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**PATIMAS COMPUTERS BERHAD  
(244510-H)  
(Incorporated in Malaysia)**

**Directors' Report and Audited Financial Statements  
31 December 2010**

Ernst & Young  
AF : 0039

244510-H

**Patimas Computers Berhad  
(Incorporated in Malaysia)**

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**Patimas Computers Berhad  
(Incorporated in Malaysia)**

**Directors' report**

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2010.

**Principal activities**

The principal activities of the Company are investment holding, provision of management services and provision of computer equipment rental.

The principal activities of the subsidiaries and associates are disclosed in Notes 13 and 14 to the financial statements respectively.

There have been no significant changes in the nature of these activities during the financial year.

**Results**

	<b>Group RM'000</b>	<b>Company RM'000</b>
Loss for the year, net of tax	<u>(16,128)</u>	<u>(11,013)</u>

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

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the impairment on goodwill of RM1,810,252 and allowance for doubtful debts on trade receivables of RM4,337,254 as stated in Note 16 and Note 18 to the financial statements.

**Patimas Computers Berhad  
(Incorporated in Malaysia)**

**Directors**

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Abdul Ghaffur bin Ramli  
Dato' Yap Wee Hin  
Law Siew Ngoh  
Dato' Ng Back Heang  
Robert Daniel Tan Kim Leng  
Aziz Yazdani bin Ahmad Khalil  
Khairudin bin Ibrahim

**Directors' benefits**

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 6 and Note 11 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member or with a company in which the director has a substantial financial interest.

**Directors' interests**

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and warrants in the Company during the year were as follows:

	Number of ordinary shares of RM0.10 each			31.12.2010
	1.1.2010	Acquired	Sold	
<b>Direct Interest:</b>				
Dato' Yap Wee Hin	199,610	-	-	199,610
Law Siew Ngoh	53,823,630	-	-	53,823,630
Dato' Ng Back Heang	40,973,160	1,000,000	-	41,973,160
Robert Daniel Tan Kim Leng	45,940	-	-	45,940
<b>Indirect Interest</b>				
Dato' Yap Wee Hin ^	183,000,540	-	-	183,000,540
Robert Daniel Tan Kim Leng *	162,640,010	-	-	162,640,010

**Patimas Computers Berhad  
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**Directors' interests (contd.)**

	1.1.2010	Number of warrants		31.12.2010
		Acquired	Sold	
<b>Direct Interest:</b>				
Dato' Yap Wee Hin	80,000	-	-	80,000
Law Siew Ngoh	20,000	-	-	20,000
Dato' Ng Back Heang	10,000	-	-	10,000
Robert Daniel Tan Kim Leng	19,990	-	-	19,990
<b>Indirect Interest</b>				
Dato' Yap Wee Hin ^	12,028,150	-	-	12,028,150
Robert Daniel Tan Kim Leng *	12,028,150	-	-	12,028,150

^ Deemed interest through his shareholdings in Forum Pintar Sdn Bhd and warrants held by his spouse

\* Deemed interest through his shareholdings in Forum Pintar Sdn Bhd

Dato' Yap Wee Hin and Robert Daniel Tan Kim Leng, by virtue of their interests in the Company, are deemed to have interests in the shares in all the subsidiaries to the extent that the Company has an interest.

None of the other directors, who held office at the end of the financial year have any interest in shares and warrants in the Company during the financial year.

**Treasury shares**

As at 31 December 2010, the Company held as treasury shares a total of 6,100,000 of its 757,895,780 issued ordinary shares. Such treasury shares are held at a carrying amount of RM481,974 as disclosed in Note 22 to the financial statements.

There were no repurchases during the current financial year.

**Significant events**

Details of significant events are disclosed in Note 14 and Note 17 to the financial statements.

**Patimas Computers Berhad  
(Incorporated in Malaysia)**

**Other statutory information**

- (a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent; and
  - (ii) the values attributed to current assets in these financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

**Patimas Computers Berhad  
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**Other statutory information (contd.)**

(f) In the opinion of the directors:

- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

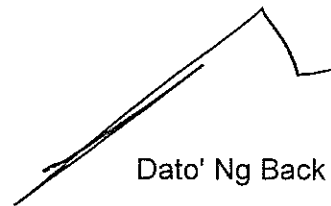
**Auditors**

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 26 April 2011.



Law Siew Ngoh



Dato' Ng Back Heang

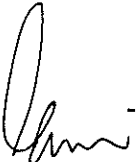
**Patimas Computers Berhad  
(Incorporated in Malaysia)**

**Statement by directors  
Pursuant to Section 169(15) of the Companies Act, 1965**

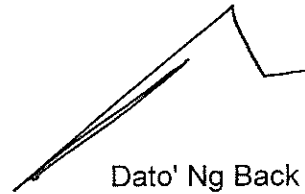
We, Law Siew Ngoh and Dato' Ng Back Heang, being two of the directors of Patimas Computers Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 10 to 74 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2010 and of their financial performance and cash flows for the year then ended.

The information set out in Note 36 on page 75 to the financial statements have been prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 26 April 2011.



Law Siew Ngoh



Dato' Ng Back Heang

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

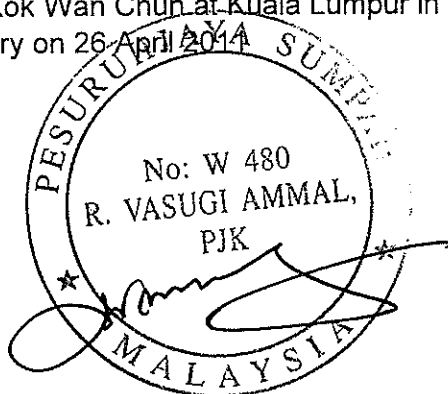
I, Kok Wan Chun, being the officer primarily responsible for the financial management of Patimas Computers Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 10 to 75 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Kok Wan Chun at Kuala Lumpur in the Federal Territory on 26 April 2011



Kok Wan Chun

Before me,



No: 72, Tkt. 3,  
Jalan Mega Mendung,  
Bandar Kompleks,  
58200 Kuala Lumpur.



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Independent auditors' report to the members of  
Patimas Computers Berhad  
(Incorporated in Malaysia)

## Report on the financial statements

We have audited the financial statements of Patimas Computers Berhad, which comprise the statements of financial position as at 31 December 2010 of the Group and of the Company, and the comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 10 to 74.

### *Directors' responsibility for the financial statements*

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditors' responsibility*

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

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

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

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Independent auditors' report to the members of  
Patimas Computers Berhad (contd.)  
(Incorporated in Malaysia)

Report on the financial statements (contd.)

*Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2010 and of their financial performance and cash flows for the year then ended.

Report on other legal and regulatory requirements

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

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

Other matters

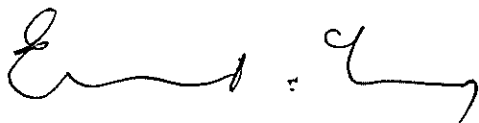
The supplementary information set out in Note 36 on page 75 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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Independent auditors' report to the members of  
Patimas Computers Berhad (contd.)  
(Incorporated in Malaysia)

Other matters (contd.)

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



Ernst & Young  
AF: 0039  
Chartered Accountants



Lee Seng Huat  
No. 2518/12/11 (J)  
Chartered Accountant

Kuala Lumpur, Malaysia  
26 April 2011

**Patimas Computers Berhad**  
(Incorporated in Malaysia)

**Statements of comprehensive income**  
**For the financial year ended 31 December 2010**

	Note	Group		Company	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<b>Revenue</b>	4	175,523	193,911	7,946	8,335
Cost of sales		(144,729)	(165,760)	-	-
<b>Gross profit</b>		<u>30,794</u>	<u>28,151</u>	<u>7,946</u>	<u>8,335</u>
<b>Other items of income</b>					
Interest income		926	1,339	2,882	2,550
Other income	5	630	1,078	-	18
<b>Other items of expense</b>					
Marketing and distribution		(1,415)	(1,582)	(304)	(425)
Administrative expenses		(14,955)	(10,061)	(13,331)	(11,491)
Employee benefits expense	6	(13,845)	(13,368)	(3,668)	(3,690)
Finance costs	7	(3,214)	(3,223)	(4,120)	(4,720)
Other expenses		(13,230)	(12,449)	(426)	(916)
Share of losses of associates		(111)	-	-	-
Loss before tax	8	<u>(14,420)</u>	<u>(10,115)</u>	<u>(11,021)</u>	<u>(10,339)</u>
Income tax expense	9	(1,708)	(1,846)	8	(225)
Net loss for the year, representing total comprehensive income for the year		<u>(16,128)</u>	<u>(11,961)</u>	<u>(11,013)</u>	<u>(10,564)</u>
<b>Net loss for the year, representing total comprehensive income for the year:</b>					
Owners of the parent		(16,128)	(11,819)	(11,013)	(10,564)
Minority interests		-	(142)	-	-
		<u>(16,128)</u>	<u>(11,961)</u>	<u>(11,013)</u>	<u>(10,564)</u>
Loss per share attributable to owners of the parent (sen per share)					
- Basic and diluted	10	<u>(2.15)</u>	<u>(1.57)</u>		

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

**Patimas Computers Berhad**  
**(Incorporated in Malaysia)**

**Statements of financial position**  
**As at 31 December 2010**

		Group			Company	
	Note	2010 RM'000	2009 RM'000 (Restated)	1.1.2009 RM'000	2010 RM'000	2009 RM'000
<b>Assets</b>						
<b>Non-current assets</b>						
Plant and equipment	12	12,514	20,992	30,360	3,362	3,969
Investments in subsidiaries	13	-	-	-	92,733	98,745
Investments in associates	14	2,279	1,530	-	2,390	1,530
Other investments	15	320	383	383	258	258
Intangible assets	16	58,075	56,202	51,313	-	-
Long term receivable	17	-	3,066	6,414	-	3,066
		<u>73,188</u>	<u>82,173</u>	<u>88,470</u>	<u>98,743</u>	<u>107,568</u>
<b>Current assets</b>						
Inventories		2,048	3,481	5,036	-	-
Trade receivables	18	53,308	83,718	76,154	1,277	1,389
Other receivables	19	11,567	11,903	57,783	56,446	40,642
Tax recoverable		1,942	665	1,909	261	47
Cash and bank balances	20	27,884	30,467	838	20,961	23,512
		<u>96,749</u>	<u>130,234</u>	<u>141,720</u>	<u>78,945</u>	<u>65,590</u>
<b>Total assets</b>		<u>169,937</u>	<u>212,407</u>	<u>230,190</u>	<u>177,688</u>	<u>173,158</u>

Patimas Computers Berhad  
(Incorporated in Malaysia)

Statements of financial position (contd.)

