company, the event or transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

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

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

Opinion

In our opinion:

- (a) the Pro Forma Consolidated Financial Information of Securemetric Group as set out in the accompanying notes, which is provided for illustrative purposes only, has been prepared based on the audited combined financial statements of Securemetric Group as at 30 April 2018 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards and is presented on a basis consistent with both the format and accounting policies adopted by the Securemetric Group and after taking into account adjustments appropriate for the purposes of the Pro Forma Consolidated Financial Information as set out in the accompanying notes; and
- (b) each material adjustments made to the information used in the preparation of the Pro Forma Consolidated Financial Information of the Securemetric Group is appropriate for the purposes of preparing the Pro Forma Consolidated Financial Information.



**SECUREMETRIC BERHAD
REPORTING ACCOUNTANTS' LETTER ON THE COMPILATION OF PRO FORMA
CONSOLIDATED FINANCIAL INFORMATION AS AT 30 APRIL 2018 (CONT'D)**

Other Matters

This letter has been prepared for inclusion in the Prospectus of Securemetric in connection with the Listing. As such, this letter should not be used, circulated, quoted or otherwise referred to in any document or used for any 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,

A handwritten signature in black ink, appearing to read 'UHY'.

UHY
Firm Number: AF 1411
Chartered Accountants

A handwritten signature in black ink, appearing to read 'Ng Wee Teik'.

NG WEE TEIK
Approved Number: 1817/12/2018 (J)
Chartered Accountant

KUALA LUMPUR

10. FINANCIAL INFORMATION (CONT'D)**SECUREMETRIC BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION
AS AT 30 APRIL 2018****1. Introduction**

The Pro Forma Consolidated Financial Information of Securemetric Berhad (“Securemetric” or “the Company”) and its proposed subsidiary companies (“hereinafter collectively referred to as the “Securemetric Group”) has been compiled by the Directors of the Company, for illustrative purposes only, for inclusion in the prospectus of Securemetric in connection with the Initial Public Offering (“IPO”) and the listing of and quotation for its entire enlarged issued share capital on the ACE Market of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“Listing”).

2. Basis of Preparation

- 2.1 The Pro Forma Consolidated Financial Information of Securemetric Group as at 30 April 2018 has been compiled based on the audited combined financial statements of Securemetric Group as at 30 April 2018 and is presented on a basis consistent with both the format and accounting policies adopted by Securemetric Group, in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Prospectus Guidelines issued by the Securities Commission Malaysia.
- 2.2 The Pro Forma Consolidated Financial Information of Securemetric Group, of which the Directors of Securemetric are solely responsible, have been prepared to illustrate that the Pro Forma Consolidated Statement of Financial Position of Securemetric Group as at 30 April 2018 have been adjusted for based on the assumption that the Restructuring and the Public Issue have occurred on 30 April 2018 as disclosed in Notes 3 and 4 to the Pro Forma Consolidated Financial Information and the utilisation of proceeds from the IPO.
- 2.3 The audited combined financial statements of Securemetric Group for the financial period ended 30 April 2018 were reported without any modifications and were not subject to any audit qualifications.



10. FINANCIAL INFORMATION (CONT'D)

**SECUREMETRIC BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION
AS AT 30 APRIL 2018 (CONT'D)**

2. Basis of Preparation (Cont'd)

2.4 The Securemetric Group is regarded as a continuing entity resulting from the restructuring exercise as this business combination involves entities or business which are ultimately controlled by the same parties before and after the business combination. The Pro Forma Consolidated Financial Information of the Securemetric Group has applied the merger method of accounting to account for the Acquisitions [as disclosed in Note 3(a) to 3(f)] of subsidiary companies on a restrospective basis and restated its comparative as if the consolidation had taken place before the start of the earliest period presented in the financial statements.

Under the merger method,

- (i) If the cost of merger is lower than the nominal value of the share capital of the proposed subsidiary companies, a credit balance will arise and be treated as merger reserve under the Pro Forma Consolidated Statement of Financial Position.
- (ii) If the cost of merger is exceeded the nominal value of the share capital of the proposed subsidiary companies, a debit balance will arise and be treated as merger deficit under the Pro Forma Consolidated Statement of Financial Position.

Inter-company transactions, balances and unrealised gain or losses on transactions between Group companies are eliminated.

2.5 In preparing the Pro Forma Consolidated Financial Information, the financial information of the following proposed subsidiary companies was translated into Ringgit Malaysia (“RM”) and has been rounded to nearest RM except when otherwise stated:

Subsidiary company	Functional currency
PT Securemetric Technology (“Securemetric Indonesia”)	Indonesian Rupiah (IDR)
PT Softkey Inonesia (“Softkey Indonesia”)	Indonesian Rupiah (IDR)
Securemetric Technology Co., Ltd (“Securemetric Vietnam”)	Vietnamese Dong (VND)
Securemetric Technology, Inc. (“Securemetric Philippines”)	Philippine Peso (PHP)
Securemetric Technology Pte Ltd (“Securemetric Singapore”)	Singapore Dollar (SGD)



10. FINANCIAL INFORMATION (CONT'D)

**SECUREMETRIC BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION
AS AT 30 APRIL 2018 (CONT'D)**

2. Basis of Preparation (Cont'd)

2.5 In preparing the Pro Forma Consolidated Financial Information, the financial information of the following proposed subsidiary companies was translated into Ringgit Malaysia (“RM”) and has been rounded to nearest RM except when otherwise stated: (Cont'd)

All assets and liabilities of foreign operations that have a functional currency other than RM are translated at the exchange rates ruling at the reporting date. Income and expenses items are translated at an average exchange rate during a financial year/period. All exchange differences arising from the translation of the financial statements of foreign operations are accounted for under foreign currency translation reserve.

The exchange rates used for the purpose of this report are extracted from Bank Negara Malaysia as follows:

Closing rate	At 30 April 2018	
IDR	IDR1.00	: RM0.00028
VND	VND1.00	: RM0.00017
PHP	PHP1.00	: RM0.07600
SGD	SGD1.00	: RM2.96000

2.6 The Pro Forma Consolidated Financial Information of the Securemetric Group has been prepared for illustrative purposes only and, such information may not, because of its nature, give a true picture of the actual financial position and the results of the Securemetric Group and does not purport to predict the future financial position and results of the Securemetric Group.

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10. FINANCIAL INFORMATION (CONT'D)**SECUREMETRIC BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION
AS AT 30 APRIL 2018 (CONT'D)****3. Restructuring**

In preparation of the Listing, Securemetric has undertaken restructuring in relation to the proposed companies under the Securemetric Group as set out below:

(a) Acquisition of Securemetric Technology Sdn. Bhd. ("Securemetric Malaysia")

Securemetric had on 2 February 2018 entered into a conditional Share Sale and Purchase Agreement ("SSPA") (as supplemented by the supplemental agreement dated 19 July 2018) to acquire the entire 100% equity interest in Securemetric Malaysia comprising 1,000,000 ordinary shares for a purchase consideration of RM9,916,998, satisfied through the issuance of 123,962,475 new Securemetric Shares at RM0.08 each to the vendors of Securemetric Malaysia, as follows:

Vendors	No. of Securemetric Malaysia shares	%	No. of Securemetric Shares issued as consideration
Law Seeh Key	890,000	89.00	110,326,603
Nioo Yu Siong	110,000	11.00	13,635,872
Total	1,000,000	100.00	123,962,475

The purchase consideration was based on Securemetric Malaysia's audited net assets ("NA") as at 31 December 2016 of RM9,917,500 and is at a discount of RM502 or 0.01% to the audited NA.

The acquisition of Securemetric Malaysia was completed on 31 July 2018. Thereafter, Securemetric Malaysia became the wholly-owned subsidiary company of Securemetric.

(b) Acquisition of Securemetric Technology Co., Ltd ("Securemetric Vietnam")

Securemetric had on 2 February 2018 entered into separate conditional Sale and Purchase Agreement ("SPA") (as supplemented by the supplemental agreements all dated 19 July 2018) with each of the Vendors of Securemetric Vietnam to acquire Securemetric Vietnam's entire USD100,000 contributed charter capital, satisfied through a total cash consideration of USD165,192 (equivalent to RM644,000 at the exchange rate of USD1.00: RM3.89850 as mutually agreed in the agreements).

The purchase consideration was based on Securemetric Vietnam's audited NA as at 31 December 2016 of RM644,549 and is at a discount of RM549 or 0.09% to the audited NA. The conditional sale and purchase agreements are governed by the laws of Vietnam. The acquisition of Securemetric Vietnam was completed on 4 September 2018. Thereafter, Securemetric Vietnam became the wholly-owned subsidiary company of Securemetric.



10. FINANCIAL INFORMATION (CONT'D)**SECUREMETRIC BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION
AS AT 30 APRIL 2018 (CONT'D)****3. Restructuring (Cont'd)**

In preparation of the Listing, Securemetric has undertaken restructuring in relation to the proposed companies under the Securemetric Group as set out below: (Cont'd)

(b) Acquisition of Securemetric Technology Co., Ltd (“Securemetric Vietnam”) (Cont'd)

The Vendors of Securemetric Vietnam had advanced cash of USD165,192 (equivalent in amount to the purchase consideration) to Securemetric. The advances had been capitalised with the issuance of 8,050,000 new Securemetric Shares at RM0.08 each to the Vendors of Securemetric Vietnam.

The Acquisition of Securemetric Vietnam was satisfied in cash because under Vietnamese law, any form of consideration other than cash would require an independent valuation to be undertaken on the consideration (namely, the new Securemetric Shares to be issued). The valuation may be time consuming, involve additional cost and furthermore be subject to challenge by the relevant Vietnamese licensing authority. Such an arrangement is not in breach of any laws in Vietnam and Malaysia.

The Vendors of Securemetric Vietnam have received new Securemetric Shares from the capitalisation of their advances as follows:

Vendors	Advances made to Securemetric (USD)	%	No. of Securemetric Shares issued
Law Seeh Key	80,944	49.00	3,944,500
Li Jianjun	79,292	48.00	3,864,000
Nioo Yu Siong	4,956	3.00	241,500
Total	165,192	100.00	8,050,000

(c) Acquisition of Securemetric Technology, Inc. (“Securemetric Philippines”)

Securemetric had on 2 February 2018 entered into a conditional SSPA (as supplemented by the supplemental agreement dated 19 July 2018) to acquire 99.997% equity interest in Securemetric Philippines comprising 99,997 shares for a purchase consideration of RM681,000, satisfied through the issuance of 8,512,500 new Securemetric Shares at RM0.08 each to the vendors of Securemetric Philippines, as follows:

Vendors	No. of Securemetric Philippines shares	%	No. of Securemetric Shares issued as consideration
Nioo Yu Siong	87,911	87.911	7,483,648
Law Seeh Key	12,086	12.086	1,028,852
Total	99,997	99.997	8,512,500



10. FINANCIAL INFORMATION (CONT'D)

**SECUREMETRIC BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION
AS AT 30 APRIL 2018 (CONT'D)**

3. Restructuring (Cont'd)

In preparation of the Listing, Securemetric has undertaken restructuring in relation to the proposed companies under the Securemetric Group as set out below: (Cont'd)

(c) Acquisition of Securemetric Technology, Inc. ("Securemetric Philippines") (Cont'd)

The purchase consideration was based on Securemetric Philippines' adjusted NA as at 31 December 2016 of RM681,238 (comprising audited NA of RM266,395 adjusted for the increase in issued share capital of RM414,843) and is at a discount of RM238 or 0.03% to the adjusted NA.

The acquisition of Securemetric Philippines was completed on 4 September 2018. Thereafter, Securemetric Philippines became 99.997% owned subsidiary company of Securemetric.

(d) Acquisition of PT Securemetric Technology ("Securemetric Indonesia")

Securemetric had on 2 February 2018 entered into a conditional SSPA (as supplemented by the supplemental agreement dated 19 July 2018) to acquire the entire 100% equity interest in Securemetric Indonesia comprising 100,000 shares for a purchase consideration of RM1,358,000, satisfied through the issuance of 16,975,000 new Securemetric Shares at RM0.08 each to the vendors of Securemetric Indonesia, as follows:

Vendors	No. of Securemetric Indonesia shares	%	No. of Securemetric Shares issued as consideration
Law Seeh Key	47,000	47.00	7,978,250
Nioo Yu Siong	5,000	5.00	848,750
Li Jianjun	48,000	48.00	8,148,000
Total	100,000	100.00	16,975,000

The purchase consideration was based on Securemetric Indonesia's audited NA as at 31 December 2016 of RM1,358,878 and is at a discount of RM878 or 0.06% to the audited NA.

The acquisition of Securemetric Indonesia was completed on 4 September 2018. Thereafter, Securemetric Indonesia became the wholly-owned subsidiary company of Securemetric.



10. FINANCIAL INFORMATION (CONT'D)**SECUREMETRIC BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION
AS AT 30 APRIL 2018 (CONT'D)****3. Restructuring (Cont'd)**

In preparation of the Listing, Securemetric has undertaken restructuring in relation to the proposed companies under the Securemetric Group as set out below: (Cont'd)

(e) Acquisition of Securemetric Technology Pte Ltd ("Securemetric Singapore")

Securemetric had on 2 February 2018 entered into a conditional SSPA agreement (as supplemented by the supplemental agreement dated 19 July 2018) to acquire entire 100% equity interest in Securemetric Singapore comprising 50,000 shares for a purchase consideration of RM275,000, satisfied through the issuance of 3,437,500 new Securemetric Shares at RM0.08 each to the vendors of Securemetric Singapore, as follows:

Vendors	No. of Securemetric Singapore shares	%	No. of Securemetric Shares issued as consideration
Law Seeh Key	44,500	89.00	3,059,375
Nioo Yu Siong	5,500	11.00	378,125
Total	50,000	100.00	3,437,500

The purchase consideration was based on Securemetric Singapore's audited NA as at 31 December 2016 of RM275,401 and is at a discount of RM401 or 0.15% to the adjusted NA.

The acquisition of Securemetric Singapore was completed on 4 September 2018. Thereafter, Securemetric Singapore became the wholly-owned subsidiary company of Securemetric.



10. FINANCIAL INFORMATION (CONT'D)**SECUREMETRIC BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION
AS AT 30 APRIL 2018 (CONT'D)****3. Restructuring (Cont'd)**

In preparation of the Listing, Securemetric has undertaken restructuring in relation to the proposed companies under the Securemetric Group as set out below: (Cont'd)

(f) Acquisition of PT Softkey Indonesia (“Softkey Indonesia”)

Securemetric had on 2 February 2018 entered into a conditional SSPA (as supplemented by the supplemental agreement dated 19 July 2018) to acquire 80% equity interest in Softkey Indonesia comprising 80,000 shares for a purchase consideration of RM1,173,000, satisfied through the issuance of 14,662,500 new Securemetric Shares at RM0.08 each to the vendor of Softkey Indonesia, as follows:

Vendor	No. of Softkey Indonesia shares	%	No. of Securemetric Shares issued as consideration
Yong Kim Fui	80,000	80.00	14,662,500

The purchase consideration was based on Softkey Indonesia’s audited NA as at 31 December 2016 of RM1,467,478 and is at a discount of RM982 or 0.08% to the audited NA.

The acquisition of Softkey Indonesia was completed on 4 September 2018. Thereafter, Softkey Indonesia became 80% owned subsidiary company of Securemetric.

[3(a) to 3(f) are collectively referred as “Acquisitions” or “Restructuring”]

The new Securemetric Shares to be issued pursuant to the Acquisitions will rank pari passu in all respects with the existing Securemetric Shares except that the new Securemetric Shares will not be entitled to any dividends, rights, allotments or other distributions declared, made or paid, the entitlement date of which is prior to the date or allotment of the said new Securemetric Shares.

4. Public Issue

The Company is issuing 68,000,000 IPO Shares at an issue price of RM0.25 each, representing approximately 27.9% of the enlarged total number of issued Shares of the Company, to be allocated and allotted in the following manner:

(a) Malaysian Public via Balloting

17,000,000 IPO Shares, representing 7.0% of the enlarged total number of issued Shares of the Company will be made available for application by the Malaysian Public through a balloting process, of which at least 50% is to be set aside for Bumiputra investors.



10. FINANCIAL INFORMATION (CONT'D)**SECUREMETRIC BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION
AS AT 30 APRIL 2018 (CONT'D)****4. Public Issue (Cont'd)**

The Company is offering 68,000,000 IPO Shares at an issue price of RM0.25 each, representing approximately 27.9% of the enlarged total number of issued Shares of the Company, to be allocated and allotted in the following manner: (Cont'd)

(b) Private placement to selected investors

48,000,000 IPO Shares, representing approximately 19.7% of the total number of issued Shares of the Company are reserved for private placement to selected investors.

(c) Eligible employees of Securemetric Group

3,000,000 IPO Shares (being Pink Form Allocations), representing approximately 1.2% of the enlarged total number of issued Shares of the Company are reserved for application by Securemetric Group's eligible employees.

5. Utilisation of Proceeds from IPO

The gross proceeds arising from the Public Issue will be utilised by Securemetric in the following manner:

	Estimated time frame for use of proceeds upon Listing	RM	%
Business expansion	Within 24 months	1,700,000	10.0
Development of new digital security solutions	Within 24 months	5,700,000	33.5
Repayment of borrowings	Within 24 months	1,942,000	11.4
Working capital	Within 24 months	5,158,000	30.4
Listing expenses	Within 1 month	2,500,000	14.7
Total gross proceeds		<u>17,000,000</u>	<u>100.0</u>

6. Listing

Upon completion of the Acquisitions and Public Issue, Securemetric will seek the listing of and quotation for its entire 243,600,000 Securemetric Shares on the ACE Market of Bursa Securities.



10. FINANCIAL INFORMATION (CONT'D)

SECUREMETRIC BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 30 APRIL 2018 (CONT'D)

7. Pro Forma Consolidated Statement of Financial Position as at 30 April 2018

The pro forma consolidated statement of financial position of the Securemetric Group as at 30 April 2018 have been prepared for illustrative purposes only and after making such adjustments as considered necessary assuming that the Securemetric Group had been in existence on 30 April 2018 and the Listing completed on that date.

	Note	Securemetric		<u>Proforma I</u>		<u>Proforma II</u>		<u>Proforma III</u>	
		as at 30 April 2018	Adjustment for Acquisitions	Adjustment for Acquisitions	Adjustment for Public Issue	Adjustment for Public Issue	Adjustment for Public Issue	Adjustment for Utilisation of Proceeds from IPO	Adjustment for Utilisation and Utilisation of Proceeds from IPO
		RM	RM	RM	RM	RM	RM	RM	RM
Assets									
Non-Current Assets									
Property, plant and equipment	7.2	-	674,366	674,366	-	674,366	2,800,000	3,474,366	
Development expenditure		-	1,772,477	1,772,477	-	1,772,477	-	1,772,477	
Other investment		-	233,459	233,459	-	233,459	-	233,459	
Deferred tax assets		-	99,607	99,607	-	99,607	-	99,607	
		-	2,779,909	2,779,909	-	2,779,909	-	5,579,909	



10. FINANCIAL INFORMATION (CONT'D)

SECUREMETRIC BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 30 APRIL 2018 (CONT'D)

7. Pro Forma Consolidated Statement of Financial Position as at 30 April 2018 (Cont'd)

	Note	Securemetric as at 30 April 2018		Proforma I		Proforma II		Proforma III	
		RM	RM	Adjustment for Acquisitions	After Acquisitions	Adjustment for Public Issue	After Proforma I and Public Issue	Adjustment for Utilisation of Proceeds from IPO	After Proforma II and Utilisation of Proceeds from IPO
		RM	RM	RM	RM	RM	RM	RM	RM
Current Assets									
Inventories		-	2,188,913	-	2,188,913	-	2,188,913	-	2,188,913
Other investment		-	1,000,387	-	1,000,387	-	1,000,387	-	1,000,387
Trade receivables		-	4,841,185	-	4,841,185	-	4,841,185	-	4,841,185
Other receivables		65,000	3,704,850	-	3,769,850	-	3,769,850	-	3,769,850
Tax recoverable		-	174,651	-	174,651	-	174,651	-	174,651
Fixed deposits with licensed banks		-	4,896,448	-	4,896,448	-	4,896,448	-	4,896,448
Cash and bank balances	7.3	9,405	9,817,340	17,000,000	9,826,745	17,000,000	26,826,745	(10,142,000)	16,684,745
		74,405			26,698,179		43,698,179		33,556,179
Total Assets		74,405			29,478,088		46,478,088		39,136,088



10. FINANCIAL INFORMATION (CONT'D)

SECUREMETRIC BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 30 APRIL 2018 (CONT'D)

7. Pro Forma Consolidated Statement of Financial Position as at 30 April 2018 (Cont'd)

	Securemetric as at 30 April 2018	Proforma I After Acquisitions	Adjustment for Public Issue	Proforma II After Proforma I and Public Issue	Adjustment for Utilisation of Proceeds from IPO	Proforma III After Proforma II and Utilisation of Proceeds from IPO
Note	RM	RM	RM	RM	RM	RM
Equity						
Share capital	2	14,047,998	17,000,000	31,048,000	(650,000)	30,398,000
Reserves	-	(11,399,556)	-	(11,399,556)	-	(11,399,556)
Retained earnings	7.6	16,182,546	-	16,156,949	(4,750,000)	11,406,949
Equity attributable to owners of the Parent	(25,595)	-	-	35,805,393	-	30,405,393
Non-controlling interests	-	243,354	-	243,354	-	243,354
Total equity	(25,595)	19,048,747	-	36,048,747	-	30,648,747
Liabilities						
Non-Current Liability						
Bank borrowings	7.7	1,799,596	-	1,799,596	(1,373,017)	426,579



10. FINANCIAL INFORMATION (CONT'D)

SECUREMETRIC BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 30 APRIL 2018 (CONT'D)

7. Pro Forma Consolidated Statement of Financial Position as at 30 April 2018 (Cont'd)

	Note	Securemetric		Proforma I		Proforma II		Proforma III			
		as at 30 April 2018	RM	Adjustment for Acquisitions	RM	After Acquisitions	RM	Adjustment for Public Issue	RM	After Proforma II and Utilisation of Proceeds from IPO	RM
Current Liabilities											
Trade payables		-		750,834		750,834		-		750,834	
Other payables		100,000		7,172,718		7,272,718		-		7,272,718	
Bank borrowings	7.7	-		568,983		568,983		-	(568,983)	-	
Tax payable		-		37,210		37,210		-		37,210	
						8,629,745				8,629,745	
Total Liabilities						10,429,341				10,429,341	
Total Equity and Liabilities						29,478,088				46,478,088	



10. FINANCIAL INFORMATION (CONT'D)

SECUREMETRIC BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 30 APRIL 2018 (CONT'D)

7. Pro Forma Consolidated Statement of Financial Position as at 30 April 2018 (Cont'd)

	<u>Proforma I</u>	<u>Proforma II</u>	<u>Proforma III</u>
Securemetric as at 30 April 2018	After Acquisitions	After Proforma I and Public Issue	After Proforma II and Utilisation of Proceeds from IPO
Number of ordinary shares assumed to be in issued	175,600,000	243,600,000	243,600,000
Net (liability)/assets attributable to owners of the Parent (RM)	18,805,393	35,805,393	30,405,393
Net (liability)/assets per ordinary share (sen)	10.71	14.70	12.48
Net tangible (liability)/assets (RM) ^	17,032,916	34,032,916	28,632,916
Net tangible (liability)/assets per ordinary share (sen)	9.70	13.97	11.75

Note:

^ The net tangible (liability)/assets is computed by deducting intangible assets from total net assets attributable to owners of the Parent.



10. FINANCIAL INFORMATION (CONT'D)**SECUREMETRIC BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION
AS AT 30 APRIL 2018 (CONT'D)****7. Pro Forma Consolidated Financial Information as at 30 April 2018 (Cont'd)****7.1 Pro Forma Adjustments to the Pro Forma Consolidated Financial Information****Pro Forma I**

Pro Forma I incorporates the effects of the Acquisitions by Securemetric as disclosed in Note 3(a) to 3(f) to the Pro Forma Consolidated Financial Information.

Pro Forma II

Pro Forma II incorporates the effects of Pro Forma I and after the Public Issue as disclosed in Note 4 to the Pro Forma Consolidated Financial Information.

Pro Forma III

Pro Forma III incorporates the effects of Pro Forma II and after utilisation of proceeds from IPO as disclosed in Note 5 to the Pro Forma Consolidated Financial Information.

The gross proceeds arising from the Public Issue will be utilised by the Securemetric Group in the following manner:

	Estimated time frame for use of proceeds upon Listing	RM	%
Business expansion	Within 24 months	1,700,000	10.0
Development of new digital security solutions	Within 24 months	5,700,000	33.5
Repayment of borrowings	Within 24 months	1,942,000	11.4
Working capital	Within 24 months	5,158,000	30.4
Listing expenses	Within 1 month	2,500,000	14.7
Total gross proceeds		17,000,000	100.0

(a) Business expansion

Securemetric Group is allocating RM1.70 million of the proceeds towards its business expansion.

(i) Establishment of additional regional offices and office expansion

Securemetric Group is allocating RM0.70 million towards the costs of office expansion in Malaysia and the Philippines, in order to strengthen its invested resources in these countries. These costs include rental expenses, rental deposits, renovation works as well as purchase of equipment, furniture and fittings. Securemetric Group has set aside RM0.30 million for Malaysia and RM0.40 million for the Philippines. Additional funding for such expansion, if required, will be met through internally-generated funds and/or external borrowings.



10. FINANCIAL INFORMATION (CONT'D)

**SECUREMETRIC BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION
AS AT 30 APRIL 2018 (CONT'D)**

Pro Forma Consolidated Financial Information as at 30 April 2018 (Cont'd)

7.1 Pro Forma Adjustments to the Pro Forma Consolidated Financial Information (Cont'd)

Pro Forma III (Cont'd)

The gross proceeds arising from the Public Issue will be utilised by the Securemetric Group in the following manner: (Cont'd)

- (a) Business expansion (Cont'd)
 - (ii) Marketing and promotional activities

Securemetric Group is allocating RM1.00 million for marketing and promotional activities, both within Malaysia and outside Malaysia. In order to gain a bigger market share, Securemetric Group is adopting a proactive marketing strategy through participation in industry events such as seminars, forums, conferences and exhibitions, which are held in countries such as Malaysia, Singapore, Indonesia, Vietnam, the Philippines, Thailand and Myanmar. These events are organised periodically and Securemetric Group intends to participate in some of the events in the future. Securemetric Group's participation in each costs an average of approximately RM75,000 in the form of event fees, booth customisation, printing costs, gifts and staff travel-related costs. These seminars, forums, conferences and exhibitions provide avenues for Securemetric Group to gain access to latest developments and know-hows within the IT security industry, to showcase and promote their solutions and products as well as to network with other industry participants. Securemetric Group had previously participated in a number of such events, including BankTech Asia conference, the Philippine Software Industry Conference, RSA conference, Cyber Security Malaysia Awards, Conference & Exhibition (CSM-ACE) and Asian Banker Summit.

- (b) Development of new digital security solutions

Securemetric Group is allocating RM5.70 million for the following:

R&D investment	RM'000
(i) Investment in R&D equipment	2,800
(ii) R&D engineer team expansion costs	2,400
(iii) Costs relating to development and registration of new patents	500
Total	5,700



10. FINANCIAL INFORMATION (CONT'D)**SECUREMETRIC BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION
AS AT 30 APRIL 2018 (CONT'D)****Pro Forma Consolidated Financial Information as at 30 April 2018 (Cont'd)****7.1 Pro Forma Adjustments to the Pro Forma Consolidated Financial Information (Cont'd)****Pro Forma III (Cont'd)**

The gross proceeds arising from the Public Issue will be utilised by the Securemetric Group in the following manner: (Cont'd)

- (b) Development of new digital security solutions (Cont'd)
- (i) Investment in R&D equipment of up to RM2.80 million will comprise the following:

R&D Equipment	RM'000
<p><u>PKI IN A BOX for IOT</u> Internet of Things devices (e.g., smart locks, wearables (health tracking bands), automatic car tracking adapters, smart sensors, smart meters, smart close circuit television (CCTV), smart thermostats) with its software development kits and PKI appliances.</p>	630
<p><u>CENTAGATE® BOX for Financial Technology (“FinTech”) and CENTAGATE® on Cloud</u> Devices and tools related to FinTech such as servers, hardware security modules, mobile devices (e.g., hand phones and tablets), point of sale devices and CENTAGATE® BOX.</p>	1,460
<p><u>Digital Signing-as-a-Service</u> Digital signing development servers and devices specifically catering for our digital signing solutions.</p>	710
Total	2,800

Securemetric Group's continued focus on R&D for the ongoing development of new digital security solutions will provide Securemetric Group with the platform for long term sustainable growth.



10. FINANCIAL INFORMATION (CONT'D)

**SECUREMETRIC BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION
AS AT 30 APRIL 2018 (CONT'D)**

Pro Forma Consolidated Financial Information as at 30 April 2018 (Cont'd)

7.1 Pro Forma Adjustments to the Pro Forma Consolidated Financial Information (Cont'd)

Pro Forma III (Cont'd)

The gross proceeds arising from the Public Issue will be utilised by the Securemetric Group in the following manner: (Cont'd)

- (b) Development of new digital security solutions (Cont'd)
 - (ii) Securemetric Group target to increase their R&D team in Malaysia by 10 employees comprising experienced mobile security and IOT engineers depending on its assessment of needs, and it intend to use up to RM2.40 million towards the new employees' salaries (including contributions to Employees' Provident Fund and Social Security Organisation) as well as training courses.
 - (iii) Securemetric Group is allocating RM500,000 towards costs relating to development and registration of new patents for digital security solutions. Securemetric Group target to develop a minimum of 5 new patents every year and submit them for registration. On average, each patent will require RM50,000 towards development and registration.

The R&D team is constantly designing new and/or enhanced solutions to further improve the digital security solutions already existing in the market. In order to protect the rights to the new and/ or enhanced digital solutions, Securemetric Group will engage patents agents to assist it in patenting the said solutions with the Intellectual Property Corporation of Malaysia (MyIPO) and this process will take approximately 20 months. All new patents will be registered under the name of Securemetric Malaysia. After patenting the solutions locally, Securemetric Group will register their patents in the countries of its operations. The international patent application normally takes approximately 18 months to process. The patented solutions will be exclusive to Securemetric Group and therefore prevent other industry players from duplicating its proprietary solutions.

Any surplus or shortfall of the actual amounts used for the development of new digital security solutions will be re-allocated firstly amongst the different categories therein. Any further balance will be re-allocated against the amount allocated for working capital.



10. FINANCIAL INFORMATION (CONT'D)**SECUREMETRIC BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION
AS AT 30 APRIL 2018 (CONT'D)****Pro Forma Consolidated Financial Information as at 30 April 2018 (Cont'd)****7.1 Pro Forma Adjustments to the Pro Forma Consolidated Financial Information (Cont'd)****Pro Forma III (Cont'd)**

The gross proceeds arising from the Public Issue will be utilised by the Securemetric Group in the following manner: (Cont'd)

(c) Repayment of borrowings

Securemetric Group is allocating RM1.94 million to repay term loans being used for its working capital:

No.	Term loan facility	Repayment amount RM'000	Interest rate / Maturity date
1	Malayan Banking Berhad	711	11.15% p.a ⁽ⁱ⁾ / 30 April 2022
2	AmBank Islamic Berhad	1,231	7.95% p.a ⁽ⁱⁱ⁾ / 1 October 2021
	Total	1,942	

Notes:

(i) Base lending rate of 6.65% as at 24 September 2018 plus 4.5%.

(ii) Base financing rate of 6.95% as at 24 September 2018 plus 1.0%.

If the actual repayment amount for the term loans is less or more than allocated, the surplus or shortfall (as the case may be) will be re-allocated from the amount set aside for Securemetric Group's day-to-day operational working capital.

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10. FINANCIAL INFORMATION (CONT'D)**SECUREMETRIC BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION
AS AT 30 APRIL 2018 (CONT'D)****Pro Forma Consolidated Financial Information as at 30 April 2018 (Cont'd)****7.1 Pro Forma Adjustments to the Pro Forma Consolidated Financial Information (Cont'd)****Pro Forma III (Cont'd)**

The gross proceeds arising from the Public Issue will be utilised by the Securemetric Group in the following manner: (Cont'd)

(d) Working capital

Securemetric Group is allocating RM5.16 million for the following working capital purposes:

(i) Expansion of workforce

Securemetric Group is allocating RM3.58 million for salaries of the following additional employees:

Expansion of workforce	No. of employees	Salaries RM'mil
Project management and support staff responsible for liaising with customers and our R&D team to ensure the achievement of project deliverables, participate in customers meetings resolving technical matters of the project as well as overseeing project implementation.	6 employees (3 in Malaysia and 1 each in Indonesia, Vietnam and the Philippines)	0.80
Marketing staff responsible for organising marketing events, planning of advertising and promotion strategies together with business development team (including designing the roll out plans and marketing activities for the launch of new products and solutions).	1 employee (in Malaysia)	0.23
Business development managers responsible for planning of sales and marketing strategies, monitoring sales, conducting sales and product training for team members and participating in marketing events.	10 employees (3 each in Malaysia and the Philippines and 2 each in Indonesia and Vietnam)	1.18



10. FINANCIAL INFORMATION (CONT'D)**SECUREMETRIC BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION
AS AT 30 APRIL 2018 (CONT'D)****Pro Forma Consolidated Financial Information as at 30 April 2018 (Cont'd)****7.1 Pro Forma Adjustments to the Pro Forma Consolidated Financial Information (Cont'd)****Pro Forma III (Cont'd)**

The gross proceeds arising from the Public Issue will be utilised by the Securemetric Group in the following manner: (Cont'd)

(d) Working capital (Cont'd)

Securemetric Group will allocate RM5.16 million for the following working capital purposes: (Cont'd)

(i) Expansion of workforce (Cont'd)

Securemetric Group is allocating RM3.58 million for salaries of the following additional employees: (Cont'd)

Expansion of workforce	No. of employees	Salaries RM'mil
Engineers responsible for the functional analysis, application design, development, testing, deployment and maintenance of products and solutions as well as to ensure the products and solutions meet the project requirements.	14 employees (10 in the Philippines and 2 each in Indonesia and Vietnam)	1.18
Customer support manager responsible for overseeing customer service, providing resolution for customer issues, mentoring customer service team members and maintaining a service plan for each customer.	1 employee (in the Philippines)	0.19
Total	32 employees	3.58

For the above expansion of workforce, the actual number of employees to be employed by Securemetric Group will depend on the vacancies available at the relevant point in time.



10. FINANCIAL INFORMATION (CONT'D)**SECUREMETRIC BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION
AS AT 30 APRIL 2018 (CONT'D)****Pro Forma Consolidated Financial Information as at 30 April 2018 (Cont'd)****7.1 Pro Forma Adjustments to the Pro Forma Consolidated Financial Information (Cont'd)****Pro Forma III (Cont'd)**

The gross proceeds arising from the Public Issue will be utilised by the Securemetric Group in the following manner: (Cont'd)

(d) Working capital (Cont'd)

Securemetric Group is allocating RM5.16 million for the following working capital purposes: (Cont'd)

(ii) Day-to-day operations

Securemetric Group is allocating up to RM1.58 million for Securemetric Group's day-to-day operations which include shipment and freight fees for the export of digital security products, maintenance and upkeep of office premises, insurance premiums, travelling charges, printing, utilities and office supplies.

(e) Listing expenses

Securemetric Group is allocating up to RM2.50 million for the following expenses to be fully borne by Securemetric relating to the Public Issue:

Listing expenses	RM'000
Professional fees	1,770
Brokerage, underwriting and placement fees	200
Regulatory fee (Bursa Malaysia Securities Berhad and Securities Commission Malaysia)	65
Other fees and expenses (including printing, advertising and travel)	465
Total	2,500

The estimated listing expenses totalling RM2.50 million to be borne by the Company comprise, among others, professional fees, brokerage, underwriting and placement fees, regulatory fees and other fees and expenses. A total of RM0.65 million is assumed to be directly attributable to the Public Issue and as such, will be debited against the share capital of the Company and the remaining expenses of RM1.85 million are assumed to be attributable to the Listing and as such, will be expensed off to the statements of profit or loss and other comprehensive income. Any difference arising from the utilisation as set out above will be adjusted accordingly with the working capital requirements.



10. FINANCIAL INFORMATION (CONT'D)

**SECUREMETRIC BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION
AS AT 30 APRIL 2018 (CONT'D)**

Pro Forma Consolidated Financial Information as at 30 April 2018 (Cont'd)

7.1 Pro Forma Adjustments to the Pro Forma Consolidated Financial Information (Cont'd)

Securemetric Group intends to place all proceeds received as deposits with licensed financial institutions or short-term money market instruments before they are used for the above purposes.

Upon completion of the Public Issue, the issued Shares of the Company will increase from RM14,048,000 comprising 175,600,000 Securemetric Shares to RM31,048,000 comprising 243,600,000 Securemetric Shares.

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10. FINANCIAL INFORMATION (CONT'D)**SECUREMETRIC BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION
AS AT 30 APRIL 2018 (CONT'D)****7.2 Property, Plant and Equipment**

	RM
As at 30 April 2018	-
Acquisitions	674,366
As per Pro Forma I / II	<u>674,366</u>
Utilisation of proceeds from IPO	<u>2,800,000</u>
As per Pro Forma III	<u><u>3,474,366</u></u>

7.3 Cash and Bank Balances

	RM
As at 30 April 2018	9,405
Acquisitions	9,817,340
As per Pro Forma I	<u>9,826,745</u>
Public Issue	<u>17,000,000</u>
As per Pro Forma II	<u>26,826,745</u>
Utilisation of proceeds from IPO	<u>(10,142,000)</u>
As per Pro Forma III	<u><u>16,684,745</u></u>

7.4 Share Capital

	RM
As at 30 April 2018	2
Acquisitions	14,047,998
As per Pro Forma I	<u>14,048,000</u>
Public Issue	<u>17,000,000</u>
As per Pro Forma II	<u>31,048,000</u>
Utilisation of proceeds from IPO	<u>(650,000)</u>
As per Pro Forma III	<u><u>30,398,000</u></u>



10. FINANCIAL INFORMATION (CONT'D)**SECUREMETRIC BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION
AS AT 30 APRIL 2018 (CONT'D)****7.5 Reserves**

	Fair Value Adjustment Reserve RM	Foreign Currency Translation Reserve RM	Other Reserve RM	Merger Deficit RM	Total RM
As at 30 April 2018	-	-	-	-	-
Acquisitions	<u>168,921</u>	<u>(567,088)</u>	<u>3,274</u>	<u>(11,004,663)</u>	<u>(11,399,556)</u>
As per Pro Forma I / II / III	<u>168,921</u>	<u>(567,088)</u>	<u>3,274</u>	<u>(11,004,663)</u>	<u>(11,399,556)</u>

7.6 Retained Earnings

	RM
As at 30 April 2018	(25,597)
Acquisitions	<u>16,182,546</u>
As per Pro Forma I / II	<u>16,156,949</u>
Utilisation of proceeds from IPO	<u>(4,750,000)</u>
As per Pro Forma III	<u>11,406,949</u>

7.7 Bank Borrowings

	Non-current RM	Current RM	Total RM
As at 30 April 2018	-	-	-
Acquisitions	<u>1,799,596</u>	<u>568,983</u>	<u>2,368,579</u>
As per Pro Forma I / II	<u>1,799,596</u>	<u>568,983</u>	<u>2,368,579</u>
Utilisation of proceeds from IPO	<u>(1,373,017)</u>	<u>(568,983)</u>	<u>(1,942,000)</u>
As per Pro Forma III	<u>426,579</u>	<u>-</u>	<u>426,579</u>



10. FINANCIAL INFORMATION (CONT'D)

**SECUREMETRIC BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION
AS AT 30 APRIL 2018 (CONT'D)**

Approval by Board of Directors

Approved and adopted by the Board of Directors of Securemetric Berhad in accordance with a resolution dated **25 SEP 2018**



LAW SEEH KEY
Director



YONG KIM FUI
Director



10. FINANCIAL INFORMATION (CONT'D)**10.2 Historical financial information**

The following table summarises our Group's combined statements of financial position, statements of profit or loss and other comprehensive income as well as statements of cash flows for FYE 31 December 2015, FYE 31 December 2016, FYE 31 December 2017 and 4M-FPE 30 April 2018 (prepared based on the assumption that our Group has been operating as a single economic entity for the entirety of this time period). These financial statements should be read in conjunction with the Reporting Accountants' Report together with the accompanying notes and assumptions as set out in Section 10.2 and Section 11 of this Prospectus. The Reporting Accountants' Report was prepared based on the merger method of accounting to account for the Acquisitions as Securemetric Group is regarded as a continuing entity resulting from the Restructuring as this business combination involves entities or businesses which are ultimately controlled by the same parties before and after the business combination.

The following table also summarises our Group's combined management accounts for the 4M-FPE 30 April 2017 and audited accounts for 4M-FPE 30 April 2018 (prepared based on the assumption that our Group has been operating as a single economic entity for the entirety of both time periods). As Securemetric was incorporated only on 6 June 2017, the commentaries for the past 3 FYEs 31 December 2015 - 2017 as well as the 4M-FPEs 30 April 2017 and 30 April 2018 are in relation to the other Securemetric companies in the combined group.

