

ANNUAL REPORT 2022





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Notice of Sixth Annual General Meeting

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FORMULA FOR STRONG DIGITAL SECURITY

Strong security methodology to effectively combat today's increasing digital threats is our top business priority.

Securemetric Berhad ("Securemetric" or "the Company") was incorporated as a Private Limited Company in Malaysia on 6 June 2017 and converted into Public Limited Company on 12 September 2017. The Company was listed on 13 November 2018 on the ACE Market of Bursa Securities Malaysia Berhad.

Securemetric and its subsidiaries ("the Group") is a leading regional player in the field of digital security by providing digital security solutions as well as trading of electronic identification products, and other related services across Southeast Asia.

The Group is armed with in-house expertise in the areas of software licensing protection dongles, two-factor authentication ("2FA"), Public Key Infrastructure ("PKI"), centralised authentication management systems ("CENTAGATE[®]") and electronic identification products.

The Group's clientele includes government organisations, accounting industries, financial institutions, Public Certification Authorities, software development companies and IT service providers.

VISION

To be your trusted digital security partner.

MISSION

Securing the world's digital economy transformation today, tomorrow and beyond.

VALUES

Customers' KPIs as our Priority

The Group believes that by prioritising our customers' KPIs, the Group is able to deliver exceptional value and service, and build long-term relationships with our customers based on trust, collaboration, and mutual success.

Industry Know-How

Our industry know-how is a key differentiator that sets us apart from our competitors and allows us to deliver the best possible products or services to our customers. The Group is committed to staying at the forefront of our industry and leveraging our expertise to help our customers succeed.

Technical Know-How

The Group's team of experts have a strong technical foundation and strive to stay up-to-date with the latest technologies, tools, and techniques. They use their technical know-how to design, develop, and implement innovative solutions that meet customers' unique needs and requirements. They also solve complex problems, optimise processes, and ensure high-quality standards for their products or services using their technical expertise.

Sharing of Knowledge

The Group values the importance of sharing knowledge and expertise with customers, partners, and the community to drive innovation and achieve success in today's rapidly changing business world. The Group actively encourages employees to share their knowledge and participates in industry associations, conferences, and events to network with other experts and share best practices and insights.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Clifton Heath Fernandez*Independent Non-Executive Chairman***Dato' Ng Wan Peng***Independent Non-Executive Director***Shireen Chia Yin Ting***Independent Non-Executive Director***Law Seeh Key***Non-Independent Executive Director/
Chief Executive Officer***Yong Kim Fui***Non-Independent Executive Director/
Chief Financial Officer*

AUDIT COMMITTEE

Shireen Chia Yin Ting, *Chairperson*
Dato' Ng Wan Peng, *Member*
Clifton Heath Fernandez, *Member*

RISK MANAGEMENT COMMITTEE

Clifton Heath Fernandez, *Chairman*
Dato' Ng Wan Peng, *Member*
Shireen Chia Yin Ting, *Member*
Yong Kim Fui, *Member*
Nioo Yu Siong, *Member*

REMUNERATION COMMITTEE

Shireen Chia Yin Ting, *Chairperson*
Dato' Ng Wan Peng, *Member*
Clifton Heath Fernandez, *Member*

NOMINATION COMMITTEE

Dato' Ng Wan Peng, *Chairperson*
Clifton Heath Fernandez, *Member*
Shireen Chia Yin Ting, *Member*

AUDITORS

UHY Chartered Accountants (AF 1411)
Suite 11.05, Level 11
The Gardens South Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur, Malaysia
Tel : 03-2279 3088
Fax : 03-2279 3099

COMPANY SECRETARY

Wong Youn Kim (MAICSA 7018778)
(SSM Practicing Certificate No. 201908000410)

PRINCIPAL BANKERS

AmBank (M) Berhad
[Registration No.: 196901000166 (8515-D)]
24 & 26 Jalan Hujan Rahmat 2
Overseas Union Garden
Off Jalan Klang Lama
58200 Kuala Lumpur, Malaysia
Tel : 03-7784 7035
Fax : 03-7784 7041

CIMB Bank Berhad
[Registration No.: 197201001799 (13491-P)]
Ground Floor Wisma Genting
28, Jalan Sultan Ismail
50250 Kuala Lumpur
Wilayah Persekutuan, Malaysia
Tel : 03-2039 3124
Fax : 03-2031 6320

SHARE REGISTRAR

Boardroom Share Registrars Sdn. Bhd.
[Registration No.: 199601006647 (378993-D)]
11th Floor, Menara Symphony
No. 5, Jalan Pro. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor, Malaysia
Tel : 03-7890 4700
Fax : 03-7890 4670

REGISTERED OFFICE

Acclime Corporate Services Sdn. Bhd.
Level 5, Tower 8, Avenue 5, Horizon 2
Bangsar South City
59200 Kuala Lumpur, Malaysia
Tel : 03-2280 6388
Fax : 03-2280 6399

CORPORATE OFFICE

Level 5-E-6, Enterprise 4
Technology Park Malaysia
Lebuhraya Sg. Besi – Puchong
Bukit Jalil
57000 Kuala Lumpur, Malaysia
Tel : 03-8996 8225
Fax : 03-8996 7225
Website : www.securemetric.com
Email address : ir@securemetric.com

STOCK EXCHANGE LISTING

ACE Market of Bursa Malaysia
Securities Berhad
Stock Name : SMETRIC
Stock Code : 0203

CORPORATE STRUCTURE



FINANCIAL HIGHLIGHTS

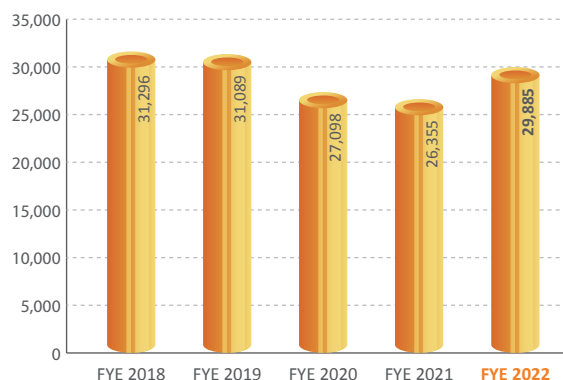
	FYE 2018	FYE 2019	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000	RM'000	RM'000
PROFITABILITY					
Revenue	31,296	31,089	27,098	26,355	29,885
Gross profit ("GP")	17,636	19,119	14,911	14,728	17,780
Profit/(Loss) before tax ("PBT"/ "LBT")	1,581	3,029	(4,077)	(1,082)	(858)
Profit/(Loss) after tax ("PAT"/ "LAT")	692	2,013	(4,868)	(1,860)	(1,797)
Net profit/(loss) attributable to owners of the Company	613	1,990	(4,852)	(1,846)	(1,723)
FINANCIAL POSITION					
Total assets	49,576	51,627	48,871	55,264	57,216
Equity attributable to owners of the Company	36,506	38,697	38,705	42,633	40,676
Total borrowings	2,365	1,019	630	1,355	945
Weighted average number of ordinary shares ('000)	428,329 ⁽¹⁾	487,200 ⁽¹⁾	512,583	552,775	576,506
SHARE INFORMATION					
Earnings/(Loss) per share ("EPS"/ "LPS") (sen)	0.1 ⁽¹⁾	0.4 ⁽¹⁾	(0.9)	(0.3)	(0.3)
Net assets per share attributable to owners of the Company (sen)	19.8 ⁽²⁾	15.9 ⁽²⁾	7.2 ⁽²⁾	7.4 ⁽²⁾	7.1 ⁽²⁾
Gross gearing ratio (times)	0.06	0.03	0.02	0.03	0.02

Notes:

- ⁽¹⁾ The EPS and weighted average number of ordinary shares for FYE 2018 and FYE 2019 have been restated to reflect the retrospective adjustment arising from bonus issue which was completed on 20 January 2020.
- ⁽²⁾ The net assets per share attributable to owners of the Company is based on actual number of ordinary shares in issue.

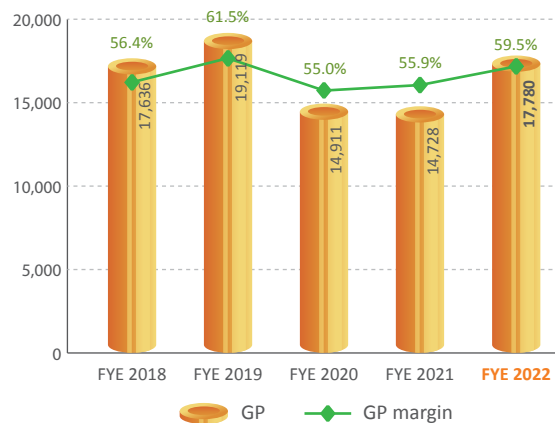
REVENUE

(RM'000)



GP & GP MARGIN

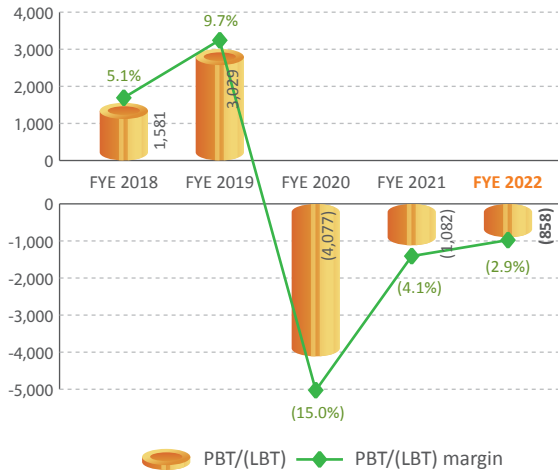
(RM'000)



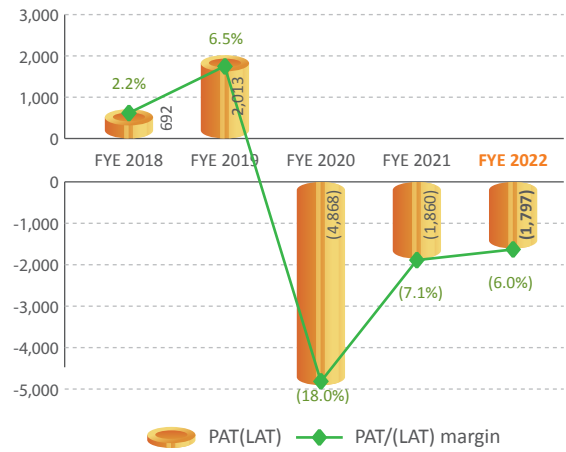
FINANCIAL HIGHLIGHTS

cont'd

PBT/(LBT) & PBT/(LBT) MARGIN
(RM'000)



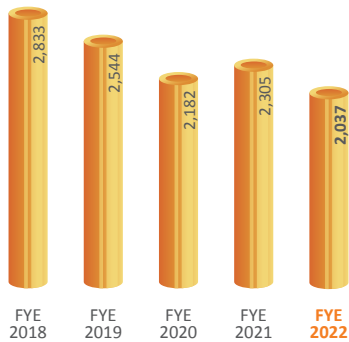
PAT/(LAT) & PAT/(LAT) MARGIN
(RM'000)