As at 31 December 2010

		Group			Company	
	Note	2010 RM'000	2009 RM'000	1.1.2009 RM'000	2010 RM'000	2009 RM'000
<b>Equity and liabilities</b>						
<b>Equity attributable to equity holders of the Company</b>						
Share capital	21	75,790	75,790	75,790	75,790	75,790
Treasury shares	22	(482)	(482)	(482)	(482)	(482)
Share premium	23	44,397	44,397	44,397	44,397	44,397
Accumulated losses		(35,576)	(19,448)	(7,629)	(30,249)	(19,236)
Shareholders equity		84,129	100,257	112,076	89,456	100,469
Minority interests		-	-	142	-	-
<b>Total equity</b>		<b>84,129</b>	<b>100,257</b>	<b>112,218</b>	<b>89,456</b>	<b>100,469</b>
<b>Non-current liabilities</b>						
Borrowings	24	-	266	704	-	47
Deferred taxation	26	2,766	1,640	1,584	-	-
		2,766	1,906	2,288	-	47
<b>Current liabilities</b>						
Trade payables	27	21,296	44,245	27,539	-	-
Other payables	28	3,171	3,080	13,297	78,486	60,952
Borrowings	24	58,424	62,750	74,807	9,746	11,690
Tax payable		151	169	41	-	-
		83,042	110,244	115,684	88,232	72,642
<b>Total liabilities</b>		<b>85,808</b>	<b>112,150</b>	<b>117,972</b>	<b>88,232</b>	<b>72,689</b>
<b>Total equity and liabilities</b>		<b>169,937</b>	<b>212,407</b>	<b>230,190</b>	<b>177,688</b>	<b>173,158</b>

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

Patimas Computers Berhad  
(Incorporated in Malaysia)

Statements of changes in equity  
For the year ended 31 December 2010

Group	← Attributable to equity holders of the parent →						Total equity RM'000
	Share capital RM'000 (Note 21)	Share premium RM'000 (Note 23)	Treasury shares RM'000 (Note 22)	Accumulated losses RM'000	Total RM'000	Minority interests RM'000	
At 1 January 2009	75,790	44,397	(482)	(7,629)	112,076	142	112,218
Total comprehensive income for the year At 31 December 2009	-	-	-	(11,819)	(11,819)	(142)	(11,961)
	<u>75,790</u>	<u>44,397</u>	<u>(482)</u>	<u>(19,448)</u>	<u>100,257</u>	<u>-</u>	<u>100,257</u>
At 1 January 2010	75,790	44,397	(482)	(19,448)	100,257	-	100,257
Total comprehensive income for the year At 31 December 2010	-	-	-	(16,128)	(16,128)	-	(16,128)
	<u>75,790</u>	<u>44,397</u>	<u>(482)</u>	<u>(35,576)</u>	<u>84,129</u>	<u>-</u>	<u>84,129</u>

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

Patimas Computers Berhad  
(Incorporated in Malaysia)

Statements of changes in equity  
For the year ended 31 December 2010 (contd.)

←— Non-distributable —→

Company	Share capital	Share premium	Treasury shares	Accumulated losses	Total
	RM'000 (Note 21)	RM'000 (Note 23)	RM'000 (Note 22)	RM'000	RM'000
At 1 January 2009	75,790	44,397	(482)	(8,672)	111,033
Total comprehensive income for the year	-	-	-	(10,564)	(10,564)
At 31 December 2009	75,790	44,397	(482)	(19,236)	100,469
At 1 January 2010	75,790	44,397	(482)	(19,236)	100,469
Total comprehensive income for the year	-	-	-	(11,013)	(11,013)
At 31 December 2010	75,790	44,397	(482)	(30,249)	89,456

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



**Patimas Computers Berhad**  
**(Incorporated in Malaysia)**

**Statements of cash flows**  
**For the year ended 31 December 2010**

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<b>Cash flows from operating activities</b>				
Loss before taxation	(14,420)	(10,115)	(11,021)	(10,339)
Adjustments for:				
Bad debts written off	-	183	-	-
Allowance for doubtful debts				
- trade receivables	4,338	1,308	-	-
- other receivables	55	489	1	489
Depreciation of plant and equipment	8,741	10,152	634	937
Unrealised foreign exchange loss	112	142	-	-
Unrealised foreign exchange gain	(76)	(11)	-	-
Inventories written off	455	91	-	-
Impairment loss on costs of investment in:				
- subsidiaries	-	-	6,012	6,702
- others	63	-	-	-
Impairment loss on goodwill	1,810	-	-	-
Amortisation of intangible assets	1,417	461	-	-
Net gain on disposal of plant and equipment	(304)	(402)	-	-
Plant and equipment written off	-	3	-	-
Share of losses of associates	111	-	-	-
Interest expense	3,214	3,223	4,120	4,720
Interest income	(926)	(1,339)	(2,882)	(2,551)
Operating profit/(loss) before working capital changes c/f	<u>4,590</u>	<u>4,185</u>	<u>(3,136)</u>	<u>(42)</u>

**Patimas Computers Berhad**  
(Incorporated in Malaysia)

**Statements of cash flows**  
For the year ended 31 December 2010 (contd.)

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<b>Cash flows from operating activities (contd.)</b>				
Operating profit/(loss) before working capital changes b/f	4,590	4,185	(3,136)	(42)
Changes in working capital:				
Inventories	978	1,464	-	-
Intercompany balances	-	-	1,554	(10,984)
Trade and other receivables	29,307	39,554	3,522	47,217
Trade and other payables	(22,782)	6,489	(169)	(7,527)
Cash generated from operations	12,093	51,692	1,771	28,664
Taxes (paid)/recovered	(1,877)	(419)	(206)	586
Net cash generated from operating activities	10,216	51,273	1,565	29,250
<b>Cash flows from investing activities</b>				
Proceeds from disposal of plant and equipment	444	811	-	-
Purchase of plant and equipment	(403)	(1,196)	(27)	(80)
Purchase of intangible assets	(5,100)	(5,350)	-	-
Investments in associates	(860)	(1,530)	(860)	(1,530)
Fixed deposits pledged as security	(12,949)	(8,002)	(12,949)	(8,002)
Interest income received	926	1,339	2,882	2,551
Net cash used in investing activities	(17,942)	(13,928)	(10,954)	(7,061)

**Patimas Computers Berhad**  
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**Statements of cash flows**  
**For the year ended 31 December 2010 (contd.)**

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
<b>Cash flows from financing activities</b>				
Net drawdown from				
Islamic facility	7,214	-	-	-
Net repayment from				
bankers' acceptances	(8,693)	(11,567)	-	-
Repayment of hire purchase				
obligations	(656)	(440)	(273)	(255)
Interest paid	(3,214)	(3,223)	(4,120)	(4,720)
Net cash used in financing activities	<u>(5,349)</u>	<u>(15,230)</u>	<u>(4,393)</u>	<u>(4,975)</u>
<b>Net (decrease)/increase in</b>				
<b>cash and cash equivalents</b>	<b>(13,075)</b>	<b>22,115</b>	<b>(13,782)</b>	<b>17,214</b>
<b>Cash and cash equivalents at</b>				
<b>beginning of year</b>	<u>9,822</u>	<u>(12,293)</u>	<u>4,094</u>	<u>(13,120)</u>
<b>Cash and cash equivalents at</b>				
<b>end of year (Note A)</b>	<u>(3,253)</u>	<u>9,822</u>	<u>(9,688)</u>	<u>4,094</u>

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**Statements of cash flows**  
**For the year ended 31 December 2010 (contd.)**

**(A) Cash and cash equivalents**

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances (Note 20)	6,933	6,965	10	10
Fixed deposits with licensed banks (Note 20)	20,951	23,502	20,951	23,502
Less: Bank overdrafts (Note 24)	<u>(10,186)</u>	<u>(12,643)</u>	<u>(9,698)</u>	<u>(11,416)</u>
	17,698	17,824	11,263	12,096
Less: Fixed deposits pledged	<u>(20,951)</u>	<u>(8,002)</u>	<u>(20,951)</u>	<u>(8,002)</u>
Cash and cash equivalents	<u>(3,253)</u>	<u>9,822</u>	<u>(9,688)</u>	<u>4,094</u>

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

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**Notes to the financial statements - 31 December 2010**

**1. Corporate information**

Patimas Computers Berhad is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of the Bursa Malaysia Securities Berhad. The registered office of the Company is located at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan. The principal place of business is located at Patimas Technology Centre, Technology Park Malaysia, Bukit Jalil, 57000 Kuala Lumpur.

The principal activities of the Company are investment holding, provision of management services and provision of computer equipment rental. The principal activities of the subsidiaries and associate are disclosed in Notes 13 and 14 respectively.

There have been no significant changes in the nature of these principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 26 April 2011.

**2. Significant accounting policies**

**2.1 Basis of preparation**

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRS") and the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRS which are mandatory for financial periods beginning on or after 1 January 2010 as described fully in Note 2.2.

The financial statements of the Group and of the Company have been prepared on a historical basis.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

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**2. Significant accounting policies (contd.)**

**2.2 Changes in accounting policies**

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2010, the Group and the Company adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2010.