10.2.1 Combined statements of financial position

	Audited			Unaudited	Audited
	As at 31 December			As at 30 April	
	2015	2016	2017	2017	2018
	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	420	501	745	541	674
Development expenditure	1,324	2,330	1,934	2,330	1,772
Other investment ⁽¹⁾	64	115	251	119	233
Deferred tax assets	67	42	35	143	100
Total non-current assets	1,875	2,988	2,965	3,133	2,779
Current assets					
Inventories	2,185	1,974	2,084	2,444	2,189
Other investment ⁽¹⁾	-	-	-	-	1,000
Trade receivables	4,166	8,528	15,231	2,622	4,841
Other receivables	2,540	1,924	3,745	2,465	3,770
Tax recoverable	103	61	75	75	175
Fixed deposits with licensed banks	984	154	2,740	4,198	4,896
Cash and bank balances	2,799	7,244	14,510	6,291	9,827
Total current assets	12,777	19,885	38,385	18,095	26,698
TOTAL ASSETS	14,652	22,873	41,350	21,228	29,477
EQUITY AND LIABILITIES					
Equity					
Share capital	2,229	2,705	2,705	2,705	3,043
Reserves	(50)	176	(57)	198	(395)
Retained earnings	8,805	10,630	16,647	9,119	16,157
Equity attributable to owners of the parent	10,984	13,511	19,295	12,022	18,805
Non-controlling interests	206	217	252	223	243
Total equity	11,190	13,728	19,547	12,245	19,048

10. FINANCIAL INFORMATION (CONT'D)

	Audited			Unaudited	Audited
	As at 31 December			As at 30 April	
	2015	2016	2017	2017	2018
	RM'000	RM'000	RM'000	RM'000	RM'000
Non-current liabilities					
Other payables	298	-	-	-	-
Finance lease payables	12	-	-	-	-
Bank borrowings	-	1,644	1,995	2,344	1,800
Total non-current liabilities	310	1,644	1,995	2,344	1,800
Current liabilities					
Trade payables	1,475	2,316	8,198	1,462	751
Other payables	1,606	4,813	10,776	4,644	7,272
Amount due to customer on contract ⁽²⁾	-	-	271	-	-
Finance lease payables	15	12	-	7	-
Bank borrowings	23	356	553	524	569
Tax payable	33	4	10	2	37
Total current liabilities	3,152	7,501	19,808	6,639	8,629
Total liabilities	3,462	9,145	21,803	8,983	10,429
TOTAL EQUITY AND LIABILITIES	14,652	22,873	41,350	21,228	29,477
Number of Securemetric Shares in issue					
- After Restructuring ⁽³⁾ ('000)	175,600	175,600	175,600	175,600	175,600
- After Restructuring and Public Issue ⁽⁴⁾ ('000)	243,600	243,600	243,600	243,600	243,600
NA	10,984	13,511	19,295	12,022	18,805
NA per ordinary share (sen)					
- After Restructuring ⁽³⁾	6.3	7.7	11.0	6.8	10.7
- After Restructuring and Public Issue ⁽⁴⁾	4.5	5.5	7.9	4.9	7.7

Development expenditure represents expenditure incurred for research and development for the centralised authentication management system (CENTAGATE®) which was developed in-house, and funded through a grant from the Government of Malaysia under Kementerian Sains, Teknologi and Inovasi (MOSTI). The expenditure incurred mainly consists of purchase of hardware and server, evaluation and certification project initiation cost, setup and implementation cost.

The increase in bank borrowings from FYE 31 December 2015 to FYE 31 December 2016 was due to the drawdown of RM2.0 million term loan from AmBank Islamic Berhad for working capital purposes. The increase in bank borrowings for FYE 31 December 2017 is due to the drawdown of RM1.0 million new term loan secured from Malayan Banking Berhad for working capital purposes.

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10. FINANCIAL INFORMATION (CONT'D)

Notes:

- (1) Other investment (Non-current assets) represents investment in quoted shares and Other investment (Current assets) represents investment in unit trust.
- (2) Amount due to customer on contract of which revenue and cost are recognised based on stage on completion by reference to the proportion of cost incurred to-date against the total estimated costs that reflect the service performed.
- (3) Based on 175,600,000 issued Securemetric Shares, on the assumption that the Securemetric Group structure was in existence for the financial years/periods above (i.e. after Restructuring but before Public Issue).
- (4) Based on 243,600,000 issued Securemetric Shares, on the assumption that the Securemetric Group structure was in existence for the financial years/periods above (i.e. after Restructuring and Public Issue).

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10. FINANCIAL INFORMATION (CONT'D)

10.2.2 Combined statements of profit or loss and other comprehensive income

	Audited			Unaudited	Audited
	FYE 31 December			4M-FPE 30 April	
	2015	2016	2017	2017	2018
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	16,978	24,753	44,767	6,329	6,970
Cost of sales	(7,724)	(11,984)	(23,524)	(3,584)	(2,997)
Gross profit	9,254	12,769	21,243	2,745	3,973
Other income	616	76	715	68	434
Administrative expenses	(6,807)	(8,457)	(15,501)	(4,324)	(4,740)
Finance costs	(7)	(2)	(255)	(91)	(74)
PBT/(LBT)	3,056	4,386	6,202	(1,602)	(407)
Taxation	(129)	(48)	(120)	97	(69)
PAT/(LAT)	2,927	4,338	6,082	(1,505)	(476)
Other comprehensive income					
Available-for-sale financial assets					
- current year/period gain	-	50	136	4	-
Exchange translation differences for foreign operations	296	194	(403)	15	(342)
Financial asset at fair value through other comprehensive income					
- current year/period loss	-	-	-	-	(18)
	296	244	(267)	19	(360)
Total comprehensive income	3,223	4,582	5,815	(1,486)	(836)
Profit/(Loss) attributable to:					
- Owners of the parent	2,864	4,345	6,016	(1,511)	(490)
- Non-controlling interests	63	(7)	66	6	14
	2,927	4,338	6,082	(1,505)	(476)
Total comprehensive income attributable to:					
- Owners of the parent	3,135	4,572	5,780	(1,492)	(827)
- Non-controlling interests	88	10	35	6	(9)
	3,223	4,582	5,815	(1,486)	(836)
EBITDA⁽¹⁾	3,179	4,519	6,997	(1,466)	(133)
GP margin ⁽²⁾	54.5	51.6	47.5	43.4	57.0
PBT/(LBT) margin ⁽³⁾ (%)	18.0	17.7	13.9	(25.3)	(5.8)
PAT/(LAT) margin ⁽⁴⁾ (%)	16.9	17.6	13.4	(23.9)	(7.0)
Number of Securemetric Shares in issue					
- After Restructuring ('000)	175,600	175,600	175,600	175,600	175,600
- After Restructuring and Public Issue ('000)	243,600	243,600	243,600	243,600	243,600
Basic and diluted EPS⁽⁵⁾					
- After Restructuring ⁽⁶⁾ (sen)	1.6	2.5	3.43	(0.9)	(0.3)
- After Restructuring and Public Issue ⁽⁷⁾ (sen)	1.2	1.8	2.47	(0.6)	(0.2)

10. FINANCIAL INFORMATION (CONT'D)

Notes:

* Negligible

(1) EBITDA represents earnings before interest, taxation, depreciation and amortisation.

Reconciliation of PBT/(LBT) to EBITDA	Audited			Unaudited	Audited
	FYE 31 December			4M-FPE 30 April	
	2015	2016	2017	2017	2018
	RM'000	RM'000	RM'000	RM'000	RM'000
PBT/(LBT)	3,056	4,386	6,202	(1,602)	(407)
Adjusted for:					
Amortisation expenses	-	-	483	-	161
Depreciation expenses	151	176	203	55	90
Interest expenses	7	2	255	91	74
Interest income	(35)	(45)	(146)	(10)	(51)
EBITDA	3,179	4,519	6,997	(1,466)	(133)

(2) GP divided by total revenue.

(3) PBT/(LBT) divided by total revenue.

(4) PAT/(LAT) attributable to owners of the parent divided by total revenue.

(5) As at the LPD, there are no potential dilutive instruments issued or to be issued.

(6) PAT/(LAT) of our Group attributable to owners of the parent divided by 175,600,000 issued Securemetric Shares on the assumption that Securemetric Group structure was in existence for the financial years/periods above (i.e. after Restructuring but before Public Issue).

(7) PAT/(LAT) of our Group attributable to owners of the parent divided by 243,600,000 issued Securemetric Shares on the assumption that Securemetric Group structure was in existence for the financial years/periods above (i.e. after Restructuring and Public Issue).

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10. FINANCIAL INFORMATION (CONT'D)

10.2.3 Combined statements of cash flows

	Audited			Unaudited	Audited
	FYE 31 December			4M-FPE 30 April	
	2015	2016	2017	2017	2018
	RM'000	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before tax	3,056	4,386	6,202	(1,602)	(407)
Adjustments for:					
- Amortisation of development expenditure	-	-	483	-	161
- Inventories written off	-	3	75	-	-
- Impairment losses on available-for-sale financial asset	174	-	-	-	-
- Depreciation of PPE	151	176	203	55	90
- Government grant income	-	-	(450)	-	(150)
- Finance costs	7	2	255	91	74
- Interest income	(35)	(45)	-	-	-
- Gain on disposal of other investment	-	-	(146)	(10)	(51)
- Loss/(Gain) on disposal of PPE	-	4	(1)	-	-
- Unrealised (gain)/loss on foreign exchange	(201)	(6)	335	175	(199)
- PPE written off	-	-	11	-	-
Operating profit/(loss) before working capital changes	3,152	4,520	6,967	(1,291)	(482)
Changes in working capital:					
- Inventories	(293)	209	(185)	(470)	(105)
- Receivables	(3,078)	(3,671)	(8,961)	5,167	10,501
- Payables	662	3,381	11,604	(1,574)	(11,022)
- Amount due to customer on contract	-	-	271	-	(271)
	(2,709)	(81)	2,729	3,123	(897)
Cash generated from/(used in) operations	443	4,439	9,696	1,832	(1,379)
Interest paid	(7)	(2)	(255)	(91)	(74)
Interest received	35	45	146	10	51
Tax paid	(154)	(12)	(126)	(22)	(208)
Exchange fluctuation adjustments	279	190	(383)	20	(323)
	153	221	(618)	(83)	(554)
Net cash from/(used in) operating activities	596	4,660	9,078	1,749	(1,933)
CASH FLOWS FROM INVESTING ACTIVITIES					
Additional development expenditure	(1,324)	(1,006)	(87)	-	-
Payment for tax amnesty	-	-	3	3	-
Purchase of other investment	-	-	-	-	(1,000)
Purchase of PPE	(268)	(257)	(474)	(97)	(36)
Proceeds from disposal of PPE	-	1	2	-	-
Net cash used in investing activities	(1,592)	(1,262)	(556)	(94)	(1,036)

10. FINANCIAL INFORMATION (CONT'D)

	Audited			Unaudited	Audited
	FYE 31 December			4M-FPE 30 April	
	2015	2016	2017	2017	2018
	RM'000	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of term loans	(65)	(23)	(452)	(132)	(179)
Drawdown of term loan	-	2,000	1,000	1,000	-
Proceeds from issuance of shares	140	-	-	-	338
Grant received	455	792	1,002	621	-
Dividends paid	-	(2,520)	-	-	-
(Increase)/Decrease in fixed deposits pledged	(3)	(69)	(2,586)	(2,444)	28
Repayment of finance lease liabilities	(14)	(15)	(12)	(5)	-
Net cash from/(used in) financing activities	513	165	(1,048)	(960)	187
Net (decrease)/increase in cash and cash equivalents	(483)	3,563	7,474	695	(2,782)
Effect of exchange translation differences on cash and cash equivalents	114	(17)	(208)	(48)	283
Cash and cash equivalents at the beginning of financial year/ period	4,067	3,698	7,244	7,244	14,510
Cash and cash equivalents at the end of financial year/ period	3,698	7,244	14,510	7,891	12,011
Cash and cash equivalents at the end of financial year/ period comprise:					
Cash and bank balances	2,799	7,244	14,510	6,291	9,827
Fixed deposits with licensed banks	984	154	2,740	4,198	4,896
	3,783	7,398	17,250	10,489	14,723
Less: Fixed deposits pledged with licensed banks	(85)	(154)	(2,740)	(2,598)	(2,712)
	3,698	7,244	14,510	7,891	12,011

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10. FINANCIAL INFORMATION (CONT'D)**10.3 Capitalisation and indebtedness**

The following table sets out our pro forma consolidated cash and cash equivalents, capitalisation and indebtedness as at the LPD, adjusted for the effects of the Public Issue and utilisation of proceeds:

	As at the LPD	After the Public Issue and utilisation of proceeds ⁽¹⁾
	RM'000	RM'000
<u>Cash and cash equivalents</u>		
Cash and bank balances	10,253	16,258
Fixed deposits with licensed banks	5,023	4,896
<u>Indebtedness</u>		
<u>Current:</u>		
<i>Secured and guaranteed</i>		
Finance lease payables	-	-
Term loans	591	-
<u>Non-current:</u>		
<i>Secured and guaranteed</i>		
Term loans	1,552	-
Total indebtedness	2,143	-
Total indebtedness (including contingent liabilities)	2,143	-
<u>Capitalisation</u>		
Equity attributable to owners of the parent	18,787	30,482
Total capitalisation and indebtedness	20,930	30,482
Total capitalisation and indebtedness (including contingent liabilities)	20,930	30,482
Gearing ratio⁽²⁾ (times)	0.11	-⁽³⁾

Notes:

- (1) We intend to use RM1.9 million to repay our borrowings, as detailed in **Section 3.8** of this Prospectus.
- (2) Total indebtedness (total bank borrowings) divided by total capitalisation.
- (3) No gearing as the Company has no borrowings subsequent to the repayment of borrowings from the IPO proceeds.

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10. FINANCIAL INFORMATION (CONT'D)

10.4 Management's discussion and analysis of financial condition and results of operations and prospects

The following discussion and analysis of our past financial condition and results of operations should be read in conjunction with the historical financial information set out in **Section 10.2** of this Prospectus, as well as the Accountants' Report set out in **Section 11** of this Prospectus. This discussion and analysis contains information derived from our audited financial statements as well as forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that may such differences include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly the risk factors set out in **Section 4** of this Prospectus.

Overview

Securemetric is an investment holding company. Through its subsidiaries after the Restructuring, Securemetric Group would be principally involved in:

- (a) the provision of digital security solutions which comprise software licensing protection dongles, 2FA, PKI and CENTAGATE®;
- (b) the trading of electronic identification products; and
- (c) other related services

As at the LPD, our Group has offices in Malaysia, Vietnam, the Philippines, Indonesia and Singapore. Our head office is located in Technology Park Malaysia, Bukit Jalil, Malaysia while our corporate offices are located in Vietnam, the Philippines and Indonesia to serve the respective local markets. We also have a virtual office in Singapore. **Section 5.8.2.1** of this Prospectus contains details on our operational locations.

Within our Group, Securemetric Malaysia is responsible for undertaking R&D for our Group's digital security solutions as well as being involved in sales and marketing. Securemetric Malaysia also serves as the main hub managing the export of our digital security solutions and electronic identification products to other countries.

Securemetric Vietnam, Securemetric Philippines and Securemetric Indonesia are primarily accountable for the implementation of the projects relevant to provision of digital security solutions and other related services within their respective countries as well as being responsible for the sales and marketing of our Group's electronic identification products. Softkey Indonesia and Securemetric Singapore only focus on the sales and marketing of our Group's electronic identification products and other related services in Indonesia and Singapore respectively.

Purchase orders received by the virtual office of Securemetric Singapore are executed by Securemetric Malaysia but billed by Securemetric Singapore.

Section 5.8 of this Prospectus contains our Group's detailed business overview.

10. FINANCIAL INFORMATION (CONT'D)

10.4.1 Revenue

We are principally involved in the provision of digital security solutions as well as trading of electronic identification products, and other related services, as set out in **Section 5.8.1** of this Prospectus. Revenue from domestic and export sales are recognised based on the same revenue recognition policy. Sales returns are recognised upon goods being returned by customers.

Our revenue stream can be segregated into the following:

(i) Digital security solutions

Digital security solutions comprise software licensing protection dongles, 2FA, PKI and CENTAGATE®, and our off-the-shelf solutions, namely PKI IN A BOX and CENTAGATE® BOX. Our revenue for digital security solutions is divided into project sales (customised 2FA, PKI and CENTAGATE® solutions, and our off-the-shelf solutions) and order sales (software licensing protection dongles, OTP tokens and PKI tokens).

We recognise revenue for digital security solutions as follows:

- (1) For project sales, revenue is recognised in the profit or loss based on the value of services performed and invoiced to customers or in proportion to the stage of completion of the transaction during the reporting period. The stage of completion is assessed by reference to the proportion that costs incurred to date that reflect services performed bear to the total estimated costs of the transaction. Where the outcome of the transaction cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable; and
- (2) For order sales, revenue is measured at the fair value of consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue from sale of goods is recognised when the transfer of significant risk and rewards of ownership of the goods to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) Electronic identification products

Our electronic identification products comprise smart cards, smart card readers, fingerprint readers and other products such as barcode scanners, barcode printers, card printers, proximity cards, UHF tags and middle/long range integrated readers.

Revenue relating to electronic identification products is measured at the fair value of consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue from sale of goods is recognised when the transfer of significant risk and rewards of ownership of the goods to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(iii) Other related services

Other related services mainly consist of maintenance services provided to the customers arising from the service level agreement following the completion of the projects, labelling and packaging services and others.

Revenue relating to other related services are recognised in the profit or loss based on the value of services performed and invoiced to customers during the reporting period.

Section 10.5.1 and **Section 10.5.3** of this Prospectus contains analysis of our Group's revenue, GP and GP margin.

10. FINANCIAL INFORMATION (CONT'D)

Details of warranty claims are set out in **Section 5.8.1.1(i)** to **Section 5.8.1.1(iv)** and **Section 5.8.12** of this Prospectus and are recorded in administrative expenses as set out in **Section 10.5.5** of this Prospectus.

10.4.2 Cost of sales

Our cost of sales mainly comprises:

- (a) cost of purchasing digital security solutions and electronic identification products, as follows:
 - (i) hardware (i.e. casings with printed circuit board and basic OS) for our proprietary software licensing protection dongles, OTP tokens and PKI tokens;
 - (ii) devices under third party brands (i.e. software licensing protection dongles, PKI appliances and HSMs);
 - (iii) PKI application software under third party brands (i.e. certification back-end authority system and digital signing software); and
 - (iv) electronic identification products.

As our Group does not manufacture any hardware (i.e. casings with printed circuit board and basic OS), we source them from third party manufacturers and install our software (i.e. firmware, middleware, software development kit) into our proprietary software licensing protection dongles, OTP tokens and PKI tokens.

- (b) direct labour cost associated with the projects undertaken by our Group, labelling, packaging, shipping, maintenance fees for third party HSM and PKI appliances in relation to PKI as well as import duties and taxes incurred for the delivery of our products.

Section 10.5.2 of this Prospectus contains analysis of our Group's cost of sales.

10.4.3 Other income

Our other income mainly comprises:

- (a) interest income earned from our deposits with licensed banks;
- (b) gains on foreign exchange; and
- (c) incentive from SME Corporation Malaysia under the 1-InnoCERT Insentif Innovation scheme. The 1-InnoCERT certification programme was initiated by SME Corporation Malaysia to promote and develop innovative companies in Malaysia and is aimed at fostering innovative enterprise through harnessing and intensifying home-grown innovations and R&D. Certified companies under the programme will be given fast-track access when applying for incentives to fund and market their products and services as offered by the Malaysian Government. Securemetric Malaysia was rated A for 1-InnoCERT rating in 2015 and was therefore entitled for an InnoCERT Insentif Innovation voucher for an amount of RM0.50 million.

Section 10.5.4 of this Prospectus contains analysis of our Group's other income.

10.4.4 Administrative expenses

Our Group's administrative expenses mainly comprise:

- (a) salary and staff-related expenses;
- (b) impairment loss on available-for-sale financial asset;
- (c) office rental;
- (d) loss on foreign exchange;
- (e) professional fees;
- (f) event expenses;
- (g) travelling expenses;
- (h) amortisation of development expenditure; and

10. FINANCIAL INFORMATION (CONT'D)

- (i) other expenses, consisting of utilities, printing and stationery, repairs and maintenance, stamp duties, taxes, depreciation of PPE, bank charges, warranty claims, entertainment as well as advertising and promotional expenses.

Section 10.5.5 of this Prospectus contains analysis of our Group's administrative expenses.

10.4.5 Finance costs

Our Group's finance costs comprise mainly term loan interest expenses and finance lease interest expenses. Section 10.5.6 of this Prospectus contains analysis of our Group's finance costs.

10.4.6 Taxation

For the purpose of preparing and consolidating group accounts, tax provisions are made based on the following statutory tax rates:

	Audited			Unaudited	Audited
	FYE 31 December			4M-FPE 30 April	
	2015	2016	2017	2017	2018
	%	%	%	%	%
Group effective tax rate	4.2	1.1	1.9	6.1	-(1)
Statutory tax rate					
- Securemetric Malaysia ⁽²⁾	25	24	24	24	24
- Securemetric Vietnam	22	22	22	22	22
- Securemetric Philippines	30	30	30	30	30
- Securemetric Indonesia ⁽³⁾	1	1	1	1	25
- Securemetric Singapore	17	17	17	17	17
- Softkey Indonesia ⁽⁴⁾	25	25	1	1	25

Notes:

- (1) As the Group was in a tax loss position, effective tax rate was not applicable.
- (2) As a MSC-Malaysia status company, Securemetric Malaysia is entitled to pioneer status incentives granted by the Ministry of International Trade and Industry for services under the Promotion of Investment Act, 1986 and it enjoyed income tax exemption on 100% of its statutory income derived from approved MSC activities for an initial 5-year period from 6 May 2008 to 5 May 2013. On 14 August 2013, MITI, through a letter issued by MIDA (an agency under MITI), granted approval for the pioneer status to be extended for an additional 5 years until 5 May 2018.
- (3) In accordance with Indonesia Government Regulation No. 46/2013, companies with revenue of not more than IDR4.80 billion are subject to final tax at 1% on revenue. Securemetric Indonesia's revenue, for FYEs 31 December 2015-2017 and 4M-FPE 30 April 2018 was IDR3.30 billion, IDR3.62 billion, IDR8.88 billion and IDR2.17 billion, respectively. The tax rate at 1% of revenue is on the basis that the prior year's (i.e. FYE 31 December 2016) revenue did not exceed IDR4.80 billion. Based on Securemetric Indonesia's revenue of IDR8.88 billion for FYE 31 December 2017, Securemetric Indonesia will be subject to tax at the rate of 25% on its FYE 31 December 2018's PBT.
- (4) Softkey Indonesia was subject to tax at the rate of 25% on its PBT for the FYEs 31 December 2015-2016. In accordance with Indonesia Government Regulation No. 46/2013, Softkey Indonesia calculated its income tax expense for FYE 31 December 2017 at the rate of 1% of revenue because its revenue for FYE 31 December 2016 was IDR2.9 billion and did not exceed IDR4.80 billion. The tax rate at 1% of revenue is on the basis that the prior year's (i.e. FYE 31 December 2016) revenue did not exceed IDR4.80 billion. Based on Softkey Indonesia's revenue of IDR5.70 billion for FYE 31 December 2017, Softkey Indonesia will be subject to tax at the rate of 25% on its FYE 31 December 2018's PBT.

Section 10.5.7 of this Prospectus contains analysis of our Group's taxation.

10. FINANCIAL INFORMATION (CONT'D)**10.5 Results of operations**

The following is a segmental analysis of our financial results for the past 3 FYEs 31 December 2015 to 2017 as well as the 4M-FPEs 30 April 2017 and 30 April 2018 based on the assumption that our current Group structure has been in existence throughout the financial years/periods.

10.5.1 Segmental analysis of revenue**(i) Revenue by business activities**

Revenue by business activities	2015				FYE 31 December				4M-FPE 30 April			
	2015		2016		2017		2017		2017		2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
(a) Digital security solutions												
- Software licensing protection dongles	3,864	22.8	4,365	17.6	3,452	7.7	1,165	18.4	1,064	15.3		
- 2FA	948	5.6	1,452	5.9	1,013	2.3	188	3.0	231	3.3		
- PKI	6,824	40.2	10,183	41.1	31,321	70.0	3,178	50.2	1,241	17.8		
- CENTAGATE®	832	4.9	2,838	11.5	1,257	2.8	-	-	1,292	18.5		
Subtotal	12,468	73.5	18,838	76.1	37,043	82.8	4,531	71.6	3,828	54.9		
(b) Electronic identification products	3,573	21.0	4,335	17.5	5,880	13.1	1,625	25.7	1,821	26.1		
(c) Others*	937	5.5	1,580	6.4	1,844	4.1	173	2.7	1,321	19.0		
Total	16,978	100.0	24,753	100.0	44,767	100.0	6,329	100.0	6,970	100.0		

Note:

* Comprising mainly maintenance service charges (2015: RM0.85 million; 2016: RM1.45 million; 2017: RM1.66 million; 4M-FPE 30 April 2017: RM0.14 million and 4M-FPE 30 April 2018: RM1.27 million), courier, labelling (printing of stickers) and packaging charges (boxes).

Digital security solutions have been our main revenue contributor, with RM12.47 million, RM18.84 million and RM37.04 million (representing 73.5%, 76.1% and 82.8% of our Group's revenue) for FYE 31 December 2015, FYE 31 December 2016 and FYE 31 December 2017 respectively. Digital security solutions contributed RM4.53 million (71.6%) and RM3.83 million (54.9%) of our total revenues for 4M-FPE 30 April 2017 and 4M-FPE 30 April 2018 respectively, a decline of 15.5% between the two corresponding periods.

Our revenue from sales of electronic identification products grew from RM3.57 million for FYE 31 December 2015 to RM5.88 million for FYE 31 December 2017. Revenue from sales of electronic identification products increased by 11.7% from RM1.63 million in 4M-FPE 30 April 2017 to RM1.82 million in 4M-FPE 30 April 2018.

10. FINANCIAL INFORMATION (CONT'D)**FYE 31 December 2016 as compared to FYE 31 December 2015**

Our revenue increased by 45.8% (from RM16.98 million to RM24.75 million) mainly due to higher revenue from:

- (a) **digital security solutions**, which increased by 51.1% (from RM12.47 million to RM18.84 million) attributable to higher revenue from PKI and CENTAGATE®.
- Revenue from software licensing protection dongles increased by 13.2% (from RM3.86 million to RM4.37 million) primarily due to higher purchase orders for software licensing protection dongles from existing customers (an IT service provider in Malaysia and a software development company in Singapore) (2015: RM0.15 million; 2016: RM0.44 million, on an aggregate basis). We also received a high purchase volume for software licensing protection dongles from a new customer (a software development company in Saudi Arabia) (2015: Nil; 2016: RM0.53 million).
- Revenue from 2FA increased by 52.6% (from RM0.95 million to RM1.45 million) primarily due to higher purchase volume for OTP tokens from an existing customer (an IT service provider in Myanmar) (2015: RM0.84 million; 2016: RM1.03 million) and from a new Malaysian customer.
- Revenue from PKI increased by 49.3% (from RM6.82 million to RM10.18 million) primarily due to:
- (i) work done for a project secured from a Vietnamese government institution, namely General Import and Export Van Xuan Corporation (“VAXUCO”) during FYE 31 December 2016;
 - (ii) work done for a project secured from an Egyptian government agency, towards the end of FYE 31 December 2015; and
 - (iii) large orders for PKI tokens from a new Vietnamese customer (an IT service provider) which purchased our PKI tokens and supplied them to the certification authority in Vietnam. We also received large orders for our digital signing software from a new Thai customer (an IT service provider).
- PKI is the highest revenue contributor, contributing 40.2% and 41.1% of our Group’s revenue for FYE 31 December 2015 and FYE 31 December 2016, respectively.
- Revenue from CENTAGATE® increased by 242.2% (from RM0.83 million to RM2.84 million), whereby we secured a CENTAGATE® project from Bank of the Philippine Islands in FYE 31 December 2016.
- (b) **electronic identification products**, which increased by 21.6% (from RM3.57 million to RM4.34 million), attributable to higher purchase volume for smart card readers.

10. FINANCIAL INFORMATION (CONT'D)

- (c) **other revenue**, which increased by 68.1% (from RM0.94 million to RM1.58 million) primarily due to provision of maintenance service charges to our customers including an Egyptian government agency, for a PKI project.

FYE 31 December 2017 as compared to FYE 31 December 2016

Our revenue increased by 80.9% (from RM24.75 million to RM44.77 million) mainly due to higher revenue from:

- (a) **digital security solutions**, which increased by 96.6% (from RM18.84 million to RM37.04 million) primarily due to work done for and completion of PKI projects secured from our Vietnamese customer VAXUCO, and also customers from Singapore, Hong Kong, Malaysia and Indonesia.
- Revenue from software licensing protection decreased by 21.1% (from RM4.37 million to RM3.45 million) primarily due to the absence of reorders for dongles from our existing customer (a software development company in Saudi Arabia).
- Revenue from 2FA decreased by 30.3% (from RM1.45 million to RM1.01 million) primarily due to lower reorder volume of OTP tokens from an existing customer (an IT service provider in Myanmar).
- Revenue from PKI increased by 207.7% (from RM10.18 million to RM31.32 million) primarily due to PKI projects secured from five new customers (an online retailer and financial institution in Singapore, a data center provider in Hong Kong, an Indonesian government organisation and a public CA in Malaysia) as well as two existing customers (an IT service provider in Malaysia and VAXUCO). PKI project for VAXUCO was completed in October 2017. PKI is our highest revenue contributor, contributing 41.1% and 70.0% of our Group's revenue for FYE 31 December 2016 and FYE 31 December 2017 respectively.
- Revenue from CENTAGATE® decreased by 55.6% (from RM2.84 million to RM1.26 million) primarily due to lesser billing to Bank of the Philippine Islands for the CENTAGATE® project. For FYE 31 December 2017, our revenue is mainly contributed by new projects from PT Anabatic Technologies Tbk, as well as from Bank of the Philippine Islands.
- (b) **electronic identification products**, which increased by 35.5% (from RM4.34 million to RM5.88 million), mainly due to higher purchase volume for smart card readers by two existing customers (a software development company and telecommunication provider in Malaysia) and two new customers (an IT service provider and entertainment provider in the Philippines).
- (c) **other revenue**, increased by 16.5% (from RM1.58 million to RM1.84 million), mainly contributed by maintenance service agreements for CENTAGATE® projects from PT Anabatic Technologies Tbk, as well as from Bank of the Philippine Islands.

10. FINANCIAL INFORMATION (CONT'D)**4M-FPE.30 April 2018 as compared to 4M-FPE.30 April 2017**

Our revenue increased by 10.1% (from RM6.33 million to RM6.97 million) mainly due to higher revenue from:

- (a) **digital security solutions**, which decreased by 15.5% (from RM4.53 million to RM3.83 million) primarily due to absence of re-order of PKI token from existing customers (an IT service provider and a public CA in Vietnam) and completion of a PKI solution in February 2017 for a new customer secured in December 2016 (an IT service provider in Thailand).
Revenue from software licensing protection dongles decreased by 9.4% (from RM1.17 million to RM1.06 million) primarily due to the absence of reorders for dongles from an existing customer (an IT service provider in Malaysia) (4M-FPE 30 April 2018: RM Nil; 4M-FPE 30 April 2017: RM0.13 million).
- Revenue from 2FA increased by 21.1% (from RM0.19 million to RM0.23 million) primarily due to higher reorder volume of OTP tokens from an existing customer (an IT service provider in Indonesia).
- Revenue from PKI decreased by 61.0% (from RM3.18 million to RM1.24 million) primarily due to absence of re-order of PKI tokens from existing customers (an IT service provider and a public CA in Vietnam) and completion of a PKI solution for an existing customer (an IT service provider in Thailand).
- Revenue from CENTAGATE® of RM1.29 million in 4M-FPE 30 April 2018 (4M-FPE 30 April 2017: RM Nil) was contributed by the Bank of the Philippine Islands and a one-time supply of customised CENTAGATE® software (inclusive of an Adaptive Intelligence Scoring Engine, a risk scoring software of CENTAGATE® solutions) to a newly secured customer (an IT service provider in Canada).
- (b) **electronic identification products**, which increased by 11.7% (from RM1.63 million to RM1.82 million), mainly due to higher purchase volume for printers from an existing customer (an IT service provider from Indonesia).
- (c) **other revenue**, which increased by 676.5% (from RM0.17 million to RM1.32 million) primarily due to provision of maintenance service charges to a financial institution in Singapore, VAXUCO, Bank of the Philippine Islands and a government agency in Philippines.

10. FINANCIAL INFORMATION (CONT'D)**(ii) Revenue by companies**

Revenue by companies	FYE 31 December				4M-FPE 30 April					
	2015		2016		2017		2018			
	RM'000	%	RM'000	%	RM'000	%	RM'000	%		
Securemetric Malaysia	10,153	59.7	13,072	52.8	30,812	68.8	2,833	44.8	3,293	47.3
Securemetric Vietnam	2,550	15.0	4,401	17.8	5,065	11.3	1,738	27.5	689	9.9
Securemetric Philippines	1,097	6.5	2,915	11.8	1,586	3.5	72	1.1	743	10.6
Securemetric Indonesia	963	5.7	1,124	4.5	2,822	6.3	342	5.4	616	8.8
Securemetric Singapore	490	2.9	2,342	9.5	2,674	6.0	1,014	16.0	953	13.7
Softkey Indonesia	1,725	10.2	899	3.6	1,808	4.1	330	5.2	676	9.7
Total	16,978	100.0	24,753	100.0	44,767	100.0	6,329	100.0	6,970	100.0

Our Group's revenue grew from RM16.98 million for FYE 31 December 2015 to RM44.77 million for FYE 31 December 2017, constituting a growth of 163.7% over the period. Our Group's revenue increased from RM6.33 million for 4M-FPE 30 April 2017 to RM6.97 million for the 4M-FPE 30 April 2018, an increase of 10.1% between the two corresponding periods.

(iii) Revenue by customer types

Revenue by customer type	FYE 31 December				4M-FPE 30 April					
	2015		2016		2017		2018			
	RM'000	%	RM'000	%	RM'000	%	RM'000	%		
Government organisations	914	5.4	4,234	17.1	18,265	40.8	27	0.4	55	0.8
Financial institutions	672	4.0	3,239	13.1	5,856	13.1	206	3.3	419	6.0
Public certification authorities	1,197	7.0	3,459	14.0	2,769	6.2	1,148	18.1	203	2.9
Software development companies	5,449	32.1	7,667	31.0	6,994	15.6	2,278	36.0	2,214	31.8
IT service providers	7,293	43.0	3,866	15.6	7,155	16.0	2,218	35.1	2,255	32.3
Others ⁽¹⁾	516	3.0	708	2.8	1,884	4.2	279	4.4	503	7.2
Other related services ⁽²⁾	937	5.5	1,580	6.4	1,844	4.1	173	2.7	1,321	19.0
Total	16,978	100.0	24,753	100.0	44,767	100.0	6,329	100.0	6,970	100.0

Notes:

- (1) Including mainly telecommunication provider, club house, property developer, school, manufacturer which are not major contributor to our Group's revenue.
- (2) Comprising mainly maintenance service charges, courier, labelling and packaging charges.

10. FINANCIAL INFORMATION (CONT'D)

(iv) Revenue by countries

Revenue by countries	2015		FYE 31 December 2016		2017		4M-FPE 30 April 2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	4,343	25.6	4,107	16.6	5,443	12.2	1,601	25.3
Overseas markets								
- Vietnam	2,825	16.6	6,705	27.1	22,086	49.3	1,833	29.0
- The Philippines	1,097	6.5	2,956	11.9	1,488	3.3	72	1.1
- Indonesia	2,688	15.8	2,023	8.2	4,630	10.3	672	10.6
- Singapore	188	1.1	405	1.6	5,048	11.3	120	1.9
- USA	1,066	6.3	2,702	10.9	2,933	6.6	1,099	17.4
- Canada	-	-	-	-	-	-	-	-
- Others*	4,771	28.1	5,855	23.7	3,139	7.0	932	14.7
Subtotal	12,635	74.4	20,646	83.4	39,324	87.8	4,728	74.7
Total	16,978	100.0	24,753	100.0	44,767	100.0	6,329	100.0

Note:

* Including Myanmar, Thailand, China (including Hong Kong and Macau), Egypt, Sweden, Switzerland, Germany, India, Italy, Netherlands, Spain, Turkey and United Kingdom with no single individual country contributing more than 10% of total revenue for FYE 31 December 2015 to FYE 31 December 2017 and 4M-FPE 30 April 2018 consecutively.

Revenue from each geographical location fluctuates depending on the level of demand and geographical locations of customers secured by our Group in a particular year.

While Malaysia is our major market, the last few years have seen significant revenue contribution from overseas markets primarily Vietnam, the Philippines, Indonesia and USA. Revenue from overseas markets grew from RM12.64 million for FYE 31 December 2015 to RM39.32 million for FYE 31 December 2017. Revenue derived from overseas markets increased by 25.8% from RM4.73 million in the 4M-FPE 30 April 2017 to RM5.95 million for 4M-FPE 30 April 2018.

Revenue from overseas markets has been increasing for the financial years and periods under review. Vietnam, the Philippines, Indonesia, Singapore, USA and Canada have been the largest contributors, collectively contributing 46.3%, 59.7% and 80.8% to our Group's overseas markets revenue for each of the past 3 financial years up to FYE 31 December 2017. These markets contributed 60.0% and 76.9% to our Group's overseas markets revenue for 4M-FPE 30 April 2017 and 4M-FPE 30 April 2018 respectively.

10. FINANCIAL INFORMATION (CONT'D)**FYE 31 December 2016 as compared to FYE 31 December 2015**

Our Malaysian revenue declined by 5.3% (from RM4.34 million to RM4.11 million) due to the completion of a PKI project in Sabah secured in 2015 for RM0.46 million. There were no major PKI projects secured in 2016. The decrease in Malaysian revenue was compensated by the 63.4% increase in overseas revenue (from RM12.64 million to RM20.65 million). The increase are mainly due to higher revenue from:

- (a) Myanmar, due to higher purchase volume for OTP tokens from an existing customer (an IT service provider in Myanmar);
- (b) Vietnam, due to a new PKI project secured from VAXUCO, as well as higher purchase volume for PKI tokens from a new customer (an IT service provider in Vietnam) and an existing customer (a public CA in Vietnam);
- (c) the Philippines, due to work done for a CENTAGATE® project with Bank of the Philippine Islands in FYE 31 December 2016;
- (d) USA, due to a full year's worth of orders for smart card readers in 2016, compared to only the final five months' worth of orders for 2015;
- (e) Egypt, due to work done for a PKI project with an Egyptian government agency at the end of FYE 31 December 2015; and
- (f) Thailand, due to the sale of a PKI project to PETA Distribution Co., Ltd.

FYE 31 December 2017 as compared to FYE 31 December 2016

Malaysia contributed RM4.11 million (16.6%) and RM5.44 million (12.2%) to our Group's total revenue for FYE 31 December 2016 and FYE 31 December 2017 respectively. The increase in revenue between the two periods was mainly due to higher reorder volume for OTP and PKI tokens.

Revenue from overseas markets increased by 90.4% (from RM20.65 million to RM39.32 million), contributed by:

- (a) Vietnam, due to the billings of PKI project secured from VAXUCO, a Vietnamese government institution, which was completed in October 2017 as well as higher purchase volume for PKI tokens from an existing customer (a public CA in Vietnam);
- (b) Indonesia, due to a new CENTAGATE® project secured from a bank, a new PKI project secured from a government organisation and higher reorder of smart card readers from PT Len Industries;
- (c) Singapore, due to a new PKI project secured from a financial institution in Singapore; and
- (d) USA, due to increased re-orders for smart card readers by Thursby.

10. FINANCIAL INFORMATION (CONT'D)

4M-FPE 30 April 2018 as compared to 4M-FPE 30 April 2017

Malaysia contributed RM1.60 million (25.3%) and RM1.02 million (14.6%) to our Group's total revenue for 4M-FPE 31 April 2017 and 4M-FPE 31 April 2018 respectively. The decrease in revenue between the two periods was mainly due to lower reorder volume for software licensing protection dongles, OTP and PKI tokens.

Revenue from overseas markets increased by 25.8% (from RM4.73 million to RM5.95 million), contributed by:

- (a) The Philippines, due to final billing issued and renewal of support and maintenance for the CENTAGATE® project with Bank of the Philippine Islands and renewal of PKI support and maintenance with a government agency;
- (b) Indonesia, due to support and maintenance of CENTAGATE® project secured from PT Anabatic Technologies Tbk, higher reorder volume of smart card readers and OTP tokens from an IT service provider and billings issued for a PKI project with a government organisation; and
- (c) Canada, due to a one-time supply of customised CENTAGATE® software (inclusive of an Adaptive Intelligence Scoring Engine, a risk scoring software of CENTAGATE® solutions) to an IT service provider.

However, the increase in revenue was partly offset by the decrease from Vietnam due to absence of re-order of PKI tokens from existing customers (an IT service provider and a public CA).