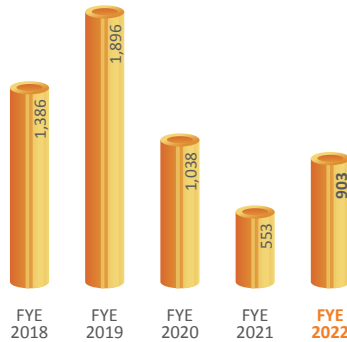
REVENUE BY BUSINESS SEGMENTS

(RM'000)

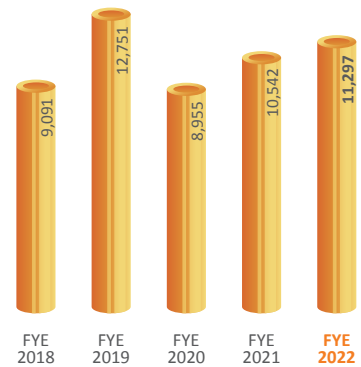
Software licensing protection dongles



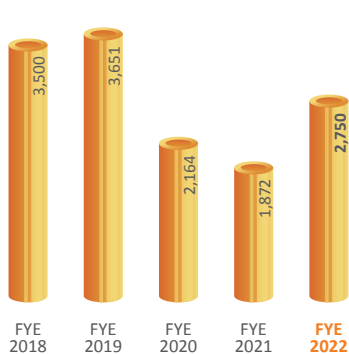
2FA



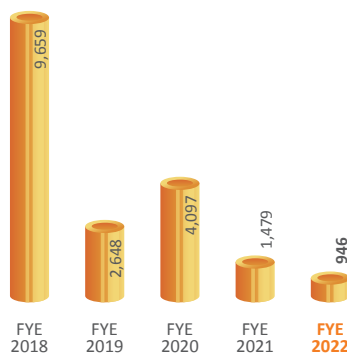
PKI



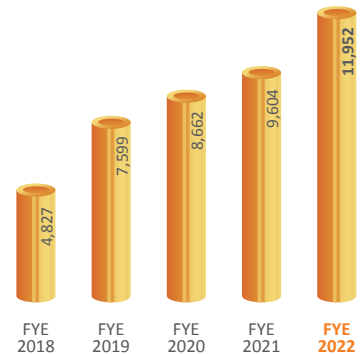
CENTAGATE®



Electronic identification products



Other related services



CHAIRMAN'S STATEMENT

“

It is my pleasure, on behalf of the Board of Directors (“Board”) of Securemetric, to present you the Annual Report and Audited Financial Statements of the Group for the financial year ended 31 December 2022 (“FYE 2022”).

”



CLIFTON HEATH FERNANDEZ
Independent Non-Executive Chairman

OVERVIEW

Overall, 2022 was a challenging year, even as COVID-19 restrictions were lifted and most of the world’s major economies reopened. The recovery was tepid, largely due to the downsizing of business operations and the intensifying geopolitical tensions that contributed to the slowdown. The trade tensions between the United States (“US”) and China, elevated levels of inflation, and the ongoing Russia-Ukraine conflicts remained persistent at the close of the year. Against this backdrop, the International Monetary Fund (“IMF”), projected in October 2022 that global gross domestic product (GDP) growth will slow down from 6% in 2021 to 3.2% in 2022.

(Source : <https://www.imf.org/en/Publications/WEO/Issues/2022/10/11/world-economic-outlook-october-2022>)

On the home front, as per Bank Negara Malaysia (“BNM”), Malaysian economy as measured by GDP grew slower by 7.0% year-on-year (y-o-y) in the fourth quarter of 2022 (4Q2022). The moderation from the high growth of 14.2% recorded in 3Q2022 was due to waning low base effect and support from stimulus measures (3Q 2021: -4.5%). On a quarter-on-quarter seasonally-adjusted basis, the economy registered a decline of 2.6% (3Q 2022: +1.9%). Overall, the Malaysian economy expanded by 8.7% in 2022.

(Source : https://www.bnm.gov.my/-/qb22q4_en_pr)

Despite the challenging economic conditions, The Group remained focused on its business strategies. The Group is maintaining its agility and adaptability, while striving to expand its business development sectors, enhance revenue by managing existing and potential clients, improve efficiency, and implement cost control measures.

CHAIRMAN'S STATEMENT

cont'd

CORPORATE HIGHLIGHTS

12 October 2022

Acquired 5% issued shares in ACE Digital Revolution Group Limited ("ACE") for a total cash consideration of RM4.00 million.

ACE is a globally-based and privately-owned cryptocurrency exchange platform that facilitates the trading of cryptocurrencies. The acquisition is expected to create synergies between ACE and Securemetric as Securemetric would be able to cross-sell its solutions and products to ACE. Securemetric can potentially cross-sell its authentication and mobile application protection solutions to ACE which can be deployed to enhance digital security protection from the threats of cyber-attack to its platform.

The acquisition is expected to provide Securemetric with immediate access to ACE's blockchain technology that can then be integrated into Securemetric's digital signing solution which will be offered to Securemetric's existing and future customers. This will enable Securemetric to leverage on ACE's blockchain solutions instead of Securemetric having to develop it in-house, thereby conserving Securemetric's resources and this is expected to contribute positively to the financial performance of Securemetric.

The acquisition may also enable Securemetric to receive dividend income and potential capital gains in the future, through its investment in ACE.

FINANCIAL HIGHLIGHTS

In FYE 2022, the Group recorded revenue of RM29.89 million, an increase of RM3.53 million from RM26.36 million recorded in FYE 2021. The increase in revenue was mainly due to the increase in revenue from digital security solutions and maintenance services. However, the increase was partially offset by the decrease in revenue from electronic identification products in FYE 2022.

Loss after tax and after non-controlling interests stood at RM1.72 million, which represents an improvement of RM0.13 million as compared to a loss after tax and after non-controlling interests of RM1.85 million in the previous financial year. The improvement was mainly due to higher gross profit arising from the increase in revenue from digital security solutions in FYE 2022.

The Group's cash reserve continues to be at a healthy level of RM22.57 million. In view of this, the Group is well-positioned to not only weather the current economic climate but also to expand its businesses, as and when opportunity arises.

PROSPECTS

Malaysia's economy has been on a strong recovery path since the opening of borders in April 2022. However, the recovery has been slowed down by various challenges such as trade tensions between the US and China, prolonged Russia-Ukraine conflicts, global geopolitical instability, and inflationary pressures faced by many countries that could potentially reduce purchasing power and result in a significant decrease in consumer spending.

The Group will continue to mitigate the impacts on the business by navigating the very challenging environment prudently. This includes practising good hygiene in the workplace, curtailing unnecessary expenditures, and targeting specific segments and markets with relevant solutions. These measures will ensure that the Group is well positioned for the eventual normalisation of economic activities and the economic recovery.

While there are prevailing macroeconomic uncertainties, we also see many growth opportunities arising from the sustained global push towards digitalisation. After two years of turbulence, the shift to digitalisation is expected to continue accelerating as businesses adopt new ways to operate and even change direction. There is a higher emphasis on efforts and resources being channelled into digitalisation, as it is crucial not only to adapt to the ever-changing landscape but also to innovate and create long-term sustainable growth for organisations. Therefore, we are optimistic about the outlook of the technology industry, given the marked increase in the requirement for businesses to digitally transform their operations.

CHAIRMAN'S STATEMENT

cont'd

PROSPECTS (cont'd)

With the ever-increasing prevalence of digitalisation and the ongoing introduction of new technologies, the risk of cyber threats is bound to escalate. Consequently, cybersecurity has become a paramount objective to protect data from unauthorised access or online attacks.

In view of the above, the Group will continue to invest in research and development (R&D) across all business segments to keep abreast with the latest technological advancements in the digital security industry. Simultaneously, the Group will innovate and identify new business models, solutions, and services across its business segments to ensure growth and sustainability.

The Group will continue to leverage on its existing business strengths to adapt to the fluid operating environment expected in FYE 2023 and beyond. Our business model is robust, dynamic, and agile, enabling a swift response to the external landscape and allows for innovation and the development of new services to meet changing market requirements or emerging opportunities while maintaining core business as digital security provider.

The Board expresses confidence in the Group's ability to navigate the upcoming challenges and is cautiously optimistic about the Group's prospects for the next financial year ending 31 December 2023.

APPRECIATION

On behalf of Securemetric's Board, I would like to express my sincere appreciation to our management team and all employees for their hard work and dedication contributing towards the Group's well-being.

My heartfelt thanks to our valued shareholders, customers, partners, suppliers, bankers, business associates, government agencies and regulatory authorities. Your continued support and trust in the Group is greatly appreciated.

We remain committed to delivering long-term value for the shareholders. Together, we will grow stronger as we progress into a new decade.

MANAGEMENT DISCUSSION & ANALYSIS

We hereby present our Group's Management Discussion & Analysis Statement for the FYE 2022.

"Initially, the reviewed year had brought about a positive outlook as the world economy showed signs of returning to normalcy following the COVID-19 pandemic. However, this optimism gradually diminished due to growing global economic uncertainties such as geopolitical tensions, disruptions in global supply chains, and central banks worldwide implementing stricter monetary policies. Nevertheless, we remained focused and committed on our continuous strategic direction by leveraging on our enriched and diversified footprints as well as our strengthened technology capabilities."

1. OVERVIEW OF THE GROUP'S BUSINESSES AND OPERATIONS

1.1 Core Business and Operations of the Group

The Group is principally involved in the provision of digital security solutions as well as trading of electronic identification products and other related services. Our Group has offices in Malaysia, Vietnam, the Philippines, Indonesia and Singapore. Within our Group, Securemetric Malaysia and Signing Cloud Malaysia are responsible for undertaking R&D for our Group's digital security solutions as well as being involved in sales and marketing. Securemetric Malaysia also serves as a central hub for managing the exports of our digital security solutions and electronic identification products to other countries.

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

The Group's core business segments are as follows:

Segments	Principal activities
Digital security solutions	
<ul style="list-style-type: none"> Software licensing protection dongles 	For prevention of unauthorised access, copy, imitation and distribution of software. To protect parties with exclusive rights and ensure only paying customers have access.
<ul style="list-style-type: none"> 2FA 	Aims to enhance access security by enforcing a second authentication factor, a randomly generated One-Time Password.
<ul style="list-style-type: none"> PKI 	To ensure that the sender of data is indeed the source and that the said data has not tampered in transit.
<ul style="list-style-type: none"> CENTAGATE® 	An inclusive software that manages user authentication and supports multi-factor and multi-channel authentication and digital signing solution ("SigningCloud").
Electronic identification products	We purchase third party branded electronic identification products from product principals for onward sale to our customers.
Other related services	Maintenance services arising from service level agreements following the completion of projects, the typical duration is one year with an annual renewal option.