- FRS 7 Financial Instruments: Disclosures
- FRS 8 Operating Segments
- FRS 101 Presentation of Financial Statements (Revised)
- FRS 123 Borrowing Costs
- FRS 139 Financial Instruments: Recognition and Measurement
- Amendments to FRS 1 First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of and Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to FRS 2 Share-based Payment: Vesting Conditions and Cancellations
- Amendments to FRS 132 Financial Instruments: Presentation
- Amendments to FRS 139 Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives
- Improvements to FRS issued in 2009
- IC Interpretation 9 Reassessment of Embedded Derivatives
- IC Interpretation 10 Interim Financial Reporting and Impairment
- IC Interpretation 11 FRS 2 - Group and Treasury Share Transactions
- IC Interpretation 13 Customer Loyalty Programmes
- IC Interpretation 14 FRS 119 - The limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction

FRS 4 Insurance Contracts and TR i-3 Presentation of Financial Statements of Islamic Financial Institutions will also be effective for annual periods beginning on or after 1 January 2010. These FRS are, however, not applicable to the Company.

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except for those discussed below:

FRS 7 Financial Instruments: Disclosures

Prior to 1 January 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 Financial Instruments: Disclosure and Presentation. FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

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**2. Significant accounting policies (contd.)**

**2.2 Changes in accounting policies (contd.)**

The Group and the Company have applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the Group's and the Company's financial statements for the year ended 31 December 2010.

FRS 101 Presentation of Financial Statements (Revised)

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The Standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group and the Company have elected to present this statement as one single statement.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the financial statements.

The revised FRS 101 also requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital as disclosed in Note 34.

The revised FRS 101 was adopted retrospectively by the Group and the Company.

FRS 139 Financial Instruments: Recognition and Measurement

FRS 139 establishes principles for recognising the measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group and the Company have adopted FRS 139 prospectively on 1 January 2010 in accordance with the transitional provisions. The effects arising from the adoption of this Standard has been accounted for by adjusting the opening balance of retained earnings as at 1 January 2010. Comparatives are not restated. The details of the changes in accounting policies and the effects arising from the adoption of FRS 139 are discussed below:

- Equity instruments

Prior to 1 January 2010, the Group classified its investments in equity instruments which were held for non-trading purposes as non-current investments. Such investments were carried at cost less impairment losses. Upon the adoption of FRS 139, these investments, except for those whose fair value cannot be reliably measured, are designated at 1 January 2010 as available-for sale financial assets. The adjustments to their previous carrying amounts are recognised as adjustments to the opening balance of retained earnings as at 1 January 2010. There is no effect on the financial performance or position of the Group and the Company.

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**2. Significant accounting policies (contd.)**

**2.2 Changes in accounting policies (contd.)**

FRS 139 Financial Instruments: Recognition and Measurement (contd.)

- Inter-company loans

Prior to 1 January 2010, these loans and advances were recorded at cost in the Company's financial statements. Upon the adoption of FRS 139, interest-free or low-interest loans or advances to inter-companies are recorded initially at a fair value that is lower than cost. The difference between the fair value and cost of the loan or advance is recognised as an additional investment in the subsidiary. Subsequent to initial recognition, the loans and advances are measured at amortised cost. There is no effect on the financial performance or position of the Group and the Company.

- Impairment of receivables

Prior to 1 January 2010, provision for doubtful debts were recognised when it was considered uncollectible. Upon the adoption of FRS 139, an impairment loss is recognised when there is objective evidence that an impairment loss has been incurred. The amount of the loss is measured as the difference between the receivable's carrying amount and the present value of the estimated future cash flows discounted at the receivable's original effective interest rate. As at 1 January 2010, the Group has remeasured the allowance for impairment losses as at that date in accordance with FRS 139. There is no effect on the financial performance or position of the Group and the Company.

- Financial guarantee contracts

During the current and prior years, the Company provided financial guarantees to banks in connection with loans and other banking facilities granted to its subsidiaries. Prior to 1 January 2010, the Company did not provide for such guarantees unless it was more likely than not that the guarantees would be called upon. The guarantees were disclosed as contingent liabilities. Upon the adoption of FRS 139, all unexpired financial guarantees issued by the company are recognised as financial liabilities and are measured at their initial fair value less accumulated amortisation as at 1 January 2010. There is no effect on the financial performance or position of the Group and of the Company.

**2.3 Standards issued but not yet effective**

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

**Effective for financial periods beginning on or after 1 March 2010:**

- Amendments to FRS 132: Classification of Right Issues



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**2. Significant accounting policies (contd.)**

**2.3 Standards issued but not yet effective (contd.)**

**Effective for financial periods beginning on or after 1 July 2010:**

- FRS 1 First-time Adoption of Financial Reporting Standards
- FRS 3 Business Combinations (Revised)
- Amendments to FRS 2 Share-based Payment
- Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations
- Amendments to FRS 127 Consolidated and Separate Financial Statements
- Amendments to FRS 138 Intangible Assets
- Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives
- IC Interpretation 12 Service Concession Arrangements
- IC Interpretation 15 Agreements for the Construction of Real Estate
- IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation
- IC Interpretation 17 Distributions of Non-cash Assets to Owners

**Effective for financial periods beginning on or after 1 January 2011:**

- Amendments to FRS 1: Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
- Amendments to FRS 1: Additional Exemptions for First-time Adopters
- Amendments to FRS 1: First-time Adoption of Financing Reporting Standards [Improvements to FRS (2010)]
- Amendments to FRS 2: Group Cash-settled Share-based Payment Transactions
- Amendments to FRS 3: Business Combinations [Improvements to FRS (2010)]
- Amendments to FRS 7: Improving Disclosures about Financial Instruments
- Amendments to FRS 7: Financial Instruments: Disclosures [Improvement to FRS (2010)]
- Amendments to FRS 101: Presentation of Financial Statements [Improvements to FRS (2010)]
- Amendments to FRS 121: The Effects of Changes in Foreign Exchange Rates [Improvements to FRS (2010)]
- Amendments to FRS 128: Investments in Associates [Improvements to FRS (2010)]
- Amendments to FRS 131: Interests in Joint Ventures [Improvements to FRS (2010)]
- Amendments to FRS 132: Financial Instruments: Presentation [Improvements to FRS (2010)]
- Amendments to FRS 134: Interim Financial Reporting [Improvements to FRS (2010)]
- Amendments to FRS 139: Financial Instruments: Recognition and Measurement [Improvements to FRS (2010)]
- IC Interpretation 4: Determining whether an Arrangement contains a Lease
- Amendments to IC Interpretation 13: Customer Loyalty Programme [Improvements to FRS (2010)]
- IC Interpretation 18: Transfer of Assets from Customers

**Effective for financial periods beginning on or after 1 July 2011:**

- Amendments to IC Interpretation 14: Prepayments of a Minimum Funding Requirement
- IC Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments

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**2. Significant accounting policies (contd.)**

**2.3 Standards issued but not yet effective (contd.)**

**Effective for financial periods beginning on or after 1 January 2012:**

- IC Interpretation 15: Agreements for Construction of Real Estate
- Amendments to FRS 124: Related Party Disclosure

Revised FRS 3 Business Combinations and Amendments to FRS 127 Consolidated and Separate Financial Statements

The revised standards are effective for annual periods beginning on or after 1 July 2010. The revised FRS 3 introduces a number of changes in the accounting for business combinations occurring after 1 July 2010. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The Amendments to FRS 127 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments have been made to FRS 107 Statement of Cash Flows, FRS 112 Income Taxes, FRS 121 The Effects of Changes in Foreign Exchange Rates, FRS 128 Investments in Associates and FRS 131 Interests in Joint Ventures. The changes from revised FRS 3 and Amendments to FRS 127 will affect future acquisitions or loss of control and transactions with minority interests. The standards may be early adopted. However, the Group does not intend to early adopt.

**2.4 Basis of consolidation**

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

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

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statement of financial position. The accounting policy for goodwill is set out in Note 2.8(a). Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition.

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**2. Significant accounting policies (contd.)**

**2.4 Basis of consolidation (contd.)**

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

**2.5 Transactions with minority interests**

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in profit or loss of the Group and within equity in the consolidated statements of financial position, separately from parent shareholders' equity. Transactions with minority interests are accounted for using the entity concept method, whereby, transactions with minority interests are accounted for as transactions with owners. On acquisition of minority interests, the difference between the consideration and book value of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to minority interests is recognised directly in equity.

**2.6 Foreign currency**

**(a) Functional and presentation currency**

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

**(b) Foreign currency transactions**

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss for the period.

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

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**2. Significant accounting policies (contd.)**

**2.7 Plant and equipment**

All items of plant and equipment are initially recorded at cost. The cost of an item of plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets at the following annual rates:

Data centre and related equipment	10%
Motor vehicles	20%
Computer equipment	10% - 33.33%
Office equipment, furniture and fittings	10% - 25%
Renovations	20% - 25%

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of plant and equipment.

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

**2.8 Intangible assets**

**(a) Goodwill**

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

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**2. Significant accounting policies (contd.)**

**2.8 Intangible assets (contd.)**

**(a) Goodwill (contd.)**

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

**(b) Other intangible assets**

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

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**2. Significant accounting policies (contd.)**

**2.8 Intangible assets (contd.)**

**(b) Other intangible assets (contd.)**

**(i) Software development costs**

Research costs are expensed as incurred. Software development costs arising from development expenditures on an individual project are recognised when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditures during development. Software development costs have a finite useful life and are amortised over the period of expected sales from the related products not exceeding 5 years. Impairment is assessed whenever there is an indication of impairment and the amortisation period and method are also reviewed at least at each balance sheet date.

**(b) Other intangible assets (contd.)**

**(ii) License**

Telecommunication license was acquired separately and is amortised on a straight line basis over its finite useful life of 10 years.

**2.9 Impairment of non-financial assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss.

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**2. Significant accounting policies (contd.)**

**2.9 Impairment of non-financial assets (contd.)**

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

**2.10 Subsidiaries**

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

**2.11 Associates**

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associates is measured in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss for the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

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**2. Significant accounting policies (contd.)**

**2.11 Associates (contd.)**

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

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

**2.12 Financial assets**

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

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition.