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10. FINANCIAL INFORMATION (CONT'D)

10.5.2 Segmental analysis of cost of sales

(i) Cost of sales by business activities

Cost of sales by business activities	FYE 31 December				4M-FPE 30 April			
	2015		2016		2017		2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
(a) Digital security solutions								
- Software licensing protection dongles	1,164	15.1	1,465	12.2	1,162	4.9	404	11.3
- 2FA	653	8.5	1,049	8.8	579	2.5	138	3.8
- PKI	2,939	38.1	3,611	30.1	16,189	68.8	1,432	40.0
- CENTAGATE®	-	-	1,128	9.4	214	0.9	-	-
Subtotal	4,756	61.7	7,253	60.5	18,144	77.1	1,974	55.1
(b) Electronic identification products	1,695	21.9	3,179	26.5	3,974	16.9	1,236	34.5
(c) Others*	1,273	16.4	1,552	13.0	1,406	6.0	374	10.4
Total	7,724	100.0	11,984	100.0	23,524	100.0	3,584	100.0

Note:

* Comprising maintenance services charges (2015: RM0.48 million; 2016: RM0.59 million; 2017: RM0.39 million; 4M-FPE 30 April 2017: RM0.07 million and 4M-FPE 30 April 2018: RM0.36 million), direct labour cost (payroll cost for project management and support), labelling (printing of stickers) and packaging (cost incurred to purchase boxes), shipping (e.g. courier cost) and import taxes incurred by our Group related to projects.

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10. FINANCIAL INFORMATION (CONT'D)

(ii) Cost of sales by companies

Cost of sales by companies	FYE 31 December						4M-FPE 30 April					
	2015		2016		2017		2017		2017		2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Securemetric Malaysia	6,481	83.9	9,160	76.5	19,359	82.3	2,713	75.7	1,579	52.7		
Securemetric Vietnam	42	0.5	13	0.1	448	1.9	(208)*	(5.8)	140	4.7		
Securemetric Philippines	(150)*	(1.9)	132	1.1	(7)*	Negligible	(22)*	(0.6)	4	0.1		
Securemetric Indonesia	87	1.1	27	0.2	205	0.9	(13)*	(0.4)	75	2.5		
Securemetric Singapore	456	5.9	2,192	18.3	2,576	10.9	957	26.7	893	29.8		
Softkey Indonesia	808	10.5	460	3.8	943	4.0	157	4.4	306	10.2		
Total	7,724	100.0	11,984	100.0	23,524	100.0	3,584	100.0	2,997	100.0		

Note:

* Consolidation adjustment (e.g. unrealised profit) in relation to inter-company transaction

(iii) Cost of sales by countries

Cost of sales by countries	FYE 31 December						4M-FPE 30 April					
	2015		2016		2017		2017		2017		2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	2,264	29.3	2,517	21.0	3,387	14.4	792	22.1	670	22.4		
Overseas markets												
- Vietnam	1,853	24.0	2,572	21.5	13,201	56.1	1,034	28.8	480	16.0		
- The Philippines	220	2.8	784	6.5	300	1.3	16	0.5	23	0.8		
- Indonesia	1,183	15.3	919	7.7	1,636	6.9	265	7.4	595	19.8		
- Singapore	75	1.0	183	1.5	1,285	5.5	52	1.5	118	3.9		
- USA	687	8.9	2,275	19.0	2,599	11.1	979	27.3	913	30.5		
- Canada	-	-	-	-	-	-	-	-	7	0.2		
- Others	1,442	18.7	2,734	22.8	1,116	4.7	446	12.4	191	6.4		
Subtotal	5,460	70.7	9,467	79.0	20,137	85.6	2,792	77.9	2,327	77.6		
Total	7,724	100.0	11,984	100.0	23,524	100.0	3,584	100.0	2,997	100.0		

10. FINANCIAL INFORMATION (CONT'D)

In tandem with our business growth, our Group's cost of sales grew from RM7.72 million in FYE 31 December 2015 to RM23.52 million in FYE 31 December 2017. Our Group's cost of sales decreased by 16.2% from RM3.58 million in 4M-FPE 30 April 2017 to RM3.00 million in 4M-FPE 30 April 2018.

Cost of sales represented 45.5%, 48.4% and 52.5% of our Group's revenue for FYE 31 December 2015, FYE 31 December 2016 and FYE 31 December 2017 respectively. Cost of sales represented 56.6% and 43.0% of our Group's revenue for 4M-FPE 30 April 2017 and 4M-FPE 30 April 2018 respectively.

Our Group's cost of sales was mainly the cost of purchasing hardware, devices and application software. Most of our suppliers are foreign-based, with purchases from them being denominated in USD and Euro.

FYE 31 December 2016 as compared to FYE 31 December 2015

Our cost of sales increased by 55.2% (from RM7.72 million to RM11.98 million) as we purchase more hardware and third party devices to undertake PKI projects and CENTAGATE® project.

Cost of sales for **software licensing protection dongles** increased by 26.7% (from RM1.16 million to RM1.47 million) as a reflection of higher sales of dongles. Cost of sales for 2FA increased by 61.5% (from RM0.65 million to RM1.05 million) in line with higher sales of OTP tokens. Cost of sales for PKI was higher by 22.8% (from RM2.94 million to RM3.61 million) in tandem with higher sales of PKI tokens. In addition, we secured new PKI projects during both FYEs 31 December 2015 and 2016 and as a result, we purchased more hardware and devices to execute the PKI projects. We incurred cost of sales of RM1.13 million in relation to CENTAGATE® during FYE 31 December 2016 as we purchased hardware to execute a new CENTAGATE® project secured in the Philippines during the year. Note that in FYE 31 December 2015 we secured a contract from a Chinese customer, namely Feitian Technologies Co., Ltd, for us to provide one of the software (Adaptive Intelligence Scoring Engine, a risk scoring module) of CENTAGATE®, whereby no cost of sales was incurred as no devices were purchased to complete the module.

Cost of sales for **electronic identification products** grew by 87.1% (from RM1.70 million to RM3.18 million) in tandem with higher sales of smart card readers.

Other cost of sales was higher by 22.0% (from RM1.27 million to RM1.55 million) mainly due to labour cost incurred for the PKI projects and CENTAGATE® project as well as third party charges for the provision of maintenance service charges to a customer (an IT service provider in Thailand) and an Egyptian government agency.

10. FINANCIAL INFORMATION (CONT'D)**FYE 31 December 2017 as compared to FYE 31 December 2016**

Our Group's cost of sales increased by 96.3% (from RM11.98 million to RM23.52 million) due to our additional purchase of third party devices for the execution of PKI projects as well as additional purchase of smart card readers in tandem with higher sales.

Cost of sales for **software licensing protection dongles** declined by 21.1% (from RM1.47 million to RM1.16 million) due to the absence of reorder for dongles from an existing customer (a software development company in Saudi Arabia). Cost of sales for 2FA declined by 44.8% (from RM1.05 million to RM0.58 million), as a reflection of lower sales of OTP tokens. Cost of sales for PKI grew by 348.5% (from RM3.61 million to RM16.19 million) with higher sales of PKI tokens. In addition, we have secured 4 new PKI projects from 4 new customers (an online retailer and financial institution in Singapore, an Indonesian government organisation and a public CA in Malaysia) and consequently, purchased additional hardware to execute the PKI projects. We also incurred customisation cost as VAXUCO required us to integrate additional digital security function into its existing system. Cost of sales for CENTAGATE® of RM0.21 million in FYE 31 December 2017 arose from our purchase of PKI devices (e.g. HSMs and PKI appliances) to execute the CENTAGATE® projects secured from Bank of the Philippine Islands and PT Anabatic Technologies Tbk during that period.

Cost of sales for **electronic identification products** was higher by 24.8% (from RM3.18 million to RM3.97 million), in tandem with higher sales of smart card readers.

Other cost of sales for FYE 31 December 2017 decreased by 9.0% (from RM1.55 million to RM1.41 million) due to decrease in maintenance services required by customers.

4M-FPE 30 April 2018 as compared to 4M-FPE 30 April 2017

Our Group's cost of sales decreased by 16.2% (from RM3.58 million to RM3.00 million) due to the absence of re-order for PKI token from existing customers (an IT service provider and a public CA in Vietnam) and PKI solution from a new customer (an IT service provider in Thailand).

However, this was partly offset by other cost of sales, which increased by 102.7% (from RM0.37 million to RM0.75 million) primarily due to provision of maintenance services to a financial institution in Singapore and VAXUCO.

10. FINANCIAL INFORMATION (CONT'D)**10.5.3 Segmental analysis of GP and GP Margin****(i) GP by business activities**

GP by business activities	FYE 31 December				4M-FPE 30 April			
	2015		2016		2017		2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
(a) Digital security solutions								
- Software licensing protection dongles	2,700	29.2	2,900	22.7	761	27.7	699	17.6
- 2FA	295	3.2	403	3.2	50	1.8	126	3.1
- PKI	3,885	42.0	6,572	51.5	1,746	63.6	714	18.0
- CENTAGATE®	832	9.0	1,710	13.4	-	-	1,292	32.5
Subtotal	7,712	83.4	11,585	90.8	2,557	93.1	2,831	71.2⁽⁴⁾
(b) Electronic identification products	1,878	20.2	1,156	9.0	389	14.2	567	14.3
(c) Others ⁽¹⁾	(336) ⁽²⁾	(3.6)	28 ⁽²⁾	0.2	(201) ⁽³⁾	(7.3)	575 ⁽²⁾	14.5
Total	9,254	100.0	12,769	100.0	2,745	100.0	3,973	100.0

Notes:

- (1) The category of "others" aggregates expenses incurred for maintenance services charges, project-related direct labour cost, labelling (printing of stickers), courier and packaging (boxes), shipping and import taxes. Some of these expenses were not attributed to any revenue generation, thereby leading to negative GP.
- (2) Overall GP for maintenance services charges has improved to partially offset packaging and courier charges, which increased at slower rate than the maintenance services charges.
- (3) Negative GP mainly due to higher cost of labelling (printing of stickers), packaging (cost incurred to purchase boxes), project-related direct labour cost and courier services.
- (4) The decrease in GP (in percentage) is due to the absence of re-order of PKI tokens from existing customers (an IT service provider and a public CA in Vietnam) and completion of a PKI solution for an existing customer (an IT service provider in Thailand).

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10. FINANCIAL INFORMATION (CONT'D)

(ii) GP by companies

GP by companies	FYE 31 December						4M-FPE 30 April					
	2015		2016		2017		2017		2017		2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Securemetric Malaysia	3,672	39.6	3,912	30.6	11,453	53.9	120	4.4	1,714	43.2		
Securemetric Vietnam	2,508	27.1	4,388	34.4	4,617	21.7	1,946	70.9	549	13.8		
Securemetric Philippines	1,247	13.5	2,783	21.8	1,593	7.5	94	3.4	739	18.6		
Securemetric Indonesia	876	9.5	1,097	8.6	2,617	12.3	355	12.9	541	13.6		
Securemetric Singapore	34	0.4	150	1.2	98	0.5	57	2.1	60	1.5		
Softkey Indonesia	917	9.9	439	3.4	865	4.1	173	6.3	370	9.3		
Total	9,254	100.0	12,769	100.0	21,243	100.0	2,745	100.0	3,973	100.0		

(iii) GP by customer types

Our Group's GP by customer types is as follows:

GP by customer types	FYE 31 December						4M-FPE 30 April					
	2015		2016		2017		2017		2017		2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Government organisations	659	7.1	3,314	26.0	7,027	33.1	23	0.8	39	1.0		
Financial institutions	472	5.1	1,858	14.6	5,246	24.7	87	3.2	272	6.9		
Public certification authorities	487	5.2	743	5.8	1,089	5.1	244	8.9	57	1.4		
Software development companies	2,708	29.3	4,562	35.7	1,474	6.9	391	14.2	851	21.4		
IT service providers	5,115	55.3	2,060	16.1	3,954	18.6	1,288	46.9	1,717	43.2		
Others ⁽¹⁾	149	1.6	204	1.6	2,015	9.5	913	33.3	462	11.6		
Other related services ⁽²⁾	(336)	(3.6)	28 ⁽³⁾	0.2	438	2.1	(201)	(7.3)	575 ⁽³⁾	14.5		
Total	9,254	100.0	12,769	100.0	21,243	100.0	2,745	100.0	3,973	100.0		

10. FINANCIAL INFORMATION (CONT'D)

Notes:

- (1) Including mainly telecommunication provider, club house, property developer, school, manufacturer which are not major contributor to our Group's GP.
- (2) The category of "other related services" aggregates expenses incurred for maintenance services charges, project-related direct labour cost, labelling (printing of stickers), courier and packaging (boxes), shipping and import taxes. Some of these expenses were not attributed to any revenue generation, thereby leading to negative GP.
- (3) Overall GP for maintenance services charges has improved to partially offset packaging and courier charges, which increased at slower rate than the maintenance services charges.

(iv) GP by countries

GP by countries	FYE 31 December						4M-FPE 30 April			
	2015		2016		2017		2017		2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	2,079	22.5	1,590	12.5	2,056	9.7	809	29.5	347	8.7
Overseas markets										
- Vietnam	972	10.5	4,133	32.4	8,885	41.8	799	29.1	381	9.6
- The Philippines	877	9.4	2,172	17.0	1,188	5.6	56	2.0	720	18.1
- Indonesia	1,505	16.3	1,104	8.7	2,994	14.1	407	14.8	697	17.5
- Singapore	113	1.2	222	1.7	3,763	17.7	68	2.5	302	7.6
- USA	379	4.1	427	3.3	334	1.6	120	4.4	149	3.8
- Canada	-	-	-	-	-	-	-	-	973	24.5
- Others*	3,329	36.0	3,121	24.4	2,023	9.5	486	17.7	404	10.2
Subtotal	7,175	77.5	11,179	87.5	19,187	90.3	1,936	70.5	3,626	91.3
Total	9,254	100.0	12,769	100.0	21,243	100.0	2,745	100.0	3,973	100.0

Note:

- * Including Myanmar, Thailand, China (including Hong Kong and Macau), Egypt, Sweden, Switzerland, Germany, India, Italy, Netherlands, Spain, Turkey and United Kingdom.

10. FINANCIAL INFORMATION (CONT'D)**(v) GP margin by business activities**

GP margin by business activities (on average basis)	FYE 31 December				4M-FPE 30 April			
	2015		2016		2017		2018	
	%	%	%	%	%	%	%	%
(a) Digital security solutions	61.9	61.5	51.0	56.4	74.0			
- Software licensing protection dongles	69.9	66.4	66.3	65.3	65.7			
- 2FA	31.1	27.8	42.8	26.6	54.6			
- PKI	56.9	64.5	48.3	54.9	57.5			
- CENTAGATE®	100.0 ⁽¹⁾	60.3	83.0	-	100.0 ⁽⁴⁾			
(b) Electronic identification products	52.6	26.7	32.4	23.9	31.1			
(c) Others	(35.9) ⁽²⁾	1.8 ⁽²⁾	23.8	(116.2) ⁽³⁾	43.5 ⁽²⁾			
Overall	54.5	51.6	47.5	43.4	57.0			

Notes:

- (1) Revenue attributable to CENTAGATE® for 2015 was only in relation to a one-time supply of an Adaptive Intelligence Scoring Engine, a risk scoring software of CENTAGATE® solutions, to Feitan Technologies Co., Ltd. The attributable GP margin was therefore 100% as there was no cost of sales relevant to the module other than payroll cost which was accounted as administrative expenses.
- (2) Overall GP margin for maintenance services charges had improved to partially offset packaging and courier charges, which increased at slower rate than maintenance services charges.
- (3) Negative GP margin mainly due to higher cost of labelling (printing of stickers), packaging (cost incurred to purchase boxes), project-related direct labour cost and courier services.
- (4) Revenue attributable to CENTAGATE® for 4M-FPE 30 April 2018 was only in relation to a one-time supply of customised CENTAGATE® software (inclusive of an Adaptive Intelligence Scoring Engine, a risk scoring software of CENTAGATE® solutions), to a new customer (an IT service provider in Canada). The attributable GP margin was therefore 100% as there was no cost of sales relevant to the module other than payroll cost which was accounted as administrative expenses.

10. FINANCIAL INFORMATION (CONT'D)**GP margin by companies**

GP margin by companies	FYE 31 December		4M-FPE 30 April	
	2015 %	2016 %	2017 %	2018 %
Securemetric Malaysia	50.4	52.4	37.2	4.2(1)
Securemetric Vietnam	26.9	22.4	91.2	112.0
Securemetric Philippines	52.0	27.0	100.4	130.6
Securemetric Indonesia	47.6	45.2	92.7	103.8
Securemetric Singapore	6.9	6.3	3.7	5.6
Softkey Indonesia	53.2	49.6	47.8	52.4
Overall GP margin	54.5	51.6	47.5	43.4
				57.0

Note:

(1) Lower GP margin by Securemetric Malaysia was mainly due to the absence of revenue from CENTAGATE® in 4M-FPE 30 April 2017 and higher cost of labelling (printing of stickers), packaging (cost incurred to purchase boxes) and courier services. However, in 4M-FPE 30 April 2018, Securemetric Malaysia recorded a revenue in relation to a one-time supply of customised CENTAGATE® software (inclusive of an Adaptive Intelligence Scoring Engine, a risk scoring software of CENTAGATE® solutions), to a new customer (an IT service provider in Canada).

Our GP grew from RM9.25 million in FYE 31 December 2015 to RM21.24 million in FYE 31 December 2017. Our GP increased from RM2.75 million in 4M-FPE 30 April 2017 to RM3.97 million in 4M-FPE 30 April 2018.

Our GP margin by main business activities (excluding others) ranged between 23.9% and 100.0% during the financial years/periods under review. Our GP margin variances were mainly due to the following:

- (a) declining GP margin for 2FA except for FYE 31 December 2017 as the market has many providers with highly competitive pricing. Increased GP margin for FYE 31 December 2017 is mainly due to the supply of OTP tokens, with higher GP margin, to an existing customer in Malaysia. Higher GP margin for 4M-FPE 30 April 2018 was earned from supplying of OTP tokens and back-end authentication software to an existing customer (an IT service provider in Indonesia);
- (b) high GP margin for PKI projects and CENTAGATE® projects as these projects involved customisation, installation and consultancy services for the integration of PKI or CENTAGATE® solution into the customers' existing systems as well as provision of training to customers, resulting in relatively higher margin for the value added; and
- (c) cost of purchasing third party devices and application software had not significantly increased for the financial years/periods under review because of our long-term relationship with our suppliers and our track record as a good paymaster.

10. FINANCIAL INFORMATION (CONT'D)**FYE 31 December 2016 as compared to FYE 31 December 2015**

Our GP increased by 38.0% (from RM9.25 million to RM12.77 million) mainly due to:

- (a) a new PKI project secured from a Vietnamese government institution, namely VAXUCO; and
- (b) CENTAGATE® project with Bank of the Philippine Islands.

Our Group's GP margin for FYE 31 December 2016 fell from 54.5% to 51.6% (a decrease of 2.9%), mainly due to:

- (a) lower GP margin for our CENTAGATE® project due to the purchase of PKI devices (e.g. HSMs and PKI appliances) to undertake the CENTAGATE® project in FYE 31 December 2016. Note that in FYE 31 December 2015 we generated revenue from a Chinese customer, namely Feitian Technologies Co., Ltd, for us to provide one of the software (Adaptive Intelligence Scoring Engine, a risk scoring module) of CENTAGATE®, whereby no cost of sales was incurred as no devices were purchased to complete the module. Hence, the GP margin was 100% for FYE 31 December 2015;
- (b) lower selling price of PKI solutions to a Thai IT service provider. Despite the increase in GP margin for PKI, the Group's overall GP margin was lower in FYE 31 December 2016 as the Thai IT service provider was in a position to successfully negotiate a higher margin for itself as our customer, because the Thai IT service provider had managed to secure a project with a Thai government institution;
- (c) lower selling price of 2FA device (i.e. OTP tokens) due to competitive pricing in the market while the cost per unit remains the same; and
- (d) lower GP margin for our electronic identification products mainly due to lower selling price of smart card readers supplied to a customer (a software development company in USA) due to competitive pricing in the market while the cost per unit remains the same.

FYE 31 December 2017 as compared to FYE 31 December 2016

Our GP was higher by 66.3% (from RM12.77 million to RM21.24 million), mainly due to higher GP generated from a PKI project in Singapore, PKI project for VAXUCO from Vietnam and CENTAGATE® projects from Indonesia (aggregate increase from RM8.28 million to RM16.18 million) despite an increase in cost of sales (increased from an aggregate of RM4.74 million to RM16.40 million).

Our Group's GP margin decreased from 51.6% to 47.5%, primarily due to a PKI project, which represented a major billing (37.9% of the Group's revenue for FYE 31 December 2017) for us, having contributed a lower project GP margin, which led to an overall decrease in the PKI GP margin and overall GP margin. The decrease in our Group's GP margin is partially offset by the higher GP margin arising from the higher selling price of our 2FA (i.e. OTP tokens) sold to a financial institution in Malaysia and our CENTAGATE® project with a newly secured customer (an IT service provider in Indonesia).

10. FINANCIAL INFORMATION (CONT'D)

4M-FPE 30 April 2018 as compared to 4M-FPE 30 April 2017

Our GP was higher by 44.4% (from RM2.75 million to RM3.97 million), mainly due to higher GP generated from the provision of a one-time supply of customised CENTAGATE® software (inclusive of an Adaptive Intelligence Scoring Engine, a risk scoring software of CENTAGATE® solutions) to a new customer (an IT service provider in Canada) as well as higher GP generated from provision of maintenance service charges to mainly a financial institution in Singapore, VAXUCO, Bank of the Philippine Islands and a government agency in the Philippines. However, the increase in GP was partly offset with the decrease in PKI due to the absence of re-order of PKI tokens from existing customers (an IT service provider and a public CA in Vietnam) and PKI solution from a new customer (an IT service provider in Thailand).

Our Group's GP margin increased from 43.4% to 57.0% mainly due to the followings:

- (a) higher selling price of 2FA devices (i.e. OTP tokens) and 2FA application software (i.e. back-end authentication software) to an existing customer (an IT service provider in Indonesia);
- (b) higher GP margin for the provision of a one-time supply of customised CENTAGATE® software (inclusive of an Adaptive Intelligence Scoring Engine, a risk scoring software of CENTAGATE® solutions) to a new customer (an IT service provider in Canada) whereby no cost of sales was incurred as no devices were purchased to complete the module. Hence, GP margin was 100% for 4M-FPE 30 April 2018; and
- (c) higher GP margin for the provision of maintenance service charges to a financial institution in Singapore, VAXUCO, Bank of the Philippine Islands and a government agency in the Philippines which the cost in providing maintenance services remains low.

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10. FINANCIAL INFORMATION (CONT'D)**10.5.4 Other income**

Other income	FYE 31 December				4M-FPE 30 April			
	2015		2016		2017		2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Interest income	35	5.7	45	59.2	10	14.7	51	11.7
Gain on foreign exchange	324	52.6	6	7.9	-	-	199	45.9
Gain on disposal of property, plant and equipment	-	-	-	-	1	0.1	-	-
Incentive received	256	41.5	-	-	118	16.5	13	3.0
Government grant income	-	-	-	-	450	62.9	-	34.6
Miscellaneous	1	0.2	25	32.9	-	-	6	4.8
Total	616	100.0	76	100.0	715	100.0	68	100.0

Other income constituted 3.6%, 0.3% and 1.6% of our revenue for FYEs 31 December 2015, 31 December 2016 and 31 December 2017, respectively. Other income constituted 1.1% and 6.2% of our Group's revenue for 4M-FPE 30 April 2017 and 4M-FPE 30 April 2018 respectively. For the FYEs and FPEs under review, gain on disposal of PPE represents one-off income for the Group.

FYE 31 December 2016 as compared to FYE 31 December 2015

Other income decreased by 87.1% (from RM0.62 million to RM0.08 million) due to lower unrealised gain on foreign exchange as USD was weaker against RM in 2016 compared to 2015. There was no realised foreign exchange gain and no incentive received from SME Corporation Malaysia as we did not submit any claims during FYE 31 December 2016. For information purpose, as at the LPD we have received RM0.39 million incentive from SME Corporation Malaysia under the 1-InnoCERT Insentif Innovation scheme for which we are entitled for a RM0.50 million voucher with an expiry date of 14 December 2018.

FYE 31 December 2017 as compared to FYE 31 December 2016

Other income increased from RM0.08 million to RM0.72 million mainly due to the RM0.12 million incentive received from SME Corporation Malaysia and the recognition of government grant income amounting to RM0.45 million. Government grant income refers to government grant received from the Government of Malaysia under Kementerian Sains, Teknologi and Inovasi ("MOSTI") for our new technology project research and development activities (i.e CENTAGATE®). The grant is to be recognised over the useful life of five years starting from FYE 31 December 2017.

4M-FPE 30 April 2018 as compared to 4M-FPE 30 April 2017

Other income increased from RM0.07 million to RM0.43 million mainly due to higher foreign exchange gain as USD was stronger against RM as well as the recognition of government grant income amounting to RM0.15 million.

10. FINANCIAL INFORMATION (CONT'D)**10.5.5 Administrative expenses**

Administrative expenses	2015		2016		2017		2017		2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Salaries and staff-related expenses	4,083	60.0	5,399	63.8	6,684	43.1	2,431	56.2	2,803	59.1
Impairment loss on available-for-sale financial asset	174	2.6	-	-	-	-	-	-	-	-
Office rental	336	4.9	401	5.1	435	2.8	147	3.4	137	2.9
Loss on foreign exchange	-	-	86	1.0	713	4.6	175	4.1	483	10.2
Professional fees	208	3.1	511	6.0	4,155	26.8	762	17.6	61	1.3
Event expenses	192	2.8	92	1.1	399	2.6	5	0.1	54	1.1
Travelling expenses	730	10.7	728	8.6	850	5.5	289	6.7	260	5.5
Amortisation of development expenditure	-	-	-	-	483	3.1	-	-	161	3.4
Others*	1,084	15.9	1,240	14.8	1,782	11.5	515	11.9	781	16.5
Total	6,807	100.0	8,457	100.0	15,501	100.0	4,324	100.0	4,740	100.0

Note:

* Comprising mainly utilities, printing and stationery, repairs and maintenance, stamp duties, taxes, depreciation of PPE, bank charges, warranty claims, entertainment as well as advertising and promotional expenses.

Administrative expenses constituted 40.1%, 34.2% and 34.6% of our Group's revenue for FYE 31 December 2015, FYE 31 December 2016 and FYE 31 December 2017 respectively. Administrative expenses constituted 68.3% and 68.0% of our Group's revenue for 4M-FPE 30 April 2017 and 4M-FPE 30 April 2018 respectively. For the FYEs and FPEs under review, there are no material one-off expenses incurred by the Group.

FYE 31 December 2016 as compared to FYE 31 December 2015

Administrative expenses increased by 24.2% (from RM6.81 million to RM8.46 million) mainly due to:

- (a) higher salary and other staff-related expenses due to higher headcount from 62 to 82, mainly due to 5 new personnel for business development division, 3 new personnel for operation division and 11 new personnel for technology division; and
- (b) higher professional fees related to research and consulting services provided by a reputable IT adviser to our Group for us to gain in-depth knowledge with updated information in IT security markets.

10. FINANCIAL INFORMATION (CONT'D)**FYE 31 December 2017 as compared to FYE 31 December 2016**

Administrative expenses increased by 83.2% (from RM8.46 million to RM15.50 million) mainly due to:

- (a) higher salary and other staff-related expenses due to higher headcount from 82 to 93, mainly due to 5 new personnel in each of the business development and technology divisions, and 1 new management personnel;
- (b) loss on foreign exchange as RM weakened against USD;
- (c) higher fees related to professional services incurred mainly due to the testing of CENTAGATE® project secured from the Bank of the Philippine Islands. We engaged an independent software testing services company for the external testing in order to obtain an independent verification of CENTAGATE® as this CENTAGATE® project involved customisation of our CENTAGATE® to integrate with Bank of Philippine Islands' banking application. We also engaged an external consultant and developer to test and enhance our cryptographic module as part of our product (i.e. PKI and CENTAGATE®) improvements; and
- (d) amortisation of development expenditure for our new technology project research and development activities (i.e. CENTAGATE®). The development expenditure is to be amortised over the useful life of five years starting from FYE 31 December 2017.

For information purpose, as at FYE 31 December 2017, our solutions and products do not all undergo external testing of such a nature, other than this instance where independent verification was required.

4M-FPE 30 April 2018 as compared to 4M-FPE 30 April 2017

Administrative expenses increased by 9.7% (from RM4.32 million to RM4.74 million) mainly due to:

- (a) higher salary and other staff-related expenses due to higher headcount from 81 to 94, mainly due to 4 new personnel for business development division, 5 new personnel for technology division and 3 new personnel for operations division;
- (b) higher loss on foreign exchange as RM weakened against USD; and
- (c) amortisation of development expenditure for our new technology project research and development activities (i.e. CENTAGATE®).

10. FINANCIAL INFORMATION (CONT'D)**10.5.6 Finance costs**

Finance costs	FYE 31 December				4M-FPE 30 April					
	2015		2016		2017		2018			
	RM'000	%	RM'000	%	RM'000	%	RM'000	%		
Interest expenses	7	100.0	2	100.0	255	100.0	91	100.0	74	100.0
Total	7	100.0	2	100.0	255	100.0	91	100.0	74	100.0

Our finance costs consist of interest expenses on term loans to finance our operations and a finance lease for a motor vehicle. The higher finance costs of RM0.26 million in FYE 31 December 2017 was due to finance charges paid for a performance guarantee for a PKI project with a Vietnamese government institution, namely VAXUCO, secured in FYE 31 December 2016 and interest charges on RM3.0 million term loans obtained from local financial institutions, in which RM2.0 million was obtained from AmBank Islamic Berhad towards the end of FYE 31 December 2016 and RM1.0 million from Malayan Banking Berhad in FYE 31 December 2017.

The decrease in finance costs in 4M-FPE 30 April 2018 was mainly due to the absence of finance charges paid for a performance guarantee. The performance guarantee was extended to VAXUCO in respect of a PKI project. The project was completed on 27 October 2017 and the performance guarantee has been discharged.

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10. FINANCIAL INFORMATION (CONT'D)**10.5.7 Profits, margins and tax rates**

Our Group's profits and effective tax rates are as follows:

	FYE 31 December		4M-FPE 30 April	
	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000
PBT/(LBT)	3,056	4,386	6,202	(1,602)
Taxation	(129)	(48)	(120)	97
PAT/(LBT)	2,927	4,338	6,082	(1,505)
	%	%	%	%
PBT/(LAT) margin	18.0	17.7	13.9	(25.3)
PAT/(LAT) margin	16.9	17.6	13.4	(23.9)
Group effective tax rate	4.2	1.1	1.9	6.1
Statutory tax rate				
- Securemetric Malaysia	25	24	24	24
- Securemetric Indonesia ⁽²⁾	1	1	1	1
- Securemetric Singapore	17	17	17	17
- Securemetric Philippines	30	30	30	30
- Securemetric Vietnam	22	22	22	22
- Softkey Indonesia	25	25	1	1
				25 ⁽³⁾

Notes:

- (1) As the Group was in tax loss position, hence effective tax rate is not applicable.
- (2) In accordance with Indonesia Government Regulation No. 46/2013, companies with revenue of not more than IDR4.80 billion are subject to final tax at 1% on revenue. Securemetric Indonesia's revenue, for FYEs 31 December 2015-2017 and 4M-FPE 30 April 2018 was IDR3.30 billion, IDR3.62 billion, IDR8.88 billion and IDR2.17 billion, respectively. The tax rate at 1% of revenue is on the basis that the prior year's (i.e. FYE 31 December 2016) revenue did not exceed IDR4.80 billion. Based on Securemetric Indonesia's revenue of IDR8.88 billion for FYE 31 December 2017, Securemetric Indonesia will be subject to tax at the rate of 25% on its FYE 31 December 2018's PBT.
- (3) Softkey Indonesia was subject to tax at the rate of 25% on its PBT for the FYEs 31 December 2014-2016. In accordance with Indonesia Government Regulation No. 46/2013, Softkey Indonesia calculated its income tax expense for FYE 31 December 2017 at the rate of 1% of revenue because its revenue for FYE 31 December 2016 was IDR2.9 billion and did not exceed IDR4.80 billion. The tax rate at 1% of revenue is on the basis that the prior year's (i.e. FYE 31 December 2016) revenue did not exceed IDR4.80 billion. Based on Softkey Indonesia's revenue of IDR5.70 billion for FYE 31 December 2017, Softkey Indonesia will be subject to tax at the rate of 25% on its FYE 31 December 2018's PBT.

10. FINANCIAL INFORMATION (CONT'D)

Pursuant to Guideline 3.1.1 of Garis Panduan Operasi Bil. 1 Tahun 2017 dated 23 February 2017, all companies which have begun their operations (i.e. generating revenue or income) are required to submit "Submission of Tax Estimation (CP204)" to IRB. As at the LPD, our Company has not submitted its tax estimation to IRB as the Company has not begun its operations since its incorporation, pursuant to the completion of the Restructuring. Pursuant to Section 77A of the Income Tax Act 1967, every company shall furnish a return within 7 months from the date following the close of the accounting period. Our Company has made up the accounts ended 31 December 2017 (i.e. accounting period) and has submitted its tax filing return to IRB.

Our subsidiary company Securemetric Malaysia is the major contributor to our Group's PBT. As a MSC-Malaysia status company, it is entitled to pioneer status incentives granted by the Ministry of International Trade and Industry for services under the Promotion of Investment Act, 1986 and it enjoyed income tax exemption on 100% of its statutory income derived from approved MSC activities for an initial 5-year period from 6 May 2008 to 5 May 2013. On 14 August 2013, MITI, through a letter issued by MIDA (an agency under MITI), granted approval for the pioneer status to be extended for an additional 5 years until 5 May 2018. Our effective tax rate range between 1.1% and 6.1% as most of our statutory income was contributed by Securemetric Malaysia, which is tax exempted.

The qualitative differences between our Group's effective tax rates and the respective subsidiary's statutory tax rates are as follows:

Subsidiary	Difference between our Group's effective tax rates and subsidiary's statutory tax rates
Securemetric Malaysia	Lower effective tax rates compared to statutory tax rates, due to statutory income being exempted from tax as a result of pioneer status granted by Ministry of International Trade and Industry.
Securemetric Indonesia	Lower effective tax rates compared to statutory tax rates, due to revenue being not more than IDR4.80 billion thus taxable at 1% of the revenue.
Securemetric Singapore	Lower effective tax rates compared to statutory tax rates, as Securemetric Singapore enjoys tax exemption scheme for new start-up companies whereby its first SGD100,000 chargeable income for the first 3 years of assessment is 100% exempted from tax. Inland Revenue Authority of Singapore ("IRAS") introduced a tax exemption scheme for new start-ups with the conditions that the start-up is a Singapore-incorporated entity, tax resident of Singapore for the year of assessment, its share capital is not held by more than 20 shareholders throughout the financial period and at least 1 individual shareholder holding at least 10% of ordinary shares of the entity throughout the financial period. Securemetric Singapore has satisfied the above conditions and as such enjoys the tax exemption scheme.
Securemetric Philippines	Higher effective tax rates compared to statutory tax rates, due to non-deductible expenses added back in computing chargeable income at the corporate tax rate of 30%.
Securemetric Vietnam	Higher effective tax rates compared to statutory tax rates, due to non-deductible expenses added back in computing chargeable income at the corporate tax rate of 20%.

10. FINANCIAL INFORMATION (CONT'D)

Subsidiary	Difference between our Group's effective tax rates and subsidiary's statutory tax rates
Softkey Indonesia	Lower effective tax rates compared to statutory tax rates, as taxable income from gross income of up to IDR4.80 billion are taxed at 12.5% of taxable income and the remaining taxable income (for gross income exceeding IDR4.80 billion) is taxed at 25% of taxable income for FYEs 31 December 2014 and 2015. Softkey Indonesia will be taxed at 1% of the revenue as its revenue is not more than IDR4.80 billion.

Our Group's PBT were on an upward trend from FYE 31 December 2015 to FYE 31 December 2017, in line with our increasing revenue. Our Group's PBT margins rebounded from negative 25.3% for 4M-FPE 30 April 2017 to negative 5.8% for 4M-FPE 30 April 2018 due to higher other revenue (provision of maintenance service charges) mainly from a financial institution in Singapore, VAXUCO, Bank of the Philippine Islands and a government agency in Philippines.

FYE 31 December 2016 as compared to FYE 31 December 2015

Our PBT increased by 43.5% (from RM3.06 million to RM4.39 million) in line with higher Group revenue. Our PBT margin decreased to 17.7% in FYE 31 December 2016, in line with the lower GP margin, as cost of sales rose faster than revenue. Our effective tax rate fell from 4.2% in FYE 31 December 2015 to 1.1% in FYE 31 December 2016, mainly due to losses incurred by Softkey Indonesia.

FYE 31 December 2017 as compared to FYE 31 December 2016

Our PBT increased by 41.2% (from RM4.39 million to RM6.20 million) due to higher GP generated from the PKI project for VAXUCO from Vietnam and CENTAGATE® projects from Indonesia (aggregate increase from RM8.28 million to RM16.18 million) despite an increase in cost of sales (increased from an aggregate of RM4.74 million to RM16.40 million).

Our effective tax rate increased slightly from 1.1% in FYE 31 December 2016 to 1.9% in FYE 31 December 2017 due to higher PBTs recorded by all of our foreign subsidiaries. Despite the increase of 41.2% in our Group's PBT (from RM4.39 million to RM6.20 million), Securemetric Malaysia (which contributes 66.9% of the Group's PBT) is entitled to 100% income tax exemption on its statutory income due to its pioneer status. This resulted in a minimal effect on the Group's effective tax rate.

4M-FPE 30 April 2018 as compared to 4M-FPE 30 April 2017

Our LBT improved by 70.0% (from LBT of RM1.60 million to LBT of RM0.48 million). Our LBT margin improved significantly from 25.3% for 4M-FPE 30 April 2017 to 5.8% in 4M-FPE 30 April 2018 due to higher other revenue (provision of maintenance service charges) mainly from a financial institution in Singapore, VAXUCO, Bank of the Philippine Islands and a government agency in the Philippines. However, as the Group was in tax loss position, hence effective tax rate is not applicable.

10. FINANCIAL INFORMATION (CONT'D)

10.5.8 Significant factors affecting our financial performance

Our Group's financial condition and results of operations may be affected by the following key factors:

(a) Rapid technological changes

Our Group operates in a dynamic market where our solutions, products and services are prone to technology and cyber threat evolution, and as such we strive to enhance our solutions, products and services.

Our Directors and key senior management personnel have expertise in R&D on new solutions, products and services as well as the capabilities required to enhance our existing solutions, products and services. Nevertheless, during periods of solution and product development or enhancement, we may experience design, marketing and other operational difficulties that could delay development and therefore the introduction and marketing of our solutions, products and services. Furthermore, our investment in R&D may not necessarily result in the successful development of new digital security solutions in accordance with our intended specifications and objectives.

Our operations and expansion plans are dependent upon the market demand for our products and services. If there is a decrease in demand due to reasons relating to the relevancy of our solutions, products and services, in the eyes of our customers, this will have an adverse effect on our business, financial results and prospects.

(b) Human resource

Our business requires personnel with specific technical skills. We have so far not experienced any shortage of skilled personnel to meet our needs. Although we currently have sufficient skilled personnel to support our business and operations, personnel retention and recruitment are crucial factors for our growth.

(c) Competition

Our Group operates in a competitive industry with competitors who are larger in size and who may have better access to capital, technology and talent than our Group. **Section 6** of this Prospectus sets out the impact of competition on our Group.

With our ongoing emphasis on R&D, our Directors are of the view that we are well-positioned to withstand future competition and to secure new customers.

(d) Expiry of pioneer status

Securemetric Malaysia, by virtue of its MSC status, was granted pioneer status by MITI under the Promotion of Investment Act, 1986 and has enjoyed full exemption from paying Malaysian income tax on income derived from MSC Malaysia qualifying activities since 6 May 2008 and the pioneer status has expired on 5 May 2018.

The expiry of the pioneer status will directly affect our financial performance as Securemetric Malaysia will be subject to a statutory tax rate of 24%. As such, statutory income of Securemetric Malaysia from May 2018 to December 2018 is subject to a statutory tax rate of 24% following the expiry of the pioneer status on 5 May 2018. Using Securemetric Malaysia's FYE 31 December 2017 financial results to illustrate the impact of the statutory tax rate of 24% (before adjusting for income tax adjustments such as expenses not deductible for tax purposes (eg: depreciation of PPE, amortisation of development expenditure and professional fees), income not subject to tax (eg: unrealised foreign exchange gain, gain on disposal of PPE and government grant income) and claims of capital allowances for qualifying assets), our Group's PAT would have been reduced by RM1.00 million (from RM6.08 million to RM5.08 million) without the tax exemption.

10. FINANCIAL INFORMATION (CONT'D)**(e) Foreign currency exchange rates**

As set out in Section 4.2.10 of this Prospectus, our Group is exposed to foreign currency exchange rate fluctuations as our sales and purchases are mainly denominated in foreign currencies, namely USD and EURO. Our net foreign exchange gains/(losses) for the FYEs 31 December 2015 to 31 December 2017 and 4M-FPE 30 April 2018 are as follows:

	FYE 31 December			4M-FPE 30 April
	2015	2016	2017	2018
	RM'000	RM'000	RM'000	RM'000
Net foreign exchange gain / (loss)*	324	(80)	(713)	(283)

Note:

* Inclusive of realised and unrealised gains or losses on foreign exchange

As at the LPD, we do not have any formal hedging policy with respect to foreign exchange exposure. Our foreign currency sales and purchases provide a natural hedge against the fluctuations in foreign exchange rates. Other than purchases, most of our expenses and sales in Malaysia are denominated in RM, and most of our expenses in foreign subsidiaries are denominated in their local currencies. In addition, we maintain part of our cash and bank balances, in foreign currency accounts, mainly in USD, to meet our future obligations in foreign currency.