MANAGEMENT DISCUSSION & ANALYSIS

cont'd

2. REVIEW OF FINANCIAL RESULTS

The Group registered total revenue of RM29.89 million in FYE 2022 as compared to RM26.36 million in the preceding financial year. On a year-on-year (“y-o-y”) basis, the Group’s revenue has increased by 13.4% due to the increase in revenue from digital security solutions and maintenance services by RM1.72 million or 11.3% to RM16.99 million and RM2.35 million or 24.5% to RM11.95 million respectively.

However, the increase was partially mitigated by the decrease in revenue from electronic identification products by RM0.53 million or 35.8% to RM0.95 million y-o-y.

Our GP increased by 20.7% y-o-y from RM14.73 million in FYE 2021 to RM17.78 million in FYE 2022. Correspondingly, our GP margin increased from 55.9% in FYE 2021 to 59.5% in FYE 2022. The increase in GP margin was mainly driven by increase in overall revenue in digital security solutions where one of the solutions, PKI, which generally yields higher profit margin.

The increase of administrative expenses by 4.9% y-o-y to RM19.39 million was mainly due to increase in payroll because of additional technical personnels hired in the financial year under review.

The Group recorded a lower loss before tax of RM0.86 million in FYE 2022, an improvement of 20.4% as compared to loss before tax of RM1.08 million in FYE 2021.

The Group reported a loss after tax (“LAT”) of RM1.80 million in FYE 2022 as compared to LAT of RM1.86 million in FYE 2021, translating to LAT margin of -6.0% and -7.1% respectively.

The Group registered a healthy financial position with RM22.57 million in cash and cash equivalents at the end of the financial year under review. Further to this, total assets have increased to RM57.22 million from RM55.26 million recorded in last financial year, while shareholders’ equity amounted to RM40.68 million as at 31 December 2022, resulting in a net assets per share of 7.1 sen.

The decrease by RM1.43 million in trade receivables to RM7.76 million was due to receipts from customers.

Geographically, Malaysia contributed around 17.5% to the Group’s revenue, with the balance from Indonesia (20.8%), Vietnam (19.6%), the Philippines (18.6%), Singapore (12.7%) and others (10.8%).

Digital Security Solutions

The digital security solutions segment contributed to the largest portion of revenue in FYE 2022. This segment delivered a total revenue of RM16.99 million to the Group, which is a 11.3% y-o-y increase from RM15.27 million in the preceding corresponding financial year. The increase in revenue from this segment were mainly from the increase in PKI and CENTAGATE® revenue.

Electronic Identification Products

For FYE 2022, the electronic identification products’ business segment contributed RM0.95 million to the Group’s overall revenue. In comparison to the revenue recorded in FYE 2021, this represents a decline of RM0.53 million or a 35.8% y-o-y from RM1.48 million. The lower revenue contribution was mainly from Softkey Indonesia.

Others

The Group’s other business segments comprises mainly maintenance service charges to our clients. This segment contributed RM11.95 million representing a 24.5% y-o-y increase from RM9.60 million in FYE 2021. The increase in revenue contribution can be credited to the continuous enlargement of the Group’s client base as well as Securemetric Malaysia who contributed the most revenue in FYE 2022.

MANAGEMENT DISCUSSION & ANALYSIS

cont'd

3. OPERATIONS REVIEW

Amidst challenging economic conditions, the Group manages to secure new contracts annually for providing digital security solutions and electronic identification products in the countries it operates. Furthermore, the Group delivers reliable maintenance and support contracts to both its current and potential customers.

4. FUTURE PROSPECTS

As we begin the new financial year, we approach it with a sense of careful optimism. Although there are some macroeconomic uncertainties, we are also seeing numerous growth opportunities. This is largely due to the ongoing global trend towards digitalisation and automation, which aligns well with our business model.

Despite the post-pandemic challenges and geopolitical tensions, there are silver linings too, as the global pandemic has pushed more companies to go digital and the demand for cybersecurity protection has dramatically increased. Cybersecurity is required to keep organisations safe as they move to digital platforms, and organisations must embrace new security technologies to address the risks. According to the Fortinet report, Malaysia recorded 57.8 million virus attacks during the first quarter of 2022, which accounted for 1.14 percent of global cyber-attacks. Cybersecurity is one of the critical priorities across sectors in Malaysia.

(Source : <https://www.trade.gov/country-commercial-guides/malaysia-information-communications-technology>)

Based on Canalys' latest cybersecurity forecasts, global cybersecurity spending (including enterprise products and services) will increase by 13.2% in year 2023. Total spending in year 2023 is expected to hit US\$223.8 billion in the best-case scenario.

(Source : <https://www.canalys.com/newsroom/cybersecurity-forecast-2023?ctid=3157-e13a84e70dae1ff39b0d062d06227bc5>)

Meanwhile, Malaysia's ICT spending is also expected to rise, reaching US\$25.2 billion by year 2023, supported by a growing rate of digital adoption and cloud computing in the country as per GlobalData Market Opportunity Forecasts.

(Source : <https://www.globaldata.com/media/technology/ict-spending-in-malaysia-to-reach-us25-2bn-2023-says-globaldata/>)

With the increasing prevalence of digitalisation and the continual emergence of new technologies, cyber risks are bound to escalate, underscoring the importance of prioritising cybersecurity as a crucial objective in protecting data against diverse online threats and unauthorised access.

With our expertise in PKI and other areas of digital security such as CENTAGATE® and SigningCloud, we are well positioned to ride on the wave of digitalisation and play a crucial role in safeguarding cyber assets and transactions.

In addition, the Group will strive to continuously develop solutions using the latest digital security technologies to meet the evolving market needs and demands.

Apart from the focus placed on the existing business, the Group will also continue to keep an open view on merger and acquisition targets that will complement to the Group's overall business activities.

The Group is optimistic about the economic outlook for Malaysia in the coming year. Moving forward, we expect the financial performance of the Group will improve gradually as we execute our strategic business plan.

MANAGEMENT DISCUSSION & ANALYSIS

cont'd

5. ANTICIPATED OR KNOWN RISKS

Rapid changes in technological development

The technology industry is a fast-growing and constantly changing sector. Our Group is highly dependent on IT technology for future growth and survival, as our products and services are based on technology. As such, we seek to limit risks by actively engaging in research and development. The Group prioritises constantly adapting to rapidly changing market demands and developing new business software solutions in a timely and cost-effective manner. Additionally, we emphasise staff development to ensure our employees' skills and knowledge are aligned with the latest technology in our business.

Dependence on Key and Technical Personnel

The Group recognises that the ongoing success of its operations is reliant upon the skills and consistent contributions of its current key management and technical personnel. The departure of any of these crucial team members could negatively impact the Group's competitiveness.

The Group employs various measures to both retain and attract essential management personnel, including offering employee benefits and incentives that foster a long-term commitment to the Group. At the same time, the Group regularly reviews its remuneration packages to maintain competitiveness and implements programs to acquire new talent and retain existing staff.

Apart from this, the Group places a strong emphasis on cultivating its younger management personnel to ensure a consistent level of quality and dynamism within the management team by providing the necessary guidance, training, and exposure, with the ultimate goal of preparing them to succeed the senior management team in the future, ensuring a seamless transition and continued success for the Group.

Furthermore, the Group believes that the e-commerce market has a substantial pool of talented individuals with relevant experience and expertise. As a result, the Group is confident that it can readily recruit suitable candidates to fill any vacancies within a reasonable timeframe.

Credit Risk

The uncertain global and modest domestic economies potentially pose a challenge to the Group's credit risk in relation to longer collection periods and potentially lead to loss arising from irrecoverable trade receivables. The Group seeks to limit this credit risk through prudent management policies, continuous review and evaluation of the credit status of trade receivables and association with creditworthy business partners.

Fluctuation in foreign currency exchange rates

The Group is exposed to foreign currency risk on sales and purchases, that are denominated in a currency other than Ringgit Malaysia. The currencies giving rise to this risk are primarily the United States Dollar ("USD"). As such, any fluctuation in foreign exchange rates would have an impact, whether positively or negatively on our profitability and financial performance. To mitigate the impact of currency fluctuation on our financial results, the exposure of foreign currency risk is closely monitored on an on-going basis to ensure that the net exposure is at an acceptable level.

Political, Economic and Regulatory Risks

Political and economic conditions, and regulatory development in Malaysia and other countries could have a significant effect on the performance of our Group. These political, economic and regulatory uncertainties include risk of social unrest; changes in political leadership and government policies such as new regulations, custom duties, interest rates, tariffs and taxes.

MANAGEMENT DISCUSSION & ANALYSIS

cont'd

5. ANTICIPATED OR KNOWN RISKS (cont'd)

Political, Economic and Regulatory Risks (cont'd)

The immediate risk of a change in government or a shift in government policies or regulations affects the Group's business due to delays in rollout of projects or delays in delivering the shipment. Although such disruptions may sometimes turn into opportunities for the Group; when projects delay, costs will escalate, and both revenue and profits will be affected.

Ability to secure new projects and customers

Our financial performance is closely tied to our ability to secure contracts in a timely manner, as our core business is primarily project-based. Although we were able to generate higher recurring income through new projects and increased maintenance services revenue in FYE 2022, we cannot guarantee the sustainability of our order book. Failure to maintain a strong order book would significantly affect our financial performance and future prospects. As a strategy to mitigate over-reliance on project-based revenue, the Group will focus on growing its recurring income sources, thereby promoting sustainable growth.

6. DIVIDEND POLICY

Our Group presently does not have a fixed dividend policy or payout ratio. However, the Board will take into consideration a number of factors including the availability of adequate distributable reserves and cash flow, our operating cash flow requirements and financing commitments, our anticipated future operating conditions, as well as future expansion, capital expenditure and investment plans, any material impact of tax laws and other regulatory requirements, and prior approval from our banks, if any is required.

The Board does not recommend the payment of any dividend in respect of FYE 2022.

PROFILE OF DIRECTORS

Membership of Board Committees:

- Chairman of Risk Management Committee
- Member of Audit Committee
- Member of Remuneration Committee
- Member of Nomination Committee

Qualification:

He is a fellow of the Chartered Certified Accountant (ACCA, UK). He holds a Chartered Accountancy and a Diploma in Management from The Malaysian Institute of Management (AMIM) and is a Certified Management System, Lead Auditor for ISO 9001 / 45001 / 14001 etc. He is also a Chartered Internal Auditor, IIA, C.A (M), Asean CPA and a member of Chartered Quality Institute, UK and INSOL International.

Working Experience:

He is currently the Training and Certification Director of UNICERT International Sdn. Bhd.. His career has encompassed a spectrum of industries, involving standards and improvement in projects, compliance, quality, financial, auditing, education, human resources and credit control. He conducts training, certification audit & placement consultancy for clients in Southeast Asia region.