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

All financial assets of the Group and the Company are classified as other investments, loans and receivables.

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

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

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in profit or loss.



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**2. Significant accounting policies (contd.)**

**2.13 Impairment of financial assets**

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

**(a) Trade and other receivables and other 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 and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor 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 and the Company'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 default on receivables.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

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, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

**(b) Unquoted equity securities carried at cost**

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

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**2. Significant accounting policies (contd.)**

**2.14 Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

**2.15 Inventories**

Inventories consist of computer hardware and are stated at the lower of cost and net realisable value. Cost is the aggregate of cost of purchase and other costs incurred in bringing the inventories to their present location and condition and is determined on the weighted average basis. Net realisable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution.

**2.16 Provisions**

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**2.17 Financial liabilities**

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

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

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

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**2. Significant accounting policies (contd.)**

**2.17 Financial liabilities (contd.)**

Trade and other payables 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.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. 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.

**2.18 Borrowing costs**

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

**2.19 Employee benefits**

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

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**2. Significant accounting policies (contd.)**

**2.20 Leases**

**(a) As lessee**

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the 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 charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

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

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

**(b) As lessor**

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.21(iv).

**2.21 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

**(i) Sale of goods**

Revenue is recognised net of sales taxes and upon transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

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**2. Significant accounting policies (contd.)**

**2.21 Revenue (contd.)**

**(ii) Rendering of services and maintenance**

Revenue relating to implementation, installation and maintenance services rendered is recognised in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to services performed to date as a percentage of total services to be performed. Where the outcome of the transaction cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

**(iii) Training**

Revenue is recognised as and when the services are performed.

**(iv) Rental income**

Rental income is recognised on an accrual basis.

**(v) Interest Income**

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

**(vi) Management fees**

Management fees are recognised when services are rendered.

**2.22 Income taxes**

**(a) Current tax**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

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**2. Significant accounting policies (contd.)**

**2.22 Income taxes (contd.)**

**(b) Deferred tax**

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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**2. Significant accounting policies (contd.)**

**2.22 Income taxes (contd.)**

**(b) Deferred tax (contd.)**

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

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**2.23 Share Capital**

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

**2.24 Treasury shares**

When shares of the Company, that have not been cancelled, recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

**2.25 Contingencies**

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

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

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### **3. Significant accounting judgements and estimates**

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.

#### **3.1 Judgements made in applying accounting policies**

In the process of preparing these financial statements, there were no significant judgements made in applying the accounting policies of the management which may have significant effects of the amounts recognised in the financial statements.

#### **3.2 Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

##### **(i) Impairment of goodwill**

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which the goodwill is allocated. Estimating value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2010 was RM48,736,589 (2009: RM50,546,842). Further details are disclosed in Note 16.

##### **(ii) Impairment of loans and receivables**

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount in trade receivables of the Group which has been outstanding in excess of 12 months amounted to RM3,775,711 (2009: RM15,995,137). Notwithstanding that the debts are long overdue, the management is confident of their recovery.

##### **(iii) Impairment of investments**

The management determines whether the carrying amount of its investments has been impaired at balance sheet date. This involves measuring the recoverable amount which includes fair value less costs to sell and discounted cash flow analysis.



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3. Significant accounting judgements and estimates (contd.)

3.2 Key sources of estimation uncertainty (contd.)

(iii) Impairment of investments (contd.)

In performing discounted cash flow analysis, the discount rates and growth rates used reflect, amongst others, the maturity of the business development cycle as well as the industry growth potential. The discount rates applied to the respective cash flow projections range between 5.6% and 7.6% (2009: 4.3% and 6.4%), which approximate the Company's average cost of funds.

Based on the opinion of the directors, adequate impairment loss has been recognised in the income statement and the management's assessments have provided reasonable assumptions that the carrying amount of investments at the balance sheet date are not impaired.

4. Revenue

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Sale of goods	68,040	114,820	-	-
Implementation and installation	76,683	49,770	-	-
Maintenance	29,361	26,455	-	-
Training	1,052	2,303	-	-
Rental	345	563	4,736	5,059
Management fees	42	-	3,210	3,276
	<u>175,523</u>	<u>193,911</u>	<u>7,946</u>	<u>8,335</u>

5. Other income

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Rental income	11	15	-	-
Net gain on disposal of plant and equipment	304	403	-	-
Foreign exchange gain:				
Unrealised	76	11	-	-
Realised	235	578	-	-
Miscellaneous	4	71	-	18
	<u>630</u>	<u>1,078</u>	<u>-</u>	<u>18</u>

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**6. Employee benefits expense**

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Wages and salaries	10,750	10,478	2,946	2,942
Social security costs	82	84	5	5
Pension costs - defined contribution plan	1,357	1,332	334	327
Other staff related expenses	1,656	1,474	383	416
	<u>13,845</u>	<u>13,368</u>	<u>3,668</u>	<u>3,690</u>

Included in employee benefits expense of the group and the company are executive directors' remuneration amounting to RM2,102,000 (2009: RM2,105,000) and RM2,042,000 (2009: RM1,960,000) respectively as disclosed in Note 11.

**7. Finance costs**

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Interest expense on:				
Islamic facilities	178	-	-	-
Bankers' acceptances	2,040	2,409	-	-
Bank overdrafts	805	761	767	709
Hire purchase	27	53	14	33
Trade payables	164	-	-	-
Advances from subsidiaries	-	-	3,339	3,978
Total finance costs	<u>3,214</u>	<u>3,223</u>	<u>4,120</u>	<u>4,720</u>

**8. Loss before tax**

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
		(Restated)		

The following items have been included  
in arriving at loss before tax:

Auditors' remuneration:				
- current year	176	176	25	25
- underprovision in prior year	5	12	-	5
Bad debts written off	-	183	-	-

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**8. Loss before tax (contd.)**

	Group		Company	
	2010 RM'000	2009 RM'000 (Restated)	2010 RM'000	2009 RM'000
The following items have been included in arriving at loss before tax: (contd.)				
Allowance for doubtful debts				
- trade receivables	4,338	1,308	-	-
- other receivables	55	489	1	489
Depreciation of plant and equipment (Note 12)	8,741	10,152	634	937
Plant and equipment written off	-	3	-	-
Amortisation of intangible assets (Note 16)	1,417	461	-	-
Impairment loss on goodwill (Note 16)	1,810	-	-	-
Impairment loss on costs of				
- investments in subsidiaries	-	-	6,012	6,702
- investments in others	63	-	-	-
Employee benefits expense (Note 6)	13,845	13,368	3,668	3,690
Directors' remunerations (Note 11)	2,139	2,139	2,079	2,079
Inventories written off	455	91	-	-
Rental				
- premises	4,902	2,320	4,940	2,086
- others	27	32	-	-
Unrealised foreign exchange loss	112	142	-	-
Realised foreign exchange loss	49	348	-	-

**9. Income tax expense**

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Current income taxation:				
- Malaysian income tax	844	1,887	-	225
- Overprovision in prior years	(305)	(97)	(51)	-
	<u>539</u>	<u>1,790</u>	<u>(51)</u>	<u>225</u>

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**9. Income tax expense (contd.)**

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Deferred tax (Note 26):				
- Relating to origination and reversal of temporary differences	629	59	-	-
- Relating to changes in tax rates	-	-	-	-
- Under/(over)provision in prior years	497	(3)	-	-
	<u>1,126</u>	<u>56</u>	<u>-</u>	<u>-</u>
Real property gains tax:				
- Underprovision in prior years	43	-	43	-
Total income tax expense	<u>1,708</u>	<u>1,846</u>	<u>(8)</u>	<u>225</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2009: 25%) of the estimated assessable profit for the year.

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

	2010 RM'000	2009 RM'000
<b>Group</b>		
Loss before tax	<u>(14,420)</u>	<u>(10,115)</u>
Taxation at Malaysian statutory tax rate of 25% (2009: 25%)	(3,605)	(2,529)
Expenses not deductible for tax purposes	1,380	992
Deferred tax assets not recognised in the current year	3,698	3,483
Under/(over) provision of deferred tax in prior years	497	(3)
Overprovision of income tax in prior years	(305)	(97)
Underprovision of real property gains tax in prior years	43	-
Income tax expense for the year	<u>1,708</u>	<u>1,846</u>

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**9. Income tax expense (contd.)**

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

	2010 RM'000	2009 RM'000
<b>Company</b>		
Loss before tax	<u>(11,021)</u>	<u>(10,339)</u>
Taxation at Malaysian statutory tax rate of 25% (2009: 25%)	(2,755)	(2,585)
Expenses not deductible for tax purposes	2,221	2,537
Deferred tax assets not recognised in the current year	240	273
Amount surrendered under Group Relief provisions	294	-
Overprovision of income tax in prior years	(51)	-
Underprovision of real property gains tax in prior years	43	-
Income tax expense for the year	<u>(8)</u>	<u>225</u>

**10. Loss per share**

**(a) Basic**

Basic loss per share is calculated by dividing the loss for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year, excluding treasury shares held by the Company.

	Group	
	2010 RM'000	2009 RM'000
Loss for the year	(16,128)	(11,961)
Minority interest	-	142
Loss attributable to ordinary equity holders of the Company	<u>(16,128)</u>	<u>(11,819)</u>
Weighted average number of ordinary shares in issue	<u>751,796</u>	<u>751,796</u>
Basic loss per share (sen)	<u>(2.15)</u>	<u>(1.57)</u>

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**10. Loss per share (contd.)**

**(b) Diluted**

As at the financial year end, the number of Warrants in issue was 299,992,500 (2009: 299,992,500). The Warrants may be exercised at any time within the period commencing 20 February 2001 and ending 19 February 2011. Warrants not exercised during the exercise period will lapse and cease to be valid. The exercise price is RM0.38 per share.

There is no dilution in the loss per share of the Company as the market values of the above securities were lower than the exercise prices. Accordingly, there is no assumed full conversion of the securities to merit for adjusting for an increase in the number of ordinary shares which could result in a dilution of the Company's earnings per share.