(f) Interest rates

Our bank borrowings are used solely for our working capital purposes. In view of our Group's ability to generate sufficient net cash flows from operation to fund our daily operations, our reliance on bank borrowings is relatively low. Nevertheless, in order to secure a PKI project with a Vietnamese government institution, namely VAXUCO, we have made additional term loan drawdown during the FYE 31 December 2016 and FYE 31 December 2017 for performance guarantee for the project. Our gearing ratio (i.e., total borrowings over shareholders' equity attributable to the owners of the parent) for the past 3 FYEs 31 December 2015 to 31 December 2017 and 4M-FPE 30 April 2018 are as follows:

	FYE 31 December			4M-FPE 30 April
	2015	2016	2017	2018
	RM'000	RM'000	RM'000	RM'000
Total borrowings	50	2,012	2,548	2,369
Shareholders' equity attributable to the owners of the parent	10,984	13,511	19,295	18,805
Gearing ratio (times)	0.01	0.15	0.13	0.13

Our gearing ratio is relatively low as a result of a low degree of leverage on bank borrowings. In view of the low gearing ratio of 0.01, 0.15, 0.13 and 0.13 times of our capital structure as at 31 December 2015, 31 December 2016, 31 December 2017 and 30 April 2018 respectively, finance costs that we incurred on our interest-bearing borrowings with licensed financial banks were minimal relative to our financial position. Therefore, fluctuations in interest rates have no material affected on our Group for the financial years/periods under review. If our borrowings increase in the future, we may be affected by interest rate fluctuations.

10. FINANCIAL INFORMATION (CONT'D)

(g) Creditworthiness of our customers

Our financial performance has a degree of dependence on the creditworthiness of our customers. Payment delays or non-payments may result in us providing for impairment loss on receivables or writing off bad debts. No impairment loss was necessary to be provided for our receivables from FYE 31 December 2015 until 4M-FPE 30 April 2018 as our Group did not foresee any dispute relating to our trade debtors, considering the on-going project works with our receivables and/or long-term business relationship with these trade debtors. In addition, our Group has not encountered any dispute with our receivable for the financial years under review.

(h) Inflation on our Group's operations

Our Group's operations were not materially affected by inflation from FYE 31 December 2015 until 4M-FPE 30 April 2018.

(i) Government, economic, fiscal or monetary policies

There were no government, economic, fiscal or monetary policies that materially affected our Group's operations from FYE 31 December 2015 until 4M-FPE 30 April 2018.

10.6 Liquidity and capital resources

10.6.1 Working capital

Our business has been financed by a combination of internal and external sources of funds. Our internal sources were shareholders' equity and cash generated from our operations whereas our external sources were the credit facilities extended to us by financial institutions, grant by Ministry of Science, Technology and Innovation (MOSTI) and credit terms granted by our suppliers. The average credit period granted to us ranges between 30 days to 90 days. The principal utilisation of these funds has been for our business operations.

As at 30 April 2018, our Group has cash and cash equivalents of RM10.50 million and borrowings of RM2.37 million, with a debt to equity ratio of 0.13 times. We also have available banking facilities of RM0.50 million (excluding finance lease financing) in the form of trade financing yet to be utilised.

Our Directors are of the opinion that our Group will have adequate working capital to meet our present and foreseeable requirements for at least a period of 12 months from the date of this Prospectus. This opinion is formed after taking into consideration our cash and cash equivalents, the funds to be generated from our business, our existing banking facilities as well as the proceeds from our Public Issue.

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10. FINANCIAL INFORMATION (CONT'D)**10.6.2 Cash flows**

The following should be read in conjunction with Section 10.2.3 of this Prospectus.

	Summary of combined statements of cash flows					
	Audited			Unaudited		Audited
	FYE 31 December			4M-FPE 30 April		
2015	2016	2017	2017	2017	2018	
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Net cash from/(used in) operating activities	596	4,660	9,078	1,749	(1,933)	
Net cash (used in)/from investing activities	(1,592)	(1,262)	(556)	(94)	(1,036)	
Net cash from/(used in) financing activities	513	165	(1,048)	(960)	187	
Net (decrease)/increase in cash and cash equivalents	(483)	3,563	7,474	695	(2,782)	
Effect of exchange translation differences on cash and cash equivalents	114	(17)	(208)	(48)	283	
Cash and cash equivalents at the beginning of financial year/ period	4,067	3,698	7,244	7,244	14,510	
Cash and cash equivalents at the end of financial year / period	3,698	7,244	14,510	7,891	12,011	
Cash and cash equivalents at the end of financial year / period comprise:						
- Cash and bank balances	2,799	7,244	14,510	6,291	9,827	
- Fixed deposits with licensed banks	984	154	2,740	4,198	4,896	
	3,783	7,398	17,250	10,489	14,723	
Less: Fixed deposits pledged with licensed banks	(85)	(154)	(2,740)	(2,598)	(2,712)	
	3,698	7,244	14,510	7,891	12,011	

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10. FINANCIAL INFORMATION (CONT'D)**Net cash from/(used in) operating activities**

We derived our cash inflow for operating activities primarily from the collections of receipts from our revenue. Our cash outflows are primarily payments to suppliers and administrative expenses.

FYE 31 December 2015

We generated net cash inflow from operating activities of RM0.60 million against PBT of RM3.06 million after adjusting for, amongst others, the following:

- (i) impairment losses on available-for-sale financial assets of RM0.17 million to reflect the market value of the quoted shares;
- (ii) depreciation of PPE of RM0.15 million;
- (iii) increase in inventories by RM0.29 million due to stock-up at year end to replenish the sold inventories and also purchase of HSM of RM0.14 million, which were subsequently sold in January 2016. Generally, HSM is ordered upon customer's confirmation due to its higher cost compared to other inventories;
- (iv) increase in trade and other receivables by RM3.08 million mainly due to outstanding trade receivables balances for PKI projects and higher amount of other receivables (amount due from Nioo Yu Siong, a director of Securemetric Malaysia, Securemetric Indonesia, Securemetric Philippines and Securemetric Singapore);
- (v) increase in trade and other payables by RM0.66 million mainly due to higher trade payables arising from the purchases made from Feitian, in anticipation of the long festive holiday period in China, in order to replenish the sold inventory, deferred capital grant of RM0.46 million in relation to the TechnoFund grant received from MOSTI for the R&D of CENTAGATE® and deferred revenue of RM0.31 million from the service level agreements in which the services have yet to be performed; and
- (vi) tax paid of RM0.15 million.

FYE 31 December 2016

We generated net cash inflow from operating activities of RM4.66 million against PBT of RM4.39 million after adjusting for, amongst others, the following:

- (i) depreciation of PPE of RM0.18 million;
- (ii) decrease in inventories by RM0.21 million mainly due to the absence of new purchases of HSM which were sold in January 2016;
- (iii) increase in trade and other receivables by RM3.67 million mainly due to outstanding trade receivables balances from VAXUCO and Bank of Philippine Islands which are still within the credit period granted as well as higher other receivables (amount due from Nioo Yu Siong, a director of Securemetric Malaysia, Securemetric Indonesia, Securemetric Philippines and Securemetric Singapore);
- (iv) increase in trade and other payables of RM3.38 million mainly due to purchase of third party devices for projects related to VAXUCO and Bank of the Philippine Islands and higher other payables arising from the accrued project cost for our Egyptian customer in relation to a PKI project, amount due to Nioo Yu Siong, a director of Securemetric Malaysia, Securemetric Indonesia, Securemetric Philippines and Securemetric Singapore), increase of RM0.79 million in deferred capital grant in relation to the TechnoFund grant received from MOSTI for the R&D of CENTAGATE® and increase of RM 0.50 million in deferred revenue from the service level agreements in which the services have yet to be performed; and

10. FINANCIAL INFORMATION (CONT'D)

- (v) tax paid of RM0.01 million.

FYE 31 December 2017

We generated a net cash inflow from operating activities of RM9.08 million against PBT of RM6.20 million after adjusting for, amongst others, the following:

- (i) depreciation of PPE of RM0.20 million;
- (ii) amortisation of development expenditures of RM0.48 million;
- (iii) increase in inventories by RM0.19 million due to our Group's strategy to have sufficient inventories of dongles, PKI tokens and smart cards to enable prompt delivery to our customers in the subsequent FYE 31 December 2018;
- (iv) increase in trade and other receivables by RM8.96 million mainly due to the issuance of invoices amounting to RM8.2 million towards the year end, for the VAXUCO project;
- (v) increase in trade and other payables by RM11.60 million mainly due to the purchase of third party devices to complete the VAXUCO project (completed in October 2017) and higher other payables arising from the higher deferred revenue recognised (2017: RM4.46 million and 2016: RM1.00 million) mainly from the upfront payment received from VAXUCO and a financial institution in Singapore related to maintenance and support services which have yet to be performed; and
- (vii) tax paid of RM0.13 million.

4M-FPE 30 April 2017

We generated a net cash inflow from operating activities of RM1.75 million against LBT of RM1.60 million after adjusting for, amongst others, the following:

- (i) depreciation of PPE of RM0.06 million;
- (ii) increase in inventories by RM0.47 million due to our Group's strategy to have sufficient inventories of dongles, PKI tokens and smart cards to enable prompt delivery to our customers in the subsequent quarter;
- (iii) decrease in trade and other receivables by RM5.17 million mainly due to collection received from VAXUCO and Bank of the Philippine Islands;
- (iv) Decrease in trade and other payables by RM1.57 million mainly due to prompt repayments to our suppliers for a PKI project with a new customer (an IT service provider in Thailand); and
- (v) tax paid of RM0.02 million.

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10. FINANCIAL INFORMATION (CONT'D)**4M-FPE 30 April 2018**

We generated a net cash outflow from operating activities of RM1.93 million against LBT of RM0.41 million after adjusting for, amongst others, the following:

- (i) depreciation of PPE of RM0.09 million;
- (ii) amortisation of development expenditures of RM0.16 million;
- (iii) increase in inventories by RM0.11 million due to our Group's strategy to have sufficient inventories of dongles, PKI tokens and electronic identification products to enable prompt delivery to our customers in the subsequent quarter;
- (iv) decrease in trade and other receivables by RM10.50 million mainly due to collection received from our customers;
- (v) decrease in trade and other payables by RM11.02 million mainly due to prompt repayments to our suppliers for the supply of third party products related to our PKI projects; and
- (vii) tax paid of RM0.21 million.

Net cash used in investing activities

Net cash flows for investing activities represent cash used to purchase PPE and other investment, net of proceeds from disposal of PPE and other investments.

FYE 31 December 2015

The net cash outflow for our investing activities amounting to RM1.59 million were mainly used for R&D activities for our in-house development of CENTAGATE® amounting to RM1.32 million as well as to purchase PPE (such as motor vehicle and laptops) amounting to RM0.27 million.

FYE 31 December 2016

Net cash used for our investing activities amounted to RM1.26 million, which was due to R&D expenditure of RM1.01 million for CENTAGATE® and purchase of PPE (such as laptops and servers) of RM0.26 million. We purchased a server to store our solutions' R&D data to ensure that those data are stored in secured server with separated network and therefore prevent unauthorised access.

FYE 31 December 2017

Net cash used for our investing activities amounted to RM0.56 million, consisting of R&D expenditure of RM0.09 million for CENTAGATE® and purchase of PPE (such as laptops and server) of RM0.47 million. As the R&D project was completed in August 2017, we incurred lesser R&D expenditure for CENTAGATE® project as compared to previous years.

4M-FPE 30 April 2017

Net cash used for our investing activities amounted to RM0.09 million mainly consist of purchases of PPE (such as laptops) amounting to RM0.09 million.

4M-FPE 30 April 2018

Net cash used for our investing activities amounted to RM1.04 million mainly consist of investment made in unit trust amounting to RM1.00 million.

10. FINANCIAL INFORMATION (CONT'D)

Net cash from /(used in) financing activities

Cash flows from financing activities represents net cash sourced from owners or shareholders and financial institutions (short term or long term) to finance our operations. Positive cash flows from financing activities include drawdown of term loans, grant received and cash from issuance of shares. Negative cash flows from financing activities include repayment of term loans and finance lease liabilities, dividends paid and increase in fixed deposits pledged.

FYE 31 December 2015

Net cash from our financing activities of RM0.51 million mainly consisted of a grant reimbursement of RM0.46 million received from MOSTI and proceeds raised from the issuance of shares of RM0.14 million following the incorporation of Securemetric Singapore. However, this was partly offset by repayment of borrowings of RM0.08 million.

FYE 31 December 2016

Net cash used in our financing activities of RM0.17 million are mainly attributed to interim dividends payment of RM2.52 million offset by term loan drawdown of RM2.00 million from AmBank Islamic Berhad to fund our Group's working capital and grant reimbursement of RM0.79 million received from MOSTI.

FYE 31 December 2017

Net cash used in financing activities of RM1.05 million was mainly due to repayment of term loans and finance lease liabilities of RM0.46 million as well as placement of fixed deposit of RM2.59 million to secure a performance guarantee. The performance guarantee was provided to VAXUCO for a PKI project secured in FYE 31 December 2016. The PKI project was completed on October 2017 and as at the LPD, the performance guarantee has been discharged. The cash outflow was partly offset by the drawdown of RM1.00 million term loan and a RM1.00 million grant received from MOSTI.

4M-FPE 30 April 2017

Net cash used in financing activities of RM0.96 million was mainly due to repayment of term loans and finance lease liabilities of RM0.14 million as well as placement of fixed deposit of RM2.44 million to secure a performance guarantee. The performance guarantee was provided to VAXUCO for a PKI project secured in FYE 31 December 2016. The cash outflow was partly offset by the drawdown of RM1.00 million term loan and a RM0.62 million grant received from MOSTI.

4M-FPE 30 April 2018

Net cash from our financing activities of RM0.19 million was mainly due to proceeds raised from the issuance of shares of RM0.34 million following the increase in share capital of Securemetric Philippines as well as uplift of fixed deposit of RM0.03 million. The cash inflow was partly offset by the RM0.18 million repayment of term loans.

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10. FINANCIAL INFORMATION (CONT'D)**10.6.3 Borrowings**

	Audited As at 30 April 2018 RM'000
Long term	
Secured	
Bank borrowings ⁽¹⁾	1,800
	1,800
Short term	
Secured	
Bank borrowings ⁽¹⁾	569
	569
Secured:	
Bank borrowings	2,369
Total borrowings	2,369
Shareholders' equity attributable to the owners of the parent	18,805
Gearing ratio (times)	0.13

Note:

(1) Our Group has the following bank borrowings:

- (a) 5-year term loan of RM2.0 million from AmBank Islamic Berhad (for our Group's general working capital) repayable by 58 monthly payments of RM41,637 each, commencing from 1 January 2017. The loan was secured by guarantees by our Directors and Credit Guarantee Corporation Malaysia Berhad.
- (b) 5-year term loan of RM1.0 million from Malayan Banking Berhad (for our Group's general working capital) repayable by 60 monthly payments of RM21,818 each, commencing from 1 May 2017. The loan was secured by guarantees by our Directors and Credit Guarantee Corporation Malaysia Berhad.

Interest rates	Audited As at 30 April 2018 % per annum
	Term loans

We also have available banking facilities of RM0.50 million (excluding finance lease financing) in the form of trade financing, yet to be utilised.

Our Group has not defaulted on payments on either interest and/or principal sums in respect of any borrowings throughout FYE 31 December 2015 up to the LPD. Our Group is not in breach of any terms and conditions or covenants associated with the credit arrangements or bank loans which could materially affect our financial position, business operations or the investment by holders of our securities.

For 4M-FPE 30 April 2018, our term loans have an average effective interest rate of 8.93% per annum.

As at the LPD, our Group does not have any foreign currency borrowings. Our outstanding bank borrowings as at the LPD amounted to RM2.13 million. We do not encounter any seasonality in our borrowings trend and there is no restriction on our committed borrowing facilities (i.e. term loans and finance lease).

10. FINANCIAL INFORMATION (CONT'D)

Our Group does not provide any guarantee on any debt issued to third parties.

10.6.4 Treasury policies and objectives

Our Group has been funding our operations through shareholders' equity, cash generated from our operations and external sources of funds. Our external sources of funds consist of grant from MOSTI, credit term granted by our suppliers and borrowings from financial institutions. Our funding policy is to obtain the most suitable form of financing at the most favourable cost of funding whereas our treasury policy is to maintain sufficient working capital to finance our operations, coupled with adequate credit facilities to meet estimated commitments arising from our operational expenditure and financial liabilities. The normal credit periods granted by our suppliers are from 30 to 90 days.

Our Group's borrowings from financial institutions consist of term loans and finance lease which we use for our working capital and purchase of motor vehicle. As at LPD, our Group have banking facilities (trade finance) amounting to RM0.50 million, which has yet to be utilised.

Our short term borrowings mainly consist of the principal amounts of the term loans and finance lease payable within one year. The interest rates for these short term borrowings are based on prevailing cost of funds plus a margin, as agreed upon with our bankers when the borrowings were granted.

Our long term borrowings are payable after one year. The interest rates for these long term borrowings are based on prevailing cost of funds plus a margin, as agreed upon with our bankers when the borrowings were granted.

The decision to either utilise banking facilities or internally-generated funds for our operations depends on our cash reserve, expected cash inflows or receipts from customers, future working capital requirements, future capital expenditure requirements and the prevailing interest rates of the banking facilities.

Our minimum cash reserve at any point in time is primarily dependent on our expected cash inflows or receipts from customers, liquidity of our short term placement of funds and our future working capital requirements.

10.6.5 Material capital commitment

As at the LPD, we do not have any material commitment for capital expenditure.

10.6.6 Material contingent liabilities

As at the LPD, we do not have any pending material contingent liabilities that, upon becoming enforceable, may have a material impact on our financial performance and/or position.

10.6.7 Material litigation, claims or arbitration

As at the LPD, our Company and its subsidiaries are not engaged in any material litigation, claim or arbitration, either as plaintiff or defendant, which might materially affect our financial position, and there are no proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially or adversely affect our financial or business position.

10. FINANCIAL INFORMATION (CONT'D)

10.6.8 Key financial ratios

	Audited			Unaudited	
	FYE 31 December			4M-FPE 30 April	
	2015	2016	2017	2017	2018
Revenue (RM'000)	16,978	24,753	44,767	6,329	6,970
Average trade receivables (RM'000)	2,977	6,347	11,880	5,575	10,036
Average trade receivables turnover period (days) ⁽¹⁾	64.0	93.6	96.9	105.7	172.8
Purchases (RM'000)	5,781	10,136	12,231	3,494	2,205
Average trade payables (RM'000)	1,209	1,896	5,257	1,889	4,475
Average trade payables turnover period (days) ⁽²⁾	76.3	68.3	156.9	64.9	243.5
Average inventories (RM'000)	2,039	2,080	2,029	2,209	2,137
Average inventories turnover period (days) ⁽³⁾	128.7	74.9	60.5	75.9	116.3
Current ratio (times) ⁽⁴⁾	4.05	2.65	1.94	2.73	3.09
Gearing ratio (times) ⁽⁵⁾	*	0.15	0.13	0.24	0.13

Notes:

* Negligible.

$$(1) \text{ Average trade receivables turnover period (days)} = \frac{\text{(Opening trade receivables + Closing trade receivables)}/2}{\text{Revenue}} \times 365 \text{ days}^{(6)}$$

$$(2) \text{ Average trade payables turnover period (days)} = \frac{\text{(Opening trade payables + Closing trade payables)}/2}{\text{Purchases}} \times 365 \text{ days}^{(6)}$$

$$(3) \text{ Average inventories turnover period (days)} = \frac{\text{(Opening inventories + Closing inventories)}/2}{\text{Purchases}} \times 365 \text{ days}^{(6)}$$

(4) Current assets divided by current liabilities

(5) Total borrowings divided by shareholders' equity attributable to the owners of the parent

(6) 365 days for FYE 2015 – FYE 2017, 120 days for 4M-FPE 30 April 2017 and 4M-FPE 30 April 2018

10. FINANCIAL INFORMATION (CONT'D)

(a) Trade receivables

	Within credit period (days)					Exceeding credit period (days)					Total (RM'000)
	1 – 30 (RM'000)	31 – 60 (RM'000)	61 – 90 (RM'000)	91 – 120 (RM'000)	121 – 150 (RM'000)	151 – 180 (RM'000)	> 180 days (RM'000)				
Trade receivables as at 30 April 2018	1,923	155	150	47	742	968	856				4,841
Less: Performance bond	-	-	-	-	-	(956) ⁽¹⁾	(96) ⁽²⁾				(96)
Less: Retention	-	-	-	-	-	-	-				(956)
Less: Impairment of loss	-	-	-	-	-	-	-				-
Net trade receivables	1,923	155	150	47	742	12	760				3,789
% of total net receivables	50.8	4.1	4.0	1.2	19.6	0.3	20.0				100.0
Subsequent collections as at the LPD	1,529	155	150	47	739	-	490				3,110
Trade receivables net of subsequent collections	394	-	-	-	3	12	270				679
% of trade receivables net of subsequent collections	58.0	-	-	-	0.4	1.8	39.8				100.0

Notes:

- (1) The retention sum was retained by VAXUCO for the completed PKI project in October 2017. The retention sum will be contractually released in October 2020, upon completion of the 3 years of support and maintenance services period, from the date of the completion of the PKI project.
- (2) The performance bond was retained by our Egyptian customer for an on-going PKI project, and is recoverable as it will be contractually released upon completion of the PKI project in the 4th quarter of 2018.

The normal credit period granted to our customers ranges from 30 to 90 days. Other credit terms to customers are assessed and approved by our management on a case-by-case basis by taking into consideration various factors such as business relationship with the customers, the customers' payment history and the customers' creditworthiness while new customers are subject to the Group's verification process.

For FYE 31 December 2015, our average trade receivables turnover period was 64.0 days, which was within the credit period range granted to our customers.

10. FINANCIAL INFORMATION (CONT'D)

For FYE 31 December 2016, our average trade receivables turnover period was 93.6 days which is marginally higher than our Group's credit period mainly due to overdue payments from three customers (a telecommunication provider in Malaysia and IT service providers in Malaysia and Myanmar) as well as our Egyptian customer retaining some of the first billing amount as performance bond for the PKI project.

For FYE 31 December 2017, our average trade receivables turnover period was 96.9 days which is marginally higher than our Group's credit period mainly due to overdue amount of RM1.61 million (representing 11% of the trade receivables).

As at 30 April 2018, RM2.23 million or 58.9% of our net trade receivables were within the normal credit period. RM1.56 million or 41.1% of our net trade receivables were outstanding for more than 90 days.

As at the LPD, we have collected RM3.11 million or 82.1% of the total trade receivables outstanding as at 30 April 2018. For the remaining amount outstanding of RM0.39 million (which is still within the 90 days credit period), we are in the midst of collecting the remaining balance. For the overdue amounts of RM0.29 million (which have exceeded the 90 days credit period), RM0.13 million is due from a reputable long-term customer (an IT service provider in Malaysia) who has a good payment record with us in the past and we have obtained post-dated cheques on the overdue amount. The post-dated cheques were obtained due to short-term cash flow restriction faced by the customer. RM0.02 million is due from a long-term customer (an IT service provider in Myanmar) and is expected to be collected in the 4th quarter of 2018. The remaining amount of RM0.14 million is due from various trade receivables of smaller amounts.

As at the LPD, our Board deemed the overdue trade receivables amount of RM0.29 million to be recoverable after taking into consideration of our long term continuing business relationship with most of our customers and our Board believes that there will not be any impairment loss on the overdue trade receivables balance as we have generally been able to make full collection.

Our Group's provisioning for doubtful debts policy will be in line with the MFRS 137 – Provisions, Contingent Liabilities and Contingent Assets, where the collectability of amounts due from our customers is reviewed on an individual and collective basis to ensure better estimate of provisions.

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10. FINANCIAL INFORMATION (CONT'D)

(b) Trade payables

	Within credit period (days)					Exceeding credit period (days)					Total (RM'000)	
	1 – 30 (RM'000)		31 – 60 (RM'000)		61 – 90 (RM'000)		91 – 120 (RM'000)		121 – 180 (RM'000)			> 180 days (RM'000)
Trade payables as at 30 April 2018		434		8		-		-				751
Less: Retention sum		-		-		-		-		(309)		(309)
<i>% of total trade payables</i>		434		8		-		-		-		442
		98.2		1.8		-		-		-		100.0
Subsequent payments as at the LPD		434		8		-		-		-		442
Trade payables net of subsequent payments		-		-		-		-		-		-
<i>% of trade payables net of subsequent payments</i>		-		-		-		-		-		-

Generally, the credit period granted to our Group by our suppliers ranges from 30 to 90 days. For FYE 31 December 2015 and FYE 31 December 2016, our average trade payables turnover periods were within the credit period granted to our Group.

Our average trade payables turnover period for FYE 31 December 2017 was 156.9 days which is higher than 68.3 days in FYE 31 December 2016 mainly due to the invoices received towards the year end from the suppliers amounting to RM6.9 million related to the VAXUCO project (completed in October 2017). As at the LPD, we have fully settled the amount of RM6.9 million.

Our average trade payables turnover period for 4M-FPE 30 April 2018 was 243.5 days which is higher than 64.9 days in 4M-FPE 30 April 2017 mainly due to higher trade payables balance as at 4M-FPE 30 April 2018 arising from the outstanding amount to the suppliers of VAXUCO project. As at the LPD, we have fully settled the amount outstanding.

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10. FINANCIAL INFORMATION (CONT'D)

Even though our average trade receivables' turnover period ranged from 64.0 days to 174.2 days for the financial years/periods under review while our average trade payables' turnover period ranged from 64.9 days to 243.5 days, our Group does not face a mismatch in our operating cash flows after taking into consideration that:

- (i) we are able to maintain a positive operating cash flow for the financial years/periods under review (save for the 4M-FPE 30 April 2018);
- (ii) the credit terms granted by our Group to our trade receivables are the same as per the credit terms granted by our trade payables notwithstanding that it is at our Group's discretion to settle our trade payables earlier than the credit period provided, in order to maintain good business relationships with our trade creditors; and
- (iii) we are able to maintain low reliance on our bank borrowing facilities to fund our business operations and Group's expansion, as these were funded through internally-generated funds and collections from trade receivables.

(c) Inventories

Our inventories mainly comprise dongles, PKI tokens and electronic identification products such as smart card readers. For FYE 31 December 2015, FYE 31 December 2016, FYE 31 December 2017 and 4M-FPE 30 April 2018, our average inventories turnover period ranged between 74.9 days and 128.7 days which our Group deems to be reasonable as it is our Group's normal practice to maintain not more than 3 months of stock levels.

In order to fulfill our Group's strategy for timely delivery to our customers, we generally stock up on certain inventories (such as dongles, PKI tokens) to enable prompt delivery to our customers when required. The degree of replenishment differs for each year end due to different frequency of demand for our inventories.

For the FYE 31 December 2015, average inventories turnover period stood at 128.7 days (FYE 31 December 2016: 74.9 days) which was higher than the Group's normal practice to maintain not more than 3 months of stock levels. The higher average inventories turnover period was mainly due to the higher degree of inventory replenishment amounting to RM0.68 million in December 2015 which mainly consist of:

- HSM of RM0.14 million, which was subsequently sold in January 2016 to an existing customer (an IT service provider in Malaysia);
- PKI token of RM0.18 million, which was subsequently sold in February 2016 to an existing customer (an IT service provider in Malaysia); and
- software licensing protection dongles of RM0.10 million which was subsequently sold in January 2016 and February 2016 to existing customers (IT service providers in Indonesia).

For the FYE 31 December 2017, average inventories turnover period dropped to 60.5 days (FYE 31 December 2016: 74.9 days) due to the completion of VAXUCO project in October 2017.

10. FINANCIAL INFORMATION (CONT'D)

For the 4M-FPE 30 April 2018, average inventories turnover period stood at 116.3 days which was higher than the Group's normal practice to maintain not more than 3 months of stock levels. The higher average inventories turnover period was partly due to the stock up of HSMs and PKI IN A BOX as standby units (amounting to RM230,000), as required by the service level agreements (part of the sales agreements) to meet any contingencies (e.g. such as back-up/replacements) that may be faced by VAXUCO and Bank of the Philippine Islands.

Our inventories are fast-moving which would mitigate any occurrence of stock obsolescence or impairment. Our Group reviews for obsolete inventories by analysing the frequency of demand for our inventories. As this process requires judgmental estimates by our management, changes to these estimates may result in impairment or revision to our valuation of inventories. Generally, frequency of demand for our inventories is estimated based on the outstanding order book, timing of delivery of our project-related devices and sales trend for our devices for the preceding 12 months. The overall assessment on provision for stock obsolescence on inventories is performed annually and provision are made immediately if deemed necessary. We are of the opinion that the Group has no material slow-moving or obsolete inventories as at the LPD. Our Group's normal practice is to write off damaged inventories. For FYE 31 December 2015 to 2017 and 4M-FPE 30 April 2018, we had written off damaged inventories amounting to a total of RM77,529 (software licensing protection dongles: RM3,175; 2FA: RM1,469; PKI: RM26,295; electronic identification products: RM46,590).

Generally, our inventories have a life-cycle of at least 5 years. However, continuous software update would further extend the life-cycle of our inventories. In assessing any stock obsolescence, we mainly consider the frequency of demand for our devices from existing customers.

For upgrades made to either the casing with printed circuit board or basic OS, our software will be modified to suit the upgraded casing with printed circuit board or basic OS to ensure backward compatibility. We do not normally write off older versions of our upgraded inventories, as there is demand from our customers. We may provide for stock obsolescence for our inventories if there is no sales volume, after considering the sales frequency for the past 12 months and also after considering future demand.

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10. FINANCIAL INFORMATION (CONT'D)**Inventory ageing analysis**

As noted in Section 5.8.12.1, we are subject to seasonality in our business due to annual budget cycles of our certain customers, hence, proportionately more invoices are billed/issued in the second half of our financial years. The following is our Group's inventories ageing as at 30 April 2018 (after inter-company elimination but before consolidation adjustment pertaining to unrealised profit on the sale of inventories between subsidiaries):

Inventories ageing as at 30 April 2018	Within 90 days					Exceeding 90 days			Total (RM'000)	Inventory balance as at the LPD after subsequent sales (RM'000)
	1 – 30 (RM'000)	31 – 60 (RM'000)	61 – 90 (RM'000)	91 – 120 (RM'000)	121 – 150 (RM'000)	151 – 180 (RM'000)	> 180 days (RM'000)			
Digital security solutions	163	70	43	4	28	Negligible	110	418	391	
- Software licensing protection dongles	14	Negligible	-	-	Negligible	-	12	26	20	
- 2FA	72	244	118	-	72	10	240	756	608	
- PKI	46	26	22	23	8	15	932	1,072	966	
Electronic identification products	295	340	183	27	108	25	1,294	2,272	1,985	

As at 30 April 2018, RM818,000 or 36.0% of our inventories consist of inventories aged not exceeding 90 days while RM1,454,000 or 64.0% of our inventories exceed 90 days. Our inventories which are more than 180 days (RM1,294,000 or 57.0%) consist of software licensing protection dongles (RM110,000), 2FA (RM12,000), PKI (RM240,000) and electronic identification products (RM932,000). We do not deem these inventories aged over 180 days to be obsolete, for the following reasons:

- (i) we subsequently sold RM128,000 of software licensing protection dongles mainly to software development companies in Malaysia;
- (ii) we subsequently sold RM9,000 of PKI tokens mainly to a government agency in the Philippines. Our PKI inventories held for more than 180 days mainly consist of stand-by HSMs and PKI IN A BOX (amounting to RM198,000), as required by the service level agreements (part of the sales agreements) to meet any contingencies (e.g. such as back-up/replacements) that may be faced by VAXUCO and Bank of the Philippine Islands; and
- (iii) we subsequently sold RM140,000 of electronic identification products mainly to an IT service provider in Malaysia. The remaining unsold electronic identification products consist mainly of Secure Access Module ("SAM") smart cards (RM545,000) of which the base is customisable by loading in a customised JAVA Applet(s) that can be developed by us or our customers. We have also received sales enquiries for the SAM smart cards.

We will closely monitor and reduce our inventories exceeding 90 days.

10. FINANCIAL INFORMATION (CONT'D)**(d) Current ratio**

As at 31 December 2016, our current ratio decreased to 2.65 times (from 4.05 times as at 31 December 2015) primarily due to increase in other payables because of a director's advance of RM1.17 million to Securemetric Philippines to fund its working capital as well as higher grant amount received from MOSTI, higher accrual of project cost and higher deferred revenue. The increase in other payables was partially offset by the increased in cash and bank balances mainly due to payments received from our customers as well as increase in trade receivables as at 31 December 2016.

As at 31 December 2017, our current ratio decreased to 1.94 times (from 2.65 times as at 31 December 2016) primarily due to increase in trade and other payables and bank borrowings. The increase in trade payables is mainly due to supplier's invoices received by us in relation to the PKI project for VAXUCO.

Increase in other payables is mainly higher amount due to other payables as well as higher amount of deferred revenue and deferred capital grant. Increase in bank borrowings due to higher borrowings in the form of new term loan secured in March 2017 from Malayan Banking Berhad and was subsequently drawdown in April 2017 to fund our working capital, all of which were offset by higher amounts of fixed deposits pledged with a licensed bank for a performance guarantee facility obtained for a PKI project with VAXUCO.

As at 30 April 2018, our current ratio increased to 3.09 times (from 2.73 times as at 30 April 2017) primarily due to increase in trade receivables due to billings to VAXUCO, Bank of the Philippine Islands and a government agency in the Philippines, as well as higher amount of fixed deposits with licensed bank and cash and bank balances mainly due to receipt of payment from VAXUCO, all of which were offset by higher amounts of deferred revenue from maintenance service charges to a financial institution in Singapore, VAXUCO, Bank of the Philippine Islands and a government agency in the Philippines.

(e) Gearing ratio

Our gearing ratio was 0.01 times as at 31 December 2015. The gearing ratio increased to 0.15 times as at 31 December 2016 mainly due to a term loan secured from AmBank Islamic Berhad towards the end of FYE 31 December 2016 to finance our Group's working capital.

Our lower gearing ratio of 0.13 times as at 30 April 2018 (30 April 2017: 0.24 times) is mainly due to the repayment of term loans secured from AmBank Islamic Berhad towards the end of FYE 31 December 2016 and from Malayan Banking Berhad in early FYE 31 December 2017 to finance our Group's working capital.

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10. FINANCIAL INFORMATION (CONT'D)

10.7 Trend analysis

As at the LPD, after making all reasonable enquiries and to the best of our Directors' knowledge and belief, and save as disclosed in **Sections 10.4, 10.5, 10.6 and 10.9** of this Prospectus, our operations have not been and are not expected to be affected by any of the following:

- (i) known trends, uncertainties, demands, commitments or events that have had or that we reasonably expect to have, material favourable or unfavourable impact on our financial performance, position and operations other than those discussed in this section and in **Sections 4, 5.8 and 6** of this Prospectus;
- (ii) material commitment for capital expenditure, indirect and contingent liabilities as disclosed in **Sections 10.6.5 and 10.6.6** of this Prospectus;
- (iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected our financial performance, position and operations, save as disclosed in this section and in **Sections 4.1, 4.2, 5.8 and 6** of this Prospectus;
- (iv) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our Group's revenue and/or profits save for those that have been disclosed in this section, future plans and business strategies as set out in **Section 5.8** of this Prospectus and industry overview as set out in **Section 6** of this Prospectus;
- (v) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position other than those disclosed in this section and in **Sections 4.1, 4.2, 5.8 and 6** of this Prospectus; and
- (vi) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's liquidity and capital resources, other than those discussed in this section and in **Sections 4.1, 4.2, 5.8 and 6** of this Prospectus.

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10. FINANCIAL INFORMATION (CONT'D)**10.8 Dividend policy**

We have not formulated a dividend policy or pay-out ratio. We may do so in the future. It is our intention to pay dividends to shareholders in the future while retaining adequate reserves for our future growth. However, such payments will depend upon our holding company's income and dividends from our subsidiaries. The payment of dividends by our subsidiaries are in turn dependent on their distributable profits, operating results, financial conditions, capital expenditure plans and other factors that their respective boards of directors deem relevant.

The declaration of interim dividends and the recommendation of final dividends are subject to the approval of our shareholders. Our ability to pay dividends or make other distributions to our shareholders is subject to various factors such as having profits and excess funds not required to be retained to fund our working capital requirements. In accordance with Section 131(1) of the Act, we can only make distribution of dividend to our shareholders out of our available profits if we are solvent. Pursuant to Section 132(3) of the Act, a company is regarded as solvent if it is able to pay its debts as and when the debts become due within 12 months immediately after the distribution is made.

Our Board will also take into consideration the following factors when recommending dividend:

- (i) the availability of adequate distributable reserves and cash flow;
- (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;
- (iv) any material impact of tax laws and other regulatory requirements; and
- (v) prior approval from our banks, if any is required.

There are no substantial restrictions on the ability of our subsidiaries to transfer funds in the form of dividends to Securemetric Berhad.

For the financial years/period under review, no dividends were declared and paid by Securemetric Group other than by Securemetric Malaysia, as follows:

	Audited						Audited	
	FYE 31 December						4M-FPE 30 April	
	2015		2016		2017		2018	
	RM'000	% ⁽¹⁾	RM'000	% ⁽¹⁾	RM'000	% ⁽¹⁾	RM'000	% ⁽¹⁾
Securemetric Malaysia	-	-	2,520	58.1	-	-	-	-
Total	-	-	2,520	58.1	-	-	-	-

Note:

- (1) Represents the dividend payout ratio, calculated based on the total dividend declared/paid divided by the PAT of Securemetric Malaysia.

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10. FINANCIAL INFORMATION (CONT'D)**10.9 Order book**

As at the LPD, our Group's order book (which yet to be billed) can be segregated as follows:

Order book by companies	Total RM'million
Securemetric Malaysia	14.0
Securemetric Philippines	0.7
Securemetric Indonesia	3.6
Softkey Indonesia	0.2
Securemetric Vietnam	1.0
Total	19.5

Order book by business activities	Total RM'million
Digital security solutions	
- 2FA	1.2
- PKI	8.7
- CENTAGATE®	0.5
Others (Maintenance services)	9.1
Total	19.5

Order book by countries	Total RM'million
Malaysia	2.5
Overseas market	
- Vietnam	2.1
- The Philippines	0.7
- Indonesia	3.8
- Singapore	9.3
- USA	-
- Others	1.1
Subtotal	17.0
Total	19.5

The tenures of our digital security solutions projects and maintenance services (i.e. service level agreements) generally range between 2 to 36 months (with exception of certain service level agreements which have longer duration) depending on customers' requirements, business scales and complexities of their systems.

Our outstanding order book as at the LPD is RM19.5 million (31 December 2015: RM3.4 million; 31 December 2016: RM19.5 million; 31 December 2017: RM11.2 million). Our revenue for FYE 31 December 2018 may decrease due to the VAXUCO project which has a contract value of RM19.1 million having been completed in October 2017. Riding on our competitive strengths as set out in **Section 5.8.11** of this Prospectus, our Group is committed towards the growth of our Group's business.

We are subject to seasonality due to the annual budget cycles of certain of our customers, whereby we usually have higher billings in the second half of the year, as highlighted in **Section 5.8.12.1** of this Prospectus.

11. ACCOUNTANT'S REPORT



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2 5 SEP 2018

The Board of Directors
Securemetric Berhad
Level 5-E-06, Enterprise 4
Technology Park Malaysia
Lebuhraya Puchong-Sg. Besi
Bukit Jalil
57000 Kuala Lumpur

Dear Sirs,

**SECUREMETRIC BERHAD (“SECUREMETRIC” OR “THE COMPANY”)
ACCOUNTANTS’ REPORT**

1. INTRODUCTION

This report has been prepared for inclusion in the Prospectus of Securemetric in relation to the proposed listing of and quotation for its entire enlarged issued share capital on the ACE Market of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“Listing”) as defined in Section 2 of this report.

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11. ACCOUNTANT'S REPORT (CONT'D)**2. DETAILS OF THE LISTING****2.1 Restructuring**

In preparation of the Listing, Securemetric has undertaken restructuring as set out below:

(a) Acquisition of Securemetric Technology Sdn. Bhd. ("Securemetric Malaysia")

Securemetric had on 2 February 2018 entered into a conditional Share Sale and Purchase Agreement ("SSPA") (as supplemented by the supplemental agreement dated 19 July 2018) to acquire the entire 100% equity interest in Securemetric Malaysia comprising 1,000,000 ordinary shares for a purchase consideration of RM9,916,998, satisfied through the issuance of 123,962,475 new Securemetric Shares at RM0.08 each to the vendors of Securemetric Malaysia, as follows:

Vendors	No. of Securemetric Malaysia shares	%	No. of Securemetric Shares issued as consideration
Law Seeh Key	890,000	89.00	110,326,603
Nioo Yu Siong	110,000	11.00	13,635,872
Total	1,000,000	100.00	123,962,475

The purchase consideration was based on Securemetric Malaysia's audited net assets ("NA") as at 31 December 2016 of RM9,917,500 and is at a discount of RM502 or 0.01% to the audited NA.