He also acts as an independent reviewer and evaluation body to ensure that compliance issues/concerns with organisations are being appropriately evaluated, investigated and resolved.

Present Directorship in Public Company and Listed Entity:

Analabs Resources Berhad

Declaration:

- No family relationship with any director and/or major shareholder of the Group.
- No conflict of interest with the Company.
- No conviction of offenses within the last five (5) years other than traffic offenses, if any.
- No public sanction or penalty imposed by the relevant regulatory bodies during the financial year.



CLIFTON HEATH FERNANDEZ
Independent Non-Executive Chairman

Nationality: Malaysian Gender: Male Age: 51

Date of appointment: 2 February 2018

Board attendance in FYE 2022: 5/5




PROFILE OF DIRECTORS


cont'd



SHIREEN CHIA YIN TING
Independent Non-Executive Director

 Nationality
Malaysian  Gender
Female  Age
49

 Date of appointment
2 February 2018

 Board attendance in FYE 2022
5/5

Membership of Board Committees:

- Chairperson of Audit Committee
- Chairperson of Remuneration Committee
- Member of Risk Management Committee
- Member of Nomination Committee

Qualification:

She graduated in 1996 from Middlesex University, United Kingdom and she was certified as a Chartered Accountant by the Malaysian Institute of Accountants.

Working Experience:

Shireen is back in the aviation industry as the Chief Financial Officer of MYAirline Sdn. Bhd., a new startup airline in Malaysia sharing her knowledge and experience of a budget carrier with the Company. She is also providing consultation services under her own set up SCG Advisory Service, focusing on assisting start-up companies in reorganising corporate structure and business processes to clients and also involved in guiding senior management to create annual budgets and projections.

Her career has encompassed a spectrum of industries, involving in accounting practice with Coopers & Lybrand (now known as PricewaterhouseCoopers) as auditor. She was with Air Asia Berhad, ("Air Asia") for 11 years and was part of the pioneer team responsible in turning around the airline to be the most cost-efficient airline and is also in charge of getting Air Asia listed in KLSE in less than 5 years.

During her tenure in Air Asia, she also held regional roles in inflight services for Thailand, Indonesia, Philippines and Japan. Her ability to diversify became more apparent when she took charge of the cost management to re-engineering of inflight services whilst leading a multi-cultural team towards streamlining the modus operandi in entirety.

She was with Malaysia Marine and Heavy Engineering Sdn. Bhd. as the General Manager Business Optimisation of the Offshore Business Unit. She led the development of various business process changes and launched improvement programs to upgrade business procedures.

She was also the Group Chief Financial Officer for Tune Hotels Group of Companies and has successfully resized Finance, Legal, HR and the Procurement departments in reducing their fixed costs by 20%.

Present Directorship in Public Company and Listed Entity:

None

Declaration:

- No family relationship with any director and/or major shareholder of the Group.
- No conflict of interest with the Company.
- No conviction of offences within the last five (5) years other than traffic offences, if any.
- No public sanction or penalty imposed by the relevant regulatory bodies during the financial year.



PROFILE OF DIRECTORS

cont'd

Membership of Board Committees:

- Chairperson of Nomination Committee
- Member of Audit Committee
- Member of Remuneration Committee
- Member of Risk Management Committee

Qualification:

She graduated with a Bachelor of Computer Science from Universiti Sains Malaysia, she also has attended Senior Executive Leadership Program at Harvard Business School.

Working Experience:

Dato' Ng is a competent leader and highly motivated professional with more than 30 successful years in the corporate and GIC environment. Dato' Ng adopts results driven approach to planning and implementing comprehensive strategies in support of business goals and objectives.

Dato' Ng was the Chief Operation Officer of Malaysia Digital Economy Corporation.

Present Directorship in Public Company and Listed Entity:

Hong Leong Assurance Berhad
 F&N Holdings Berhad
 IRIS Corporation Berhad
 Autocount Dotcom Berhad

Declaration:

- No family relationship with any director and/or major shareholder of the Group.
- No conflict of interest with the Company.
- No conviction of offences within the last five (5) years other than traffic offences, if any.
- No public sanction or penalty imposed by the relevant regulatory bodies during the financial year.



Dato' Ng Wan Peng
Independent Non-Executive Director

Nationality Malaysian	Gender Female	Age 60
Date of appointment 28 May 2021	Board attendance in FYE 2022 5/5	



PROFILE OF DIRECTORS

cont'd



LAW SEEH KEY

*Non-Independent Executive Director/
Co-Founder/Chief Executive Officer*



Nationality
Malaysian



Gender
Male



Age
51



Date of appointment
2 February 2018



Board attendance in FYE 2022
5/5

Membership of Board Committees:

None

He is accountable for its overall strategic direction and oversees business development activities, particularly on significant projects and partnerships. In addition, he assumes the responsibility of identifying, examining, and assessing potential investment opportunities. With more than 20 years of experience in the ICT and digital security industry, he has a wealth of knowledge and expertise in this field.

Qualification:

He graduated with a degree in Bachelor of Science in Information System from Campbell University, North Carolina, United States of America in July 1996.

Working Experience:

He began his career with IBI Systems (M) Sdn. Bhd. in October 1996 as a Business Development Manager. He was responsible for setting up and managing computer retail chain outlets as well as leading the company's sales division. In February 2001, he left IBI System (M) Sdn. Bhd. and co-founded Softkey Malaysia, where he was responsible for leading and managing its overall business operations and strategic direction.

In January 2007, he co-founded Securemetric Malaysia and assumed the role of Chief Executive Officer.

Present Directorship in Public Company and Listed Entity:

None

Declaration:

- No family relationship with any director and/or major shareholder of the Group.
- No conflict of interest with the Company.
- No conviction of offences within the last five (5) years other than traffic offences, if any.
- No public sanction or penalty imposed by the relevant regulatory bodies during the financial year.



PROFILE OF DIRECTORS

cont'd

Membership of Board Committees:

- Member of Risk Management Committee

He is responsible for planning, implementing, managing and overseeing financial and compliance management, as well as human resources oversight and related activities for the Group. Additionally, he plays a leading role in identifying, evaluating, and assessing potential investment opportunities. Moreover, he is accountable for the strategic planning and execution of various fundraising initiatives.

Qualification:

He graduated in 1996 from the University of Southern Queensland and is a registered member of the Malaysian Institute of Accountant. He is also a Certified Practising Accountant (CPA) in Australia.

Working Experience:

He began his career in accounting practice with Coopers & Lybrand (now known as PricewaterhouseCoopers) as auditor specialising in the financial and manufacturing sectors. During his tenure, he was exposed to transactions involving review of profit and cashflow forecast for corporate restructuring, tax investigation and review of financial statements for debt facilities and bonds.

Having garnered enough experience and expertise, he subsequently founded a company rendered accounting, taxation and advisory services targeting mainly SMEs to assist and support their growth. In December 2016, he left the company and joined Securemetric Malaysia as Chief Financial Officer overseeing the financial preparation process and issuance of financial information, tax, budgeting and capital planning, implementation of standard operating standards for the finance division, and the implementation of ISO 9001, ISO 10002 and ISO 27001 for Securemetric Group. He was involved in assisting our Group to obtain a grant from the Ministry of Science, Technology and Innovation, fully in charge of Securemetric's listing exercise and successfully listed Securemetric in the ACE Market of Bursa Securities Malaysia Berhad. He successfully identified investors and facilitated the fundraising exercise.

Present Directorship in Public Company and Listed Entity:

None

Declaration:


- No family relationship with any director and/or major shareholder of the Group.
- No conflict of interest with the Company.
- No conviction of offences within the last five (5) years other than traffic offences, if any.
- No public sanction or penalty imposed by the relevant regulatory bodies during the financial year.




YONG KIM FUI

*Non-Independent Executive Director/
Chief Financial Officer*

 Nationality
Malaysian  Gender
Male  Age
51

 Date of appointment
2 February 2018

 Board attendance in FYE 2022
5/5



PROFILE OF KEY SENIOR MANAGEMENT

NIOO YU SIONG Chief Operating Officer



Nationality
Malaysian



Gender
Male



Age
49



Date of appointment
17 January 2007

Membership of Board Committees:

- Member of Risk Management Committee

He is responsible for our internal operations, including production planning, procurement, inventory management and logistics.

Qualification:

He graduated with a Diploma in Computer Engineering from Institut Teknologi Pertama, Kuala Lumpur in December 1995.

Working Experience:

He began his career with Computer Zone Sdn. Bhd. in May 1996, as a computer technician responsible for the assembly and repair of computers. In March 1997, he left Computer Zone Sdn. Bhd. to join PC Partners (Johor) Sdn. Bhd., a subsidiary of IBI Systems, as an Assistant Technical Manager. He led technical teams to provide on-site maintenance service, repair and assembly of new computers as well as the set-up of cybercafés through the provision of computer, network cabling and management systems. In April 2000, he left PC Partners (Johor) Sdn. Bhd. to join IBI Systems (M) Sdn. Bhd. as the Technical Manager responsible for overseeing technical teams located at company headquarters and branches. In March 2003, he left IBI Systems (M) Sdn. Bhd. to join Softkey Malaysia as Operations Manager responsible for overall internal operations.

In January 2007, he co-founded Securemetric Malaysia and assumed the position of Chief Operating Officer.

Present Directorship in Public Company and Listed Entity:

None

Declaration:

- No family relationship with any director and/or major shareholder of the Group.
- No conflict of interest with the Company.
- No conviction of offences within the last five (5) years other than traffic offences, if any.
- No public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

PROFILE OF KEY SENIOR MANAGEMENT

cont'd

YEE WEN BIAU

Vice President of Engineering



Nationality
Malaysian



Gender
Male



Age
40



Date of appointment
22 March 2010

Membership of Board Committees:

None

He is responsible for our overall product and project development from planning, development of products and solutions, testing, installation and implementation.

Qualification:

He graduated with a Bachelor of Science in Computing from Staffordshire University, England in April 2005. In March 2011, he received his qualification and was admitted as a member under EC-Council Certified Secure Programmer from EC-Council and in November 2015, he received his certification for completing the Certified Information System Security Professional course conducted by AKATI Consulting (M) Sdn. Bhd..

Working Experience:

He started his career with Dayhol Sdn. Bhd. as a System Engineer in April 2005. He was responsible for software development, network maintenance and system support. In February 2006, he joined Chung Ching Middle School as an IT technician and Computer Teacher. He left in October 2006 to join Mach Telecommunications Systems Sdn. Bhd. as a Software Engineer. In February 2010, he left Mach Telecommunications Systems Sdn. Bhd. to join Securemetric Malaysia as a Senior Software Engineer. He was responsible for system analysis and design, system development, hardware integration with HSM and PKI tokens, and setup and maintenance of PKI systems. In January 2014, he was promoted to Software Development Manager and was subsequently promoted to our Group's Vice President of Engineering in January 2017.