**11. Directors' remuneration**

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<b>Directors of the Company</b>				
Executive:				
Salaries and other emoluments	1,728	1,728	1,728	1,728
Pension costs - defined contribution plan	207	207	207	207
Benefits-in-kind	107	110	107	25
	<u>2,042</u>	<u>2,045</u>	<u>2,042</u>	<u>1,960</u>
Non-Executive:				
Fees	108	108	108	108
Other emoluments	36	36	36	36
	<u>144</u>	<u>144</u>	<u>144</u>	<u>144</u>
<b>Directors of subsidiaries</b>				
Executive:				
Fees	60	60	-	-
	<u>60</u>	<u>60</u>	<u>-</u>	<u>-</u>
Total directors' remuneration	<u>2,246</u>	<u>2,249</u>	<u>2,186</u>	<u>2,104</u>

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## 11. Directors' remuneration (contd.)

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<b>Analysis excluding benefits-in-kind</b>				
Total executive directors' remuneration excluding benefits-in-kind	1,995	1,995	1,935	1,935
Total non-executive directors' remuneration excluding benefits-in-kind	144	144	144	144
	<u>2,139</u>	<u>2,139</u>	<u>2,079</u>	<u>2,079</u>

The number of directors of the Company whose total remuneration during the financial year fall within the following bands is analysed below:

	Number of directors	
	2010	2009
<b>Executive</b>		
RM500,001 - RM550,000	2	2
RM450,001 - RM500,000	2	2
	<u>2</u>	<u>2</u>
<b>Non-Executive</b>		
RM1 - RM50,000	3	3
	<u>3</u>	<u>3</u>

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12. Plant and equipment

Group	Data centre and related equipment RM'000	Motor vehicles RM'000	Computer equipment RM'000	Office equipment, furniture and fittings RM'000	Renovations RM'000	Total RM'000
<b>Cost</b>						
At 1 January 2010	7,585	2,703	70,206	10,900	264	91,658
Additions	-	-	191	212	-	403
Disposals	-	(1,130)	-	(82)	-	(1,212)
At 31 December 2010	7,585	1,573	70,397	11,030	264	90,849
<b>Accumulated depreciation</b>						
At 1 January 2010	1,303	2,507	59,268	7,460	128	70,666
Charge for the year	778	131	6,787	997	48	8,741
Disposals	-	(1,065)	-	(7)	-	(1,072)
At 31 December 2010	2,081	1,573	66,055	8,450	176	78,335
<b>Net carrying amount</b>						
At 31 December 2010	5,504	-	4,342	2,580	88	12,514



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12. Plant and equipment (contd.)

Group	Data centre and related equipment RM'000	Motor vehicles RM'000	Computer equipment RM'000	Office equipment, furniture and fittings RM'000	Renovations RM'000	Total RM'000
<b>Cost</b>						
At 1 January 2009	7,155	2,703	82,995	12,466	393	105,712
Additions						
As previously stated	430	-	4,314	1,802	-	6,546
Effects of restatement	-	-	(3,700)	(1,650)	-	(5,350)
Additions (restated)	430	-	614	152	-	1,196
Write off	-	-	(13,316)	(1,209)	(129)	(14,654)
Disposals	-	-	(87)	(509)	-	(596)
At 31 December 2009	7,585	2,703	70,206	10,900	264	91,658
<b>Accumulated depreciation</b>						
At 1 January 2009	575	2,259	65,072	7,238	208	75,352
Charge for the year						
As previously stated	728	248	7,721	1,614	49	10,360
Effects of restatement	-	-	(125)	(83)	-	(208)
Charge for the year (restated)	728	248	7,596	1,531	49	10,152
Write off	-	-	(13,313)	(1,209)	(129)	(14,651)
Disposals	-	-	(87)	(100)	-	(187)
At 31 December 2009	1,303	2,507	59,268	7,460	128	70,666
<b>Net carrying amount</b>						
At 31 December 2009 (restated)	6,282	196	10,938	3,440	136	20,992

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12. Plant and equipment (contd.)

Company	Data centre and related equipment RM'000	Computer equipment RM'000	Office equipment, furniture and fittings RM'000	Renovations RM'000	Total RM'000
<b>Cost</b>					
At 1 January 2010	4,587	581	3,949	225	9,342
Additions	-	27	-	-	27
At 31 December 2010	<u>4,587</u>	<u>608</u>	<u>3,949</u>	<u>225</u>	<u>9,369</u>
<b>Accumulated depreciation</b>					
At 1 January 2010	1,028	451	3,787	107	5,373
Charge for the year	478	48	71	37	634
At 31 December 2010	<u>1,506</u>	<u>499</u>	<u>3,858</u>	<u>144</u>	<u>6,007</u>
<b>Net carrying amount</b>					
At 31 December 2010	<u>3,081</u>	<u>109</u>	<u>91</u>	<u>81</u>	<u>3,362</u>

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12. Plant and equipment (contd.)

Company	Data centre and related equipment RM'000	Computer equipment RM'000	Office equipment, furniture and fittings RM'000	Renovations RM'000	Total RM'000
<b>Cost</b>					
At 1 January 2009	4,587	501	3,949	225	9,262
Additions	-	80	-	-	80
At 31 December 2009	<u>4,587</u>	<u>581</u>	<u>3,949</u>	<u>225</u>	<u>9,342</u>
<b>Accumulated depreciation</b>					
At 1 January 2009	575	393	3,399	69	4,436
Charge for the year	453	58	388	38	937
At 31 December 2009	<u>1,028</u>	<u>451</u>	<u>3,787</u>	<u>107</u>	<u>5,373</u>
<b>Net carrying amount</b>					
At 31 December 2009	<u>3,559</u>	<u>130</u>	<u>162</u>	<u>118</u>	<u>3,969</u>

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**12. Plant and equipment (contd.)**

(a) Included in plant and equipment of the Group and of the Company are assets acquired under hire purchase arrangements with net book values of:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Motor vehicles	-	196	-	-
Data centre and related equipment	623	709	623	709
	<u>623</u>	<u>905</u>	<u>623</u>	<u>709</u>

**13. Investments in subsidiaries**

	Company	
	2010 RM'000	2009 RM'000
<b>Unquoted shares</b>		
At cost	127,232	127,232
Less: Accumulated impairment losses	(34,499)	(28,487)
	<u>92,733</u>	<u>98,745</u>

Details of the subsidiaries are as follows:

Name of Company	Country of incorporation	Effective equity interest held (%)		Principal activities
		2010	2009	
Patimas Business Solutions Sdn. Bhd.	Malaysia	100	100	Development and sales of computer related products and provision of computer related services for finance and stock-broking industry.
Patimas Dot Com Sdn. Bhd.	Malaysia	100	100	Development and sales of computer related products and provision of computer related services for the manufacturing industry.

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**13. Investments in subsidiaries (contd.)**

Name of Company	Country of incorporation	Effective equity interest held (%)		Principal activities
		2010	2009	
Patimas Services Sdn. Bhd.	Malaysia	100	100	Distribution of computer hardware, software and other related products and to provide software solution.
Patimas e-Business Sdn. Bhd.	Malaysia	100	100	Focusing on interactive, multimedia content development, on-line services, electronic commerce and information infrastructure.
Patimas Computer Software Sdn. Bhd.	Malaysia	100	100	Implementing, commissioning, installing, assembling, consulting and project management for computer hardware and software and IT related products and services.
Patimas Education Centre Sdn. Bhd.	Malaysia	100	100	Development and sales of software for the manufacturing industry.
Patimas-HPD Systems Sdn. Bhd.	Malaysia	100	100	Value-added distributor of Hewlett Packard range of products.
Patimas Computer Systems Sdn. Bhd.	Malaysia	100	100	Installing and assembling computer hardware and software.

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**13. Investments in subsidiaries (contd.)**

Name of Company	Country of incorporation	Effective equity interest held (%)		Principal activities
		2010	2009	
OED Technology Sdn. Bhd.	Malaysia	65	65	Distributor of computer related products and services.
Patimas Outsourcing Services Sdn. Bhd.	Malaysia	100	100	Provision of hosting facilities, managed network services, consulting and system integration, electronic commerce, application service provider and product procurement services.
Patimas Computer Security Sdn. Bhd.	Malaysia	100	100	Distribution of computer related products and services.
Patimas Computer Technology Sdn. Bhd.	Malaysia	100	100	Provision of computer related services and sales of computer related products.
Patimas International Sdn. Bhd.	Malaysia	100	100	Provision of computer related services and development and sales of computer related products.
Patimas Workgroup Technology Sdn. Bhd.	Malaysia	60	60	Provision of computer related services and sales of computer related products.
Patimas Computer Services Sdn. Bhd.	Malaysia	100	100	Distribution of computer software and other related products.

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**14. Investments in associates**

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Unquoted shares at cost	2,880	2,020	2,880	2,020
Share of post-acquisition reserves	(601)	(490)	-	-
	<u>2,279</u>	<u>1,530</u>	<u>2,880</u>	<u>2,020</u>
Less: Accumulated impairment losses	-	-	(490)	(490)
	<u>2,279</u>	<u>1,530</u>	<u>2,390</u>	<u>1,530</u>

On 13 December 2010, the Company subscribed for additional 500,000 ordinary shares of RM1.00 each, representing an increase in shareholding from 30% to 40% of the total enlarged equity interest in Dynotronic International Sdn. Bhd. ("DISB") for a total consideration of RM500,000. DISB was incorporated in Malaysia on 16 July 2009 and has remained dormant since incorporation.

On 22 October 2010, the Company subscribed for additional 360,000 ordinary shares of RM1.00 each, representing unchanged 45% of the total enlarged equity interest in Scion Global Sdn. Bhd. ("SGSB") for a total consideration of RM360,000. SGSB was incorporated in Malaysia on 24 August 2009 and has remained dormant since incorporation.