The acquisition of Securemetric Malaysia was completed on 31 July 2018. Thereafter, Securemetric Malaysia became the wholly-owned subsidiary company of Securemetric.

(b) Acquisition of Securemetric Technology Co., Ltd ("Securemetric Vietnam")

Securemetric had on 2 February 2018 entered into separate conditional Sale and Purchase Agreement ("SPA") (as supplemented by the supplemental agreements all dated 19 July 2018) with each of the Vendors of Securemetric Vietnam to acquire Securemetric Vietnam's entire USD100,000 contributed charter capital, satisfied through a total cash consideration of USD165,192 (equivalent to RM644,000 at the exchange rate of USD1.00: RM3.89850 as mutually agreed in the agreements).

The purchase consideration was based on Securemetric Vietnam's audited NA as at 31 December 2016 of RM644,549 and is at a discount of RM549 or 0.09% to the audited NA. The conditional sale and purchase agreements are governed by the laws of Vietnam. The acquisition of Securemetric Vietnam was completed on 4 September 2018. Thereafter, Securemetric Vietnam became the wholly-owned subsidiary company of Securemetric.

11. ACCOUNTANT'S REPORT (CONT'D)**2. DETAILS OF THE LISTING (CONT'D)****2.1 Restructuring (Cont'd)**

In preparation of the Listing, Securemetric has undertaken restructuring as set out below: (Cont'd)

(b) Acquisition of Securemetric Technology Co., Ltd ("Securemetric Vietnam") (Cont'd)

The Vendors of Securemetric Vietnam had advanced cash of USD165,192 (equivalent in amount to the purchase consideration) to Securemetric. The advances had been capitalised with the issuance of 8,050,000 new Securemetric Shares at RM0.08 each to the Vendors of Securemetric Vietnam.

The Acquisition of Securemetric Vietnam was satisfied in cash because under Vietnamese law, any form of consideration other than cash would require an independent valuation to be undertaken on the consideration (namely, the new Securemetric Shares to be issued). The valuation may be time consuming, involve additional cost and furthermore be subject to challenge by the relevant Vietnamese licensing authority. Such an arrangement is not in breach of any laws in Vietnam and Malaysia.

The Vendors of Securemetric Vietnam have received new Securemetric Shares from the capitalisation of their advances as follows:

Vendors	Advances made to Securemetric (USD)	%	No. of Securemetric Shares issued
Law Seeh Key	80,944	49.00	3,944,500
Li Jianjun	79,292	48.00	3,864,000
Nioo Yu Siong	4,956	3.00	241,500
Total	165,192	100.00	8,050,000

(c) Acquisition of Securemetric Technology, Inc. ("Securemetric Philippines")

Securemetric had on 2 February 2018 entered into a conditional SSPA (as supplemented by the supplemental agreement dated 19 July 2018) to acquire 99.997% equity interest in Securemetric Philippines comprising 99,997 shares for a purchase consideration of RM681,000, satisfied through the issuance of 8,512,500 new Securemetric Shares at RM0.08 each to the vendors of Securemetric Philippines, as follows:

Vendors	No. of Securemetric Philippines shares	%	No. of Securemetric Shares issued as consideration
Nioo Yu Siong	87,911	87.911	7,483,648
Law Seeh Key	12,086	12.086	1,028,852
Total	99,997	99.997	8,512,500

11. ACCOUNTANT'S REPORT (CONT'D)**2. DETAILS OF THE LISTING (CONT'D)****2.1 Restructuring (Cont'd)**

In preparation of the Listing, Securemetric has undertaken restructuring as set out below: (Cont'd)

(c) Acquisition of Securemetric Technology, Inc. ("Securemetric Philippines") (Cont'd)

The purchase consideration was based on Securemetric Philippines' adjusted NA as at 31 December 2016 of RM681,238 (comprising audited NA of RM266,395 adjusted for the increase in issued share capital of RM414,843) and is at a discount of RM238 or 0.03% to the adjusted NA.

The acquisition of Securemetric Philippines was completed on 4 September 2018. Thereafter, Securemetric Philippines became 99.997% owned subsidiary company of Securemetric.

(d) Acquisition of PT Securemetric Technology ("Securemetric Indonesia")

Securemetric had on 2 February 2018 entered into a conditional SSPA (as supplemented by the supplemental agreement dated 19 July 2018) to acquire the entire 100% equity interest in Securemetric Indonesia comprising 100,000 shares for a purchase consideration of RM1,358,000, satisfied through the issuance of 16,975,000 new Securemetric Shares at RM0.08 each to the vendors of Securemetric Indonesia, as follows:

Vendors	No. of Securemetric Indonesia shares	%	No. of Securemetric Shares issued as consideration
Law Seeh Key	47,000	47.00	7,978,250
Nioo Yu Siong	5,000	5.00	848,750
Li Jianjun	48,000	48.00	8,148,000
Total	100,000	100.00	16,975,000

The purchase consideration was based on Securemetric Indonesia's audited NA as at 31 December 2016 of RM1,358,878 and is at a discount of RM878 or 0.06% to the audited NA.

The acquisition of Securemetric Indonesia was completed on 4 September 2018. Thereafter, Securemetric Indonesia became the wholly-owned subsidiary company of Securemetric.

11. ACCOUNTANT'S REPORT (CONT'D)**2. DETAILS OF THE LISTING (CONT'D)****2.1 Restructuring (Cont'd)**

In preparation of the Listing, Securemetric has undertaken restructuring as set out below: (Cont'd)

(e) Acquisition of Securemetric Technology Pte Ltd ("Securemetric Singapore")

Securemetric had on 2 February 2018 entered into a conditional SSPA (as supplemented by the supplemental agreement dated 19 July 2018) to acquire entire 100% equity interest in Securemetric Singapore comprising 50,000 shares for a purchase consideration of RM275,000, satisfied through the issuance of 3,437,500 new Securemetric Shares at RM0.08 each to the vendors of Securemetric Singapore, as follows:

Vendors	No. of Securemetric Singapore shares	%	No. of Securemetric Shares issued as consideration
Law Seeh Key	44,500	89.00	3,059,375
Nioo Yu Siong	5,500	11.00	378,125
Total	50,000	100.00	3,437,500

The purchase consideration was based on Securemetric Singapore's audited NA as at 31 December 2016 of RM275,401 and is at a discount of RM401 or 0.15% to the adjusted NA. The completion of the

The acquisition of Securemetric Singapore was completed on 4 September 2018. Thereafter, Securemetric Singapore became the wholly-owned subsidiary company of Securemetric.

(f) Acquisition of PT Softkey Indonesia ("Softkey Indonesia")

Securemetric had on 2 February 2018 entered into a conditional SSPA agreement (as supplemented by the supplemental agreement dated 19 July 2018) to acquire 80% equity interest in Softkey Indonesia comprising 80,000 shares for a purchase consideration of RM1,173,000, satisfied through the issuance of 14,662,500 new Securemetric Shares at RM0.08 each to the vendor of Softkey Indonesia, as follows:

Vendor	No. of Softkey Indonesia shares	%	No. of Securemetric Shares issued as consideration
Yong Kim Fui	80,000	80.00	14,662,500

The purchase consideration was based on Softkey Indonesia's audited NA as at 31 December 2016 of RM1,467,478 and is at a discount of RM982 or 0.08% to the audited NA.

The acquisition of Softkey Indonesia was completed on 4 September 2018. Thereafter, Softkey Indonesia became 80% owned subsidiary company of Securemetric.

[2.1(a) to 2.1(f) are collectively referred as "Acquisitions" or "Restructuring"]

11. ACCOUNTANT'S REPORT (CONT'D)



2. DETAILS OF THE LISTING (CONT'D)

2.1 Restructuring (Cont'd)

In preparation of the Listing, Securemetric has undertaken restructuring as set out below: (Cont'd)

The new Securemetric Shares to be issued pursuant to the Acquisitions will rank *pari passu* in all respects with the existing Securemetric Shares except that the new Securemetric Shares will not be entitled to any dividends, rights, allotments or other distributions declared, made or paid, the entitlement date of which is prior to the date or allotment of the said new Securemetric Shares.

2.2 Public Issue

The Company is issuing 68,000,000 IPO ("Initial Public Offering") Shares at an issue price of RM0.25 each, representing approximately 27.9% of the enlarged total number of issued Shares of the Company, to be allocated and allotted in the following manner:

(a) Malaysian Public via Balloting

17,000,000 IPO Shares, representing 7.0% of the enlarged total number of issued Shares of the Company will be made available for application by the Malaysian Public through a balloting process, of which at least 50% is to be set aside for Bumiputra investors.

(b) Eligible employees of Securemetric and its proposed subsidiary companies ("Securemetric Group") or ("Group")

3,000,000 IPO Shares, representing approximately 1.2% of the enlarged total number of issued Shares of the Company are reserved for application by Securemetric Group's eligible employees.

(c) Private placement to selected investors

48,000,000 IPO Shares (being Pink Form Allocations), representing approximately 19.7% of the total number of issued Shares of the Company are reserved for private placement to selected investors.

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11. ACCOUNTANT'S REPORT (CONT'D)**2. DETAILS OF THE LISTING (CONT'D)****2.3 Utilisation of Proceeds**

The gross proceeds arising from the Public Issue will be utilised by Securemetric in the following manner:

	Estimated time frame for use of proceeds upon Listing	RM	%
Business expansion	Within 24 months	1,700,000	10.0
Development of new digital security solutions	Within 24 months	5,700,000	33.5
Repayment of borrowings	Within 24 months	1,942,000	11.4
Working capital	Within 24 months	5,158,000	30.4
Listing expenses	Within 1 month	2,500,000	14.7
Total gross proceeds		17,000,000	100.0

2.4 Listing

Upon completion of the Acquisitions and Public Issue, Securemetric will seek the listing of and quotation for its entire enlarged Shares of RM31,048,000 (before deducting defrayment of estimated expenses for the issuance of shares of RM2,500,000) comprising 243,600,000 Securemetric Shares on the ACE Market of Bursa Securities.

3. GENERAL INFORMATION**3.1 Background information**

Securemetric was incorporated in Malaysia under the Companies Act, 2016 on 6 June 2017 as a private limited company under the name of Securemetric Sdn. Bhd.. Subsequently, on 12 September 2017, the Company was converted into a public limited company and assumed its present name.

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11. ACCOUNTANT'S REPORT (CONT'D)



3. GENERAL INFORMATION (CONT'D)

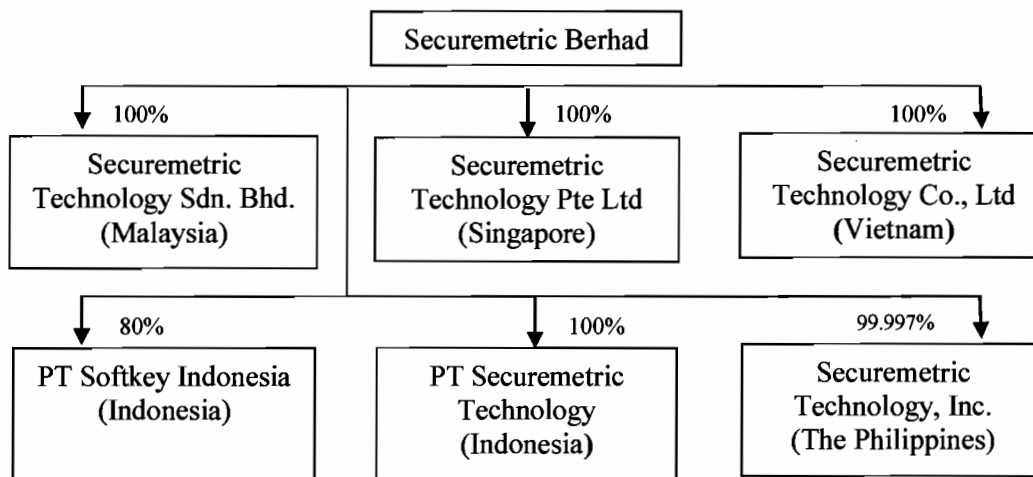
3.2 Share capital

The movements in the issued share capital of Securemetric since its incorporation to date of report are as follows:

Date of Allotment	Consideration	Number of Shares Allotted	<----- Cumulative Total ----->	
			Number of Shares	Total Issued Shares RM
	Cash:			
	Subscribers'			
6 June 2017	shares	1	1	1
20 August 2017	Cash	1	2	2
28 September 2017	Share split	-	25	2
20 July 2018	Otherwise	123,962,475	123,962,500	9,917,000
4 September 2018	Otherwise	43,587,500	167,550,000	13,404,000
5 September 2018	Otherwise	8,050,000	175,600,000	14,048,000

3.3 Group structure

The group structure of Securemetric Group as at the date of this report is as follows:



11. ACCOUNTANT'S REPORT (CONT'D)

3. GENERAL INFORMATION (CONT'D)

3.4 Combining entities

Details of combining entities are as follows:

Name of company	Country of incorporation	Effective interest				Principal activities
		At 31 December		At 30 April		
		2015	2016	2017	2018	
		%	%	%	%	
Direct Holding:						
Securemetric Technology Sdn. Bhd. ("Securemetric Malaysia")	Malaysia	100	100	100	100	Provision of digital security solutions as well as trading of electronic identification products, and other related services.

11. ACCOUNTANT'S REPORT (CONT'D)

3. GENERAL INFORMATION (CONT'D)

3.4 Combining entities (Cont'd)

Details of combining entities are as follows: (Cont'd)

Name of company	Country of incorporation	Effective interest				Principal activities
		At 31 December		At 30 April		
		2015	2016	2017	2018	
		%	%	%	%	
Direct Holding:						
Securemetric Technology Co., Ltd ("Securemetric Vietnam")	Vietnam	100	100	100	100	(i) to invent, patent and develop digital security solutions and devices, software copyright protection, 2-factor authentication, smart card and smart card reader solutions and customized software solutions;
						(ii) to provide computer consultancy services on solutions and integration of digital security devices, software copyright protection, 2-factor authentication solutions, smart card solution, smart card reader and customized software solutions; and
						(iii) performing export rights, import rights, wholesale distribution rights (no wholesale establishment) and retail distribution rights (no retail establishment) of products and goods in accordance with the laws (CPC 622-632). The specific contents shall comply with the Business License granted by the competent agency to the economic organisation executing the projects.

11. ACCOUNTANT'S REPORT (CONT'D)

3. GENERAL INFORMATION (CONT'D)

3.4 Combining entities (Cont'd)

Details of combining entities are as follows: (Cont'd)

Name of company	Country of incorporation	Effective interest				Principal activities
		At 31 December		At 30 April		
		2015	2016	2017	2018	
		%	%	%	%	
<i>Direct Holding:</i> Securemetric Technology, Inc. ("Securemetric Philippines")	The Philippines	99.997	99.997	99.997	99.997	Provision of digital security solutions as well as trading of electronic identification products, and other related services.

11. ACCOUNTANT'S REPORT (CONT'D)

3. GENERAL INFORMATION (CONT'D)

3.4 Combining entities (Cont'd)

Details of combining entities are as follows: (Cont'd)

Name of company	Country of incorporation	Effective interest				Principal activities
		At 31 December		At 30 April		
		2015	2016	2017	2018	
		%	%	%	%	
Direct Holding:						
PT Securemetric Technology ("Securemetric Indonesia")	Indonesia	100	100	100	100	Engaged in trade and services with the following business activities: (i) conducting business in the field of business management consulting services in the field of information technology; (ii) to conduct business in the field of trade, export and import, wholesalers, supplier, purveyor and commission house, distributor, agent, and as representative of corporate bodies, trading, computer, electronic equipment, telecommunication equipment, trading of telecommunication transmission equipment, trading of telecommunication and multimedia equipment.

11. ACCOUNTANT'S REPORT (CONT'D)

3. GENERAL INFORMATION (CONT'D)

3.4 Combining entities (Cont'd)

Details of combining entities are as follows: (Cont'd)

Name of company	Country of incorporation	Effective interest						Principal activities
		At 31 December		At 30 April		2017	2018	
		2015	2016	2017	2018			
		%	%	%	%	%	%	
<i>Direct Holding:</i>								
Securemetric Technology Pte. Ltd.	Singapore	100	100	100	100	100	100	
("Securemetric Singapore")							Trading of electronic identification products, and other related services.	

11. ACCOUNTANT'S REPORT (CONT'D)
3. GENERAL INFORMATION (CONT'D)
3.4 Combining entities (Cont'd)

Details of combining entities are as follows: (Cont'd)

Name of company	Country of incorporation	Effective interest				Principal activities
		At 31 December		At 30 April		
		2015	2016	2017	2018	
		%	%	%	%	
<i>Direct Holding:</i>						
PT Softkey	Indonesia	80	80	80	80	Engaged in major trade (major distributor) and import with the following business activities:
Indonesia						(i) major distributors of merchandise include electronic security equipment such as alarms, fingerprints and attendance and other items that are not prohibited;
("Softkey Indonesia")						(ii) import of merchandise, among others, electronic security equipment such as alarms, fingerprints and attendance and other items that are not prohibited.

11. ACCOUNTANT'S REPORT (CONT'D)**4. RELEVANT FINANCIAL YEARS/PERIOD**

The relevant financial years/period of the audited combined financial statements presented for the purpose of this report ("Relevant Financial Years/Period") for the Relevant Financial Years/Period are set out below:

Companies	Relevant Financial Years/Period
Securemetric	Financial period ended ("FPE") 31 December 2017 #
	FPE 30 April 2018
Securemetric Malaysia	Financial year ended ("FYE") 31 December 2015
	FYE 31 December 2016
	FYE 31 December 2017
	FPE 30 April 2018
Securemetric Vietnam	FYE 31 December 2015
	FYE 31 December 2016
	FYE 31 December 2017
	FPE 30 April 2018
Securemetric Philippines	FYE 31 December 2015
	FYE 31 December 2016
	FYE 31 December 2017
	FPE 30 April 2018
Securemetric Indonesia	FYE 31 December 2015
	FYE 31 December 2016
	FYE 31 December 2017
	FPE 30 April 2018
Securemetric Singapore	FPE 31 December 2015 *
	FYE 31 December 2016
	FYE 31 December 2017
	FPE 30 April 2018
Softkey Indonesia	FYE 31 December 2015
	FYE 31 December 2016
	FYE 31 December 2017
	FPE 30 April 2018

The audited financial statements of the above companies for the Relevant Financial Years/Period were reported without any audit qualification.

Notes:

Incorporated on 6 June 2017

* *Incorporated on 8 July 2015*

11. ACCOUNTANT'S REPORT (CONT'D)



5. COMBINED FINANCIAL STATEMENTS AND BASIS OF PREPARATION

This report has been prepared based on the combined financial statements of Securemetric, Securemetric Malaysia, Securemetric Vietnam, Securemetric Philippines, Securemetric Indonesia, Securemetric Singapore and Softkey Indonesia which were drawn up so as to give a true and fair view of the financial position of the Securemetric Group which is reported by us without qualifications. The combined financial statements of Securemetric Group has been prepared solely for the purpose of the Listing and for no other purpose.

The combined financial statements consist of the financial statements of combining entities, which were under common control throughout the reporting periods by virtue of common controlling shareholders, and has been accounted for as a business combination under common control in a manner similar to pooling of interests.

Accordingly, the combined financial statements for FYE 31 December 2015, FYE 31 December 2016, FYE 31 December 2017, and FPE 30 April 2018 have been prepared on the basis of merger accounting and comprise the financial statements of the combining entities which are under common control of shareholders that existed prior to the Listing during the relevant reporting periods or since their respective date of incorporation.

The financial information as presented in the combined financial statements do not correspond to the consolidated financial statements of the Company, as the combined financial statements reflect business combinations under common control for the purpose of the Listing. Consequently, the financial information from the combined financial statements do not purport to predict the financial positions, results of operations and cash flows of the combining entities during the reporting periods.

11. ACCOUNTANT'S REPORT (CONT'D)



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2 5 SEP 2018

The Board of Directors
Securemetric Berhad
Level 5-E-06, Enterprise 4
Technology Park Malaysia
Lebuhraya Puchong-Sg. Besi
Bukit Jalil
57000 Kuala Lumpur

Dear Sirs,

Reporting Accountants' Opinion on the Combined Financial Statements Contained in the Accountants' Report of Securemetric Berhad

Opinion

We have audited the accompanying combined financial statements of Securemetric Berhad ("Securemetric" or "the Company") and its proposed subsidiary companies ("the Group"), which comprise the combined statements of financial position as at 31 December 2015, 31 December 2016, 31 December 2017 and 30 April 2018 of the Group, and the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the financial years/period then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 21 to 128.

The combined financial statements have been prepared for inclusion in the prospectus of Securemetric in connection with the listing of and quotation for its entire enlarged issued share capital on the ACE Market of Bursa Malaysia Securities Berhad (the "Prospectus"). This report is required by the Prospectus Guidelines issued by the Securities Commission Malaysia (the "Prospectus Guidelines") and is given for the purpose of complying with the Prospectus Guidelines and for no other purpose.

In our opinion, the accompanying combined financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, 31 December 2016, 31 December 2017 and 30 April 2018, and of their financial performance and their cash flows for the financial years/period then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

11. ACCOUNTANT'S REPORT (CONT'D)**Reporting Accountants' Opinion on the Combined Financial Statements Contained in the Accountants' Report of Securemetric Berhad (Cont'd)***Basis for Opinion*

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Reporting Accountants' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Requirements

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and IESBA Code.

Responsibilities of the Directors for the Combined Financial Statements

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

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

Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements

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

11. ACCOUNTANT'S REPORT (CONT'D)**Reporting Accountants' Opinion on the Combined Financial Statements Contained in the Accountants' Report of Securemetric Berhad (Cont'd)***Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements (Cont'd)*

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

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

11. ACCOUNTANT'S REPORT (CONT'D)



Reporting Accountants' Opinion on the Combined Financial Statements Contained in the Accountants' Report of Securemetric Berhad (Cont'd)

Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements (Cont'd)

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

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

Other Matters

This report is made solely to the Directors of the Company, as a body, for inclusion in the Prospectus of Securemetric in connection with the proposed listing of and quotation for the entire enlarged issued share capital of Securemetric on the ACE Market of Bursa Malaysia Securities Berhad and for no other purposes. Accordingly, we do not assume responsibility to any other person for the content of this report.

A handwritten signature in black ink, appearing to be 'UHY'.

UHY
Firm Number: AF 1411
Chartered Accountants

A handwritten signature in black ink, appearing to be 'Ng Wee Teik'.

NG WEE TEIK
Approved Number: 1817/12/2018 (J)
Chartered Accountant

KUALA LUMPUR

11. ACCOUNTANT'S REPORT (CONT'D)


SECUREMETRIC BERHAD
COMBINED STATEMENTS OF FINANCIAL POSITION

	Note	At 31 December			At 30 April	
		2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
Assets						
Non-Current Assets						
Property, plant and equipment	3	419,565	501,156	745,452	541,334	674,366
Development expenditure	4	1,324,374	2,330,014	1,933,611	2,330,014	1,772,477
Other investment	5	64,538	115,046	251,137	119,255	233,459
Deferred tax assets	6	66,958	42,197	34,608	143,476	99,607
		<u>1,875,435</u>	<u>2,988,413</u>	<u>2,964,808</u>	<u>3,134,079</u>	<u>2,779,909</u>
Current Assets						
Inventories	7	2,185,537	1,973,521	2,084,349	2,443,930	2,188,913
Other investment	5	-	-	-	-	1,000,387
Trade receivables	8	4,165,658	8,528,162	15,230,910	2,621,802	4,841,185
Other receivables	9	2,540,559	1,923,599	3,744,835	2,464,516	3,769,850
Tax recoverable		102,658	61,422	74,924	74,612	174,651
Fixed deposits with licensed banks	10	983,954	154,416	2,740,295	4,197,784	4,896,448
Cash and bank balances	11	2,798,996	7,243,757	14,509,982	6,290,641	9,826,745
		<u>12,777,362</u>	<u>19,884,877</u>	<u>38,385,295</u>	<u>18,093,285</u>	<u>26,698,179</u>
Total Assets		<u>14,652,797</u>	<u>22,873,290</u>	<u>41,350,103</u>	<u>21,227,364</u>	<u>29,478,088</u>

11. ACCOUNTANT'S REPORT (CONT'D)


SECUREMETRIC BERHAD
COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

	Note	At 31 December			At 30 April	
		2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
Equity						
Share capital	12	2,229,478	2,705,439	2,705,441	2,705,439	3,043,337
Reserves	13	(50,418)	175,855	(57,430)	197,790	(394,893)
Retained earnings		8,804,843	10,630,333	16,646,642	9,119,220	16,156,949
Equity attributable to owners of the parent		10,983,903	13,511,627	19,294,653	12,022,449	18,805,393
Non-controlling interests		206,244	216,702	252,192	222,612	243,354
Total equity		11,190,147	13,728,329	19,546,845	12,245,061	19,048,747
Liabilities						
Non-Current Liabilities						
Other payables	14	298,301	-	-	-	-
Finance lease payables	15	12,172	-	-	-	-
Bank borrowings	16	-	1,644,395	1,995,195	2,344,201	1,799,596
		310,473	1,644,395	1,995,195	2,344,201	1,799,596
Current Liabilities						
Trade payables	17	1,474,962	2,315,535	8,198,005	1,461,657	750,834
Other payables	14	1,606,128	4,813,390	10,776,817	4,643,171	7,272,718
Amount due to customer on contract	18	-	-	270,898	-	-
Finance lease payables	15	15,283	12,172	-	6,842	-
Bank borrowings	16	23,194	355,605	552,604	524,140	568,983
Tax payable		32,610	3,864	9,739	2,292	37,210
		3,152,177	7,500,566	19,808,063	6,638,102	8,629,745
Total Liabilities		3,462,650	9,144,961	21,803,258	8,982,303	10,429,341
Total Equity and Liabilities		14,652,797	22,873,290	41,350,103	21,227,364	29,478,088

11. ACCOUNTANT'S REPORT (CONT'D)


**SECUREMETRIC BERHAD
COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME**

	Note	FYE 31 December			FPE 30 April	
		2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
Revenue	19	16,977,641	24,752,973	44,766,812	6,328,818	6,969,759
Cost of sales	20	(7,724,020)	(11,983,907)	(23,523,693)	(3,583,719)	(2,996,757)
Gross profit		9,253,621	12,769,066	21,243,119	2,745,099	3,973,002
Other income		615,987	76,247	715,325	67,887	434,194
Administrative expenses		(6,806,694)	(8,457,570)	(15,501,262)	(4,323,893)	(4,740,112)
Finance costs	21	(6,972)	(1,597)	(255,023)	(91,586)	(74,181)
Profit/(Loss) before tax	22	3,055,942	4,386,146	6,202,159	(1,602,493)	(407,097)
Taxation	23	(128,855)	(48,005)	(119,849)	97,290	(69,246)
Profit/(Loss) for the financial year/period		2,927,087	4,338,141	6,082,310	(1,505,203)	(476,343)

11. ACCOUNTANT'S REPORT (CONT'D)


**SECUREMETRIC BERHAD
COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME (CONT'D)**

Note	FYE 31 December			FPE 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
Other comprehensive income					
<i>Items that are or may be reclassified subsequently to profit or loss</i>					
Available-for-sale financial asset					
- current year/period gain	-	50,508	136,091	4,209	-
Exchange translation differences for foreign operations	296,486	193,572	(403,161)	14,452	(341,973)
	296,486	244,080	(267,070)	18,661	(341,973)
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Financial asset at fair value through other comprehensive income					
- current year/period loss	-	-	-	-	(17,678)
Total comprehensive income for the financial year/period	3,223,573	4,582,221	5,815,240	(1,486,542)	(835,994)
Profit/(Loss) for the financial year/period attributable to:					
Owners of the parent	2,863,852	4,345,490	6,016,309	(1,511,113)	(489,693)
Non-controlling interests	63,235	(7,349)	66,001	5,910	13,350
	2,927,087	4,338,141	6,082,310	(1,505,203)	(476,343)
Total comprehensive income attributable to:					
Owners of the parent	3,135,477	4,571,763	5,779,750	(1,492,452)	(827,156)
Non-controlling interests	88,096	10,458	35,490	5,910	(8,838)
	3,223,573	4,582,221	5,815,240	(1,486,542)	(835,994)
Earnings/(Loss) per share					
Basic earnings/(loss) per share (RM)	24	2.91	3.18	4.28	(1.07)
					(0.34)

11. ACCOUNTANT'S REPORT (CONT'D)

SECUREMETRIC BERHAD
COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent					Total Equity RM
	Non-Distributable	Foreign Currency Translation Reserve RM	Retained Earnings RM	Total RM	Non- Controlling Interests RM	
At 1 January 2015	1,289,098	(322,043)	6,740,991	7,708,046	118,148	7,826,194
Profit for the financial year	-	-	2,863,852	2,863,852	63,235	2,927,087
Other comprehensive income for the financial year	-	271,625	-	271,625	24,861	296,486
Total comprehensive income for the financial year	-	271,625	2,863,852	3,135,477	88,096	3,223,573
Transaction with owners Issue of ordinary shares	940,380	-	(800,000)	140,380	-	140,380
At 31 December 2015	2,229,478	(50,418)	8,804,843	10,983,903	206,244	11,190,147

11. ACCOUNTANT'S REPORT (CONT'D)
**SECUREMETRIC BERHAD
COMBINED STATEMENTS OF CHANGES IN EQUITY (CONT'D)**

	Note	Attributable to owners of the parent						Total Equity RM
		Share Capital RM	Fair Value Adjustment Reserve RM	Foreign Currency Translation Reserve RM	Retained Earnings RM	Non- Controlling Interests RM	Total RM	
At 1 January 2016		2,229,478	-	(50,418)	8,804,843	206,244	10,983,903	11,190,147
Profit for the financial year		-	-	-	4,345,490	(7,349)	4,345,490	4,338,141
Other comprehensive income for the financial year		-	50,508	175,765	-	17,807	226,273	244,080
Total comprehensive income for the financial year		-	50,508	175,765	4,345,490	10,458	4,571,763	4,582,221
Transactions with owners								
Dividends paid	25	-	-	-	(2,520,000)	-	(2,520,000)	(2,520,000)
Issue of ordinary shares		475,961	-	-	-	-	475,961	475,961
		475,961	-	-	(2,520,000)	-	(2,044,039)	(2,044,039)
At 31 December 2016		2,705,439	50,508	125,347	10,630,333	216,702	13,511,627	13,728,329

11. ACCOUNTANT'S REPORT (CONT'D)

SECUREMETRIC BERHAD
COMBINED STATEMENTS OF CHANGES IN EQUITY (CONT'D)

	Note	Attributable to owners of the parent							Total Equity RM
		Non-Distributable			Distributable				
		Share Capital RM	Fair Value Adjustment Reserve RM	Foreign Currency Translation Reserve RM	Other Reserve RM	Retained Earnings RM	Non- Controlling Interests RM	Total RM	
At 1 January 2017		2,705,439	50,508	125,347	-	10,630,333	216,702	13,511,627	13,728,329
Profit for the financial year		-	-	-	-	6,016,309	66,001	6,016,309	6,082,310
Other comprehensive income for the financial year		-	136,091	(372,650)	-	-	(30,511)	(236,559)	(267,070)
Total comprehensive income for the financial year		-	136,091	(372,650)	-	6,016,309	35,490	5,779,750	5,815,240
Tax amnesty	13(c)	-	-	-	3,274	-	-	3,274	3,274
Transactions with owners Issue of ordinary shares		2	-	-	-	-	-	2	2
At 31 December 2017		2,705,441	186,599	(247,303)	3,274	16,646,642	252,192	19,294,653	19,546,845

11. ACCOUNTANT'S REPORT (CONT'D)

SECUREMETRIC BERHAD
COMBINED STATEMENTS OF CHANGES IN EQUITY (CONT'D)

	Note	Attributable to owners of the parent							Total Equity RM
		Non-Distributable			Distributable				
		Share Capital RM	Fair Value Adjustment Reserve RM	Foreign Currency Translation Reserve RM	Other Reserve RM	Retained Earnings RM	Non- Controlling Interests RM	Total RM	
At 1 January 2017		2,705,439	50,508	125,347	-	10,630,333	216,702	13,511,627	13,728,329
(Loss)/Profit for the financial period		-	-	-	-	(1,511,113)	5,910	(1,511,113)	(1,505,203)
Other comprehensive income for the financial period		-	4,209	14,452	-	-	-	18,661	18,661
Total comprehensive income for the financial period		-	4,209	14,452	-	(1,511,113)	5,910	(1,492,452)	(1,486,542)
Tax amnesty	13(c)	-	-	-	3,274	-	-	3,274	3,274
At 30 April 2017		2,705,439	54,717	139,799	3,274	9,119,220	222,612	12,022,449	12,245,061

11. ACCOUNTANT'S REPORT (CONT'D)

SECUREMETRIC BERHAD
COMBINED STATEMENTS OF CHANGES IN EQUITY (CONT'D)

	Note	Attributable to owners of the parent							Total Equity RM
		Non-Distributable			Distributable				
		Share Capital RM	Fair Value Adjustment Reserve RM	Foreign Currency Translation Reserve RM	Other Reserve RM	Retained Earnings RM	Non- Controlling Interests RM	Total RM	
At 1 January 2018		2,705,441	186,599	(247,303)	3,274	16,646,642	19,294,653	252,192	19,546,845
(Loss)/Profit for the financial period		-	-	-	-	(489,693)	(489,693)	13,350	(476,343)
Other comprehensive income for the financial period		-	(17,678)	(319,785)	-	-	(337,463)	(22,188)	(359,651)
Total comprehensive income for the financial period		-	(17,678)	(319,785)	-	(489,693)	(827,156)	(8,838)	(835,994)
Transactions with owners Issue of ordinary shares		337,896	-	-	-	-	337,896	-	337,896
At 30 April 2018		3,043,337	168,921	(567,088)	3,274	16,156,949	18,805,393	243,354	19,048,747

11. ACCOUNTANT'S REPORT (CONT'D)


SECUREMETRIC BERHAD
COMBINED STATEMENTS OF CASH FLOWS

	FYE 31 December			FPE 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
Cash Flows From					
Operating Activities					
Profit/(Loss) before tax	3,055,942	4,386,146	6,202,159	(1,602,493)	(407,097)
Adjustments for:					
Amortisation of development expenditure	-	-	483,403	-	161,134
Inventories written off	-	2,972	74,557	-	-
Impairment losses on available-for-sale financial asset	173,972	-	-	-	-
Depreciation of property, plant and equipment	150,967	176,486	203,321	55,269	89,671
Government grant income	-	-	(450,035)	-	(150,011)
Finance costs	6,972	1,597	255,023	91,586	74,181
Dividend income	-	-	-	-	(387)
Interest income	(35,161)	(44,894)	(146,456)	(10,274)	(50,961)
Loss/(Gain) on disposal of property, plant and equipment	-	4,432	(749)	-	-
Unrealised (gain)/loss on foreign exchange	(201,228)	(5,857)	334,575	174,590	(199,479)
Property, plant and equipment written off	-	-	11,012	-	-
Operating profit/(loss) before working capital changes	3,151,464	4,520,882	6,966,810	(1,291,322)	(482,949)
Changes in working capital:					
Inventories	(292,914)	209,044	(185,385)	(470,409)	(104,564)
Receivables	(3,077,629)	(3,670,605)	(8,961,010)	5,166,811	10,500,663
Payables	662,377	3,380,547	11,604,164	(1,573,341)	(11,021,608)
Amount due to customer on contract	-	-	270,898	-	(270,898)
	(2,708,166)	(81,014)	2,728,667	3,123,061	(896,407)
Cash generated from/(used in) operations	443,298	4,439,868	9,695,477	1,831,739	(1,379,356)
Interest paid	(6,972)	(1,597)	(255,023)	(91,586)	(74,181)
Interest received	35,161	44,894	146,456	10,274	50,961
Tax paid	(154,007)	(13,155)	(125,802)	(22,069)	(207,974)
Exchange fluctuation adjustment	278,323	189,478	(383,452)	19,605	(323,374)
	152,505	219,620	(617,821)	(83,776)	(554,568)
Net cash from/(used in) operating activities	595,803	4,659,488	9,077,656	1,747,963	(1,933,924)

11. ACCOUNTANT'S REPORT (CONT'D)


SECUREMETRIC BERHAD
COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

	FYE 31 December			FPE 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
Cash Flows From Investing Activities					
Additional development expenditure	(1,324,374)	(1,005,640)	(87,000)	-	-
Payment for tax amnesty	-	-	3,274	3,274	-
Purchase of other investment	-	-	-	-	(1,000,000)
Purchase of property, plant and equipment	(267,829)	(256,627)	(473,683)	(97,282)	(35,712)
Proceeds from disposal of property, plant and equipment	-	612	2,009	-	-
Net cash used in investing activities	<u>(1,592,203)</u>	<u>(1,261,655)</u>	<u>(555,400)</u>	<u>(94,008)</u>	<u>(1,035,712)</u>
Cash Flows From Financing Activities					
Repayment of term loans	(65,302)	(23,194)	(452,201)	(131,659)	(179,220)
Drawdown of term loan	-	2,000,000	1,000,000	1,000,000	-
Proceeds from issue of shares	140,380	-	2	-	337,896
Grant received	455,270	792,445	1,002,459	621,000	-
Dividends paid (Note 25)	-	(2,520,000)	-	-	-
(Increase)/Decrease in fixed deposits pledged	(2,714)	(69,462)	(2,585,879)	(2,443,725)	27,847
Repayment of finance lease liabilities	(14,174)	(15,283)	(12,172)	(5,330)	-
Net cash from/(used in) financing activities	<u>513,460</u>	<u>164,506</u>	<u>(1,047,791)</u>	<u>(959,714)</u>	<u>186,523</u>

11. ACCOUNTANT'S REPORT (CONT'D)


**SECUREMETRIC BERHAD
COMBINED STATEMENTS OF CASH FLOWS (CONT'D)**

	FYE 31 December			FPE 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
Net (decrease)/increase in cash and cash equivalents	(482,940)	3,562,339	7,474,465	694,241	(2,783,113)
Effect of exchange translation differences on cash and cash equivalents	114,014	(16,578)	(208,240)	(47,714)	283,876
Cash and cash equivalents at the beginning of the financial year/period	<u>4,066,922</u>	<u>3,697,996</u>	<u>7,243,757</u>	<u>7,243,757</u>	<u>14,509,982</u>
Cash and cash equivalents at the end of the financial year/period	<u>3,697,996</u>	<u>7,243,757</u>	<u>14,509,982</u>	<u>7,890,284</u>	<u>12,010,745</u>
Cash and cash equivalents at the end of the financial year/period comprises:					
Cash and bank balances	2,798,996	7,243,757	14,509,982	6,290,641	9,826,745
Fixed deposits with licensed banks	<u>983,954</u>	<u>154,416</u>	<u>2,740,295</u>	<u>4,197,784</u>	<u>4,896,448</u>
	<u>3,782,950</u>	<u>7,398,173</u>	<u>17,250,277</u>	<u>10,488,425</u>	<u>14,723,193</u>
Less: Fixed deposits pledged with licensed banks	<u>(84,954)</u>	<u>(154,416)</u>	<u>(2,740,295)</u>	<u>(2,598,141)</u>	<u>(2,712,448)</u>
	<u>3,697,996</u>	<u>7,243,757</u>	<u>14,509,982</u>	<u>7,890,284</u>	<u>12,010,745</u>

11. ACCOUNTANT'S REPORT (CONT'D)


SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS
1. **Basis of preparation**(a) **Statement of compliance**

The combined financial statements have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRS").

The combined financial statements have been prepared under the historical cost convention, unless otherwise indicated in the significant accounting policies below.

Adoption of new and amended standards

The Group has adopted the following new MFRSs, new interpretation and amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for:

FYE 31 December 2017

Amendments to MFRS 107	Disclosure Initiative
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to MFRSs 2014 - 2016 Cycle	Amendments to MFRS 12

The adoption of the above amendments to MFRSs did not have any significant impact on the combined financial statements of the Group except for Amendments to MFRS 107 has required additional disclosure of changes in liabilities arising from financing activities as disclosed in Note 32 to the combined financial statements.

FPE 30 April 2018

Annual Improvements to MFRSs 2014 - 2016 Cycle:

- Amendments to MFRS 1
 - Amendments to MFRS 128
- | | |
|----------------------|--|
| MFRS 9 | Financial Instruments (IFRS 9 issued by IASB in July 2014) |
| MFRS 15 | Revenue from Contracts with Customers |
| Amendments to MFRS 2 | Classification and Measurement of Share-based Payment Transactions |

11. ACCOUNTANT'S REPORT (CONT'D)


SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)
1. **Basis of preparation (Cont'd)**(a) **Statement of compliance (Cont'd)****Adoption of new and amended standards (Cont'd)**

The Group has adopted the following new MFRSs, new interpretation and amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for: (Cont'd)

FPE 30 April 2018

Amendments to MFRS 15	Clarifications to MFRS 15
Amendments to MFRS 140	Transfers of Investment Property
Amendments to MFRS 4	Applying MFRS 9 <i>Financial Instruments</i> with MFRS 4 <i>Insurance Contracts</i>
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration

The effects of the adoption of applicable new MFRSs above are summarised below:

(i) MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014)

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.

Investment in equity instruments are required to be measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI not subsequently recycling to profit or loss.

There is now a new expected credit losses model that replaces the incurred loss impairment model used in MFRS 139.