Present Directorship in Public Company and Listed Entity:

None

Declaration:

- No family relationship with any director and/or major shareholder of the Group.
- No conflict of interest with the Company.
- No conviction of offences within the last five (5) years other than traffic offences, if any.
- No public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

PROFILE OF KEY SENIOR MANAGEMENT

cont'd

MOHD AFFENDI BIN ABDUL RAZAK

Vice President of Sales (Pre-Sales)



Nationality
Malaysian



Gender
Male



Age
49



Date of appointment
3 August 2015

Membership of Board Committees:

None

He is responsible for our Group's overall pre-sales, supervising the pre-sales team, engagement with the customers and interpretation of customer needs and derivation of advice for prospective products that are aligned with the customers' demands. Additionally, he is also in charge of providing technical advice to the Business Development Account Management team as part of the sales cycle.

Qualification:

He graduated with a Bachelor of Science in Computer Engineering from the University of Hartford, Connecticut, USA in January 2000.

Working Experience:

In May 2000, he joined MSCTrustgate.com Sdn. Bhd. as a PKI Consultant where he was responsible in providing technical consultancies focusing in PKI technology and cryptography solution. In November 2006, he was promoted to Head of Technical and was responsible for managing the technical, operation and project development team. In January 2010, he was promoted to Chief Technology Officer where his responsibilities include conducting research, developing strategies and plans to identify new project development. He was also tasked with ensuring effective internal communication with the sales, operation and project development team.

In May 2015, he left MSCTrustgate.com Sdn. Bhd. and took up freelance jobs such as preparing technical proposals and providing technical advices before joining Securemetric Malaysia in August 2015 as Vice President of Project Sales. On 1 January 2019, he was re-designated to become Vice President of Sales (Pre-sales).

Present Directorship in Public Company and Listed Entity:

None

Declaration:

- No family relationship with any director and/or major shareholder of the Group.
- No conflict of interest with the Company.
- No conviction of offences within the last five (5) years other than traffic offences, if any.
- No public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

PROFILE OF KEY SENIOR MANAGEMENT

cont'd

YEN CHEE KHAN

Vice President of Sales

 Nationality
 Malaysian
  Gender
 Male
  Age
 43

 Date of appointment
 17 January 2007

Membership of Board Committees:

None

He is responsible for the strategic planning and coordination with each country's managers and team members for the sales and advertising & promotion (marketing) of our Group's products, leading and managing our Group's product sales and advertising & promotion team, and sourcing for new products.

Qualification:

He graduated with a Diploma in Commerce and Administration Majoring in Accounting from New Era College, Malaysia in December 2002.

Working Experience:

In March 2003, he joined Ye Chiu Metal Smelting Berhad as a Management Trainee in the Product Sourcing Department where he assisted in sourcing for raw materials.

In September 2003, he left Ye Chiu Metal Smelting Berhad and joined Softkey Malaysia as an Assistant Product Manager where he was responsible for the sales and marketing of ICT security products and coordinating with branches for stocks and technical specification requirement gathering. In August 2006, he was promoted to become a Senior Product Manager responsible for leading and managing the product sales team to market and distribute ICT security products as well as to take charge of product sourcing. In January 2008, he joined Securemetric Malaysia to lead the Malaysian product sales team and coordinate with each branch's country manager to facilitate product sales. In January 2011, he was promoted to become our Vice President of Product Sales. On 1 January 2019, he was re-designated to become Vice President of Sales.

Present Directorship in Public Company and Listed Entity:

None

Declaration:

- No family relationship with any director and/or major shareholder of the Group.
- No conflict of interest with the Company.
- No conviction of offences within the last five (5) years other than traffic offences, if any.
- No public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

PROFILE OF KEY SENIOR MANAGEMENT

cont'd

TAN YU WIN

Vice President of Project Management and Support



Nationality
Malaysian



Gender
Male



Age
44



Date of appointment
15 January 2014

Membership of Board Committees:

None

He is responsible for our Group's project deliveries and post-sales customer service.

Qualification:

He graduated with a Bachelor of Science (Communication and Information Technology) from Edith Cowan University, Western Australia in October 2003.

Working Experience:

In April 2001, he joined MSCTrustgate.com Sdn. Bhd. as a Software Developer responsible for the analysis, design and development of systems. He implemented an alternative CA system for the company using EJBCA software which allowed the company to target new markets segments. In May 2008, he joined SignCharge Sdn. Bhd. as Vice President of Technology responsible for assisting the company to adopt mobile PKI technology as its core business offering in Malaysia.

In January 2011, he joined SignCharge Ltd (parent company of SignCharge Sdn. Bhd.) and was based in Beijing, China for 2 years as Chief Technology Officer responsible for the adaptation, integration and implementation of mobile PKI technology for telecommunication companies in Hong Kong, Macau and China.

In January 2014, he joined Securemetric Malaysia as Vice President of Project Management and Support. In the same year, he obtained a certification for Project Management Professional from Project Management Institute, USA and Project Leadership from PIKOM, Malaysia. Besides overseeing the project management team, he also personally pitched and won 3 overseas PKI projects for our Group.

Present Directorship in Public Company and Listed Entity:

None

Declaration:

- No family relationship with any director and/or major shareholder of the Group.
- No conflict of interest with the Company.
- No conviction of offences within the last five (5) years other than traffic offences, if any.
- No public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

SUSTAINABILITY STATEMENT

Introduction

This Sustainability Statement (“Statement”) highlights the Group’s activities, practices and achievements of its sustainable development and social responsibility in the economic, environmental, and social (“EES”) areas for FYE 2022.

Scope of the Statement

This Statement covers the Group and discloses information about our major business activities, which comprises the provision of digital security solutions as well as trading of electronic identification products and other related services. The data contained in this Statement was compiled internally from 1 January 2022 to 31 December 2022, in accordance with the *Sustainability Reporting Guide and Toolkits (3rd Edition)* and ACE Market Listing Requirements from Bursa Malaysia Securities Berhad (“Bursa Securities”).

Commitment to Sustainability

We strive to achieve ongoing growth and profitability in a secure, compassionate, and sustainable environment. Sustainability has always been a core component of our company culture, and we acknowledge that sustainable practices are crucial factors in investors’ investment decisions.

The Group’s sustainability procedures are in conformity with *Bursa Securities’s Sustainability Reporting Guide (3rd Edition)*, which states that EES risks and opportunities must be linked to our governance framework and social obligations. This enables the public to assess and evaluate our corporate achievements and behaviour.

The Board places great importance on sustainability as a core value and recognises its impact on investors’ decisions. As a socially responsible Group, we prioritise the well-being of our stakeholders while being mindful of our environmental impact. Upholding high ethical standards and procedures in contributing to the communities positively where we operate are essential to our business practices. We are dedicated to integrating EES considerations across the Group and promoting sustainable practices in all facets of our operations. We recognise that sustainability is an ongoing effort and are dedicated to continuous improvement and innovation to reduce our negative environmental impacts and increase our positive contributions to society.

Governance Structure

As part of the Group’s commitment towards sustainability, we have established a clear governance structure to ensure compliance and performance. The Group’s sustainability governance structure is as follows:



SUSTAINABILITY STATEMENT

cont'd

Stakeholder Engagement

Stakeholder engagement is a critical element in communicating our sustainability priorities. Engaging with stakeholders enables us to gain a more complete understanding of our materiality issues and concerns, and to capture the key aspects and impacts of our sustainability journey.

The table below lists our key stakeholder groups and their respective areas of interest as well as methods by which the Group engages them.

Stakeholders	Areas of Interest	Engagement Method
Shareholders	<ul style="list-style-type: none"> Financial and operational performance Return on investment 	<ul style="list-style-type: none"> Annual & extraordinary meetings Quarterly report Annual report Company website Announcements and other disclosures through Bursa Link
Board of Directors	<ul style="list-style-type: none"> Corporate strategy Corporate governance 	<ul style="list-style-type: none"> Board meetings
Investors	<ul style="list-style-type: none"> Transparent, ethical, and sustainable business. 	<ul style="list-style-type: none"> Analysts briefing
Customers	<ul style="list-style-type: none"> Customer satisfaction Data privacy Product responsibility Quality assurance 	<ul style="list-style-type: none"> Customers' satisfaction survey Launches/ Marketing events Face-to-face interactions Customer support centre
Suppliers	<ul style="list-style-type: none"> Supplier Performance Review Forging Strategic Partnership 	<ul style="list-style-type: none"> Supplier survey New supplier evaluation Supplier periodical performance evaluation
Government and authorities	<ul style="list-style-type: none"> Compliance of law and regulations Standards and Certifications 	<ul style="list-style-type: none"> Compliance with government legislative and regulatory body framework E-mails / letters Dialogues with the authorities
Employees	<ul style="list-style-type: none"> Recognition, remuneration and benefits Career development and training Workplace health and safety Organisational updates Fair employment practices Financial and sustainability performance of the company 	<ul style="list-style-type: none"> Performance appraisal Training and Development Email communication Departmental meetings Employees engagement activities
Communities	<ul style="list-style-type: none"> Community events 	<ul style="list-style-type: none"> Social contribution Job opportunities

SUSTAINABILITY STATEMENT

cont'd

Risk and Opportunities

The Board understands the importance of addressing sustainability risks and opportunities in an integrated and strategic manner to support the Group’s long-term strategy and success. The Board proactively considers sustainability issues when overseeing the planning, performance, and long-term strategy of the Company, to ensure the Company remains resilient, can deliver durable and sustainable value as well as maintain the confidence of its stakeholders.

Type of risk	Related risk/opportunities	Risk response
Strategic	Growing investor interest in EES issues (Diversity, health and safety, corporate governance and etc)	The Group strives to integrate critical EES issues into its business operations and continually monitor progress
Operational	Changing weather patterns and increased natural disaster disturbing operations and business continuity	The Group is aware of the rapid climate changes and their potential impact, we are taking proactive measures to ensure business continuity by elaborating a comprehensive disaster preparedness plan
Compliance	Increase client/investor confidence with regards our products and services and business practice	The Group aims to build a strong reputation for our products, services, and business practices and to increase confidence among our clients and investors by adhering to ethical business practices

Materiality Assessment

A materiality assessment is an exercise to gauge what are the most noteworthy economic, environmental, and social issues that are material or important to the Group. Below is the assessment process.