Details of the associates are as follows:

Name of Company	Country of Incorporation	Effective equity interest held (%)		Principal activity
		2010	2009	
Scion Global Sdn. Bhd.	Malaysia	45	45	Dormant
Dynotronic International Sdn. Bhd.	Malaysia	40	30	Dormant
Sigma AIT Sdn. Bhd.	Malaysia	49	49	Provision of computer related services inclusive of sales of computer related products, IT outsourcing and system integration.

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**14. Investments in associates (contd.)**

The summarised financial information of the associates, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	2010 RM'000	2009 RM'000
<b>Assets and liabilities</b>		
Current assets	409	581
Non-current assets	5,221	3,872
Total assets	<u>5,630</u>	<u>4,453</u>
Current liabilities	152	76
Non-current liabilities	568	558
Total liabilities	<u>720</u>	<u>634</u>
<b>Results</b>		
Revenue	-	-
Loss for the year	<u>(208)</u>	<u>(91)</u>

The Group has not recognised losses relating to Sigma AIT Sdn. Bhd. where its share of losses exceeds the Group's interest in this associate. The Group's cumulative share of unrecognised losses at the reporting date was RM262,000 (2009: RM257,000), of which RM5,000 (2009: RM17,000) was the share of the current year's losses. The Group has no obligation in respect of these losses.

**15. Other investments**

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<b>At cost:</b>				
Unquoted shares in Singapore	376	376	-	-
Unquoted shares in British Virgin Islands	1,112	1,112	1,112	1,112
Unquoted shares in Vietnam	258	258	258	258
Unquoted preference shares in British Virgin Islands	1,330	1,330	1,330	1,330
Irredeemable Convertible Loan Stocks in Malaysia	228	228	-	-
	<u>3,304</u>	<u>3,304</u>	<u>2,700</u>	<u>2,700</u>
Less: Accumulated impairment losses	<u>(2,984)</u>	<u>(2,921)</u>	<u>(2,442)</u>	<u>(2,442)</u>
Total available-for-sale financial assets	<u>320</u>	<u>383</u>	<u>258</u>	<u>258</u>



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**16. Intangible assets**

Group	Software development expenditure RM'000 (Restated)	Goodwill RM'000	License RM'000	Total RM'000
<b>Cost</b>				
At 1 January 2009	17,643	52,133	750	70,526
Additions				
As previously stated	-	-	-	-
Effects of restatement	5,350	-	-	5,350
Additions (restated)	5,350	-	-	5,350
At 31 December 2009	22,993	52,133	750	75,876
Additions	5,100	-	-	5,100
At 31 December 2010	28,093	52,133	750	80,976
<b>Accumulated amortisation and impairment</b>				
At 1 January 2009	16,951	1,587	675	19,213
Amortisation for the year				
As previously stated	178	-	75	253
Effects of restatement	208	-	-	208
Amortisation for the year (restated)	386	-	75	461
At 31 December 2009	17,337	1,587	750	19,674
Amortisation for the year	1,417	-	-	1,417
Impairment loss for the year	-	1,810	-	1,810
At 31 December 2010	18,754	3,397	750	22,901
<b>Carrying amount</b>				
At 31 December 2010	9,339	48,736	-	58,075
At 31 December 2009 (restated)	5,656	50,546	-	56,202

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**16. Intangible assets (contd.)**

**(a) Impairment tests of goodwill**

**Allocation of goodwill**

Goodwill arising from business combinations and has been allocated to a cash-generating units ("CGU") for impairment testing.

The recoverable amount of a CGU is determined based on value-in-use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flows beyond the five-year period are as follows:

	Goodwill	
	2010	2009
	%	%
Growth rates	3.6 to 12.0	3.6 to 14.0
Pre-tax discount rates	<u>5.6 to 7.6</u>	<u>4.3 to 6.4</u>

The calculations of value in use for the CGU are most sensitive to the following assumptions:

**Budgeted gross margins** - Gross margins are based on average values achieved in the year immediately before the budgeted year, adjusted for market and economic conditions and internal resource efficiency.

**Growth rates** - The forecasted growth rates are based financial budgets approved by the Directors covering a five-year period based on past performance and their expectations of market developments.

**Pre-tax discount rates** - Discount rates reflect the current market assessment of the risk specific to each CGU. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates for each CGU, regard has been given to the interest rate of bank borrowings at the beginning of the budgeted year.

**Market share assumptions** - These assumptions are important because, as well as using industry data for growth rates (as noted above), management assesses how the CGU's position, relative to its competitors, might change over the budget period. Management expects the Group's share of the market to be stable over the budget period.

**17. Long term receivable**

	Group/Company	
	2010	2009
Amount due from former subsidiary	4,293	6,379
Less: Due within 12 months (Note 19)	<u>(4,293)</u>	<u>(3,313)</u>
Due after 12 months	<u>-</u>	<u>3,066</u>

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**17. Long term receivable (contd.)**

This represents the amount owing to the Company and to the Group by a former subsidiary, Tsun Macro Sdn Bhd ("Tsun Macro"), which consists of advances made and payments on behalf prior to its disposal in 2005. The amount owed is secured by personal guarantees from two shareholders of Tsun Macro and is repayable over a period of five years with 6% interest per annum in accordance with the Financial Assistance Settlement Agreement ("Agreement") entered into between the the Company and Tsun Macro on 30 August 2005.

On 17 April 2007, a petition order was filed to wind up Tsun Macro and the order was subsequently granted by the Court on 16 August 2007. Tsun Macro remains in liquidation as at 31 December 2010. Notwithstanding this, the directors are of the opinion that the amount owing is recoverable due to the following reasons:-

- i) Tsun Macro has been, without default, meeting the installment amount due each year as per the Agreement together with the interest thereon;
- ii) The amount owing is guaranteed by the two shareholders of Tsun Macro and the commitment of the shareholders to repay the amount is reflected in the repayment made, even after the petition order to wind up Tsun Macro was granted by the Court, including an aggregate sum of RM19,029,464 (2009: RM13,936,464) received pursuant to the terms of the Agreement;
- iii) Patimas, having been assigned debts owing from a debtor amounting to RM12,708,013 by Tsun Macro, has commenced proceedings against the debtor concerned to recover the debts owing during the current financial year. This amount, if collected, will be used to offset against the amount owing from Tsun Macro; and
- iv) During the current financial year, Patimas remitted a payment of RM2,629,302 as settlement for a claim from a vendor against the corporate guarantee extended to Tsun Macro prior to the disposal of the subsidiary. This amount has been included as part of the amount owing by Tsun Macro in accordance to the said Agreement and the Company has received the payment in full as at 26 April 2011.

**18 Trade receivables**

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Trade receivables	57,618	85,026	-	-
Amount due from subsidiaries	-	-	1,261	1,389
Amount due from associate	28	-	16	-
	<u>57,646</u>	<u>85,026</u>	<u>1,277</u>	<u>1,389</u>
Less: Allowance for impairment				
Third parties	(4,338)	(1,308)	-	-
Trade receivables, net	<u>53,308</u>	<u>83,718</u>	<u>1,277</u>	<u>1,389</u>

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**18 Trade receivables (contd.)**

The Group's trade receivables are non-interest bearing and generally on 30 to 120 days (2009: 30 to 120 day) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

The amounts due from subsidiaries and associate are unsecured, interest-free and payable within 60 (2009: 60) days.

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Neither past due nor impaired	30,411	32,205	1,277	1,389
1 to 90 days past due not impaired	7,502	26,186	-	-
91 to 365 days past due not impaired	11,619	9,332	-	-
More than 365 days past due not impaired	3,776	15,995	-	-
	22,897	51,513	-	-
Impaired	4,338	1,308	-	-
	<u>57,646</u>	<u>85,026</u>	<u>1,277</u>	<u>1,389</u>

Trade receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records.

Trade receivables that are past due but not impaired

The trade receivables that are past due but not impaired are unsecured.

Trade receivables that are individually impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record impairment are as follows:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Trade receivables	4,338	1,308	-	-
Less: Allowance for impairment	(4,338)	(1,308)	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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**18 Trade receivables (contd.)**

Movement in allowance account:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
At 1 January	1,308	1,432	-	-
Addition during the year	4,338	1,308	-	-
Written off during the year	(1,308)	(1,432)	-	-
At 31 December	<u>4,338</u>	<u>1,308</u>	<u>-</u>	<u>-</u>

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Total loans and receivables:				
Long term receivables (Note 17)	-	3,066	-	3,066
Trade receivables	57,646	85,026	1,277	1,389
Other receivables (Note 19)	11,567	11,903	56,446	40,642
Less: Prepayments (Note 19)	(1,995)	(1,970)	(28)	(408)
Cash at bank balances (Note 20)	27,884	30,467	20,961	23,512
	<u>95,102</u>	<u>128,492</u>	<u>78,656</u>	<u>68,201</u>

**19. Other receivables**

	Group		Company	
	2010 RM'000	2009 RM'000 (Restated)	2010 RM'000	2009 RM'000
Third parties	8,007	5,212	4,351	3,901
Advances to subsidiaries	-	-	51,854	35,577
Advances to associates	150	489	74	500
	8,157	5,701	56,279	39,978
Less: Allowance for impairment				
Third parties	(1)	-	(1)	-
Advances to associates	(54)	(489)	-	(489)
	(55)	(489)	(1)	(489)
Other receivables, net	<u>8,102</u>	<u>5,212</u>	<u>56,278</u>	<u>39,489</u>
Deposits	1,470	4,721	140	745
Prepayments	1,995	1,970	28	408
	<u>11,567</u>	<u>11,903</u>	<u>56,446</u>	<u>40,642</u>

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**19. Other receivables (contd.)**

The Group and the Company's other receivables from third parties are not secured by any collateral or credit enhancements, non-interest bearing and are generally on 30 to 90 day (2009: 30 to 90 day) terms except for an amount of RM4,292,913 (2009: RM3,313,000) due from Tsun Macro Sdn. Bhd. as disclosed in Note 17.

Advances to subsidiaries are unsecured and bear interest rate of 5.00% (2009: 5.00%) per annum, and are repayable on demand.