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

11. ACCOUNTANT'S REPORT (CONT'D)**SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)****1. Basis of preparation (Cont'd)****(a) Statement of compliance (Cont'd)****Adoption of new and amended standards (Cont'd)**

The Group has adopted the following new MFRSs, new interpretation and amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for: (Cont'd)

(i) MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014) (Cont'd)

MFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under MFRS 139.

The Directors of the Group have assessed the impact of MFRS 9 to the Company's financial statements as follows:

(1) Classification and measurement

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which the assets are managed and their cash flow characteristics.

MFRS 9 contains three (3) principal classification categories for financial assets:

- (i) Amortised Cost ("AC");
- (ii) Fair Value through Other Comprehensive Income ("FVOCI"); and
- (iii) Fair Value through Profit or Loss ("FVTPL").

The standard eliminates the existing MFRS 139 categories of Held-to-Maturity ("HTM"), Loans and Receivables ("L&R") and Available-for-Sale ("AFS").

11. ACCOUNTANT'S REPORT (CONT'D)
**SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)**

1. **Basis of preparation (Cont'd)**
- (a) **Statement of compliance (Cont'd)**
- Adoption of new and amended standards (Cont'd)**

- (i) MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014) (Cont'd)

The following table summarises the reclassification and measurement of the Group's financial assets as at 1 January 2018:

	Note	Measurement category	Carrying amount as at	
			Original (MFRS 139)	New (MFRS 9)
Financial assets:				
Investment securities:				
- Quoted shares, in Malaysia	(a)	AFS	251,137	251,137
Trade receivables	(b)	Loans and receivables	15,230,910	15,230,910
Other receivables which are financial assets	(b)	FVOCI		
Fixed deposits with licensed banks	(b)	AC	615,799	615,799
Cash and bank balances	(b)	AC	2,740,295	2,740,295
		AC	14,509,982	14,509,982



SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

1. **Basis of preparation (Cont'd)**

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

Adoption of new and amended standards (Cont'd)

The effects of the adoption of applicable new MFRSs above are summarised below:
 (Cont'd)

(i) MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014) (Cont'd)

(1) Classification and measurement (Cont'd)

- (a) The Group elected to present in other comprehensive income the changes in the fair value of its quoted shares (in Malaysia) previously classified as AFS, as the investment is not held for trading.
- (b) Trade receivables, other receivables which are financial assets, fixed deposits with licensed banks and cash and bank balances that have previously been classified as loans and receivables are now classified as amortised cost. The Group intends to hold the assets to maturity to collect contractual cash flows.

There is no impact on the classification and measurement of the Group's financial liabilities.

(2) Impairment

MFRS 9 replaces the "incurred loss" model in MFRS 139 with a forward-looking "expected credit loss" ("ECL") model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at AC or FVOCI, except for investment securities.

11. ACCOUNTANT'S REPORT (CONT'D)


**SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)**
1. Basis of preparation (Cont'd)
(a) Statement of compliance (Cont'd)
Adoption of new and amended standards (Cont'd)

The effects of the adoption of applicable new MFRSs above are summarised below:
(Cont'd)

(i) MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014) (Cont'd)
(2) Impairment (Cont'd)

Under MFRS 9, loss allowances will be measured on either of the following bases:

- (a) 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; or
- (b) Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not increased significantly. A financial asset's credit risk deemed not increased significantly if the asset has low credit risk at the reporting date. However, the Group has adopted lifetime ECL measurements for loans and receivables due to the expected lifetime period of loans and receivables are generally less than 12 months.

The Group applies the simplified approach prescribed by MFRS 9 *Financial Instruments*, which requires a lifetime ECL to be recognised from initial recognition of the trade and other receivables which are financial assets.

(3) Hedge accounting

The Group does not adopt hedge accounting in the Group's combined financial statements. Hence, hedging requirements of MFRS 9 will not have any impact on the Group's financial statements.



**SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)**

1. Basis of preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Adoption of new and amended standards (Cont'd)

The effects of the adoption of applicable new MFRSs above are summarised below:
(Cont'd)

(ii) MFRS 15 Revenue from Contracts with Customers

MFRS 15 *Revenue from Contracts with Customers* replaces MFRS 118 *Revenue* and MFRS 111 *Construction Contract* and related IC interpretations. The Standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

An entity recognises revenue in accordance with the core principle by applying the following steps:

- (1) Identify the contracts with a customer;
- (2) Identify the performance obligation in the contract;
- (3) Determine the transaction price;
- (4) Allocate the transaction price to the performance obligations in the contract;
- (5) Recognise revenue when the entity satisfies a performance obligation.

The adoption of this Standard results in changes in accounting policies for revenue recognition and has no material financial impact other than the disclosures made in the Group's financial statements.

11. ACCOUNTANT'S REPORT (CONT'D)


SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

1. Basis of preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Standards issued but not yet effective

The Group has not applied the following new MFRSs, new interpretations and amendments to MFRSs that have been issued by the MASB but are not yet effective for the Group:

	Effective date for financial periods beginning on or after
IC Interpretation 23	1 January 2019
Amendments to MFRS 9	1 January 2019
Amendments to MFRS 128	1 January 2019
Amendments to MFRS 119	1 January 2019
Annual Improvements to MFRSs 2015 - 2017 Cycle:	
• Amendments to MFRS 3	1 January 2019
• Amendments to MFRS 11	1 January 2019
• Amendments to MFRS 112	1 January 2019
• Amendments to MFRS 123	1 January 2019
MFRS 16	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	
• Amendments to MFRS 2 <i>Share-Based Payment</i>	1 January 2020
• Amendments to MFRS 3 <i>Business Combination</i>	1 January 2020
• Amendments to MFRS 6 <i>Exploration for and Evaluation of Mineral Resources</i>	1 January 2020
• Amendments to MFRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2020
• Amendments to MFRS 101 <i>Presentation of Financial Statements</i>	1 January 2020
• Amendments to MFRS 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	1 January 2020

11. ACCOUNTANT'S REPORT (CONT'D)


SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

1. Basis of preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

The Group has not applied the following new MFRSs, new interpretations and amendments to MFRSs that have been issued by the MASB but are not yet effective for the Group: (Cont'd)

	Effective date for financial periods beginning on or after
Amendments to References to the Conceptual Framework in MFRS Standards (Cont'd)	
• Amendments to MFRS 134 <i>Interim Financial Reporting</i>	1 January 2020
• Amendments to MFRS 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i>	1 January 2020
• Amendments to MFRS 138 <i>Intangible Assets</i>	1 January 2020
• Amendments to IC Interpretation 12 <i>Service Concession Arrangements</i>	1 January 2020
• Amendments to IC Interpretation 19 <i>Extinguishing Financial Liabilities with Equity Instruments</i>	1 January 2020
• Amendments to IC Interpretation 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i>	1 January 2020
• Amendments to IC Interpretation 22 <i>Foreign Currency Transactions and Advances Consideration</i>	1 January 2020
• Amendments to IC Interpretation 123 <i>Intangible Assets - Website Costs</i>	1 January 2020
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

The Group intends to adopt the above new MFRSs, new interpretations and amendments to MFRSs when they become effective.

11. ACCOUNTANT'S REPORT (CONT'D)**SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)****1. Basis of preparation (Cont'd)****(a) Statement of compliance (Cont'd)****Standards issued but not yet effective (Cont'd)**

The initial application of the abovementioned new MFRSs, new interpretations and amendments to MFRSs are not expected to have any significant impacts on the financial statements of the Group except as mentioned below:

MFRS 16 Leases

MFRS 16, which upon the effective date will supersede MFRS 117 *Leases*, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under MFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, MFRS 117.

In respect of the lessor accounting, MFRS 16 substantially carries forward the lessor accounting requirements in MFRS 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

(b) Functional and presentation currency

These combined financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's functional currency. All financial information is presented in RM and has been rounded to the nearest RM except when otherwise stated.

11. ACCOUNTANT'S REPORT (CONT'D)

**SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)****1. Basis of preparation (Cont'd)****(c) Significant accounting judgments, estimates and assumptions**

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgments

There are no significant areas of critical judgement in applying accounting policies that have significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertaintyUseful lives of property, plant and equipment

The Group regularly reviews the estimated useful lives of property, plant and equipment based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the value of property, plant and equipment. The carrying amount at the reporting date for property, plant and equipment is disclosed in Note 3 to the combined financial statements.

Development expenditure

The Group capitalises development expenditure for a project in accordance with the accounting policy. Initial capitalisation of development expenditure is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project milestones. In determining the amounts to be capitalised, the management is required to comply with the specifications as set out by Government of Malaysia under Kementerian Sains, Teknologi and Inovasi ("MOSTI"). The carrying amount at the reporting date for development expenditure is disclosed in Note 4 to the combined financial statements.

11. ACCOUNTANT'S REPORT (CONT'D)

**SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)****1. Basis of preparation (Cont'd)****(c) Significant accounting judgments, estimates and assumptions (Cont'd)****Key sources of estimation uncertainty (Cont'd)**Inventories valuation

Inventories are measured at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected sales prices. Demand levels and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories. Details of inventories are disclosed in Note 7 to the combined financial statements.

Income taxes

Judgment is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group recognises liabilities for tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these tax matters is different from the amounts that were initially recognised, such differences will impact the income tax and/or deferred tax provisions in the period in which such determination is made. As at 30 April 2018, the Group has tax recoverable and tax payable of RM174,651 (31.12.2017: RM74,924, 30.4.2017: RM74,612, 31.12.2016: RM61,422, 31.12.2015: RM102,658) and RM37,210 (31.12.2017: RM9,739, 30.4.2017: RM2,292, 31.12.2016: RM3,864, 31.12.2015: RM32,610) respectively.

Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments where active market quotes are not available. Details of the assumptions used are given in the Note 29(c) to the combined financial statements regarding financial assets and liabilities. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

11. ACCOUNTANT'S REPORT (CONT'D)

**SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)****2. Significant accounting policies**

The Group applies the significant accounting policies set out below, consistently throughout all periods presented in the combined financial statements unless otherwise stated.

(a) Basis of consolidation**(i) Subsidiary companies**

Subsidiary companies are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Subsidiary companies are consolidated using merger method of accounting as the business combination of the subsidiary companies involved an entity under common control.

Under the merger method of accounting, the results of subsidiary companies are presented as if the merger had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. Any difference between the consideration paid and the share capital of the combined entities are reflected within equity as merger deficit.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instruments and within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement*, is measured at fair value with the changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

11. ACCOUNTANT'S REPORT (CONT'D)**SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)****2. Significant accounting policies (Cont'd)****(a) Basis of consolidation (Cont'd)****(i) Subsidiary companies (Cont'd)**

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Unrealised losses are eliminated only if there is no indication of impairment. Where necessary, accounting policies of subsidiary companies have been changed to ensure consistency with the policies adopted by the Group.

In the Group's separate financial statements, investments in subsidiary companies are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 2(k)(i) to the combined financial statements on impairment of non-financial assets.

(ii) Changes in ownership interests in subsidiary companies without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary company is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiary companies

If the Group loses control of a subsidiary company, the assets and liabilities of the subsidiary company, including any goodwill, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in profit or loss. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

11. ACCOUNTANT'S REPORT (CONT'D)**SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)****2. Significant accounting policies (Cont'd)****(a) Basis of consolidation (Cont'd)****(iv) Goodwill on consolidation**

The excess of the aggregate of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary company acquired (ie. a bargain purchase), the gain is recognised in profit or loss.

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequent when there is objective evidence that the carrying value may be impaired. See accounting policy Note 2(k)(i) to the combined financial statements on impairment of non-financial assets.

(b) Foreign currency translation**(i) Foreign currency transactions and balances**

Transactions in foreign currency are recorded in the functional currency of the respective Group entities using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are included in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation are recognised in profit or loss in the Group's financial statements or the individual financial statements of the foreign operation, as appropriate.

11. ACCOUNTANT'S REPORT (CONT'D)
SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)
2. Significant accounting policies (Cont'd)
(b) Foreign currency translation (Cont'd)
(i) Foreign currency transactions and balances (Cont'd)

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the reporting period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised in other comprehensive income.

The average and closing exchange rate used for the main currency of the Group as follows:

Financial year/period ended (average rate)

31 December 2015	IDR1.00	: RM0.00029
31 December 2016	IDR1.00	: RM0.00031
31 December 2017	IDR1.00	: RM0.00032
30 April 2017	IDR1.00	: RM0.00033
30 April 2018	IDR1.00	: RM0.00029
31 December 2015	VND1.00	: RM0.00018
31 December 2016	VND1.00	: RM0.00019
31 December 2017	VND1.00	: RM0.00019
30 April 2017	VND1.00	: RM0.00020
30 April 2018	VND1.00	: RM0.00017
31 December 2015	PHP1.00	: RM0.08625
31 December 2016	PHP1.00	: RM0.08683
31 December 2017	PHP1.00	: RM0.08492
30 April 2017	PHP1.00	: RM0.08800
30 April 2018	PHP1.00	: RM0.07525
31 December 2015	SGD1.00	: RM2.85250
31 December 2016	SGD1.00	: RM2.99750
31 December 2017	SGD1.00	: RM3.11083
30 April 2017	SGD1.00	: RM3.14000
30 April 2018	SGD1.00	: RM2.96000
31 December 2015	USD1.00	: RM3.93333
31 December 2016	USD1.00	: RM4.14667
31 December 2017	USD1.00	: RM4.27863
30 April 2017	USD1.00	: RM4.40800
30 April 2018	USD1.00	: RM3.90087

11. ACCOUNTANT'S REPORT (CONT'D)


SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

2. Significant accounting policies (Cont'd)

(b) Foreign currency translation (Cont'd)

(i) Foreign currency transactions and balances (Cont'd)

The average and closing exchange rate used for the main currency of the Group as follows: (Cont'd)

Financial year/period ended (average rate)

31 December 2015	EUR1.00	: RM4.34333
31 December 2016	EUR1.00	: RM4.56833
31 December 2017	EUR1.00	: RM4.85778
30 April 2017	EUR1.00	: RM4.72500
30 April 2018	EUR1.00	: RM4.78092

As at (closing rate)

31 December 2015	IDR1.00	: RM0.00031
31 December 2016	IDR1.00	: RM0.00033
31 December 2017	IDR1.00	: RM0.00030
30 April 2017	IDR1.00	: RM0.00033
30 April 2018	IDR1.00	: RM0.00028
31 December 2015	VND1.00	: RM0.00019
31 December 2016	VND1.00	: RM0.00020
31 December 2017	VND1.00	: RM0.00018
30 April 2017	VND1.00	: RM0.00019
30 April 2018	VND1.00	: RM0.00017
31 December 2015	PHP1.00	: RM0.09200
31 December 2016	PHP1.00	: RM0.09000
31 December 2017	PHP1.00	: RM0.08100
30 April 2017	PHP1.00	: RM0.08700
30 April 2018	PHP1.00	: RM0.07600
31 December 2015	SGD1.00	: RM3.04000
31 December 2016	SGD1.00	: RM3.10000
31 December 2017	SGD1.00	: RM3.03000
30 April 2017	SGD1.00	: RM3.11000
30 April 2018	SGD1.00	: RM2.96000
31 December 2015	USD1.00	: RM4.29000
31 December 2016	USD1.00	: RM4.49000
31 December 2017	USD1.00	: RM4.04750
30 April 2017	USD1.00	: RM4.34000
30 April 2018	USD1.00	: RM3.92050

11. ACCOUNTANT'S REPORT (CONT'D)


SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

2. Significant accounting policies (Cont'd)

(b) Foreign currency translation (Cont'd)

(i) Foreign currency transactions and balances (Cont'd)

The average and closing exchange rate used for the main currency of the Group as follows: (Cont'd)

As at (closing rate)

31 December 2015	EUR1.00	:	RM4.69000
31 December 2016	EUR1.00	:	RM4.72000
31 December 2017	EUR1.00	:	RM4.84400
30 April 2017	EUR1.00	:	RM4.73210
30 April 2018	EUR1.00	:	RM4.74540

(ii) Foreign operations

The assets and liabilities of foreign operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at the rate of exchange prevailing at the reporting date, except for goodwill and fair value adjustments arising from business combinations before 1 January 2012 (the date of transition to MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. However, if the operation is a non-wholly owned subsidiary company, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed off such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related that foreign operations reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary company that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

11. ACCOUNTANT'S REPORT (CONT'D)**SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)****2. Significant accounting policies (Cont'd)****(c) Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 2(k)(i) to the combined financial statements.

(i) Recognition and measurement

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

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

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

(ii) Subsequent costs

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

11. ACCOUNTANT'S REPORT (CONT'D)
SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)
2. Significant accounting policies (Cont'd)
(c) Property, plant and equipment
(iii) Depreciation

Depreciation is recognised in the profit or loss on straight line basis to write off the cost or valuation of each asset to its residual value over its estimated useful life.

Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Office equipment	10%
Computer and Information Technology (IT) equipment	33%
Exhibition equipment	20%
Furniture and fittings	10%
Renovation	10%
Motor vehicles	20%
Hostel equipment	10%

The residual values, useful lives and depreciation method are reviewed at the end each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the property, plant and equipment.

(d) Intangible Assets
(i) Internally-generated intangible assets – research and development costs

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

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

11. ACCOUNTANT'S REPORT (CONT'D)**SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)****2. Significant accounting policies (Cont'd)****(d) Intangible assets (Cont'd)****(i) Internally-generated intangible assets - research and development costs (Cont'd)**

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

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

(ii) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful lives and amortisation methods are reviewed at the end of each reporting date, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

(iii) Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

See accounting policy Note 2(k)(i) to the combined financial statements on impairment of non-financial assets for intangible assets.

11. ACCOUNTANT'S REPORT (CONT'D)**SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)****2. Significant accounting policies (Cont'd)****(e) 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 fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

As lessee**(i) Finance lease**

Leases in terms of which the Group assumes 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. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

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 as 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.

(ii) Operating lease

Leases, where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

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

11. ACCOUNTANT'S REPORT (CONT'D)**SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)****2. Significant accounting policies (Cont'd)****(f) Financial assets**

The Group applied the classification and measurement requirements for financial assets under MFRS 9 *Financial Instruments* effective from 1 January 2018. The comparative for FYE 31 December 2017, FPE 30 April 2017, FYE 31 December 2016 and FYE 31 December 2015 were not restated, and the classification and measurement requirements under the previous MFRS 139 *Financial Instruments: Recognition and Measurement* was still applied.

Financial assets are recognised on the combined statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately in profit or loss.

The Group determines the classification of financial assets upon initial recognition. The measurement for classification of financial assets under MFRS 9 *Financial Instruments* for FPE 30 April 2018 and MFRS 139 *Financial Instruments: Recognition and Measurement* for FYE 31 December 2017, FPE 30 April 2017, FYE 31 December 2016 and FYE 31 December 2015 are as below:

Categories in FPE 30 April 2018**(i) Financial assets measured at amortised cost**

Financial assets that are debt instruments are measured at amortised cost if they are held within a business model whose objective is to collect contractual cash flows and have contractual terms which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

11. ACCOUNTANT'S REPORT (CONT'D)**SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)****2. Significant accounting policies (Cont'd)****(f) Financial assets (Cont'd)****Categories in FPE 30 April 2018 (Cont'd)****(ii) Financial assets measured at fair value**

Equity instruments are classified as financial assets measured at FVTPL if they are held for trading or are designated as such upon initial recognition. Financial assets are classified as held for trading if they are acquired principally for sale in the near term or are derivatives that do not meet the hedge accounting criteria (including separated embedded derivatives). The Group elects an irrevocable option to designate its equity financial instruments at initial recognition as financial assets measured at FVOCI if the equity instruments are not held for trading.

Subsequent to initial recognition, financial assets that are equity instruments are measured at fair value. Any gains or losses arising from the changes in fair value of these financial assets are recognised in other comprehensive income and are not subsequently transferred to profit or loss. Dividends on equity instruments are recognised in profit or loss when the Group's right to receive payment is established.

Categories in FYE 31 December 2015, FYE 31 December 2016, FPE 30 April 2017 and FYE 31 December 2017**(i) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those maturing later than 12 months after the end of the reporting period which are classified as non-current assets.

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

11. ACCOUNTANT'S REPORT (CONT'D)**SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)****2. Significant accounting policies (Cont'd)****(f) Financial assets (Cont'd)****Categories in FYE 31 December 2015, FYE 31 December 2016, FPE 30 April 2017 and FYE 31 December 2015 (Cont'd)****(ii) Available-for-sale financial assets**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the end of the reporting period.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends from an available-for-sale equity instrument are recognised in profit or loss when the Group's right to receive payment is established.

Investment in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less impairment loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised and derecognised on the trade date i.e. the date that the Group commits to purchase or sell the asset.

A financial asset is derecognised when the contractual rights to receive cash flows from the financial assets has expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On derecognition of a financial asset, the difference between the carrying amount and the sum of consideration received and any cumulative gains or loss that had been recognised in equity is recognised in the profit or loss.

11. ACCOUNTANT'S REPORT (CONT'D)



**SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)**

2. Significant accounting policies (Cont'd)

(g) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definition of financial liabilities.

Financial liabilities are recognised on the combined statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

The Group classify its financial liabilities at initial recognition, into financial liabilities measured at amortised cost.

The Group's financial liabilities comprise trade and other payables, amount due to a Director and loans and borrowings.

Trade and other payables and amount due to a Director are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Gains and losses on financial liabilities measured at amortised cost are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. 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 amounts is recognised in profit or loss.

(h) Offsetting of financial instruments

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

11. ACCOUNTANT'S REPORT (CONT'D)**SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)****2. Significant accounting policies (Cont'd)****(i) Inventories**

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

Cost is determined on first-in-first-out basis.

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

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdraft and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of combined statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(k) Impairment of assets**(i) Non-financial assets**

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

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

11. ACCOUNTANT'S REPORT (CONT'D)**SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)****2. Significant accounting policies (Cont'd)****(k) Impairment of assets (Cont'd)****(i) Non-financial assets (Cont'd)**

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

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised in profit or loss, unless the asset is carried at a revalued amount, in which such impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset.

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

11. ACCOUNTANT'S REPORT (CONT'D)

**SECUREMETRIC BERHAD**
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)**2. Significant accounting policies (Cont'd)****(k) Impairment of assets (Cont'd)****(ii) Financial assets**

The Group applied the impairment requirements for financial assets under MFRS 9 *Financial Instruments* for FPE 30 April 2018. The comparative for FYE 31 December 2017, FPE 30 April 2017, 31 December 2016 and FYE 31 December 2015 were not restated, and the impairment requirements under the previous MFRS 139 *Financial Instruments: Recognition and Measurement* were still applied.

Impairment based on ECL model in FPE 30 April 2018

The Group assesses at the end of each reporting period whether there has been a significant increase in credit risk for financial assets by comparing the risk of default occurring over the expected life with the risk of default since initial recognition.

In determining whether credit risk on a financial asset has increased significantly since initial recognition, the Group uses supportive information to assess deterioration in credit quality of a financial asset. The Group assesses whether the credit risk on a financial asset has increased significantly on an individual or collective basis. For collective basis evaluation, financial assets are grouped on the basis of similar risk characteristics.

The Group considers past loss experience and observable data such as current changes and future forecasts in economic conditions to estimate the amount of expected impairment loss. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

The amount of impairment loss is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cashflows that are due to the Group and all the cash flows that the Group expects to receive. The carrying amount of the financial asset is reduced through the use of an allowance account and the impairment loss is recognised in profit or loss. When a financial asset becomes uncollectible, it is written off against the allowance account.

11. ACCOUNTANT'S REPORT (CONT'D)

**SECUREMETRIC BERHAD**
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)**2. Significant accounting policies (Cont'd)****(k) Impairment of assets (Cont'd)****(ii) Financial assets (Cont'd)****Impairment based on incurred loss model in FYE 31 December 2015, 31 December 2016, FPE 30 April 2017 and FYE 31 December 2017**

All financial assets, other than those categorised as fair value through profit or loss, investments in subsidiary companies, are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

Financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with defaults on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of impairment loss is recognised in profit or loss. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery.

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

11. ACCOUNTANT'S REPORT (CONT'D)


SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

2. Significant accounting policies (Cont'd)

(k) Impairment of assets (Cont'd)

(ii) Financial assets (Cont'd)

Impairment based on incurred loss model in FYE 31 December 2015, 31 December 2016, FPE 30 April 2017 and FYE 31 December 2015 (Cont'd)
Available-for-sale financial assets

Significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired. A significant or prolonged decline in the fair value of investments in equity instruments below its cost is also an objective evidence of impairment.

If an available-for-sale financial asset is impaired, the amount of impairment loss is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised. When a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value of equity instrument, if any, subsequent to impairment loss is recognised other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

(l) Share capital

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

Dividend distribution to the Company's shareholders is recognised as a liability in the period they are approved by the Board of Directors except for the final dividend which is subject to approval by the Company's shareholders.

11. ACCOUNTANT'S REPORT (CONT'D)



**SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)**

2. **Significant accounting policies (Cont'd)**

(m) **Employee benefits**

(i) **Short term employee benefits**

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

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

(ii) **Defined contribution plans**

As required by law, companies in Malaysia contribute to the state pension scheme, the Employee Provident Fund ("EPF). Some of the Group's foreign subsidiary companies also make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the Group has no further payment obligations.

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11. ACCOUNTANT'S REPORT (CONT'D)



**SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)**

2. **Significant accounting policies (Cont'd)**

(n) **Revenue**

(i) **Sales of goods**

Revenue is measured at the fair value of consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue from sales of goods is recognised upon delivery of goods where the control of the goods has been passed to the customers.

(ii) **Rendering of services**

Revenue from services rendered is recognised in the profit or loss based on the value of services performed and invoiced to customers or in proportion to the stage of completion of the transaction during the reporting period. The stage of completion is assessed by reference to the proportion that costs incurred to date that reflect services performed bear to the total estimated costs of the transaction. Where the outcome of the transaction cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

(iii) **Interest income**

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

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11. ACCOUNTANT'S REPORT (CONT'D)**SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)****2. Significant accounting policies (Cont'd)****(o) Income taxes**

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

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

Deferred tax is recognised using the liability method for all 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 which is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

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

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

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

11. ACCOUNTANT'S REPORT (CONT'D)**SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)****2. Significant accounting policies (Cont'd)****(p) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

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

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

(q) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

When the grant relates to an expense item, it is recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Where the grant relates to an asset, it is recognised as deferred income and transferred to profit or loss on a systematic basis over the useful lives of the related asset.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Where the Group receives non-monetary government grants, the asset and the grant are recorded at nominal amount and transferred to profit or loss on a systematic basis over the life of the depreciable asset by way of a reduced depreciation charge.

11. ACCOUNTANT'S REPORT (CONT'D)



**SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)**

2. **Significant accounting policies (Cont'd)**

(r) **Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments and make overall strategic decisions. The Group's operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

(s) **Contingencies**

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

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11. ACCOUNTANT'S REPORT (CONT'D)

SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

3. Property, plant and equipment	Office equipment RM	Computer and IT equipment RM	Exhibition equipment RM	Furniture and fittings RM	Renovation RM	Motor vehicles RM	Hostel equipment RM	Total RM
31 December 2015								
Cost								
At 1 January 2015	66,174	486,496	8,484	50,240	21,172	45,000	3,309	680,875
Additions	43,765	46,802	-	42,614	-	125,209	9,439	267,829
Exchange differences	476	8,977	-	1,760	198	-	-	11,411
At 31 December 2015	110,415	542,275	8,484	94,614	21,370	170,209	12,748	960,115
Accumulated depreciation								
At 1 January 2015	31,602	292,215	7,765	28,625	15,373	3,750	1,524	380,854
Charge for the financial year	9,946	115,760	377	8,188	1,932	13,909	855	150,967
Exchange differences	(7,519)	15,054	-	687	199	308	-	8,729
At 31 December 2015	34,029	423,029	8,142	37,500	17,504	17,967	2,379	540,550
Carrying amount								
At 31 December 2015	76,386	119,246	342	57,114	3,866	152,242	10,369	419,565

11. ACCOUNTANT'S REPORT (CONT'D)

SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

3. Property, plant and equipment (Cont'd)

	Office equipment RM	Computer and IT equipment RM	Exhibition equipment RM	Furniture and fittings RM	Renovation RM	Motor vehicles RM	Hostel equipment RM	Total RM
31 December 2016								
Cost								
At 1 January 2016	110,415	542,275	8,484	94,614	21,370	170,209	12,748	960,115
Additions	17,249	203,878	-	35,500	-	-	-	256,627
Disposals	-	(5,949)	-	(4,086)	-	-	-	(10,035)
Exchange differences	689	3,496	-	395	132	8,078	-	12,790
At 31 December 2016	128,353	743,700	8,484	126,423	21,502	178,287	12,748	1,219,497
Accumulated depreciation								
At 1 January 2016	34,029	423,029	8,142	37,500	17,504	17,967	2,379	540,550
Charge for the financial year	12,203	124,670	342	11,373	1,932	24,693	1,273	176,486
Disposals	-	(3,778)	-	(1,213)	-	-	-	(4,991)
Exchange differences	397	4,070	-	392	132	1,305	-	6,296
At 31 December 2016	46,629	547,991	8,484	48,052	19,568	43,965	3,652	718,341
Carrying amount								
At 31 December 2016	81,724	195,709	-	78,371	1,934	134,322	9,096	501,156

11. ACCOUNTANT'S REPORT (CONT'D)

SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

3. Property, plant and equipment (Cont'd)

	Office equipment RM	Computer and IT equipment RM	Exhibition equipment RM	Furniture and fittings RM	Renovation RM	Motor vehicles RM	Hostel equipment RM	Total RM
31 December 2017								
Cost								
At 1 January 2017	128,353	743,700	8,484	126,423	21,502	178,287	12,748	1,219,497
Additions	18,840	383,067	-	10,538	44,438	16,800	-	473,683
Disposals	-	(97,964)	-	-	-	-	-	(97,964)
Written off	(25,933)	(64,461)	-	(12,356)	-	-	-	(102,750)
Exchange differences	(2,293)	(10,818)	-	(3,804)	(198)	(12,117)	-	(29,230)
At 31 December 2017	118,967	953,524	8,484	120,801	65,742	182,970	12,748	1,463,236
Accumulated depreciation								
At 1 January 2017	46,629	547,991	8,484	48,052	19,568	43,965	3,652	718,341
Charge for the financial year	17,966	130,656	-	13,096	12,738	27,592	1,273	203,321
Disposals	-	(96,704)	-	-	-	-	-	(96,704)
Written off	(15,812)	(64,201)	-	(11,725)	-	-	-	(91,738)
Exchange differences	(1,039)	(9,550)	-	(1,081)	(820)	(2,946)	-	(15,436)
At 31 December 2017	47,744	508,192	8,484	48,342	31,486	68,611	4,925	717,784
Carrying amount								
At 31 December 2017	71,223	445,332	-	72,459	34,256	114,359	7,823	745,452

11. ACCOUNTANT'S REPORT (CONT'D)

SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

3. Property, plant and equipment (Cont'd)

	Office equipment RM	Computer and IT equipment RM	Exhibition equipment RM	Furniture and fittings RM	Renovation RM	Motor vehicles RM	Hostel equipment RM	Total RM
30 April 2017								
Cost								
At 1 January 2017	128,353	743,700	8,484	126,423	21,502	178,287	12,748	1,219,497
Additions	10,601	13,590	-	7,409	48,882	16,800	-	97,282
Disposals	-	(95,792)	-	-	-	-	-	(95,792)
Exchange differences	(381)	(3,145)	-	(1,000)	-	-	-	(4,526)
At 30 April 2017	138,573	658,353	8,484	132,832	70,384	195,087	12,748	1,216,461
Accumulated depreciation								
At 1 January 2017	46,629	547,991	8,484	48,052	19,568	43,965	3,652	718,341
Charge for the financial period	5,950	32,065	-	4,298	3,699	8,833	424	55,269
Disposals	-	(95,792)	-	-	-	-	-	(95,792)
Exchange differences	(49)	(2,541)	-	(100)	-	(1)	-	(2,691)
At 30 April 2017	52,530	481,723	8,484	52,250	23,267	52,797	4,076	675,127
Carrying amount								
At 30 April 2017	86,043	176,630	-	80,582	47,117	142,290	8,672	541,334

11. ACCOUNTANT'S REPORT (CONT'D)

SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

3. Property, plant and equipment (Cont'd)

	Office equipment RM	Computer and IT equipment RM	Exhibition equipment RM	Furniture and fittings RM	Renovation RM	Motor vehicles RM	Hostel equipment RM	Total RM
30 April 2018								
Cost								
At 1 January 2018	118,967	953,524	8,484	120,801	65,742	182,970	12,748	1,463,236
Additions	6,137	23,506	-	4,950	-	1,119	-	35,712
Exchange differences	(2,327)	(11,891)	-	(2,792)	(3,094)	(8,078)	-	(28,182)
At 30 April 2018	122,777	965,139	8,484	122,959	62,648	176,011	12,748	1,470,766
Accumulated depreciation								
At 1 January 2018	47,744	508,192	8,484	48,342	31,486	68,611	4,925	717,784
Charge for the financial period	4,667	68,711	-	3,372	3,518	8,979	424	89,671
Exchange differences	(867)	(6,065)	-	(809)	(873)	(2,441)	-	(11,055)
At 30 April 2018	51,544	570,838	8,484	50,905	34,131	75,149	5,349	796,400
Carrying amount								
At 30 April 2018	71,233	394,301	-	72,054	28,517	100,862	7,399	674,366

11. ACCOUNTANT'S REPORT (CONT'D)
SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)
3. Property, plant and equipment (Cont'd)

The carrying amount of property, plant and equipment of the Group acquired under finance lease arrangement are as follows:

	At 31 December			At 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
Motor vehicles	32,250	23,250	14,250	20,250	-

4. Development expenditure

	At 31 December			At 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
At 1 January	-	1,324,374	2,330,014	2,330,014	1,933,611
Additions	1,324,374	1,005,640	87,000	-	-
Amortisation	-	-	(483,403)	-	(161,134)
At 31 December/ 30 April	1,324,374	2,330,014	1,933,611	2,330,014	1,772,477

The development expenditure incurred for research and development of in-house developed centralised authentication management system ("CENTAGATE[®]"), which is funded through government grant received by the Group as disclosed in Note 14(c) to the combined financial statements.

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11. ACCOUNTANT'S REPORT (CONT'D)


SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

5. Other investment

	At 31 December			At 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
<u>Non-current</u>					
Available-for-sale financial asset ⁽¹⁾					
Quoted shares, in Malaysia, at market value	64,538	115,046	251,137	119,255	-
Financial asset at fair value through other comprehensive income ⁽²⁾					
Quoted shares, in Malaysia, at market value	-	-	-	-	233,459
	<u>64,538</u>	<u>115,046</u>	<u>251,137</u>	<u>119,255</u>	<u>233,459</u>
<u>Current</u>					
Financial asset at fair asset through profit or loss					
Unit trust	-	-	-	-	1,000,387

(1) Prior to 1 January 2018, the shares quoted in Malaysia was classified as available-for-sale financial asset under the requirements of MFRS 139 *Financial Instruments: Recognition and Measurement*.

(2) On 1 January 2018, the shares quoted in Malaysia was classified as financial asset at fair value through other comprehensive income under the requirements of MFRS 9 *Financial Instruments*. In accordance with the transition requirements under paragraph 7.2.15 of this Standard, comparatives are not restated.

The fair value of the quoted shares and unit trust was determined by reference to the quoted price in Bursa Malaysia.

11. ACCOUNTANT'S REPORT (CONT'D)


SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

6. Deferred tax assets

	At 31 December			At 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
At 1 January	93,317	66,958	42,197	42,197	34,608
Recognised in profit and loss	(41,840)	(22,361)	(1,674)	104,597	66,472
Exchange differences	15,481	(2,400)	(5,915)	(3,318)	(1,473)
At 31 December/ 30 April	<u>66,958</u>	<u>42,197</u>	<u>34,608</u>	<u>143,476</u>	<u>99,607</u>

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

	At 31 December			At 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
Deferred tax assets	89,776	75,095	51,547	164,584	119,764
Deferred tax liabilities	(22,818)	(32,898)	(16,939)	(21,108)	(20,157)
	<u>66,958</u>	<u>42,197</u>	<u>34,608</u>	<u>143,476</u>	<u>99,607</u>

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

Deferred tax assets of the Group:

	Others RM
31 December 2015	
At 1 January 2015	93,317
Recognised in profit or loss	(19,022)
Exchange differences	15,481
At 31 December 2015	<u>89,776</u>

11. ACCOUNTANT'S REPORT (CONT'D)


SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)
6. **Deferred tax assets (Cont'd)**

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

Deferred tax assets of the Group: (Cont'd)

	Others RM
31 December 2016	
At 1 January 2016	89,776
Recognised in profit or loss	(12,281)
Exchange differences	(2,400)
At 31 December 2016	<u>75,095</u>
31 December 2017	
At 1 January 2017	75,095
Recognised in profit or loss	(52,914)
Under provision in prior year	35,281
Exchange differences	(5,915)
At 31 December 2017	<u>51,547</u>
30 April 2017	
At 1 January 2017	75,095
Recognised in profit or loss	57,526
Under provision in prior year	35,281
Exchange differences	(3,318)
At 30 April 2017	<u>164,584</u>
30 April 2018	
At 1 January 2018	51,547
Recognised in profit or loss	71,195
Over provision in prior year	(1,505)
Exchange differences	(1,473)
At 30 April 2018	<u>119,764</u>

11. ACCOUNTANT'S REPORT (CONT'D)


SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)
6. **Deferred tax assets (Cont'd)**

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

Deferred tax liabilities of the Group:

	Accelerated capital allowances RM	Others RM	Total RM
31 December 2015			
At 1 January 2015	-	-	-
Recognised in profit or loss	12,705	-	12,705
Under provision in prior year	(35,523)	-	(35,523)
At 31 December 2015	<u>(22,818)</u>	<u>-</u>	<u>(22,818)</u>
31 December 2016			
At 1 January 2016	(22,818)	-	(22,818)
Recognised in profit or loss	12,941	15,517	28,458
Under provision in prior year	(7,641)	(30,897)	(38,538)
At 31 December 2016	<u>(17,518)</u>	<u>(15,380)</u>	<u>(32,898)</u>
31 December 2017			
At 1 January 2017	(17,518)	(15,380)	(32,898)
Recognised in profit or loss	543	17,799	18,342
Over/(Under) provision in prior year	36	(2,419)	(2,383)
At 31 December 2017	<u>(16,939)</u>	<u>-</u>	<u>(16,939)</u>
30 April 2017			
At 1 January 2017	(17,518)	(15,380)	(32,898)
Recognised in profit or loss	(3,626)	17,799	14,173
Over/(Under) provision in prior year	36	(2,419)	(2,383)
At 30 April 2017	<u>(21,108)</u>	<u>-</u>	<u>(21,108)</u>
30 April 2018			
At 1 January 2018	(16,939)	-	(16,939)
Recognised in profit or loss	(4,723)	-	(4,723)
Over provision in prior year	1,505	-	1,505
At 30 April 2018	<u>(20,157)</u>	<u>-</u>	<u>(20,157)</u>

11. ACCOUNTANT'S REPORT (CONT'D)


SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)
6. **Deferred tax assets (Cont'd)**

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

	At 31 December			At 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
Unutilised tax losses	-	-	-	895,150	1,845,378
Unabsorbed capital allowances	-	-	-	52,546	82,265
Other deductible temporary differences	-	263,400	4,025,640	571,900	3,175,396
	-	263,400	4,025,640	1,519,596	5,103,039

Deferred tax assets have not been recognised in respect of these items as they may not have sufficient taxable profits to be used to offset.

7. **Inventories**

	At 31 December			At 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
At cost					
Finished goods	2,185,537	1,973,521	2,084,349	2,443,930	2,188,913
Recognised in profit or loss					
Inventories recognised as cost of sales	5,447,966	9,626,362	11,020,471	2,847,588	2,217,690
Inventories written off	-	2,972	74,557	-	-

11. ACCOUNTANT'S REPORT (CONT'D)


SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

8. Trade receivables

	At 31 December			At 30 April	
	2015	2016	2017	2017	2018
	RM	RM	RM	RM	RM
Trade receivables	4,165,658	8,528,162	15,230,910	2,621,802	4,841,185

The Group's normal trade credit terms ranges from 30 to 90 days (31.12.2017: 30 to 90 days, 30.4.2017: 30 to 90 days, 31.12.2016: 30 to 90 days, 31.12.2015: 30 to 90 days). Trade receivables are recognised at their original invoice amounts which represent their fair values on initial recognition. The amount is unsecured and non-interest bearing.

Analysis of the trade receivables ageing at the end of the reporting period is as follows:

	At 31 December			At 30 April	
	2015	2016	2017	2017	2018
	RM	RM	RM	RM	RM
Neither past due nor impaired	1,711,294	6,815,767	3,370,432	1,361,684	1,923,073
Past due but not impaired					
Less than 30 days	1,667,428	1,018,651	10,123,184	487,852	154,756
31 to 60 days	385,265	324,112	122,382	141,276	149,528
61 to 90 days	191,855	197,625	140,095	8,060	47,510
More than 90 days	209,816	172,007	1,474,817	622,930	2,566,318
	2,454,364	1,712,395	11,860,478	1,260,118	2,918,112
	4,165,658	8,528,162	15,230,910	2,621,802	4,841,185

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

As at 30 April 2018, trade receivables of RM2,918,112 (31.12.2017: RM11,860,478, 30.4.2017: RM1,260,118, 31.12.2016: RM1,712,395, 31.12.2015: RM2,454,364) were past due but not impaired. These relate to independent customers from whom there is no recent history of default.