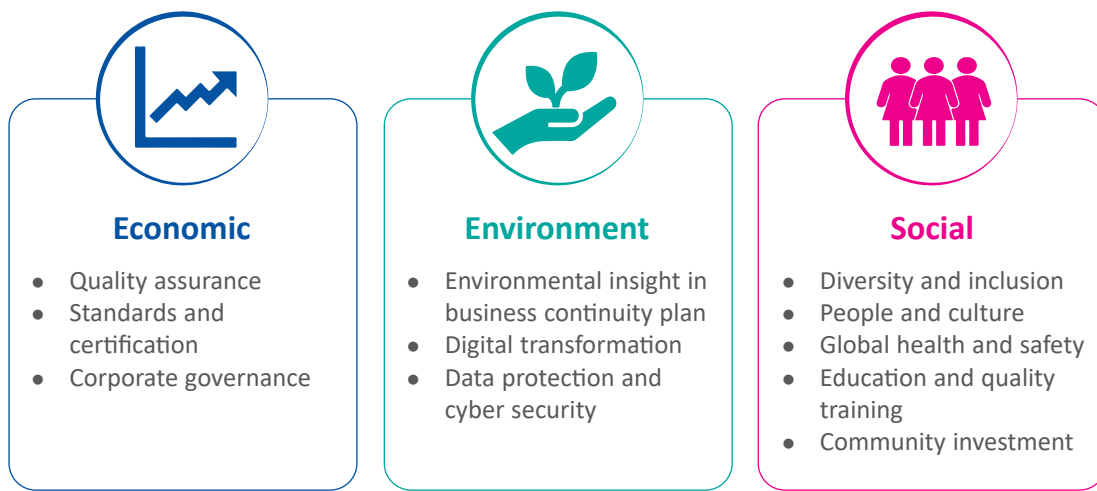
The Board conducted a materiality assessment, collecting views from our stakeholders on key material sustainability matters that may have a significant EES impact on our business or substantively influence the assessment and decisions of our stakeholders. The Board reviews material sustainability matters annually.

SUSTAINABILITY STATEMENT

cont'd

Materiality Assessment (cont'd)

Applying materiality helps the Group to identify topics that are most important to act on report to stakeholders. Through our stakeholder engagement and materiality assessment processes, and taking our operating environment into consideration, the following are the material matters identified for the financial year under review, which are reported based on economic, environmental, and social pillars.



ECONOMIC

The Group aims to achieve economic viability by focusing on a financially sustainable business model, emphasising quality assurance, standards, certification, and good governance.

Quality assurance

- (a) Quality assurance in the Group is an essential component of ensuring customer satisfaction. By implementing effective quality assurance processes, we can improve the quality of products or services, which in turn can lead to increase customer satisfaction and loyalty.
- (b) Our quality assurance in the Group consist of three categories:
 - (i) Physical quality control inspection
 - (ii) Software quality assurance
 - (iii) User acceptance test

SUSTAINABILITY STATEMENT

cont'd

ECONOMIC (cont'd)

Standards and certification

The Group is dedicated to providing advanced products and services while prioritising compliance with local and international quality standards. We have been awarded the following certificates of compliance for meeting the required standards, and we continuously strive to benchmark and maintain the highest level of compliance.

CERTIFICATIONS	COMPANY
ISO 9001:2015 Quality management system	<ul style="list-style-type: none"> Securemetric Malaysia, Securemetric Philippines,
ISO 10002:2018 Customer complaint handling	<ul style="list-style-type: none"> Securemetric Indonesia and Securemetric Vietnam
ISO 27001:2013 Information security management system	<ul style="list-style-type: none"> Signing Cloud Malaysia
Product certification (SIRIM) for wireless card reader	<ul style="list-style-type: none"> Securemetric Malaysia

Corporate governance

The Group conducts business responsibly and fairly, adhering to the long-standing business philosophy of providing our customers with the highest quality at the most competitive price. The Group upholds the principles of corporate governance, the Code of Ethics and compliance and adheres to anti-bribery and corruption practices. Corporate governance is incorporated into our Group's working culture to ensure sustainability. We have an anti-bribery and corruption policy and whistle blower policy in place.

Other preventive and control actions against corruption, such as dedicated training for all employees is implemented to ensure the proper functioning of the Group. Training is also included in the induction of new employees. During the financial year, the Group has conducted anti-bribery and corruption policy training and no instances, or complaints of suspected corrupt or unethical behaviour were reported to us. It is the Group's goal to maintain zero tolerance for corruption.

ENVIRONMENT

The Group is dedicated to environmental sustainability and aims to make responsible decisions that involve conserving and being good stewards of the environment. As a digital security solutions provider, our carbon footprint is limited to the energy and resources we consume within the office environment.

Environmental insight in business continuity plan

Business continuity planning helps organisations prepare for unexpected event disruptions. Environmental insight in the plan can identify potential risks associated with natural disasters, pollution, and climate change. This information helps the Group develop strategies to mitigate risks and ensure continuity of operations.

Digital transformation

Digital transformation has the potential to revolutionise environmental sustainability. The Group has implemented digital workflows into our business processes and is using our in-house developed solution "SigningCloud" for digital signing on most of our business documents to enhance both efficiency and sustainability. The improvements and digitalisation in our internal processes directly reduce paper usage, which can significantly reduce our environmental impact and promote sustainability.

SUSTAINABILITY STATEMENT

cont'd

ENVIRONMENT (cont'd)

Data protection and cyber security

Data protection and cyber security are important components of environmental sustainability, and this objective is achieved by being certified for ISO 27001:2013.

The Group recognises that maintaining the highest standard of data security and privacy is imperative to our stakeholders. Thus, we are dedicated to ensuring the data stored across our systems, databases, and networks is being adequately safeguarded.

Together with all of our employees, our Management Information System ("MIS") team, which is responsible for overseeing, implementing and maintaining various systems, is required to sign a Non-Disclosure Agreement ("NDA") to ensure all confidential information is not disclosed to any personnel who do not have the authorisation to view or access the said confidential information.

Additionally, our data management is governed through MIS policies and procedures such as password, email, and internet policy, with other safeguarding measures in place to protect the confidential information stored in the Information Technology system.

SOCIAL

The Group firmly believes that employees are the most important and valuable assets to the Group, forming the core competitive advantage of the Group. They are the main driving force behind the continuous innovation of the Group.

Diversity and inclusion

Diversity refers to the differences in workforce by gender, age, ethnicity, and disability. This measure is considered across the Board, from the Directors to the Management and the rest of the workforce.

In the appointment and recruitment process, we pride ourselves on being an employer that provides equal opportunities and continuously seeks to promote it regardless of religious belief, age, marital status, gender, family status, or any disability. Our commitment in that respect applies to all areas of the working environment, all employment activities, resource allocation and all employment terms and conditions. Every employee is given an equal opportunity to rise up in their careers through hard work and dedication.

In today's workplace, it is important to acknowledge the diversity of age groups, particularly those of Generation X, Generation Y and Generation Z. These groups have distinct characteristics and perspectives that can bring valuable insights to any team.

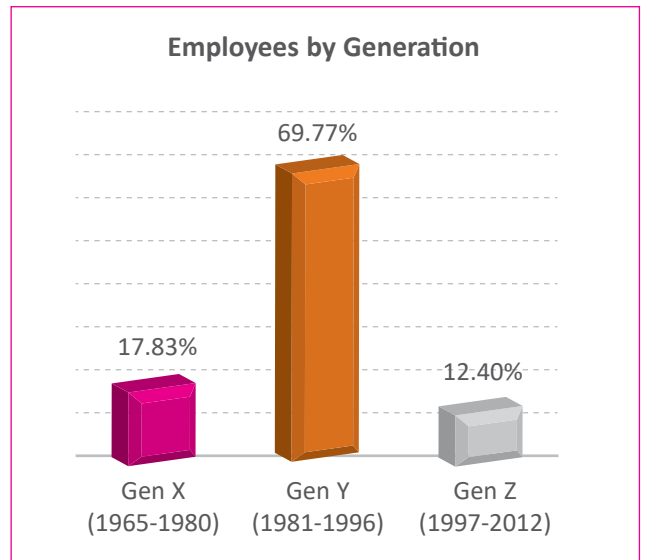
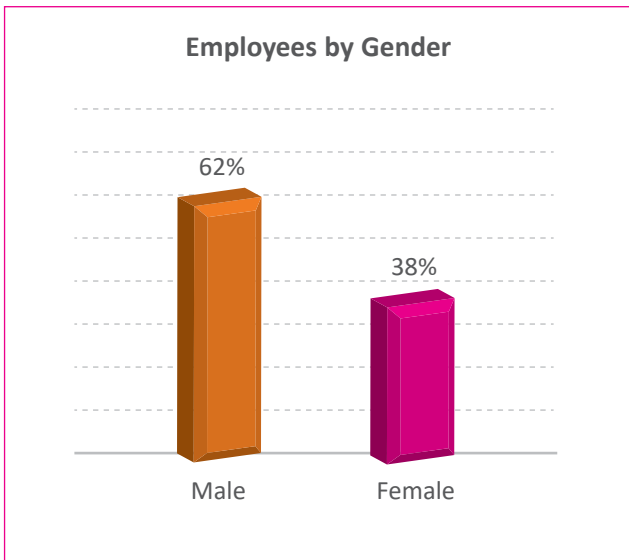
SUSTAINABILITY STATEMENT

cont'd

SOCIAL (cont'd)

Diversity and inclusion (cont'd)

We draw strength from the diversity and inclusiveness that is prevalent in our workplace. As at FYE 2022, the total number of employees stood at 129 employees and interns. The following charts depict the composition of the Group's human capital in FYE 2022.



People and culture

The Group recognises the importance of a strong people and culture strategy in driving the success of an organisation. By prioritising employee satisfaction, engagement, and retention through initiatives such as professional development, work-life balance, and effective communication, organisations can create a positive work environment that fosters productivity and drives business success.

During the financial year, our organisation reintroduced people and culture programs, such as monthly birthday celebrations and major festive celebrations such as Hari Raya, Deepavali, and Christmas. However, due to the COVID-19 pandemic in the past, we were unable to celebrate Chinese New Year in our usual manner. In order to prioritise the safety and well-being of our employees and stakeholders, we are adhered to social distancing protocols and limited the size of social gatherings.

The Group also participated in external corporate activities such as the World Congress on Innovation and Technology 2022, 25 Start-ups Launcher program as a panel and Singapore Fintech Festival 2022.

Global health and safety

Providing a safe and healthy workplace is imperative, as our employees are our greatest asset. Hence, we strive to provide a safe and healthy environment for our employees and to ensure safe practices in all aspects of our business operations.

Maintaining a healthy work-life balance is important for our employees well-being and it can contribute towards greater productivity and performance. In this context, motivation and recreation is also an essential part of the Group's responsibility to our employees. We have set up and supported employees' sport clubs to organise various activities for our employees to participate in, for them to release stress and foster positive relationship with the colleague such as conducting weekly sport event such as badminton and having an in-house staff recreation area. As for health benefits for employees, we provide medical coverage and insurance benefits.

SUSTAINABILITY STATEMENT

cont'd

SOCIAL (cont'd)

Global health and safety (cont'd)

Even though we are now in a new phase of 'Living with COVID-19', our Group will continue to prevent the spread of the virus in the workplace by providing employees with face masks and test kits on an ongoing basis.

Education and quality training

The Group's human capital is developed and strengthened through investment in our people. Continuous training and professional development programmes have helped to boost the technical knowledge and soft skills of our employees, positioning them in good stead to elevate the performance standard quality, which is necessary for the Group to meet the ever-changing needs of our customers. The Group is committed in developing staff to achieve their best and maximise their potential. The Group reviews the adequacy and suitability of the training requirements of the staff on a regular basis.