Advances to associates are unsecured, interest free and has no fixed terms of repayment.

Other receivables that are individually impaired

The Company's other receivables that are impaired at the reporting date and the movement of the allowance accounts used to record impairment are as follows:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Other receivables	55	489	1	489
Less: Allowance for impairment	(55)	(489)	(1)	(489)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Movement in allowance account:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
At 1 January	489	-	489	-
Addition during the year	55	489	1	489
Written off	(489)	-	(489)	-
At 31 December	<u>55</u>	<u>489</u>	<u>1</u>	<u>489</u>

The Group and the Company have provided an allowance of RM55,000 (2009: RM489,000) and RM1,000 (2009: RM489,000) respectively. There were no repayments from these debtors in the past years.

**20. Cash and bank balances**

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Cash on hand and at banks	6,933	6,965	10	10
Fixed deposits with a licensed bank	20,951	23,502	20,951	23,502
Cash and bank balances	<u>27,884</u>	<u>30,467</u>	<u>20,961</u>	<u>23,512</u>

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**20. Cash and bank balances (contd.)**

Included in the fixed deposits with a licensed bank of the Group and of the Company is an amount of RM20,950,649 (2009: RM8,002,440) which is being pledged with a licensed bank as a security for bank overdrafts and trade facilities.

The weighted average effective interest rate of the deposits of the Group and of the Company at the balance sheet date is 2.22% (2009: 1.90%) and the average maturities of deposits of the Group and of the Company as at the end of the financial year is 42 days (2009: 66 days).

**21. Share capital**

	Group/Company			
	Number of ordinary shares of RM0.10 each		Amount	
	2010 '000	2009 '000	2010 RM'000	2009 RM'000
Authorised:				
At 1 January/31 December	<u>2,500,000</u>	<u>2,500,000</u>	<u>250,000</u>	<u>250,000</u>
Issued and fully paid:				
At 1 January/31 December	<u>757,900</u>	<u>757,900</u>	<u>75,790</u>	<u>75,790</u>

**22. Treasury shares**

	Group/Company			
	Number of ordinary shares of RM0.10 each		Amount	
	2010 '000	2009 '000	2010 RM'000	2009 RM'000
At 1 January/31 December	<u>6,100</u>	<u>6,100</u>	<u>482</u>	<u>482</u>

There were no repurchase of treasury shares during the financial year.

The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

**23. Share premium**

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Share premium	<u>44,397</u>	<u>44,397</u>	<u>44,397</u>	<u>44,397</u>

Share premium reserve represents premium arising from issues of shares, net of its related expenses.

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**24. Borrowings**

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<b>Short term borrowings</b>				
Secured:				
Hire purchase payables (Note 25)	48	438	48	274
Bankers' acceptances	40,976	-	-	-
Bank overdrafts	9,697	-	9,698	-
	<u>50,721</u>	<u>438</u>	<u>9,746</u>	<u>274</u>
Unsecured:				
Islamic facilities	7,214	-	-	-
Bankers' acceptances	-	49,669	-	-
Bank overdrafts	489	12,643	-	11,416
	<u>7,703</u>	<u>62,312</u>	<u>-</u>	<u>11,416</u>
	<u>58,424</u>	<u>62,750</u>	<u>9,746</u>	<u>11,690</u>
<b>Long term borrowings</b>				
Secured:				
Hire purchase payables (Note 25)	-	266	-	47
	<u>-</u>	<u>266</u>	<u>-</u>	<u>47</u>
<b>Total borrowings</b>				
Hire purchase payables (Note 25)	48	704	48	321
Islamic facilities	7,214	-	-	-
Bankers' acceptances	40,976	49,669	-	-
Bank overdrafts	10,186	12,643	9,698	11,416
	<u>58,424</u>	<u>63,016</u>	<u>9,746</u>	<u>11,737</u>
Matu rity of borrowings (excluding hire purchase payables):				
Withi n 1 year	<u>58,376</u>	<u>62,312</u>	<u>9,698</u>	<u>11,416</u>



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**24. Borrowings (contd.)**

The weighted average effective interest rates per annum at the balance sheet date for borrowings other than hire purchase payables, are as follows:

	Group		Company	
	2010 %	2009 %	2010 %	2009 %
Islamic facilities	7.00	-	-	-
Bankers' acceptances	4.50	4.00	-	-
Bank overdrafts	8.18	7.22	8.05	7.25

The bank overdrafts and the bankers acceptances are denominated in RM and are secured by fixed deposits placed with a licensed bank as disclosed in Note 20.

The hire purchase payables are secured over the motor vehicles and data centre and related equipment financed as disclosed in Note 12(a).

**25. Hire purchase payables**

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<b>Minimum lease payments:</b>				
Not later than 1 year	48	465	48	287
Later than 1 year and not later than 2 years	-	215	-	48
Later than 2 years and not later than 5 years	-	58	-	-
	<u>48</u>	<u>738</u>	<u>48</u>	<u>335</u>
Less: Future finance charges	-	(34)	-	(14)
	<u>48</u>	<u>704</u>	<u>48</u>	<u>321</u>
<b>Present value of hire purchase:</b>				
Not later than 1 year	48	438	48	274
Later than 1 year and not later than 2 years	-	209	-	47
Later than 2 years and not later than 5 years	-	57	-	-
	<u>48</u>	<u>704</u>	<u>48</u>	<u>321</u>

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## 25. Hire purchase payables (contd.)

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<b>Analysed as:</b>				
Due within 12 months (Note 24)	48	438	48	274
Due after 12 months (Note 24)	-	266	-	47
	<u>48</u>	<u>704</u>	<u>48</u>	<u>321</u>

Hire purchase payables bore a weighted average effective interest rate of 3.8% (2009: 3.37%) per annum during the financial year.

## 26. Deferred taxation

	Group	
	2010 RM'000	2009 RM'000
At 1 January	1,640	1,584
Recognised in income statement (Note 9)	1,126	56
At 31 December	<u>2,766</u>	<u>1,640</u>
Presented after appropriate offsetting as follows:		
Deferred tax assets	(2,204)	(3,752)
Deferred tax liabilities	4,970	5,392
	<u>2,766</u>	<u>1,640</u>

The components and movements of deferred tax liabilities and assets of the Group during the financial year prior to offsetting are as follows:

## Deferred tax liabilities of the Group:

	Accelerated capital allowances RM'000	Software development expenditure RM'000	Total RM'000
At 1 January 2009	5,595	173	5,768
Recognised in income statement	(1,618)	1,242	(376)
At 31 December 2009	3,977	1,415	5,392
Recognised in income statement	(1,532)	1,110	(422)
At 31 December 2010	<u>2,445</u>	<u>2,525</u>	<u>4,970</u>

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## 26. Deferred taxation (contd.)

Deferred tax assets of the Group:

	Unabsorbed capital allowances RM'000	Unutilised tax losses RM'000	Payables RM'000	Total RM'000
At 1 January 2009	(3,782)	(394)	(8)	(4,184)
Recognised in income statement	421	30	(19)	432
At 31 December 2009	(3,361)	(364)	(27)	(3,752)
Recognised in income statement	1,145	366	37	1,548
At 31 December 2010	(2,216)	2	10	(2,204)

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Unutilised tax losses	35,134	38,440	535	31
Unabsorbed capital allowances	48,356	28,270	3,821	3,364
	<u>83,490</u>	<u>66,710</u>	<u>4,356</u>	<u>3,395</u>

The unutilised tax losses and unabsorbed capital allowances are available for offsetting against future taxable profits of the respective entities within the Group and of the Company, subject to no substantial change in shareholdings under the Income Tax Act, 1967 and guidelines issued by the tax authority. Deferred tax assets have not been recognised in respect of these items due to the recent history of losses of the Group and of the Company.

## 27. Trade payables

Trade payables are non-interest bearing and the normal trade credit term granted to the Group ranges from 30 to 90 (2009: 30 to 90) days.

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Total financial liabilities carried at amortised cost:				
Trade payables	21,296	44,245	-	-
Other payables (Note 28)	3,171	3,080	78,486	60,952
Borrowings (Note 24)	58,424	63,016	9,746	11,737
	<u>82,891</u>	<u>110,341</u>	<u>88,232</u>	<u>72,689</u>

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**28. Other payables**

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Deposits	1,227	-	-	-
Sundry payables	1,747	2,787	1,068	1,058
Advances from associate company	197	293	197	376
Advances from subsidiary companies	-	-	77,221	59,518
	<u>3,171</u>	<u>3,080</u>	<u>78,486</u>	<u>60,952</u>

Sundry payables are non-interest bearing and are normally settled on average term of 30 to 90 (2009: 30 to 90) days.

The advances from associate company are non-interest bearing and are normally settled on average term of 30 to 90 (2009: 30 to 90) days.

Advances from subsidiaries are unsecured and bear interest rate of 5.00% (2009: 5.00%) per annum, and repayable on demand.

**29. Operating lease arrangements**

The Group has entered into non-cancellable operating lease agreement in connection with the Sale and Purchase of Property Rights Agreement ("SPA") and a Supplemental Agreement to the SPA on 13 July 2008 and 20 October 2008 respectively, with Project Asia City Sdn. Bhd. This operating lease is for the use of two plots of leasehold land identified as Lot No. 2 and No. 11, Phase 1 located within Technology Park Malaysia together with a multi-storey office building with all its fixtures and fittings. The lease agreement is for a period of 12 years with option to renew another 5 years after the 12 years period.