As at 30 April 2018, included in trade receivables that are past due but not impaired more than 90 days are retention sum of RM956,480 (31.12.2017: RM956,480, 30.4.2017: RMNil, 31.12.2016: RMNil, 31.12.2015: RMNil).

11. ACCOUNTANT'S REPORT (CONT'D)


SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)
8. Trade receivables (Cont'd)

At the end of the reporting period, the Group has 4 customers (31.12.2017: 1 customer, 30.4.2017: 3 customers, 31.12.2016: 2 customers, 31.12.2015: 4 customers) that owed to the Group approximately 59% (31.12.2017: 66%, 30.4.2017: 65%, 31.12.2016: 67%, 31.12.2015: 48%) of all the receivables outstanding.

The currency exposure profiles are as follows:

	At 31 December			At 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
United States Dollar	1,562,323	3,069,391	12,059,474	529,115	1,515,602
Euro	1,403	84,915	98,008	84,915	95,987
	<u>1,563,726</u>	<u>3,154,306</u>	<u>12,157,482</u>	<u>614,030</u>	<u>1,611,589</u>

9. Other receivables

	At 31 December			At 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
Other receivables	908,757	1,120,248	511,416	1,484,282	516,848
Amount due from Directors	1,249,748	-	-	-	-
Deferred cost	96,512	225,541	2,014,951	167,894	1,716,189
Deposits	116,343	108,648	104,383	102,328	110,160
GST receivables	47,282	54,217	46,286	36,310	82,042
Prepayments	121,917	414,945	1,067,799	673,702	1,344,611
	<u>2,540,559</u>	<u>1,923,599</u>	<u>3,744,835</u>	<u>2,464,516</u>	<u>3,769,850</u>

As at 30 April 2018, included in the other receivables is an amount of RMNil (31.12.2017: RMNil, 30.4.2017: RM891,210, 31.12.2016: RM891,210, 31.12.2015: RM427,645) due from shareholders, which are unsecured, non-interest bearing advances and repayable on demand.

The amount due from Directors represents advances and payment on behalf which are unsecured, non-interest bearing and repayable on demand.

11. ACCOUNTANT'S REPORT (CONT'D)



**SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)**

10. **Fixed deposits with licensed banks**

- (a) As at 30 April 2018, the fixed deposits of the Group of RM2,712,448 (31.12.2017: RM2,740,295, 30.4.2017: RM2,598,141, 31.12.2016: RM154,416, 31.12.2015: RM84,954) are pledged as securities for credit facilities granted to subsidiary companies.
- (b) As at 30 April 2018, the fixed deposits of the Group bear interest rates ranging from 3.05% to 6% (31.12.2017: 3.05% to 6%, 30.4.2017: 3.05% to 6%, 31.12.2016: 3.05% to 4.35%, 31.12.2015: 3.05% to 7.75%) per annum with maturity period of 3 to 12 months (31.12.2017: 2 months to 12 months, 30.4.2017: 3 months to 12 months, 31.12.2016: 12 months, 31.12.2015: 3 to 12 months).

11. **Cash and bank balances**

	At 31 December			At 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
Cash and bank balances	2,798,996	7,243,757	14,509,982	6,290,641	9,826,745

The currency exposure profiles are as follows:

	At 31 December			At 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
Singapore Dollar	2,142	2,185	2,135	2,199	2,086
United States Dollar	835,394	2,198,760	3,832,759	2,156,685	5,411,619
Euro	-	7,298	21,968	21,346	130,542
	837,536	2,208,243	3,856,862	2,180,230	5,544,247

11. ACCOUNTANT'S REPORT (CONT'D)


SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)
12. **Share capital**

The share capital as at 31 December 2015, 31 December 2016 and 30 April 2017 represent the issued and paid up share capital of Securemetric Malaysia, Securemetric Vietnam, Securemetric Philippines, Securemetric Indonesia, Securemetric Singapore and Softkey Indonesia.

The share capital as at 31 December 2017 and 30 April 2018 represent the issued and paid up share capital of Securemetric, Securemetric Malaysia, Securemetric Vietnam, Securemetric Philippines, Securemetric Indonesia, Securemetric Singapore and Softkey Indonesia.

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

13. **Reserves**

	Note	At 31 December			At 30 April	
		2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
Fair value adjustment reserve	(a)	-	50,508	186,599	54,717	168,921
Foreign currency translation reserve	(b)	(50,418)	125,347	(247,303)	139,799	(567,088)
Tax amnesty	(c)	-	-	3,274	3,274	3,274
		<u>(50,418)</u>	<u>175,855</u>	<u>(57,430)</u>	<u>197,790</u>	<u>(394,893)</u>

(a) Fair value adjustment reserve

Fair value adjustment reserve represents the cumulative net change in the fair value of available-for-sale financial assets and financial asset at fair value through other comprehensive income until they are derecognised or impaired.

(b) Foreign currency translation reserve

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

11. ACCOUNTANT'S REPORT (CONT'D)


SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

13. Reserves (Cont'd)

(c) Tax amnesty

The subsidiary companies, namely Securemetric Indonesia and Softkey Indonesia participated in the Tax Amnesty Program in accordance with Law No. 11/2016. Both subsidiary companies paid the related redemption money amounting to RM3,274 (31.12.2017: RM3,274, 30.4.2017: RM3,274, 31.12.2016: RMNil, 31.12.2015: RMNil) and recorded the declared tax amnesty assets under other reserve.

14. Other payables

	Note	At 31 December			At 30 April	
		2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
Non-current						
Other payables	(a)	298,301	-	-	-	-
Current						
Other payables		282,924	455,597	3,137,456	58,839	442,062
Amount due to a Director	(b)	57,670	1,169,788	368,135	1,166,948	-
Deferred capital grant	(c)	455,270	1,247,715	1,800,139	1,868,715	1,650,128
Deferred revenue	(d)	505,814	1,005,127	4,459,790	964,600	-
Contract liability	(e)	-	-	-	-	3,704,975
Accruals		182,377	725,810	818,407	557,630	1,229,241
GST payables		122,073	209,353	192,890	26,439	246,312
		<u>1,606,128</u>	<u>4,813,390</u>	<u>10,776,817</u>	<u>4,643,171</u>	<u>7,272,718</u>

(a) Other payables

This represents deposit for future stock subscription pertaining to the shareholder's planned additional capital investment in the subsidiary company.

(b) Amount due to a Director

The amount due to a Director represents advances and payment on behalf which is unsecured, non-interest bearing and repayable on demand.

11. ACCOUNTANT'S REPORT (CONT'D)


SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

14. Other payables (Cont'd)

(c) Deferred capital grant

Deferred capital grant refers to government grant received from Government of Malaysia under Kementerian Sains, Teknologi and Inovasi ("MOSTI") for the new technology project research and development activities. There are no unfulfilled conditions or contingencies attached to this grant. The grant is to be amortised over the useful life of the technology and recognised as other income in profit or loss upon the completion of the project.

The movement of the deferred capital grant is as follows:

	At 31 December			At 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
At 1 January	-	455,270	1,247,715	1,247,715	1,800,139
Grant received during the financial year/period	455,270	792,445	1,002,459	621,000	-
Amortisation during the financial year/period	-	-	(450,035)	-	(150,011)
At 31 December/ 30 April	<u>455,270</u>	<u>1,247,715</u>	<u>1,800,139</u>	<u>1,868,715</u>	<u>1,650,128</u>

(d) Deferred revenue

Deferred revenue represents amount received/receivable in advance from customer for which services have yet to be performed.

(e) Contract liability

Contract liability represents amount received/receivable in advance from customer for which services have yet to be performed.

11. ACCOUNTANT'S REPORT (CONT'D)


SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)
14. **Other payables (Cont'd)**

The currency exposure profiles are as follows:

	At 31 December			At 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
United States Dollar	-	-	2,302,020	-	-
Canadian Dollar	-	-	323,000	-	-
	-	-	2,625,020	-	-

15. **Finance lease payables**

	At 31 December			At 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
Minimum lease payments					
Within one year	16,716	12,519	-	6,947	-
Later than one year but not later than two years	12,519	-	-	-	-
	29,235	12,519	-	6,947	-
Less: Future finance charges	(1,780)	(347)	-	(105)	-
Present value of minimum lease payments	27,455	12,172	-	6,842	-

11. ACCOUNTANT'S REPORT (CONT'D)


SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

15. Finance lease payables (Cont'd)

	At 31 December			At 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
Present value of minimum lease payments					
Within one year	15,283	12,172	-	6,842	-
Between one to two years	12,172	-	-	-	-
	<u>27,455</u>	<u>12,172</u>	<u>-</u>	<u>6,842</u>	<u>-</u>
Analysed as:					
Repayable within twelve months	15,283	12,172	-	6,842	-
Repayable after twelve months	12,172	-	-	-	-
	<u>27,455</u>	<u>12,172</u>	<u>-</u>	<u>6,842</u>	<u>-</u>

The Group leases motor vehicle under finance lease as disclosed in Note 3 to the combined financial statements. There are no restrictive covenants imposed by the lease agreement and no agreements have been entered into for contingent rental payments.

As at 30 April 2018, the interest rate for the finance lease is Nil (31.12.2017: Nil, 30.4.2017: 3.80%, 31.12.2016: 3.80%, 31.12.2015: 3.80%) per annum.

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11. ACCOUNTANT'S REPORT (CONT'D)
SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)
16. Bank borrowings (Cont'd)

The above credit facilities obtained from licensed banks are secured on the followings: (Cont'd)

For FYE 31 December 2016 and FYE 31 December 2017 and FPE 30 April 2017 and FPE 30 April 2018:

- (a) Credit Guarantee Corporation Malaysia Berhad guarantee under the Portfolio Guarantee Scheme; and
- (b) guaranteed by the Directors of Securemetric Malaysia.

The term loans consist of the followings:

- (a) 5 years term loan of RM250,000 to be repayable by 58 equal instalments of RM5,811 from January 2012.
- (b) 5 years term loan of RM2,000,000 to be repayable by 58 equal instalments of RM41,359 from January 2017.
- (c) 5 years term loan of RM1,000,000 to be repayable by 60 equal instalments of RM21,818 from May 2017.

The range of interest rates per annum at the reporting date is as follows:

	At 31 December			At 30 April	
	2015	2016	2017	2017	2018
	%	%	%	%	%
Term loans	7.15	7.15 - 7.65	7.70 - 11.15	7.65 - 11.15	7.95 - 11.15

11. ACCOUNTANT'S REPORT (CONT'D)


SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

17. Trade payables

	At 31 December			At 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
Trade payables	1,474,962	2,315,535	8,198,005	1,461,657	750,834

As at 30 April 2018, the normal trade credit terms granted to the Securemetric Group ranges from 30 to 90 days (31.12.2017: 30 to 90 days, 30.4.2017: 30 to 90 days, 31.12.2016: 30 to 90 days, 31.12.2015: 30 to 90 days), depending on the terms of the contracts.

The currency exposure profile is as follows:

	At 31 December			At 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
United States Dollar	981,912	1,554,402	7,532,412	1,142,336	638,793
Euro	-	-	-	-	28,500
	981,912	1,554,402	7,532,412	1,142,336	667,293

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11. ACCOUNTANT'S REPORT (CONT'D)


SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

18. Amount due to customer on contract

	At 31 December			At 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
Cost incurred todate	-	-	223,482	-	-
Attributable profit todate	-	-	66,725	-	-
	-	-	290,207	-	-
Less: Progress billing todate	-	-	(561,105)	-	-
	-	-	(270,898)	-	-
Presented as: Amount due to customer on contract	-	-	270,898	-	-

19. Revenue

	FYE 31 December			FPE 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
Sales of goods	14,574,159	19,719,461	24,287,109	5,654,232	4,302,033
Services rendered	2,403,482	5,033,512	20,479,703	674,586	2,667,726
	16,977,641	24,752,973	44,766,812	6,328,818	6,969,759

11. ACCOUNTANT'S REPORT (CONT'D)


SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

20. Cost of sales

	FYE 31 December			FPE 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
Sales of goods	5,447,966	9,626,362	11,020,471	2,847,588	2,217,690
Services rendered	2,276,054	2,357,545	12,503,222	736,131	779,067
	<u>7,724,020</u>	<u>11,983,907</u>	<u>23,523,693</u>	<u>3,583,719</u>	<u>2,996,757</u>

21. Finance costs

	FYE 31 December			FPE 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
Interest expenses on:					
- Bank guarantee	-	-	35,748	35,748	-
- Finance lease	2,542	1,432	348	242	-
- Term loans	4,430	165	218,927	55,596	74,181
	<u>6,972</u>	<u>1,597</u>	<u>255,023</u>	<u>91,586</u>	<u>74,181</u>

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11. ACCOUNTANT'S REPORT (CONT'D)


SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

22. Profit/(Loss) before tax

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

	FYE 31 December			FPE 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
Auditors' remuneration	33,429	45,981	89,239	15,075	7,918
Amortisation of development expenditure	-	-	483,403	-	161,134
Depreciation of property, plant and equipment	150,967	176,486	203,321	55,269	89,671
Impairment losses on available-for-sale financial asset	173,972	-	-	-	-
Inventories written off	-	2,972	74,557	-	-
Property, plant and equipment written off	-	-	11,012	-	-
Rental of office	336,196	401,200	434,902	147,401	137,106
Rental of hostel	30,750	28,200	28,900	9,400	9,800
Rental of server	19,246	-	-	-	-
Dividend income	-	-	-	-	(387)
(Gain)/Loss on disposal of property plant and equipment	-	4,432	(749)	-	-
(Gain)/Loss on foreign exchange					
- unrealised	(201,228)	(5,857)	334,575	174,590	(199,479)
- realised	(123,073)	85,697	378,743	(52,212)	483,143
Government grant income	-	-	(450,035)	-	(150,011)
Interest income	(35,161)	(44,894)	(146,456)	(10,274)	(50,961)

11. ACCOUNTANT'S REPORT (CONT'D)


SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

23. Taxation

	FYE 31 December			FPE 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
Tax expenses recognised in profit and loss					
Current tax provision					
- Malaysian tax	9,302	1,560	-	-	-
- Foreign tax	72,381	30,068	118,499	7,631	135,718
Under/(Over) provision in prior years	5,332	(5,984)	(324)	(324)	-
	<u>87,015</u>	<u>25,644</u>	<u>118,175</u>	<u>7,307</u>	<u>135,718</u>
Deferred tax					
Relating to origination/(reversal) temporary differences					
Under/(Over) provision in prior years	35,523	38,538	(32,898)	(32,898)	-
	<u>41,840</u>	<u>22,361</u>	<u>1,674</u>	<u>(104,597)</u>	<u>(66,472)</u>
Tax expense for the financial year/period	<u>128,855</u>	<u>48,005</u>	<u>119,849</u>	<u>(97,290)</u>	<u>69,246</u>

As at 30 April 2018, Malaysian income tax is calculated at the statutory tax rate of 24% (31.12.2017: 24%, 30.4.2017: 24%, 31.12.2016: 24%, 31.12.2015: 25%) of the estimated assessable profits for the financial year/period.

11. ACCOUNTANT'S REPORT (CONT'D)


SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)
23. **Taxation (Cont'd)**

A reconciliation of income tax expense applicable to profit/(loss) before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group are as follows:

	FYE 31 December			FPE 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
Profit/(Loss) before tax	3,055,942	4,386,146	6,202,159	(1,602,493)	(407,097)
At Malaysian statutory tax rate of 24% (31.12.2017: 24%, 30.4.2017: 24%, 31.12.2016: 24%, 31.12.2015: 24%)	763,986	1,052,675	1,488,518	(384,598)	(97,703)
Effect of different tax rate in other jurisdictions	(1,617)	(6,724)	(298,267)	(30,391)	7,467
Income not subject to tax	(116,640)	(90,440)	(159,706)	(5)	(132,533)
Expenses not deductible for tax purposes	155,636	143,000	224,052	57,793	33,437
Income exempted under pioneer status	(713,365)	(1,083,060)	(2,002,956)	-	-
Deferred tax assets not recognised	-	-	901,430	301,488	258,578
Under/(Over) provision in prior years					
- income tax	5,332	(5,984)	(324)	(324)	-
- deferred tax	35,523	38,538	(32,898)	(32,898)	-
Tax exemption incentive	-	-	-	(8,355)	-
Tax expense for the financial year/ period	128,855	48,005	119,849	(97,290)	69,246

11. ACCOUNTANT'S REPORT (CONT'D)


SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)
23. **Taxation (Cont'd)**

Securemetric Malaysia was awarded with the Multimedia Super Corridor ("MSC") status by the Government on 6 May 2008. Securemetric Malaysia has been granted MSC status by the Ministry of International Trade and Industry for services under Section 4A of the Promotion of Investment Act 1986 in which the statutory income are exempted from tax for a period of 5 years since 6 May 2008. The pioneer status has been extended for another 5 years on 6 May 2013, expiring on 5 May 2018.

24. **Earnings/(Loss) per share**

(a) Basic earnings/(loss) per share

The basic earnings/(loss) per share are calculated based on the consolidated profit for the financial year/period attributable to the owners of the parent and the weighted average number of ordinary shares in issue during the financial year/period as follows:

	FYE 31 December			FPE 30 April	
	2015	2016	2017	2017	2018
Profit attributable to owners of the parent (RM)	2,863,852	4,345,490	6,016,309	(1,511,113)	(489,693)
Weighted average number of ordinary shares in issue:					
Issued ordinary shares at 1 January	505,000	1,355,000	1,406,680	1,406,680	1,406,705
Effect of ordinary shares issued during the financial year/period	478,630	12,605	7	-	36,822
Weighted average number of ordinary shares at 31 December/30 April	983,630	1,367,605	1,406,687	1,406,680	1,443,527
Basic earnings/(loss) per ordinary share (RM)	2.91	3.18	4.28	(1.07)	(0.34)

11. ACCOUNTANT'S REPORT (CONT'D)


SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)
24. **Earnings/(Loss) per share (Cont'd)**

(b) Diluted earnings per share

The Group has no dilution in their earnings per ordinary share as there are no dilutive potential ordinary shares. There have been no other transactions involving ordinary shares or potential ordinary shares since the end of the financial year/period and before the authorisation of these combined financial statements.

25. **Dividends**

	FYE 31 December			FPE 30 April	
	2015	2016	2017	2017	2018
	RM	RM	RM	RM	RM
Dividends recognised as distribution to ordinary shareholders of the combining entities:					
<i>In respect of FYE</i>					
<i>31 December 2016:</i>					
A single tier interim dividend of RM1.00 per ordinary share on 29 November 2016	-	1,000,000	-	-	-
A single tier interim dividend of RM1.52 per ordinary share on 31 December 2016	-	1,520,000	-	-	-
	-	2,520,000	-	-	-

11. ACCOUNTANT'S REPORT (CONT'D)


SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

26. Staff Costs

	FYE 31 December			FPE 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
Salaries and other emoluments	3,234,581	4,459,380	6,288,552	1,789,980	2,501,849
Defined contribution plans	301,644	419,114	571,909	128,254	224,761
Social security contributions	27,735	45,604	62,662	8,376	17,069
Other benefits	114,860	133,353	123,204	18,181	111,202
	<u>3,678,820</u>	<u>5,057,451</u>	<u>7,046,327</u>	<u>1,944,791</u>	<u>2,854,881</u>

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

	FYE 31 December			FPE 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
Directors					
- Salaries and other emoluments	301,250	516,500	868,830	344,298	417,275
- Defined contribution plans	36,216	62,046	69,966	29,838	31,788
- Social security contributions	1,240	1,483	1,657	552	552
	<u>338,706</u>	<u>580,029</u>	<u>940,453</u>	<u>374,688</u>	<u>449,615</u>

11. ACCOUNTANT'S REPORT (CONT'D)


SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)
27. **Related Party Disclosures**

(a) Identifying related parties

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

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel comprise the Directors and management personnel of the Company, having authority and responsibility for planning, directing and controlling the activities of the Group entities directly or indirectly.

(b) Significant related party transactions

Other than related party balances disclosed elsewhere in the combined financial statements, the Group does not have any significant related party transactions during the financial year/period.

(c) Compensation of key management personnel

Remuneration of Directors and other members of key management are as follows:

	FYE 31 December			FPE 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
Salaries and other emoluments	813,021	1,229,330	2,167,474	863,505	907,415
Defined contribution plans	99,070	150,150	22,229	7,575	7,373
Social security contributions	3,357	4,450	11,202	3,773	3,840
Other benefits	10,868	20,275	29,647	9,616	46,028
	<u>926,316</u>	<u>1,404,205</u>	<u>2,230,552</u>	<u>884,469</u>	<u>964,656</u>



SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

28. Segment Information

The main business segments of the Group comprise the following:

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

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

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

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

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11. ACCOUNTANT'S REPORT (CONT'D)

SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

28. Segment Information (Cont'd)

	Digital security solutions RM	Electronic identification products RM	Others RM	Total segments RM	Adjustments and eliminations RM	Per combined financial statements RM
FYE 31 December 2015						
Revenue						
External customers	12,469,560	3,572,020	936,061	16,977,641	-	16,977,641
Inter-segment	2,332,838	514,721	55,558	2,903,117	(2,903,117)	-
Total revenue	14,802,398	4,086,741	991,619	19,880,758	(2,903,117)	16,977,641
FYE 31 December 2016						
Revenue						
External customers	18,837,870	4,335,521	1,579,582	24,752,973	-	24,752,973
Inter-segment	5,972,811	170,615	30,170	6,173,596	(6,173,596)	-
Total revenue	24,810,681	4,506,136	1,609,752	30,926,569	(6,173,596)	24,752,973

11. ACCOUNTANT'S REPORT (CONT'D)

SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

28. Segment Information (Cont'd)

	Digital security solutions RM	Electronic identification products RM	Others RM	Total segments RM	Adjustments and eliminations RM	Per combined financial statements RM
FYE 31 December 2017						
Revenue						
External customers	37,042,451	5,879,808	1,844,553	44,766,812	-	44,766,812
Inter-segment	3,380,676	527,792	224,748	4,133,216	(4,133,216)	-
Total revenue	40,423,127	6,407,600	2,069,301	48,900,028	(4,133,216)	44,766,812
FPE 30 April 2017						
Revenue						
External customers	4,530,717	1,624,888	173,213	6,328,818	-	6,328,818
Inter-segment	1,481,763	79,200	3,103	1,564,066	(1,564,066)	-
Total revenue	6,012,480	1,704,088	176,316	7,892,884	(1,564,066)	6,328,818

11. ACCOUNTANT'S REPORT (CONT'D)

SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

28. Segment Information (Cont'd)

	Digital security solutions RM	Electronic identification products RM	Others RM	Total segments RM	Adjustments and eliminations RM	Per combined financial statements RM
FPE 30 April 2018						
Revenue						
External customers	3,827,771	1,821,247	1,320,741	6,969,759	-	6,969,759
Inter-segment	392,912	27,156	88,102	508,170	(508,170)	-
Total revenue	4,220,683	1,848,403	1,408,843	7,477,929	(508,170)	6,969,759

11. ACCOUNTANT'S REPORT (CONT'D)


SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

28. Segment Information (Cont'd)

(a) Adjustments and eliminations

Inter-segment revenue are eliminated on consolidation.

(b) Other non-cash items consists of the following as presented in the respective notes to combined financial statements.

	FYE 31 December			FPE 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
Amortisation of development expenditure	-	-	483,403	-	161,134
Depreciation of property, plant and equipment	150,967	176,486	203,321	55,269	89,671
Impairment losses on available-for-sale financial asset	173,972	-	-	-	-
Inventories written off	-	2,972	74,557	-	-
Property, plant and equipment written off	-	-	11,012	-	-
(Gain)/Loss on disposal of property, plant and equipment	-	4,432	(749)	-	-
(Gain)/Loss on foreign exchange - unrealised	(201,228)	(5,857)	334,575	174,590	(199,479)
Government grant income	-	-	(450,035)	-	(150,011)
	<u>123,711</u>	<u>178,033</u>	<u>656,084</u>	<u>229,859</u>	<u>(98,685)</u>

11. ACCOUNTANT'S REPORT (CONT'D)


SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

28. Segment Information (Cont'd)

(c) Geographic information

Revenue information based on the geographical location of customers are as follows:

	FYE 31 December			FPE 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
<i>Revenue</i>					
Malaysia	4,343,142	4,106,752	5,443,342	1,600,939	1,016,916
Vietnam	2,824,635	6,704,894	22,086,259	1,833,416	860,461
Philippines	1,097,162	2,956,262	1,487,868	71,578	742,967
Indonesia	2,687,734	2,023,262	4,630,479	671,807	1,292,001
United States	1,066,070	2,701,678	2,932,523	1,098,735	1,062,252
Singapore	187,709	405,405	5,048,458	120,039	419,580
Canada	-	-	-	-	980,200
Others	4,771,189	5,854,720	3,137,883	932,304	595,382
	<u>16,977,641</u>	<u>24,752,973</u>	<u>44,766,812</u>	<u>6,328,818</u>	<u>6,969,759</u>

Non-current assets information based on the geographical location of the assets are as follows:

	At 31 December			FPE 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
<i>Non-current assets</i>					
Malaysia	1,594,434	2,646,737	2,403,090	2,635,092	2,208,625
Indonesia	134,932	131,389	161,039	188,937	140,365
Vietnam	-	11,220	82,372	8,333	66,087
Philippines	14,573	41,824	32,562	38,986	31,766
	<u>1,743,939</u>	<u>2,831,170</u>	<u>2,679,063</u>	<u>2,871,348</u>	<u>2,446,843</u>

Non-current assets for this purpose consist of property, plant and equipment and development expenditure.

11. ACCOUNTANT'S REPORT (CONT'D)


SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

28. Segment Information (Cont'd)

(d) Major customers

For FPE 30 April 2018, revenue from 2 (FYE 31 December 2017: 1, FPE 30 April 2017: 2, FYE 31 December 2016: 1, FYE 31 December 2015: Nil) major customers amounting to RM1,896,492 (FYE 31 December 2017: RM16,961,815, FPE 30 April 2017: RM1,925,364, FYE 31 December 2016: RM2,838,131, FYE 31 December 2015: RMNil), arose from digital security solutions segment.

Revenue from major customers with revenue equal or more than 10% of the Group's revenue are as follows:

	FYE 31 December			FPE 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
Customer A	*	*	*	*	*
Customer B	-	2,838,131	-	*	*
Customer C	-	-	16,961,815	-	-
Customer D	-	-	-	1,008,084	952,692
Customer E	-	-	-	917,280	943,800
	-	2,838,131	16,961,815	1,008,084	952,692

* revenue contribution less than 10% of the Group's revenue.

29. Financial instruments

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 2 to the financial statements describe how the classes of the financial instruments are measured and how income and expenses including fair values gain or loss are recognised.

11. ACCOUNTANT'S REPORT (CONT'D)


SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)
29. **Financial instruments (Cont'd)**(a) **Classification of financial instruments (Cont'd)**

The following table analyses the financial assets and liabilities in the combined statements of financial position by the class of financial instruments to which they are assigned and therefore by the measurement basis:

	Available- for-sale RM	Loans and receivables RM	Financial liabilities at amortised cost RM	Total RM
31 December 2015				
Financial assets				
Other investment	64,538	-	-	64,538
Trade receivables	-	4,165,658	-	4,165,658
Other receivables	-	2,274,848	-	2,274,848
Fixed deposits with licensed banks	-	983,954	-	983,954
Cash and bank balances	-	2,798,996	-	2,798,996
	<u>64,538</u>	<u>10,223,456</u>	<u>-</u>	<u>10,287,994</u>
Financial liabilities				
Trade payables	-	-	1,474,962	1,474,962
Other payables	-	-	821,272	821,272
Finance lease payables	-	-	27,455	27,455
Bank borrowings	-	-	23,194	23,194
	<u>-</u>	<u>-</u>	<u>2,346,883</u>	<u>2,346,883</u>
31 December 2016				
Financial Assets				
Other investment	115,046	-	-	115,046
Trade receivables	-	8,528,162	-	8,528,162
Other receivables	-	1,228,896	-	1,228,896
Fixed deposits with licensed banks	-	154,416	-	154,416
Cash and bank balances	-	7,243,757	-	7,243,757
	<u>115,046</u>	<u>17,155,231</u>	<u>-</u>	<u>17,270,277</u>

11. ACCOUNTANT'S REPORT (CONT'D)


SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)
29. **Financial instruments (Cont'd)**

(a) Classification of financial instruments (Cont'd)

	Available- for-sale RM	Loans and receivables RM	Financial liabilities at amortised cost RM	Total RM
31 December 2016				
Financial Liabilities				
Trade payables	-	-	2,315,535	2,315,535
Other payables	-	-	2,351,195	2,351,195
Finance lease payables	-	-	12,172	12,172
Bank borrowings	-	-	2,000,000	2,000,000
	-	-	<u>6,678,902</u>	<u>6,678,902</u>
31 December 2017				
Financial assets				
Other investment	251,137	-	-	251,137
Trade receivables	-	15,230,910	-	15,230,910
Other receivables	-	615,799	-	615,799
Fixed deposits with licensed banks	-	2,740,295	-	2,740,295
Cash and bank balances	-	14,509,982	-	14,509,982
	<u>251,137</u>	<u>33,096,986</u>	-	<u>33,348,123</u>
Financial liabilities				
Trade payables	-	-	8,198,005	8,198,005
Other payables	-	-	4,323,998	4,323,998
Bank borrowings	-	-	2,547,799	2,547,799
	-	-	<u>15,069,802</u>	<u>15,069,802</u>

11. ACCOUNTANT'S REPORT (CONT'D)


SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)
29. **Financial instruments (Cont'd)**(a) **Classification of financial instruments (Cont'd)**

	Available- for-sale RM	Loans and receivables RM	Financial liabilities at amortised cost RM	Total RM
30 April 2017				
Financial assets				
Other investment	119,255	-	-	119,255
Trade receivables	-	2,621,802	-	2,621,802
Other receivables	-	1,586,610	-	1,586,610
Fixed deposits with licensed banks	-	4,197,784	-	4,197,784
Cash and bank balances	-	6,290,641	-	6,290,641
	<u>119,255</u>	<u>14,696,837</u>	<u>-</u>	<u>14,816,092</u>
Financial liabilities				
Trade payables	-	-	1,461,657	1,461,657
Other payables	-	-	1,783,417	1,783,417
Finance lease payables	-	-	6,842	6,842
Bank borrowings	-	-	2,868,341	2,868,341
	<u>-</u>	<u>-</u>	<u>6,120,257</u>	<u>6,120,257</u>

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11. ACCOUNTANT'S REPORT (CONT'D)

SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

29. Financial instruments (Cont'd)

(a) Classification of financial instruments (Cont'd)

	Financial asset at FVOCI RM	Financial asset at FVTPL RM	Financial assets at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
30 April 2018					
Financial assets					
Other investments	233,459	1,000,387	-	-	1,233,846
Trade receivables	-	-	4,841,185	-	4,841,185
Other receivables	-	-	627,008	-	627,008
Fixed deposits with licensed banks	-	-	4,896,448	-	4,896,448
Cash and bank balances	-	-	9,826,745	-	9,826,745
	<u>233,459</u>	<u>1,000,387</u>	<u>20,191,386</u>	<u>-</u>	<u>21,425,232</u>
Financial liabilities					
Trade payables	-	-	-	750,834	750,834
Other payables	-	-	-	1,671,303	1,671,303
Bank borrowings	-	-	-	2,368,579	2,368,579
	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,790,716</u>	<u>4,790,716</u>



SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

29. **Financial instruments (Cont'd)**

(b) **Financial risk management objective and policies**

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its credit, liquidity, foreign currency, interest rate and market price risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

The following sections provide details regarding the Group's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

(i) **Credit risk**

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

The Group has adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposit with banks and financial institutions with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

The carrying amounts of the financial assets recorded on the combined statements of financial position at the end of the reporting period represent the Group's maximum exposure to credit risk.

The Group has no significant concentration to credit risk except as disclosed in Note 8 to the combined financial statements.

(ii) **Liquidity risk**

Liquidity risk refers to the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's funding requirements and liquidity risk is managed with the objective of meeting business obligations on a timely basis. The Group finances its liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

11. ACCOUNTANT'S REPORT (CONT'D)

SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

29. Financial instruments (Cont'd)

- (b) Financial risk management objective and policies (Cont'd)
- (ii) Liquidity risk (Cont'd)

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

	On demand or within				Total contractual cash flows	Carrying amount
	1 year	1 to 2 years	2 to 5 years			
	RM	RM	RM	RM	RM	RM
31 December 2015						
Non-derivative financial liabilities						
Trade payables	1,474,962	-	-	1,474,962	1,474,962	
Other payables	821,272	-	-	821,272	821,272	
Finance lease payables	16,716	12,519	-	29,235	27,455	
Bank borrowings	23,360	-	-	23,360	23,194	
	2,336,310	12,519	-	2,348,829	2,346,883	

11. ACCOUNTANT'S REPORT (CONT'D)

SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

29. Financial instruments (Cont'd)

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

(ii) Liquidity risk (Cont'd)

	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years RM	Total contractual cash flows RM	Carrying amount RM
31 December 2016					
Non-derivative financial liabilities					
Trade payables	2,315,535	-	-	2,315,535	2,315,535
Other payables	2,351,195	-	-	2,351,195	2,351,195
Finance lease payables	12,519	-	-	12,519	12,172
Bank borrowings	496,308	496,308	1,406,156	2,398,772	2,000,000
	5,175,557	496,308	1,406,156	7,078,021	6,678,902

11. ACCOUNTANT'S REPORT (CONT'D)

SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

29. **Financial instruments (Cont'd)**
- (b) Financial risk management objective and policies (Cont'd)
- (ii) Liquidity risk (Cont'd)

	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years RM	Total contractual cash flows RM	Carrying amount RM
31 December 2017					
Non-derivative financial liabilities					
Trade payables	8,198,005	-	-	8,198,005	8,198,005
Other payables	4,323,998	-	-	4,323,998	4,323,998
Bank borrowings	761,042	761,460	1,534,211	3,056,713	2,547,799
	13,283,045	761,460	1,534,211	15,578,716	15,069,802

11. ACCOUNTANT'S REPORT (CONT'D)

SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

29. Financial instruments (Cont'd)
- (b) Financial risk management objective and policies (Cont'd)
- (ii) Liquidity risk (Cont'd)

	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years RM	Total contractual cash flows RM	Carrying amount RM
30 April 2017					
Non-derivative financial liabilities					
Trade payables	1,461,657	-	-	1,461,657	1,461,657
Other payables	1,783,417	-	-	1,783,417	1,783,417
Finance lease payables	6,947	-	-	6,947	6,842
Bank borrowings	759,094	761,460	2,003,985	3,524,539	2,868,341
	4,011,115	761,460	2,003,985	6,776,560	6,120,257

11. ACCOUNTANT'S REPORT (CONT'D)

SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

29. Financial instruments (Cont'd)

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

(ii) Liquidity risk (Cont'd)

	On demand or within			2 to 5 years RM	Total contractual cash flows RM	Carrying amount RM
	1 year RM	1 to 2 years RM				
30 April 2018						
Non-derivative financial liabilities						
Trade payables	750,834	-	-	750,834	750,834	
Other payables	1,671,303	-	-	1,671,303	1,671,303	
Bank borrowings	761,460	761,460	1,280,175	2,803,095	2,368,579	
	3,183,597	761,460	1,280,175	5,225,232	4,790,716	

11. ACCOUNTANT'S REPORT (CONT'D)


SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)
29. **Financial instruments (Cont'd)**(b) **Financial risk management objective and policies (Cont'd)**(iii) **Market risks**Foreign currency risk

The Group is exposed to foreign currency risk on transactions that are denominated in currencies other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily Singapore Dollar (SGD), United States Dollar (USD), Euro (EUR) and Canadian Dollar (CAD).

The Group has not entered into any derivative instruments for hedging or trading purposes. Where possible, the Group will apply natural hedging by selling and purchasing in the same currency. However, the exposure to foreign currency risk is monitored from time to time by management.

The carrying amounts of the Group's foreign currency denominated financial assets and financial liabilities at the end of the reporting period are as follows:

	SGD RM	USD RM	EUR RM	CD RM	Total RM
31 December 2015					
Trade receivables	-	1,562,323	1,403	-	1,563,726
Cash and bank balances	2,142	835,394	-	-	837,536
Trade payables	-	(981,912)	-	-	(981,912)
	<u>2,142</u>	<u>1,415,805</u>	<u>1,403</u>	<u>-</u>	<u>1,419,350</u>
31 December 2016					
Trade receivables	-	3,069,391	84,915	-	3,154,306
Cash and bank balances	2,185	2,198,760	7,298	-	2,208,243
Trade payables	-	(1,554,402)	-	-	(1,554,402)
	<u>2,185</u>	<u>3,713,749</u>	<u>92,213</u>	<u>-</u>	<u>3,808,147</u>

11. ACCOUNTANT'S REPORT (CONT'D)


SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

29. Financial instruments (Cont'd)

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

(iii) Market risks (Cont'd)

Foreign currency risk (Cont'd)

	SGD RM	USD RM	EUR RM	CAD RM	Total RM
31 December 2017					
Trade receivables	-	12,059,474	98,008	-	12,157,482
Cash and bank balances	2,135	3,832,759	21,968	-	3,856,862
Trade payables	-	(7,532,412)	-	-	(7,532,412)
Other payables	-	(2,302,020)	-	(323,000)	(2,625,020)
	<u>2,135</u>	<u>6,057,801</u>	<u>119,976</u>	<u>(323,000)</u>	<u>5,856,912</u>
30 April 2017					
Trade receivables	-	529,115	84,915	-	614,030
Cash and bank balances	2,199	2,156,685	21,346	-	2,180,230
Trade payables	-	(1,142,336)	-	-	(1,142,336)
	<u>2,199</u>	<u>1,543,464</u>	<u>106,261</u>	<u>-</u>	<u>1,651,924</u>
30 April 2018					
Trade receivables	-	1,515,602	95,987	-	1,611,589
Cash and bank balances	2,086	5,411,619	130,542	-	5,544,247
Trade payables	-	(638,793)	(28,500)	-	(667,293)
	<u>2,086</u>	<u>6,288,428</u>	<u>198,029</u>	<u>-</u>	<u>6,488,543</u>

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11. ACCOUNTANT'S REPORT (CONT'D)


SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)
29. **Financial instruments (Cont'd)**(b) **Financial risk management objective and policies (Cont'd)**(iii) **Market risks (Cont'd)**Foreign currency risk (Cont'd)Foreign currency sensitivity analysis

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

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

	Change in currency rate	FYE 31 December			FPE 30 April	
		2015 Effect on profit before tax RM	2016 Effect on profit before tax RM	2017 Effect on profit before tax RM	2017 Effect on profit before tax RM	2018 Effect on profit before tax RM
SGD	Strengthen 10%	214	219	214	220	209
	Weaken 10%	(214)	(219)	(214)	(220)	(209)
USD	Strengthen 10%	141,581	371,375	605,780	154,346	628,843
	Weaken 10%	(141,581)	(371,375)	(605,780)	(154,346)	(628,843)
EUR	Strengthen 10%	140	9,221	11,998	10,626	19,803
	Weaken 10%	(140)	(9,221)	(11,998)	(10,626)	(19,803)
CAD	Strengthen 10%	-	-	(32,300)	-	-
	Weaken 10%	-	-	32,300	-	-

11. ACCOUNTANT'S REPORT (CONT'D)


SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)
29. **Financial instruments (Cont'd)**(b) **Financial risk management objective and policies (Cont'd)**(iii) **Market risks (Cont'd)**Interest rate risk

The Group's fixed rate deposits placed with licensed banks are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

The Group manages the interest rate risk of its deposits with licensed financial institutions and banks by placing them at the most competitive interest rates obtainable, which yield better returns than cash at bank and maintaining a prudent mix of short and long term deposits.

The Group manages its interest rate risk exposure from interest bearing borrowings by obtaining financing with the most favourable interest rates in the market. The Group constantly monitors its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained. The Group does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

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

	At 31 December			At 30 April	
	2015	2016	2017	2017	2018
	RM	RM	RM	RM	RM
Fixed rate instruments					
Financial assets	983,954	154,416	2,740,295	4,197,784	4,896,448
Financial liabilities	(27,455)	(12,172)	-	(6,842)	-
	<u>956,499</u>	<u>142,244</u>	<u>2,740,295</u>	<u>4,190,942</u>	<u>4,896,448</u>
Floating rate instruments					
Financial liabilities	(23,194)	(2,000,000)	(2,547,799)	(2,868,341)	(2,368,579)



SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

29. **Financial instruments (Cont'd)**

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

(iii) Market risks (Cont'd)

Interest rate risk (Cont'd)

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for floating rate instruments

A change in 1% interest rate at the end of the reporting period would have increased / (decreased) the Group's profit before tax by RM23,686 (FYE 31 December 2017: RM25,478, FPE 30 April 2017: RM28,683, FYE 31 December 2016: RM20,000, FYE 31 December 2015: RM232) respectively, arising mainly as a result of lower / higher interest expense on floating rate loans and borrowings. This analysis assumes that all other variables remain constant. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(iv) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group is exposed to equity price risk arising from its investment in quoted instruments. These investments are listed on Bursa Malaysia and are classified as available-for-sale financial assets as at 31 December 2015, 31 December 2016, 30 April 2017 and 31 December 2017 and financial asset at fair value through other comprehensive income as at 30 April 2018.