Our employees have completed 39 training programmes made up of internal and external trainings during the financial year and this represents an increase of 54% as compared to FYE 2021.

Community investment

The Group continues to extend our values and contribution to the communities where we operate through partnering with a local university to offer an extensive internship program.

It helps to develop a skilled workforce, fosters innovation, and contributes to the overall economic and social development of the community. In FYE 2022, we offered an internship program to a total of 4 interns.

Securemetric has collaborated with TAR University College to share industry practices with young talent. This partnership includes sharing of academic knowledge and best industry practices, providing exposure to students and educators, and fostering a partnership and long-term relationship with one another.

CONCLUSION

The Group is committed to ensure our operations are in line with EES best practices. We are taking steps to implement sustainable practices in our operations and to ensure that our business operations comply with the applicable laws and regulations. We are also committed to continuously review our operations and practices to ensure that they are in line with updated EES best practices.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Securemetric is committed to uphold the high standards of corporate governance throughout the Group with the ultimate objective of realising long-term shareholder value while taking into account the interest of other stakeholders. This corporate governance overview statement sets out the extent to which the Company has applied the practices encapsulated in the Principles of the Malaysian Code on Corporate Governance (“MCCG”) except where stated otherwise.

Details of the Group’s application of each practices set out in the MCCG are disclosed in the Corporate Governance Report, which is available on the Group’s website at <https://www.securemetric.com/corporate-governance/>.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

The Board is responsible for the oversight and overall management of the Company and has developed corporate objectives and position descriptions including the limits to management’s responsibilities, which the management are aware and are responsible for meeting.

The Board has a formal schedule of matters reserved to itself for decision, which includes the overall Group strategy and direction, investment policy, major capital expenditures, consideration of significant financial matters and review of the financial and operating performance of the Group.

The Board understands the principal risks of all aspects of the business that the Group is engaged in recognising that business decisions require the incurrence of risk. To achieve a proper balance between risks incurred and potential returns to shareholders, the Board ensures that there are in place systems that effectively monitor and manage these risks with a view to the long term viability of the Group.

The principal roles and responsibilities assumed by the Board are as follows:

- (a) Reviewing and providing guidance on the Company’s and the Group’s annual budgets, development of risk policies, major capital expenditures, acquisitions and disposals;
- (b) Monitoring corporate performance and the conduct of the Group’s business and to ensure compliance with best practices and principles of corporate governance;
- (c) Identifying and implementing appropriate systems to manage principal risks. The Board undertakes this responsibility through the Risk Management Committee;
- (d) Reviewing and ensuring the adequacy and soundness of the Group’s financial system, internal control systems and management information system and that they are in compliance with the applicable standards, laws and regulations;
- (e) Ensuring a transparent Board nomination and remuneration process including management, ensuring the skills and experiences of the Directors are adequate for discharging their responsibilities whilst the caliber of the Independent Non-Executive Directors bring independent judgment in the decision making process;
- (f) Ensuring a proper succession plan is in place;
- (g) Monitoring major litigation;
- (h) Approving all financial reports to be published and related stock exchange announcements;

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

I. Board Responsibilities (cont'd)

The principal roles and responsibilities assumed by the Board are as follows: (cont'd)

- (i) Monitoring other material reporting and external communications by the Group;
- (j) Approving the dividend policy;
- (k) Appointing external auditors (subject to shareholders' approval); and
- (l) Considering and reviewing the social, ethical and environmental impact of the Group's activities and determining, monitoring and reviewing standards and policies to guide the Group in this regard.

The Independent Non-Executive Directors of the Company play a key role in providing unbiased and independent views, advice and contributing their knowledge and experience toward the formulation of policies and in the decision-making process. The Board structure ensures that no individual or group of individuals dominates the Board's decision-making process. Although all the Directors have equal responsibility for the Company and the Group's operations, the role of the Independent Directors are particularly important in ensuring that the strategies proposed by the Executive Directors are deliberated on and have taken into account the interest, not only of the Company, but also that of the shareholders, employees, customers, suppliers and the community.

The Board had appropriately delegated specific tasks to four (4) Board Committees; namely Audit Committee, Risk Management Committee, Nomination Committee and Remuneration Committee. All the Board Committees have its own Terms of Reference and has the authority to act on behalf of the Board within the authority as lay out in the Terms of Reference and to report to the board with the necessary recommendation.

To ensure balance of power and authority, accountability and independent decision making, the roles of the Chairman and the Chief Executive Officer are distinct and separated.

The Chairman, Mr. Clifton Heath Fernandez is responsible for leadership, ensuring effective functioning of the Board and providing oversight over the operations of the Group.

The Chief Executive Officer, Mr. Law Seeh Key supported by the Senior Management, is responsible for the day-to-day management of the operations of the Group, implementation of the Group's policies, business direction and development of the Group.

The Company has formalised and adopted a Board Charter which sets out a list of specific roles and functions which are reserved to the Board and other matters that are important for good corporate governance. The Board Charter is accessible through the Company's website at <https://www.securemetric.com/corporate-governance/> and will be reviewed annually to ensure it remains consistent with the Board's objectives, responsibilities and practices.

The Board has formalised a Whistle-blowing Policy, with the aim to provide an avenue for raising concerns related to possible breach of business conduct, non-compliance of laws and regulatory requirements as well as other malpractices. The details of the Whistle-blowing Policy are available for reference at the Company's website at <https://www.securemetric.com/corporate-governance/>.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

I. Board Responsibilities (cont'd)

The Board is supported by qualified and competent Company Secretary who is responsible for ensuring that the Company's constitutions, procedures, policies and regulations are complied with. Also ensuring that, all obligations required by the regulatory and under the Listing requirements are fulfilled in a timely manner. The Board is regularly updated and advised by the Company Secretary on any new statutory and regulatory requirements in relation to their duties and responsibilities. The Board recognises that the Company Secretary is suitably qualified and capable of carrying out the duties required. The Board is satisfied with the service and support rendered by the Company Secretary in discharge of their functions.

Board Meetings are scheduled for every quarter with additional meetings to be convened as and when required. During the financial year under review, the Board met a total of five (5) times. The attendance of the Directors who held office during the financial year is set out below:

Names of Directors	Attendance at meeting	Percentage of Attendance
Executive Directors		
Law Seeh Key	5/5	100%
Yong Kim Fui	5/5	100%
Non-Executive Directors		
Clifton Heath Fernandez	5/5	100%
Shireen Chia Yin Ting	5/5	100%
Dato' Ng Wan Peng	5/5	100%

The Board is satisfied with the level of time commitment given by the Directors of the Company towards fulfilling their duties and responsibilities. This is evidenced by the attendance record of the Directors as set out herein above.

Although the Board does not have a policy requiring each Director to attend a specific number and types of training sessions each year, to keep abreast of industry developments and trends, the Directors are encouraged to attend various external professional programmes deemed necessary to ensure that they are kept abreast on various issues facing the changing business environment within which the Group operates, in order to fulfil their duties as Directors. Any Director appointed to the Board is required to complete the Mandatory Accreditation Program ("MAP") within four (4) months from the date of appointment.

During the FYE 2022, the Directors have attended several relevant courses as below:

Directors	Seminar/Conference/Workshop
Clifton Heath Fernandez	<ol style="list-style-type: none"> The Cooler Earth Sustainability Summit 2022 Construction Waste Management and the Best Practices (MBAM, Webinar) AOB Conversation with Audit Committees FinCrime Global (GRC World Forums, Webinar) Pitfalls & Opportunities in ESG Investing (Bursa Malaysia, Webinar) 2022 IAS World Accreditation Day (IAS, Webinar) ESG Global (GRC World Forums, Webinar) Supply Chain Sustainability: Advancing ESG Adoption Amongst Malaysian SMEs (Webinar) Solar Advancements (Star ESG Academy, Webinar)

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

I. Board Responsibilities (cont'd)

During the FYE 2022, the Directors have attended several relevant courses as below: (cont'd)

Directors	Seminar/Conference/Workshop
Dato' Ng Wan Peng	<ol style="list-style-type: none"> Directors' Continuing Education Programme: 2nd ESG Topic: Climate Change (Fraser & Neave Holdings Bhd, Zoom Webinar) TCFD Climate Disclosure Training Programme: TCFD101 & TCFD102 (Bursa Malaysia, Zoom) Directors' Continuing Education Programme: 3rd ESG Topic: ESG Performance (Fraser & Neave Holdings Bhd, Zoom Webinar) Board of Directors 101 Series : Module 2 - Board Financial and Risk Oversight (Boardroom Corporate Services Sdn. Bhd., Online) Steward Leadership for Sustainability (Asia School of Business) ACE (Anti-Corruption Empowerment) Talk Series – For Directors and Senior Management (HLFG Compliance, in collaboration with the Community Education Division of the Malaysian Anti-Corruption Commission, Zoom) Tax Corporate Governance Framework (TCGF) (KPMG Board Leadership Center, Webinar) Directors' Continuing Education Programme: 4th ESG Topic: Biodiversity (Environmental) (Fraser & Neave Holdings Bhd) Talk on Values as a Source of Competitive Advantage (ICLIF, Zoom) Corporate Governance & Remuneration Practices for the ESG World (Asia School of Business) AOB's Conversation with Audit Committees (Session 2) (Securities Commission Malaysia's (SC) Audit Oversight Board (AOB), Webinar)
Yong Kim Fui	<ol style="list-style-type: none"> Digital Signature - Understanding its Principles & Applications (MIA, Webinar) Accounting for Cryptocurrency Assets (MIA, Webinar) A Comprehensive Review of Latest Developments in MFRS (MIA, Webinar)

The other Directors did not attend any trainings due to work commitment. Nonetheless, the Directors received routine compliance updates from the Company Secretary.

II. Board Composition

The Board currently consists of five (5) members, comprising the Independent Non-Executive Chairman, two (2) Executive Directors, and two (2) Independent Non-Executive Directors during the FYE 2022. 60% of the Board members are Independent Directors and 40% of the Board members are women.

The Board is satisfied that its current size and composition reflects an appropriate balance of Executive and Non-Executive Directors which is adequate for the scope and nature of the Group's business and operations.

The Board reviews and assesses the independence of directors annually based on the criteria set by the Nomination Committee. One of the assessment criteria is the ability of the individual director to exercise objectivity in the discharge of his or her responsibilities in the interest of the Company. During the financial year, a self-declaration was conducted at each Board meeting where all Directors declared the nature of their interest in the Company, whether direct or indirect, or any circumstance which may potentially affect their independence. The Board had also carried out independence assessment of its Non-Executive Directors in terms of their relationship and dealings with the Company and the Board is of the view that all the Non-Executive Directors remain independent.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

II. Board Composition (cont'd)

The Board is of the view that throughout their tenure, the Independent Directors had demonstrated independence in character and judgment and had always looked out for the best interest of the Company without fear or favor. The Independent Directors had provided independent view based on their experience and knowledge that allow for diverse and objectives perspectives on the Group's business and direction. The Board believes that the length of service on the Board did not impair the objectivity of these Independent Directors. Moreover, the Independent Directors had made significant contributions to the Board in view of their enough breadth of understanding of the Group's activities and corporate history that will continue to add value to the Board.