The future aggregate minimum lease payments under non-cancellable operating lease contracted for as at the balance sheet date but not recognised as liabilities are as follows:

	Group	
	2010 RM'000	2009 RM'000
Future minimum rental payments:		
Not later than 1 year	5,134	4,940
Later than 1 year and not later than 5 years	21,860	21,347
Later than 5 years	20,983	26,630
	<u>47,977</u>	<u>52,917</u>

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30. Segmental information

	Hardware		Software		Services		Others		Eliminations		Note	Per consolidated	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000		2010 RM'000	2009 RM'000
<b>Revenue:</b>													
External customers	46,408	67,751	60,039	52,792	40,563	34,244	28,513	39,124	-	-	A	175,523	193,911
Inter segment	18,511	12,711	19,155	27,460	5,074	12,958	8,327	18,317	(51,067)	(71,446)		-	-
<b>Total Revenue</b>	<b>64,919</b>	<b>80,462</b>	<b>79,194</b>	<b>80,252</b>	<b>45,637</b>	<b>47,202</b>	<b>36,840</b>	<b>57,441</b>	<b>(51,067)</b>	<b>(71,446)</b>		<b>175,523</b>	<b>193,911</b>
<b>Results:</b>													
Other income	81	90	536	282	13	706	-	-	-	-		630	1,078
Interest income	2,895	3,442	2,275	1,205	1,380	698	5,687	6,009	(11,311)	(10,015)	A	926	1,339
Depreciation and amortisation	(1,227)	(1,038)	(2,533)	(2,405)	(5,616)	(6,149)	(782)	(1,021)	-	-		(10,158)	(10,613)
Interest expense	(1,374)	(1,801)	(2,691)	(1,572)	(2,538)	(1,614)	(7,922)	(8,251)	11,311	10,015	A	(3,214)	(3,223)
Other non-cash expenses	(2,670)	(377)	-	(120)	(54)	(67)	(2,124)	(1,324)	-	-		(4,848)	(1,888)
Tax expense	(723)	(1,045)	(668)	(941)	(263)	(319)	(54)	459	-	-		(1,708)	(1,846)
<b>Segment profit/(loss)</b>	<b>3,675</b>	<b>3,701</b>	<b>2,724</b>	<b>421</b>	<b>(7,517)</b>	<b>(6,712)</b>	<b>(17,393)</b>	<b>(14,290)</b>	<b>4,091</b>	<b>6,765</b>		<b>(14,420)</b>	<b>(10,115)</b>
<b>Assets</b>													
Additions to non-current assets	1,877	2,221	1,892	2,412	1,697	1,812	37	101	-	-		5,503	6,546
Segment assets	83,867	95,058	38,820	53,334	28,317	40,712	136,247	188,284	(117,314)	(164,981)	B	169,937	212,407
<b>Segment liabilities</b>	<b>(33,124)</b>	<b>(47,198)</b>	<b>(29,222)</b>	<b>53,379</b>	<b>(39,657)</b>	<b>(44,274)</b>	<b>(56,961)</b>	<b>(177,745)</b>	<b>73,156</b>	<b>103,688</b>	<b>B</b>	<b>(85,808)</b>	<b>(112,150)</b>

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**30. Segmental information (contd.)**

Note Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

A Inter-segment transactions are eliminated on consolidation

B Inter-segment balances are eliminated on consolidation

97% (2009: 95%) of the Group's revenue is attributed to customers in Malaysia

All (2009: All) of the Group's non-current assets are located in Malaysia

**31. Contingent liabilities**

	Company	
	2010	2009
	RM'000	RM'000
Unsecured corporate guarantee given to licensed bank for credit facilities granted to subsidiaries	2,000	27,060
Unsecured corporate guarantees given to financial institutions for credit facilities granted to subsidiaries	16,000	-
Claim from a vendor against a former subsidiary of the Group against the corporate guarantee extended prior to the disposal of the subsidiary	-	3,093
	<u>18,000</u>	<u>30,153</u>

Details on the contingent liabilities are disclosed below:

- (a) Corporate guarantee extended by the Company to its subsidiaries are for credit facilities with licensed bank and financial institutions.
- (b) Corporate guarantee extended by the Company to a former subsidiary of the Group, Tsun Macro Sdn. Bhd. in prior year is for a claim from a vendor which settlement was subsequently remitted in current year as disclosed in Note 17.

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**32. Related party disclosures**

In addition to the significant related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year.

**(a) Transactions with subsidiaries**

	Company	
	2010 RM'000	2009 RM'000
Rental income	4,380	4,479
Management fees income	3,168	3,276
Interest expense	(3,339)	(3,978)
Interest income	1,996	1,917
	<u>1,996</u>	<u>1,917</u>

Information regarding outstanding balance arising from related party transactions as at 31 December 2010 are disclosed in Notes 18, 19 and 28.

**(b) Compensation of key management personnel**

The compensation of key management personnel who are the directors of the Group and of the Company are detailed in Note 11.

**33. Financial risk management objectives and policies**

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk.

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

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

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**33. Financial risk management objectives and policies (contd.)**

**(a) Credit risk**

Credit risks, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored by strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis by Group management reporting procedures.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments except as disclosed in Note 19 and 20.

Exposure of credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the statements of financial position
- A nominal amount of RM18,000,000 (2009: RM27,060,000) relating to corporate guarantees provided by the Company as disclosed in Note 31.

**(b) Liquidity risk**

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions and prudently balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

**(c) Interest rate risk**

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's exposure to interest rate risk arises principally from fixed deposits with a licensed bank and borrowings.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 30 basis points higher/lower, with all other variables held constant, the Group's loss net of tax would have been RM179,361 higher/lower, arising mainly as a result of an increase in the fair value of the weighted average of islamic facilities, bankers' acceptance and hire purchase. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.



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**33. Financial risk management objectives and policies (contd.)**

**(d) Foreign exchange risk**

The Group is exposed to effects of foreign currency exchange rate fluctuations mainly in relation to United States Dollar ("USD"), Singapore Dollar ("SGD"), Bangladesh Taka ("BDT") and Brunei Dollars ("BND"). However, the Group's exposure to foreign exchange risk is not significant.

The net unhedged financial assets and financial liabilities of the Group that are not denominated in the functional currencies of the respective Group entities are as follows:

	Net financial assets/(liabilities) held in non-functional currencies				Total RM'000
	Brunei Dollars RM'000	Bangladesh Taka RM'000	Singapore Dollars RM'000	United States Dollars RM'000	
<b>At 31 December 2010</b>					
Ringgit Malaysia	-	18	9	(1,735)	(1,708)
<b>At 31 December 2009</b>					
Ringgit Malaysia	217	180	8	(674)	(269)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's loss net of tax to a reasonably possible change in USD exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

		Group 2010 RM'000 (Loss)/Profit net of tax
USD/RM	- strengthened 3%	(4)
	- weakened 3%	4

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**33. Financial risk management objectives and policies (contd.)**

**(e) Fair values**

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

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	<u>Note</u>
Trade receivables	18
Amounts due from subsidiaries and associate	18
Other receivables	19
Advances due from subsidiaries and associates	19
Borrowings (current)	24
Hire Purchase (current)	25
Trade payables	27
Other payables	28
Advances due to subsidiaries and associate	28

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values due to their short-term nature.

The carrying amount of the current portion of borrowings are reasonable approximations of fair values due to the insignificant impact on discounting.

The fair value of current loans and borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending or borrowing arrangements at the reporting date.

Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

Other investments in the Group's and the Company's equity instruments whose fair value cannot be reliably measured continued to be carried at cost less impairment losses as disclosed in Note 15.

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**34. Capital Management**

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic condition. To maintain or adjust its capital structure, the Company adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

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

The debt to equity ratio as at 31 December 2010 and 31 December 2009 are as follows:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Loans and borrowings	58,424	63,016	9,746	11,737
Trade payables	21,296	44,245	-	-
Other payables	3,171	3,080	78,486	60,952
Less - Cash and bank balances	(27,884)	(30,467)	(20,961)	(23,512)
Net debt	<u>55,007</u>	<u>79,874</u>	<u>67,271</u>	<u>49,177</u>
Total equity	84,129	100,257	89,456	100,469
Capital and net debt	<u>139,136</u>	<u>180,131</u>	<u>156,727</u>	<u>149,646</u>
Gearing ratio	<u>40%</u>	<u>44%</u>	<u>43%</u>	<u>33%</u>

The Group's policy is to keep the gearing ratio less than 60%.

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**35. Comparatives**

The following comparatives have been reclassified to their respective appropriate classification:

	As previously stated RM'000	Adjustments RM'000	As restated RM'000
<b>Consolidated statement of financial position as at 31 December 2009</b>			
<b>Non-current assets</b>			
Plant and equipment	26,134	(5,142)	20,992
Intangible assets	51,060	5,142	56,202
	<u>51,060</u>	<u>5,142</u>	<u>56,202</u>
<b>Current assets</b>			
Other receivables - Prepayments	3,098	(1,128)	1,970
Other receivables - Third parties	4,084	1,128	5,212
	<u>4,084</u>	<u>1,128</u>	<u>5,212</u>
<b>Equity attributable to equity holders</b>			
Other reserves	24,949	(24,949)	-
Share Premium	-	44,397	44,397
Accumulated losses	-	(19,448)	(19,448)
	<u>-</u>	<u>(19,448)</u>	<u>(19,448)</u>
<b>Consolidated statement of comprehensive income for the financial year ended 31 December 2009</b>			
Depreciation of plant and equipment	10,360	(208)	10,152
Amortisation of intangible assets	253	208	461
	<u>253</u>	<u>208</u>	<u>461</u>

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**36. Supplementary explanatory note on disclosure of realised and unrealised accumulated loss**

The breakdown of the accumulated loss of the Group and of the Company as at 31 December 2010 into realised and unrealised earnings is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised accumulated loss in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	2010	
	Group RM'000	Company RM'000
Total accumulated loss of the Company and its subsidiaries:		
- Realised	(77,594)	(30,249)
- Unrealised	(2,802)	-
	<u>(80,396)</u>	<u>(30,249)</u>
Total share of accumulated losses from associates:		
- Realised	(601)	-
- Unrealised	-	-
	<u>(80,997)</u>	<u>(30,249)</u>
Less: Consolidation adjustments	45,421	-
Total accumulated losses	<u>(35,576)</u>	<u>(30,249)</u>

The determination of realised and unrealised retained earnings above is solely for complying with the disclosure requirements as stipulated in the directive of Bursa Malaysia Securities Berhad and should not be applied for any other purposes.

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