11. ACCOUNTANT'S REPORT (CONT'D)



**SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)**

29. Financial instruments (Cont'd)

(c) Fair value of financial instruments

The carrying amounts of short term receivables and payables, cash and cash equivalents and short term loans and borrowings approximate their fair value due to the relatively short term nature of these financial instruments and insignificant impact of discounting.

The carrying amount of long term floating rate loans approximate their fair value as the loans will be re-priced to market interest rate on or near reporting date.

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

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11. ACCOUNTANT'S REPORT (CONT'D)

SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

29. Financial instruments (Cont'd)

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

	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total fair value	Carrying amount
	Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM		
31 December 2015								
Financial asset								
Quoted shares	64,538	-	-	-	-	-	64,538	64,538
Financial liability								
Finance lease payables (Non-current)	-	-	-	-	12,061	-	12,061	12,172
31 December 2016								
Financial asset								
Quoted shares	115,046	-	-	-	-	-	115,046	115,046

11. ACCOUNTANT'S REPORT (CONT'D)

SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

29. Financial instruments (Cont'd)

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

	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total fair value	Carrying amount
	Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM		
31 December 2017								
Financial asset								
Quoted shares	251,137	-	-	-	-	-	251,137	251,137
30 April 2017								
Financial asset								
Quoted shares	119,255	-	-	-	-	-	119,255	119,255
30 April 2018								
Financial assets								
Quoted shares	233,459	-	-	-	-	-	233,459	233,459
Unit trust	1,000,387	-	-	-	-	-	1,000,387	1,000,387



SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

29. Financial instruments (Cont'd)

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

(i) Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between levels during current and previous financial years.

(ii) Level 1 fair value

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

(iii) Level 2 fair value

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

Non-derivative financial instruments

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

(iv) Level 3 fair value

Level 3 fair values for the financial assets and liabilities are estimated using unobservable inputs.

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11. ACCOUNTANT'S REPORT (CONT'D)


SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)
30. **Operating lease commitment**

The future minimum lease payment payable under non-cancellable operating lease are:

	At 31 December			At 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
Within one year	207,000	69,000	222,263	272,575	267,011
Later than one year but not later than two years	69,000	-	69,000	354,012	55,010
	<u>276,000</u>	<u>69,000</u>	<u>291,263</u>	<u>626,587</u>	<u>322,021</u>

31. **Contingent liabilities**

	At 31 December			At 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
Unsecured					
Performance guarantee extended to third parties in respect of a contract entered into by the Group	-	-	2,424,726	2,424,726	-
	<u>-</u>	<u>-</u>	<u>2,424,726</u>	<u>2,424,726</u>	<u>-</u>

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11. ACCOUNTANT'S REPORT (CONT'D)


SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)
32. **Reconciliation of Liabilities Arising from Financing Activities**

The table below detailed changes in the liabilities of the Group arising from financing activities:

	Note	At 1 January 2017 RM	Financing cash flows (i) RM	At 31 December 2017 RM
31 December 2017				
Finance lease payables	15	2,000,000	547,799	2,547,799
Term loans	16	12,172	(12,172)	-
	Note	At 1 January 2018 RM	Financing cash flows (i) RM	At 30 April 2018 RM
30 April 2018				
Term loans	16	2,547,799	(179,220)	2,368,579

(i) The cash flows from loans and borrowings make up of the net amount of proceeds from or repayment of loans and borrowings in the combined statements of cash flows.

33. **Capital commitments**

The Company does not have any capital commitments as at 31 December 2015, 31 December 2016, 31 December 2017, 30 April 2017 and 30 April 2018.

34. **Capital management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

11. ACCOUNTANT'S REPORT (CONT'D)


SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)
34. **Capital management (Cont'd)**

The Group monitors capital using a gearing ratio. The Group's policy is to maintain a prudent level of gearing ratio that complies with debt covenants and regulatory requirements. The gearing ratios at the end of the reporting period are as follows:

	At 31 December			At 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
Finance lease liabilities	27,455	12,172	-	6,842	-
Bank borrowings	23,194	2,000,000	2,547,799	2,868,341	2,368,579
Total debts	50,649	2,012,172	2,547,799	2,875,183	2,368,579
Total equity	11,190,147	13,728,329	19,546,845	12,245,061	19,048,747
Gearing ratio	*	0.15	0.13	0.23	0.12

* *Negligible*

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

35. **Subsequent event**

There is no subsequent event as at the date this report.

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12. STATUTORY AND OTHER GENERAL INFORMATION

12.1 Share capital

- (i) No securities will be allotted or issued or offered on the basis of this Prospectus later than six months after the date of the issue of this Prospectus.
- (ii) As at the LPD, our Company has one class of shares, namely ordinary shares, all of which rank *pari passu* with one another.
- (iii) As at the date of this Prospectus, none of the share capital of our Company or its subsidiaries is under option, or agreed conditionally or unconditionally to be put under option.
- (iv) Save for the Issue Shares reserved for our eligible employees as disclosed in **Section 3.4.1(iii)** of this Prospectus:
 - (a) none of our Group's Director or employee has been or is entitled to be given or has exercised any option to purchase or subscribe for any shares, stocks or debentures of our Company or its subsidiaries; and
 - (b) there is currently no other scheme involving our Directors or employees in the capital of our Company or its subsidiaries.
- (v) Neither our Company nor any of its subsidiaries has any outstanding convertible debt security as at the LPD.
- (vi) Except as disclosed in this Prospectus, and save as provided under our Company's Constitution and the Act, there are no limitations on the right to own securities, including limitations on the right of non-residents or foreign shareholders to hold or exercise their voting rights on our Shares.

12.2 Extracts of our Constitution

The following is extracted from our Company's Constitution and is qualified in its entirety by the remainder of the provisions of our Company's Constitution and by applicable law.

12.2.1 Classes of Shares**“7. Authority of Directors to allot shares**

Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, and subject to the provisions of this Constitution and the Act and the Central Depositories Act and to the provisions of any resolution of the Company, shares in the Company may be issued by the Directors, who may allot or otherwise dispose of such shares to such persons on such terms and conditions with such (whether in regard to dividend, voting or return of capital) preferred, deferred or other special rights and either at a premium or otherwise, and subject to such restrictions and at such time or times as the Directors may think fit but the Directors in making any issue of shares shall comply with the following conditions:

- (1) no issue of shares shall be made which will have the effect of transferring a controlling interest in the Company to any person, company or syndicate without the prior approval of the Members in general meeting;
- (2) in the case of shares, other than ordinary shares, no special rights shall be attached until the same have been expressed in this Constitution or in the resolution creating the same;
- (3) every issue of shares or options to employees and/or Directors shall be approved by the Members in general meeting and:

12. STATUTORY AND OTHER GENERAL INFORMATION (CONT'D)

- (a) Such approval shall specifically detail the amount of shares of options to be issued to such employees and/or Directors; and
- (b) A Director not holding office in an executive capacity may so participate in an issue of shares pursuant to a public offer or a public issue;
- (4) in the case of shares offered to the public for subscription the amount payable on application on each share shall not be less than five per centum (5%) of the issued price;
- (5) the Company must ensure that all new issue of shares for which listing is sought shall be made by way of crediting the Securities Accounts of the allottees or entitled persons in the Depository with such securities save and except where the Company is specifically exempted from doing so. The Company shall notify the Depository of the names of the allottees or the entitled persons together with all such particulars as may be required by the Depository to enable it to make the appropriate entries in the Securities Accounts of such allottees or entitled persons;
- (6) the Company must allot and issue Securities, despatch notices of allotment to the allottees and make an application for the quotation of such securities which such periods as may be prescribed by the Exchange.”

“8. Issuance of Preference Shares

Subject to the Act, any preference shares may be issued on the terms that they are, or at the option of the Company are liable, to be redeemed provided that:

- (1) Preference shareholders shall have the same rights as ordinary shareholders as regards the receiving of notices, reports and financial statements and the attending of general meetings of the Company. Preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital or winding up or sanctioning a sale of the whole of the Company’s property, business or undertaking or where the proposition to be submitted to the meeting directly affects their rights and privileges or when the dividend or part of the dividend on the preference shares is in arrears for more than six (6) months or during the winding up of the Company. On a resolution to be decided on a show of hands, a holder of preference shares who is personally present and entitled to vote shall be entitled to one (1) vote.
- (2) The holder of a preference shares shall be entitled to a return of capital in preference to holders of ordinary shares when the Company is wound up; and
- (3) The Company shall not, without the consent of the existing preference shareholders at a class meeting or pursuant to clause 19 hereof, issue further preference capital ranking in priority above preference shares already issued but may issue preference shares ranking equally therewith.”

12. STATUTORY AND OTHER GENERAL INFORMATION (CONT'D)**12.2.2 Variation of rights****“19. Repayment of Preference Capital**

Notwithstanding Clause 20 hereof, the repayment of preference shares other than redeemable preference shares, or any alteration of preference shareholders rights may only be made pursuant to a special resolution of the preference shareholders concerned PROVIDED ALWAYS that where the necessary majority for such a special resolution is not obtained at the meeting, consent in writing, if obtained from the holders of three-fourths (3/4) of the preference shares concerned within two (2) months of the meeting, shall be as valid and effectual as a special resolution carried at the meeting.”

“20. Alteration of class rights

Whenever the capital of the Company is divided into different classes of shares or groups the special rights attached to any class or group may subject to the provisions of this Constitution (unless otherwise provided by the terms of issue of the shares of the class), either with the consent in writing of the holders of three-quarters (3/4) of the issued shares of the class or group, or with the sanction of any Special Resolution passed at a separate general meeting of such holders (but not otherwise), be modified or abrogated, and may be so modified or abrogated either whilst the Company is a going concern or during or in contemplation of a winding up, and such writing or resolution shall be binding upon all the holders of shares of the class. To every such separate general meeting all the provisions of this Constitution relating to general meetings or to the proceedings thereat shall, mutatis mutandis, apply, except that the necessary quorum shall be two persons at least holding or representing by proxy one-third (1/3) in nominal amount of the issued shares of the class or group (but so that if an adjourned meeting of such holders a quorum as above defined is not present those Members who are present shall be a quorum), that any holder of shares in the class present in person or by proxy may demand a poll and that the holders of shares of the class or group shall, on a poll, have one vote in respect of every share of the class or group held by them respectively. To every such special resolution, the provisions of Section 292 of the Act, shall, with such adaptations as are necessary, apply.”

“21. Ranking of class rights

The rights conferred upon the holders of the shares of any class with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or in all respects *pari passu* therewith.”

12.2.3 Increase of capital**“53. Increase of share capital**

The Company may from time to time, whether all the shares for the time being issued shall have been fully paid up or not, by ordinary resolution passed at the general meeting increase its share capital, such new capital to be of such amount and to be divided into shares of such rights to or be subject to such conditions or restriction in regard to dividend, return of capital or otherwise as the Company by the resolution authorising such increase directs, and if no direction to be given, as the Directors shall determine and in particular, but without prejudice to the rights attached to any preference shares that may have been issued, such new shares may be issued with a preferential or qualified right to dividends, and in the distribution of the assets of the Company and with a special or restricted or without any right of voting.”

12. STATUTORY AND OTHER GENERAL INFORMATION (CONT'D)**“54. Issue of new shares to existing members**

Subject to any direction to the contrary that may be given by the Company in general meeting any shares or securities from time to time to be created shall before they are issued be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled. The offer shall be made by notice specifying the number of shares or securities offered and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered the Directors may dispose of those shares or securities in such manner as they think most beneficial to the Company. The Directors may in like manner dispose of any such new shares or securities as aforesaid which, by reason of the ratio borne by them to the number of shares or securities held by persons entitled to such offer of new shares or securities cannot, in the opinion of the Directors be conveniently offered in the manner herein provided.”

“55. New Capital to be considered as part of the current share capital of the Company

Except so far as otherwise provided by the conditions of issues, any capital raised by the creation of new shares shall be considered as part of the original share capital of the Company, and shall be subject to the same provisions with reference to the payment of calls, lien, transfer, transaction, forfeiture and otherwise as the original share capital and shall also be subject to the Rules.”

12.2.4 Alteration of capital**“56. Alteration of capital**

(1) The Company may by special resolution:

- (i) consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived; or
- (ii) convert all or any of its paid-up shares into stock and may reconvert that stock into paid-up shares;
- (iii) subdivide its shares or any of the shares, whatever is in the subdivision, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived.

(2) The Company may, subject to the provision of the Act, by Special Resolution reduce its share capital.”

12. STATUTORY AND OTHER GENERAL INFORMATION (CONT'D)

12.2.5 Remuneration of Directors

“107. Remuneration

The fees and any benefits payable to the Directors shall be such fixed sum as shall from time to time be determined by an ordinary resolution of the Company and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree, or, failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such fees are payable shall be entitled only to rank in such division for a proportion of the fees related to the period during which he has held office provided Always that:

- (1) fees payable to non-executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover;
- (2) salaries payable to executive Directors may not include a commission on or percentage of turnover;
- (3) fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting; and
- (4) any fee paid to an Alternate Director shall be agreed upon between himself and the Director nominating him and shall be paid out of the remuneration of the latter.”

“108. Reimbursement and special remuneration

- (1) The Directors shall be entitled to be reimbursed for all travelling or such other reasonable expenses as may be incurred in attending and returning from meetings of the Directors or of any committee of the Directors or general meetings or otherwise howsoever in or about the business of the Company in the course of the performance of their duties as Directors.
- (2) If by arrangement with the Directors, any Director shall perform or render any special duties or service's outside his ordinary duties as a Director in particular without limiting to the generality of the foregoing if any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Directors may pay him special remuneration, in addition to his Director's fees, and such special remuneration may be by way of a fixed sum, or otherwise as may be arranged.”

“142. Remuneration of Managing Director and Executive Director

The remuneration of the Managing Director and/or Executive Directors may be by way of salary or commission or participation in profits or otherwise or by any or all of these modes but such remuneration shall not include a commission on or percentage of turnover.”

12. STATUTORY AND OTHER GENERAL INFORMATION (CONT'D)

12.2.6 Transfer of securities**“44. Transfer of securities**

The transfer of any Listed Security or class of Listed Security in the Company shall be by way of book entry by the Depository in accordance with Rules of the Depository and notwithstanding Sections 105, 106 and 110 of the Act the Company shall be precluded from registering and affecting any transfer of the listed security.”

“45. Transferor’s Right

The instrument of transfer of any share shall be executed by or on behalf of the transferor, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Record of Depositors in respect thereof.”

“47. Transmission of Shares

Where:

- (a) the securities of the Company are listed on another Exchange; and
- (b) the Company is exempted from compliance with Section 14 of the Central Depositories Act or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, as the case may be, under the rules of the Depository in respect of such securities,

the Company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the registrar of the company in the jurisdiction of the other Exchange, to the register of holders maintained by the registrar of the company in Malaysia and vice versa provided that there shall be no change in the ownership of such securities.”

“48. Death of holder of shares

In the event of the death or bankruptcy of a Member any person becoming entitled as a result thereof may transfer or be registered as the owner of the shares held by that Member before his death or bankruptcy or otherwise deal with the said shares in the manner allowed by law and in accordance with the Rules. The person so entitled shall notify the Depository accordingly in writing of his election whether to have the shares of the deceased or bankrupt Member to be registered under his name or otherwise to be transferred to another person and shall comply with the Rules affecting the registration and transfer of the said shares, as the case may be.”

“50. Stock may be transferred

When any shares have been converted into stock, the several holders of such stock may transfer their respective interests therein, or any part of such interest, in such manner as the Company in general meeting shall direct, but in default of any such direction in the same manner and subject to the same regulations as and subject to which the shares from which the stock arose might previously to conversion have been transferred, or as near thereto as circumstances will admit. But the Directors may, if they think fit, from time to time fix the minimum amount of stock transferable, and restrict or forbid the transfer of fractions of that minimum, provided that such minimum shall not exceed the nominal amount of the shares from which the stock arose.”

12. STATUTORY AND OTHER GENERAL INFORMATION (CONT'D)**12.2.7 Voting and borrowing powers of Directors****“112. Directors’ borrowing powers**

- (1) The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertakings, property and uncalled capital, or any part thereof, and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Company or of any related third party Provided Always that nothing contained in this Constitution shall authorise the Directors to borrow any money or mortgage or charge any of the Company's undertaking, property or any uncalled capital or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party.
- (2) The Directors shall cause a proper register to be kept in accordance with Section 60 of the Act of all mortgages and charges specifically affecting the property of the Company and shall duly comply with the requirements of the Act in regard to the registration of mortgages and charges therein specified or otherwise.
- (3) If the Directors or any of them, or any other person, shall become personally liable for the payment of any sum primarily due from the Company, the Directors may execute or cause to be executed any mortgage, charge or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Directors or persons so becoming liable as aforesaid from any loss in respect of such liability.”

“128. Declaration of Interest and restriction of voting

A Director who is in any way, whether directly or indirectly interested in a contract or proposed contract or arrangement with the Company, shall declare the nature of his interest in accordance with the provisions of the Act. A Director shall not vote in respect of any contract or proposed contract or arrangement in which he has directly or indirectly, a personal interest and if he should do so, his vote should not be counted, but this prohibition shall not apply to:

- (a) any arrangement for giving any Director any security or indemnity in respect of money lent by him or obligations undertaken by him for the benefit of the Company or any of its subsidiaries; or
- (b) any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of a security.”

12. STATUTORY AND OTHER GENERAL INFORMATION (CONT'D)

12.2.8 Limitation on the right to hold securities and/or exercise voting rights**“46. Person under disability**

No share shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind.”

“85(1) Vote of members of unsound mind

Any member being of unsound mind or whose person or estate is liable to be dealt with in any way under the law relating to mental disorder "may vote, whether on a show of hands or on a poll, by his committee, receiver, curator bonis, or other legal guardian or such other person who has been properly appointed to manage his estate. Any one of such committee or other person may vote either by proxy or by attorney provided such evidence as the Directors may require of the authority of the person claiming to vote shall have been deposited at the Office not less than 48 hours before the time appointed for holding the meeting.”

“86. Members in default

No member shall be entitled to be present or to vote at any general meeting or to exercise any privilege as a member nor be counted as one of the quorum unless all calls or other sums immediately payable by him in respect of shares in the Company have been paid.”

“87. Time for objection of any voter’s qualification

No objection shall be raised in respect of the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the Chairman of the meeting, whose decision shall be final and conclusive.”

12.3 Promoters, substantial shareholders and Directors

- (i) The names, addresses and occupations of our Directors are set out in **Section 1** of this Prospectus.
- (ii) Save as disclosed in **Sections 7.3.5 and 7.7** of this Prospectus, no amount or benefits have been paid or intended to be paid or given to our Promoters, substantial shareholders and Directors within two years preceding the date of this Prospectus.
- (iii) Save as disclosed in **Section 12.4** of this Prospectus, none of our Directors or substantial shareholders have any interest in any contract or subsisting arrangement which is significant in relation to the business of our Group taken as a whole, as at the date of this Prospectus.
- (iv) Save for our Promoters and substantial shareholders as disclosed in **Section 7.1** of this Prospectus, there are no other persons who are able to, directly or indirectly, jointly or severally, exercise control over our Company.
- (v) Save for the risk factors and financial information highlighted in **Section 4** and **Section 10** respectively of this Prospectus, none of our Directors are aware of any material information including trading factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect our profits.

12. STATUTORY AND OTHER GENERAL INFORMATION (CONT'D)**12.4 Material contracts**

Save as disclosed below, our Company and its subsidiaries have not entered into any material contract which is not in the ordinary course of our Group's business with parties outside of our Group within a period of two years preceding the LPD:

- (i) On 22 March 2017, Securemetric Malaysia entered into a tenancy agreement with Technology Park Malaysia Corporation Sdn Bhd (Company No. 377141-T) for the rental of demised premises with the address at Lot L5-E-6, Enterprise 4, Technology Park Malaysia, Lebuhraya Puchong-Sg Besi, Bukit Jalil, 57000 Kuala Lumpur, Malaysia for a term of two years from 1 May 2017 to 30 April 2019 at a monthly rental of RM18,285.
- (ii) On 2 February 2018, Securemetric entered into a conditional share sale and purchase agreement (as supplemented by the supplemental agreement dated 19 July 2018) with Law Seeh Key and Nioo Yu Siong whereby Securemetric has agreed to purchase from Law Seeh Key and Nioo Yu Siong 1,000,000 ordinary shares representing 100% of the total issued shares of Securemetric Malaysia for the total consideration of RM9,916,998. Securemetric shall satisfy the purchase consideration by issuing 110,326,603 new ordinary shares to Law Seeh Key and 13,635,872 new ordinary shares to Nioo Yu Siong. The conditional share sale and purchase agreement has been completed on 31 July 2018.
- (iii) On 2 February 2018, Securemetric entered into a conditional share sale and purchase agreement (as supplemented by the supplemental agreement dated 19 July 2018) with Law Seeh Key and Nioo Yu Siong whereby Securemetric has agreed to purchase from Law Seeh Key and Nioo Yu Siong 99,997 ordinary shares representing 99.997% of the total issued and paid-up share capital of Securemetric Philippines for the total consideration of RM681,000. Securemetric shall satisfy the purchase consideration by issuing 1,028,852 new ordinary shares to Law Seeh Key and 7,483,648 new ordinary shares to Nioo Yu Siong. The conditional share sale and purchase agreement has been completed on 4 September 2018.
- (iv) On 2 February 2018, Securemetric entered into a conditional share sale and purchase agreement (as supplemented by the supplemental agreement dated 19 July 2018) with Law Seeh Key and Nioo Yu Siong whereby Securemetric has agreed to purchase from Law Seeh Key and Nioo Yu Siong 50,000 ordinary shares representing 100% of the total issued shares of Securemetric Singapore for the total consideration of RM275,000. Securemetric shall satisfy the purchase consideration by issuing 3,059,375 new ordinary shares to Law Seeh Key and 378,125 new ordinary shares to Nioo Yu Siong. The conditional share sale and purchase agreement has been completed on 4 September 2018.
- (v) On 2 February 2018, Securemetric entered into a conditional share sale and purchase agreement (as supplemented by the supplemental agreement dated 19 July 2018) with Yong Kim Fui whereby Securemetric has agreed to purchase from Yong Kim Fui 80,000 ordinary shares representing 80% of the total issued and paid-up share capital of Softkey Indonesia for the total consideration of RM1,173,000. Securemetric shall satisfy the purchase consideration by issuing 14,662,500 new ordinary shares to Yong Kim Fui. The conditional share sale and purchase agreement has been completed on 4 September 2018.
- (vi) On 2 February 2018, Securemetric entered into a conditional share sale and purchase agreement (as supplemented by the supplemental agreement dated 19 July 2018) with Law Seeh Key, Nioo Yu Siong and Li Jianjun whereby Securemetric has agreed to purchase from Law Seeh Key, Nioo Yu Siong and Li Jianjun 100,000 ordinary shares representing 100% of the total issued and paid-up share capital of Securemetric Indonesia for the total consideration of RM1,358,000. Securemetric shall satisfy the purchase consideration by issuing 7,978,250 new ordinary shares to Law Seeh Key, 848,750 new ordinary shares to Nioo Yu Siong and 8,148,000 ordinary shares to Li Jianjun. The conditional share sale and purchase agreement has been completed on 4 September 2018.

12. STATUTORY AND OTHER GENERAL INFORMATION (CONT'D)

- (vii) On 2 February 2018, Securemetric entered into a conditional sale and purchase agreement (as supplemented by the supplemental agreement dated 19 July 2018) with Law Seeh Key whereby Securemetric has agreed to purchase from Law Seeh Key, Securemetric Vietnam's contributed capital of USD49,000 representing 49% of Securemetric Vietnam's total charter capital for the total consideration of USD80,944. Securemetric shall satisfy the purchase consideration in cash. The conditional sale and purchase agreement has been completed on 4 September 2018.
- (viii) On 2 February 2018, Securemetric entered into a conditional sale and purchase agreement (as supplemented by the supplemental agreement dated 19 July 2018) with Nioo Yu Siong whereby Securemetric has agreed to purchase from Nioo Yu Siong, Securemetric Vietnam's contributed capital of USD3,000 representing 3% of Securemetric Vietnam's total charter capital for the total consideration of USD4,956. Securemetric shall satisfy the purchase consideration in cash. The conditional sale and purchase agreement has been completed on 4 September 2018.
- (ix) On 2 February 2018, Securemetric entered into a conditional sale and purchase agreement (as supplemented by the supplemental agreement dated 19 July 2018) with Li Jianjun whereby Securemetric has agreed to purchase from Li Jianjun, Securemetric Vietnam's contributed capital of USD48,000 representing 48% of Securemetric Vietnam's total charter capital for the total consideration of USD 79,292. Securemetric shall satisfy the purchase consideration in cash. The conditional sale and purchase agreement has been completed on 4 September 2018.
- (x) Vide the letters of offer dated 8 June 2018 and 13 August 2018 by Technology Park Malaysia Corporation Sdn Bhd (Company No. 377141-T) which was duly accepted by Securemetric Malaysia, Securemetric Malaysia has agreed to rent the demised premises with the address at Lot L5-E-7B, Enterprise 4, Technology Park Malaysia, Lebuhraya Puchong-Sg Besi, Bukit Jalil, 57000 Kuala Lumpur, Malaysia for a term of three years from 1 October 2018 to 30 September 2021. The rental for the first two years is confined to an area of up to 2,700 square feet in the demised premises at a monthly rental of RM9,315. The rental for the remaining tenure is for the entire demised premises (i.e 4,024 square feet) at a monthly rental of RM13,882.80.
- (xi) On 27 September 2018, Securemetric entered into an underwriting agreement with TA Securities ("Underwriter") whereby the Underwriter has agreed to underwrite 17,000,000 IPO Shares made available for subscription by the Malaysian public subject to terms and conditions contained in the Underwriting Agreement. The salient terms of the Underwriting Agreement can be found in **Section 3.10** of this Prospectus.

As at the LPD, our Group is not highly dependent on any material contracts, agreements, documents or other arrangements including patents or licenses, industrial, commercial or financial contracts which are material to our Group's business or profitability.

12.5 Taxation of holders of our Shares

Dividend payments, capital gains and profits from dealing in the Shares will not be subject to Malaysian taxation and no withholding tax is imposed. However, the sale, purchase and transfer of Shares are subject to Malaysian stamp duty, the current rate of which is RM1 for every RM1,000 (or fractional part) of the transaction value of the Shares (payable by both buyer and seller), up to the maximum of RM200.

Potential investors are urged to consult their professional tax advisors if they are in any doubt as to the taxation implications of subscribing, purchasing, holding or disposing of, and dealing in our Shares. None of us or, the Principal Adviser or, any of their respective directors or any person or party involved in this IPO accepts responsibility for any tax effects on, or liability of, any person, resulting from the subscription, purchase, holding or disposal of, and dealing in our Shares.

12. STATUTORY AND OTHER GENERAL INFORMATION (CONT'D)

12.6 Repatriation of capital and remittance of profit

The relevant governmental laws, decrees, regulations, legislations and/or other requirements in Singapore, the Philippines, Indonesia and Vietnam, in relation to the repatriation of capital and remittance of profit by or to our Group are as follows:

Vietnam

Under Vietnamese laws, there is no significant restriction on the management of repatriation of investment capital and remittance of profits of foreign investment projects.

(i) Repatriation of Investment Capital

Foreign investors are entitled to repatriate their investment capital upon a) the dissolution or termination of operation of enterprises with foreign direct investment capital, b) reduction of investment capital, and c) liquidation or termination of the investment projects and business co-operation contracts in accordance with the Vietnamese Law on Investment.

(ii) Remittance of profits

Profits of foreign investors remitted from Vietnam shall be lawful profits divided or obtained from direct investment activities in Vietnam after the investors have fulfilled their financial obligations to the State of Vietnam pursuant to its laws and regulations. According to Circular No. 186/2010/TT-BTC dated 18 November 2010 (guidelines on remitting abroad profits earned by foreign organizations and individuals from their direct investment in Vietnam) (“**Circular 186**”), the investors might on their own or authorise the relevant company to notify the remittance and transfer of profits abroad directly to the managing tax authority of the company at least seven working days before the date of the remittance of the said profits.

It is required that the transfer of any principal investment capital, profits, interest payments and remittances abroad must be effected via a foreign currency account opened at an authorised credit institution in Vietnam regardless whether the amount to be transferred are in the lawful currency of Vietnam or foreign currencies.

The Philippines

There are no existing restrictive regulations on the remittance of dividends and profits as well as the repatriation of capital. Foreign investors have the right to remit earnings from their investment in the Philippines in the currency in which the investment was originally made and at the exchange rate prevailing at the time of remittance, subject to the provisions of Section 74 of the Philippines Republic Act No. 265, as amended.

Foreign investments registered with the Bangko Sentral ng Pilipinas (BSP), the central bank of the Philippines, may repatriate capital and remit dividends, profit, and earnings, using foreign exchange sourced from the domestic banking system. Without registration, remittances using foreign exchange may only be sourced outside the domestic banking system.

Indonesia

The Indonesia's Investment Law No. 25 of 2007 (Art 8.1 and 8.3) ensures the right of foreign investors to repatriate profit from Indonesia which can be in the form of payment of dividend, reduction of capital, payment liquidation proceeds or payment of royalties or technical fees.

12. STATUTORY AND OTHER GENERAL INFORMATION (CONT'D)

However, there are several limitations:

- (i) the Indonesian government or law enforcement (e.g. in order to protect the rights of creditors or to avoid losses to the state), has the right to defer the repatriation of profit if (a) the investor has any unsettled legal liabilities in Indonesia and (b) there are any pending taxes and/or royalties and/or government revenues from the investment;
- (ii) if the repatriation results in a decrease in the foreign company's nominal capital, then they must first obtain approval from the Minister of Law and Human Rights;
- (iii) onshore assets cannot be transferred out of Indonesia for at least 3 years upon the issuance date of Tax Amnesty Certificate obtained by the company; and
- (iv) if there is an exchange of IDR into any other foreign currency that exceed certain amount, the Bank of Indonesia will require provision of the underlying transaction document.

Singapore

Under the Singapore Companies Act, Chapter 50 and subject to the payment of taxes applicable under Singapore Law:

- (i) dividends may be paid out of profits available for distribution. The Memorandum and Articles of Association provide for the declaration of dividends upon its shareholders' approval by ordinary resolution in a general meeting. There are no restrictions on payment of dividends to a foreign shareholder provided there is no breach of any rule for internal monitoring for countering money laundering and terrorism; and
- (ii) capital may not be returned to shareholders unless a capital reduction exercise is carried out in accordance with the provisions of the Singapore Companies Act and the company's Articles of Association. There are no restrictions on payment from a capital reduction exercise to foreign shareholders provided there is no breach of any rule for internal monitoring for countering money laundering and terrorism.

12.7 Public take-overs

Since our incorporation on 6 June 2017 and up to the LPD, there has not been any public take-over offer by third parties in respect of our Shares, nor has there been any public take-over offer by us in respect of other companies' shares.

12.8 Consents

The written consents of our Principal Adviser, Sponsor, Underwriter, Placement Agent, Solicitors for our IPO, Principal Bankers, Share Registrar, Company Secretary and Issuing House as set out in the Corporate Directory of this Prospectus for inclusion in this Prospectus of their names in the form and context in which such names appear, have been given before the issue of this Prospectus and have not subsequently been withdrawn.

The written consent of the Auditors and Reporting Accountants for the inclusion of its name in this Prospectus, Accountants' Report and Reporting Accountants' letter on the compilation of pro forma consolidated financial information as at 31 August 2017 in the form and context in which they are contained in this Prospectus, has been given before the issue of this Prospectus and has not subsequently been withdrawn.

The written consent of the Independent Market Researcher for the inclusion of its name and the IMR Report in the form and context in which they are contained in this Prospectus, has been given before the issue of this Prospectus and has not subsequently been withdrawn.

12. STATUTORY AND OTHER GENERAL INFORMATION (CONT'D)

12.9 Documents available for inspection

Copies of the following documents can be inspected at our registered office at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, Malaysia during normal working hours for a period of twelve months from the date of this Prospectus:

- (i) Constitution of our Company;
- (ii) Reporting Accountants' letter on the compilation of pro forma consolidated financial information as included in **Section 10.1** of this Prospectus;
- (iii) Accountants' Report referred to in **Section 11** of this Prospectus;
- (iv) letters of consent referred to in **Section 12.8** of this Prospectus;
- (v) material contracts referred to in **Section 12.4** of this Prospectus;
- (vi) audited financial statements of our subsidiaries for the past three FYEs 31 December 2015 to FYE 31 December 2017 and 4M-FPE 30 April 2018; and
- (vii) IMR Report.

12.10 Responsibility statements

Our Directors and our Promoters have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus. Having made all reasonable enquiries and to the best of their knowledge and belief, they confirm that there are no false or misleading statements or other facts which if omitted, would make any statement in this Prospectus false or misleading.

TA Securities, being the Principal Adviser, Sponsor, Underwriter and Placement Agent, acknowledge that based on all available information and to the best of their knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

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13. SUMMARISED PROCEDURE FOR APPLICATION AND ACCEPTANCE

THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE “DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE” ACCOMPANYING THE ELECTRONIC COPY OF OUR PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT THE ISSUING HOUSE FOR FURTHER ENQUIRIES.

Unless otherwise defined, all words and expressions used here shall carry the same meaning as ascribed to them in our Prospectus.

Unless the context otherwise requires, words used in the singular include the plural, and vice versa.

13.1 Opening and Closing of Application

Opening of the Application Period: 10.00 A.M., 23 October 2018

Closing of the Application Period: 5.00 P.M., 30 October 2018

Applications for our IPO Shares will open and close at the times and dates stated above. In the event of any changes to the date or time for closing, we will advertise the notice of changes in a widely circulated daily English and Bahasa Malaysia newspaper in Malaysia. The dates for the ballot of the applications for our IPO Shares, the allotment of our IPO Shares and our Listing would then be extended accordingly.

Late Applications will not be accepted.

13.2 Methods of Applications

13.2.1 Application for our IPO Shares by the Malaysian Public and our eligible Directors, employees and persons who have contributed to the success of our Group

Application must accord with our Prospectus and our Constitution. The submission of an Application Form does not mean that your Application will succeed. You agree to be bound by our Constitution.

Types of Application and category of investors	Application Method
(i) Malaysian Public:	
• Individuals	White application Forms or Electronic Share Application or Internet Share Application
• Corporation or institutions	White Application Forms only
(ii) Our eligible employees	Pink Application Forms only
(iii) Selected investors by way of placement	Selected investors will be contacted directly by the Placement Agent and should follow the instructions communicated to them by the Placement Agent if they wish to accept the IPO Shares. They may also apply for the IPO Shares allocated to the Malaysian Public by completing the White Application Form, Electronic Share Application or Internet Share Application

13. SUMMARISED PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)**13.3 Eligibility****13.3.1 General**

You must have a CDS account and a correspondence address in Malaysia. If you do not have a CDS account, you may open a CDS account by contacting any of the ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities. The CDS account must be in your own name. Invalid, nominee or third party CDS accounts will not be accepted for the Applications.

Only **ONE** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 IPO SHARES OR MULTIPLES OF 100 IPO SHARES.**

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.

AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.

13.3.2 Application by the Malaysian Public

You can only apply for our IPO Shares if you fulfill all of the following:-

- (i) You must be one of the following:-
 - (a) a Malaysian citizen who is at least 18 years old as at the date of the application for our IPO Shares; or
 - (b) a corporation/institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors/trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or
 - (c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.
- (ii) You must not be a director or employee of the Issuing House or an immediate family member of a director or employee of the Issuing House; and
- (iii) You must submit Applications by using only one of the following methods:-
 - (a) White Application Form;
 - (b) Electronic Share Application; or
 - (c) Internet Share Application.

13. SUMMARISED PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)

13.3.3 Application by eligible employees (Pink Application Form)

Our eligible employees will be provided with **Pink Application Forms** and letters from us detailing their respective allocation. The applicants must follow the notes and instructions in those documents and where relevant, of our Prospectus.

Eligible Directors, employees and persons who have contributed to the success of our Group may request for a copy of the printed Prospectus from our Company at no cost and are given an option to have the printed Prospectus delivered to them free of charge, or to obtain the printed Prospectus from our Company, the Issuing House, TA Securities, Participating organisations of Bursa Securities and Members of the Association of Banks in Malaysia or Malaysian Investment Banking Association.

13.4 Procedures for Application by Way of Application Forms

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of our Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The FULL amount payable is RM0.25 for each IPO Share.

Payment must be made out in favour of “**MIH SHARE ISSUE ACCOUNT NUMBER 593**” and crossed “**A/C PAYEE ONLY**” and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:-

- (i) despatched by **ORDINARY POST** in the official envelopes provided, to the following address:-

Malaysian Issuing House Sdn Bhd (258345-X)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

or

P.O. Box 8269
Pejabat Pos Kelana Jaya
46785 Petaling Jaya
Selangor Darul Ehsan

- (ii) **DELIVERED BY HAND AND DEPOSITED** in the Drop-in Boxes provided at the front portion of Malaysian Issuing House, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan,

so as to arrive not later than 5.00 p.m. on **30 October 2018** or by such other time and date specified in any change to the date or time for closing.

We, together with the Issuing House, will not issue any acknowledgement of the receipt of your Application Forms or Application monies. Please direct all enquiries in respect of the White Application Form to the Issuing House.

13. SUMMARISED PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)

13.5 Application by Way of Electronic Share Applications

Only Malaysian individuals may apply for our IPO Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, HSBC Bank Malaysia Berhad, Malayan Banking Berhad, Public Bank Berhad, RHB Bank Berhad and Standard Chartered Bank Malaysia Berhad (at selected branches only). A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

The exact procedures, terms and conditions for Electronic Share Application are set out on the ATM screens of the relevant Electronic Participating Financial Institutions.

13.6 Application By Way Of Internet Share Applications

Only Malaysian individuals may use the Internet Share Application to apply for our IPO Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CIMB Bank Berhad, CIMB Investment Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

13.7 Authority of Our Board and the Issuing House

The Issuing House, on the authority of our Board reserves the right to:--

- (i) reject Applications which:-
 - (a) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or
 - (b) are illegible, incomplete or inaccurate; or
 - (c) are accompanied by an improperly drawn up, or improper form of remittance; or
- (ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and
- (iii) bank in all Application monies (including those from unsuccessful / partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with **Section 13.8** below.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House at any time within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

13. SUMMARISED PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)

13.8 Over / Under-Subscription

In the event of over-subscription, the Issuing House will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our IPO Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The basis of allocation of shares and the balloting results in connection therewith will be furnished by the issuing house to the SC, Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on the issuing house's website (www.mih.com.my) within 1 business day after the balloting event.

Pursuant to the Listing Requirements we are required to have a minimum of 25% of our Company's issued share capital to be held by at least 200 public shareholders holding not less than 100 Shares each upon Listing and completion of our IPO. We expect to achieve this at the point of Listing. In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all Applications will be returned in full (without interest).

In the event of an under-subscription of our IPO Shares by the Malaysian Public and / or eligible Directors, employees and persons who have contributed to the success of our Group, subject to the underwriting arrangements and reallocation as set out in **Section 3.10** of our Prospectus, any of the abovementioned IPO Shares not applied for will then be subscribed by the Underwriter based on the terms of the Underwriting Agreement.

13.9 Unsuccessful / Partially Successful Applicants

If you are unsuccessful / partially successful in your Application, your Application monies (without interest) will be refunded to you in the following manner.

13.9.1 For applications by way of Application Forms

- (i) The Application monies or the balance of it, as the case may be, will be refunded to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary / registered post to your last address maintained with Bursa Depository (for partially successful applications) within ten (10) Market Days from the date of the final ballot at your own risk.
- (ii) If your Application is rejected because you did not provide a CDS account number, your Application monies will be refunded via banker's draft sent by ordinary / registered post to your address as stated in the NRIC or official valid temporary identity documents issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by the Issuing House as per items (i) and (ii) above (as the case may be).

13. SUMMARISED PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)

- (iv) The Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within ten (10) Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or by issuance of banker's draft sent by registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

13.9.2 For applications by way of Electronic Share Application and Internet Share Application

- (i) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within two (2) Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited (without interest) into your account with the Participating Financial Institution or Internet Participating Financial Institution (or arranged with the Authorised Financial Institution) within two (2) Market Days after the receipt of confirmation from the Issuing House.
- (ii) You may check your account on the 5th Market Day from the balloting date.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by the Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than ten (10) Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institution will be informed of the unsuccessful or partially successful Applications within two (2) Market Days after the final balloting date. The Participating Financial Institution will credit the Application monies or any part thereof (without interest) within two (2) Market Days after the receipt of confirmation from the Issuing House.

13.10 Successful Applicants

If you are successful in your Application:-

- (i) Our IPO Shares allotted to you will be credited into your CDS account.
- (ii) A notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.
- (iii) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as Prescribed Securities. As such, our IPO Shares issued / offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository.
- (iv) In accordance with Section 29 of the SICDA, all dealings in our Shares will be by book entries through CDS accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

13. SUMMARISED PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)

13.11 Enquiries

Enquiries in respect of the applications may be directed as follows:

Mode of application	Parties to direct the enquiries
Application Form	MIH Enquiry Services Telephone at telephone no. 03-7841 8289
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

You may also check the status of your Application by calling your respective ADA during office hours at the telephone number as set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of this Prospectus on the website of Bursa Securities.

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