The Company currently does not have Independent Directors serving beyond nine (9) years.

III. Remuneration

The Remuneration Committee is authorised by the Board to establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. The remuneration of Directors shall be the ultimate responsibility of the full Board after considering the recommendations of the Remuneration Committee.

The Remuneration Committee was established to assist the Board in developing remuneration policies and procedures that enable the Group to attract, motivate and retain qualified Directors and key Senior Management personnel. Full details of the functions and duties of the Remuneration Committee are stated in its Terms of Reference which is available on the Company's website at <https://www.securemetric.com/corporate-governance/>.

During the financial year, the Remuneration Committee had carried out the following activities:

- reviewed and assessed the performance and the remuneration package of the Executive Directors;
- reviewed and assessed the Directors' fees and benefits payable for the FYE 2022;
- reviewed its Terms of Reference; and
- reviewed the Board Remuneration Policy.

The composition and range of remuneration package received by the Directors during the financial year is as follows:

- Received from the Company

	Fees (RM)	Salaries & other emoluments (RM)	Bonuses (RM)	EPF, SOCSO & EIS (RM)	Benefit- in-Kind (RM)	Total (RM)
Executive Directors						
1. Law Seeh Key	-	300	-	-	-	300
2. Yong Kim Fui	-	300	-	-	-	300
Non-Executive Directors						
1. Clifton Heath Fernandez	42,000	1,800	-	-	-	43,800
2. Shireen Chia Yin Ting	36,000	1,800	-	-	-	37,800
3. Dato' Ng Wan Peng	36,000	1,800	-	-	-	37,800
Total:	114,000	6,000	-	-	-	120,000

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

III. Remuneration (cont'd)

(ii) Received from the Subsidiaries

	Fees (RM)	Salaries & other emoluments (RM)	Bonuses (RM)	EPF, SOCSO & EIS (RM)	Benefit- in-Kind (RM)	Total (RM)
Executive Directors						
1. Law Seeh Key	-	600,000	32,500	76,902	-	709,402
2. Yong Kim Fui	-	420,000	22,750	54,132	15,000	511,882
Non-Executive Directors						
1. Clifton Heath Fernandez	-	-	-	-	-	-
2. Shireen Chia Yin Ting	-	-	-	-	-	-
3. Dato' Ng Wan Peng	-	-	-	-	-	-
Total:	-	1,020,000	55,250	131,034	15,000	1,221,284

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

The Audit Committee of the Group comprises the following members:

Chairperson

Shireen Chia Yin Ting

Independent Non-Executive Director

Members

Clifton Heath Fernandez

Independent Non-Executive Director

Dato' Ng Wan Peng

Independent Non-Executive Director

The Chairperson of the Audit Committee is not the Chairman of the Board. The Audit Committee Report is set out separately in this Annual Report. Full details of the Audit Committee's duties and responsibilities are stated in its Terms of Reference which is available on the Company's website.

The Board, through its Audit Committee maintains a formal and transparent relationship with its External Auditors and the Internal Auditors to enhance the effectiveness of the overall audit process. The Audit Committee assessed the performance and effectiveness of the External Auditors annually, considering amongst others, their qualifications, effectiveness of the audit process, quality of service and their independence.

During the course of their audit, the External Auditors highlighted to the Audit Committee matters pertaining to the financial reporting. Private meetings between them will be held twice during each financial year without the presence of the Management and Executive Directors, to discuss any issues that may require the attention of the Audit Committee.

The full details of the role of the Audit Committee in relation to the External Auditors are set out in the Audit Committee Report of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

II. Risk Management and Internal Control Framework

The Board is fully aware of its overall responsibility of continually maintaining a sound system of internal control, which covers not only financial controls but also operational and compliance controls as well as risk management, and the need to review its effectiveness regularly in order to safeguard shareholders' investments and the Company's assets. The internal control system is designed to identify the risks to which the Group is exposed and mitigate the impacts thereof to meet the particular needs of the Group.

As an effort to enhance the system of internal control, the Board together with the assistance of external professional Internal Audit firm will undertake to review the existing risk management process in place within the various business operations, with the aim of formalising the risk management functions across the Group. This function also acts as a source to assist the Audit Committee and the Board to strengthen and improve current management and operating style in pursuit of best practices.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Communication with Stakeholders

The Company is committed to ensure that timely, accurate and complete information about the Company is provided equally to its shareholders, stakeholders and to the general investing public. Timely information is critical towards building and maintaining the Group's corporate credibility, market integrity and promotes investor confidence.

The Company also actively engages all its stakeholders through various platforms including the announcements via Bursa LINK, disclosures on Bursa Malaysia's website and engagement through the investor relation function.

II. Conduct of General Meetings

General meetings are the important platform for the shareholders to exercise their rights in the Company, either in Annual General Meeting ("AGM") or Extraordinary General Meetings.

Shareholders are invited to the general meetings through a notice of meeting that specify the venue, day and hour of the meeting, as well as the business of the meeting. The notice of meeting together with the annual report is sent to the shareholders at least 28 days prior to the AGM, so as to maximise their attendance and to provide sufficient time for them to consider the business to be discussed at the meeting. Concurrently, the notice of AGM is advertised in a nationally circulated English daily newspaper. In order to facilitate informed decision by the shareholders, notice of meeting is also accompanied by explanatory notes on the items of business to further explain the nature of business of the meeting.

The Audit Committee Chairperson, the Risk Management Committee Chairman, the Nomination Committee Chairperson and the Remuneration Committee Chairperson were being informed that questions relating to the Committee under their purview will be addressed by them accordingly.

The Company conducts a poll voting on each resolution tabled during the general meetings to support shareholders participation. As the number of shareholders of the Company is not large, the Company currently conducts a manual poll voting instead of electronic poll voting. With the poll voting, each shareholder present in person or represented by proxy at the general meeting will be entitled to vote on a one-share, one-vote basis. At least one (1) scrutineer is appointed to validate the votes cast at the meeting.

The Board of Directors is aware and in full support of effective shareholders' participation at the AGM. The minutes of AGM will be published at the Company's website no later than 30 business days after the general meeting.

This Corporate Governance Overview Statement is made in accordance with the resolution of the Board of Directors dated 19 April 2023.

AUDIT COMMITTEE REPORT

The Board of the Group is pleased to present the Audit Committee Report for the FYE 2022.

MEMBERSHIP

The Audit Committee shall be appointed by the Board from amongst the directors and shall consist of not less than three (3) members, a majority of whom shall be Independent Directors. All members of the Audit Committee should be Non-Executive Directors.

The members of the Audit Committee shall elect a Chairperson from among their members who shall be an Independent Director. No alternate director shall be appointed as a member of the Audit Committee.

At least one (1) member of the Audit Committee:-

- (a) must be a member of the Malaysian Institute of Accountants; or
- (b) if he/she is not a member of the Malaysian Institute of Accountants, he/she must have at least three (3) years' working experience and:
 - he/she must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or
 - he/she must be a member of one (1) of the association of accountants specified in Part II of the First Schedule of the Accountants Act, 1967; or
 - fulfils such other requirement as prescribed by Bursa Malaysia Securities Berhad ("Bursa Securities").

The Audit Committee of the Group comprises the following members:

Chairperson

Shireen Chia Yin Ting
Independent Non-Executive Director

Members

Clifton Heath Fernandez
Independent Non-Executive Chairman

Dato' Ng Wan Peng
Independent Non-Executive Director

The Audit Committee comprises three (3) Non-Executive Directors during FYE 2022, all of whom are Independent Directors. The Chairperson of the Audit Committee, Ms. Shireen Chia Yin Ting is certified as a Chartered Accountant by the Malaysian Institute of Accountants.

The composition of the Audit Committee and the qualification of the members comply with Rule 15.09 (1) of the ACE Market Listing Requirement of Bursa Securities ("ACE LR").

AUTHORITY

The Audit Committee is authorised by the Board to investigate any activity within its Terms of Reference and shall have unrestricted access to any information pertaining to the Group, both the internal and external auditors and to all employees of the Group. The Audit Committee is also authorised by the Board to obtain external legal or other independent professional advice as necessary in the discharge of its duties.

TERMS OF REFERENCE

The Terms of Reference of the Audit Committee are available on Securemetric's website at <https://www.securemetric.com/corporate-governance/>.

AUDIT COMMITTEE REPORT

cont'd

MEETINGS AND MINUTES

Meetings shall be held not less than four (4) times a year and will normally be attended by the Chief Financial Officer and other senior management, if necessary. The presence of external and/ or internal auditors will be requested, if required. Other members of the Board and senior management may attend meetings upon the invitation of the Audit Committee. Both the internal and/ or external auditors may request a meeting if they consider it to be necessary. The Audit Committee shall meet with the external and internal auditors at least twice a year without the presence of executive members of the Board.

The Secretary to the Audit Committee shall be the Company Secretary. The Chairperson of the Audit Committee shall report on each meeting to the Board.

The Audit Committee will meet with the external auditors without executive board members present at least twice a year.

During the FYE 2022, the Audit Committee held a total of five (5) meeting. The Chief Financial Officer, internal auditors and external auditors have been invited to attend the Audit Committee meetings to present their audit plans and their subsequent audit findings.

The details of attendance of the Audit Committee members are as follows:

Committee Members	Meeting Attendance
Shireen Chia Yin Ting (Chairperson)	5/5
Clifton Heath Fernandez	5/5
Dato' Ng Wan Peng	5/5

Responsibilities and Duties

In fulfilling its primary objectives, the Audit Committee undertakes, amongst others, the following responsibilities and duties:-

- (a) To discuss with the external auditors, prior to the commencement of audit, the audit plan which states the nature and scope of audit;
- (b) To review major audit findings arising from the interim and final external audits, the audit report and the assistance given by the Group's management to the external auditors;
- (c) To review with the external auditors, their evaluation of the system of internal controls, their management letter and management's responses;
- (d) To review the following in respect of internal audit:-
 - adequacy of scope, functions and resources of the firm of internal auditors (that was engaged to undertake the internal audit function) and that it has the necessary authority to carry out its work;
 - the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
 - the major findings of internal audit investigations and management's response, and ensure that appropriate actions are taken on the recommendations of the internal audit function;
 - review any appraisal or assessment of the performance of members of the internal audit function; and
 - review and approve any appointment or termination of the firm of the internal audit function.

AUDIT COMMITTEE REPORT

cont'd

MEETINGS AND MINUTES (cont'd)

Responsibilities and Duties (cont'd)

- (e) To review the unaudited quarter financial results and annual audited financial statements of the Group before submission to the Board for approval, focusing on:-
- compliance with accounting standards and regulatory requirements;
 - any major changes in accounting policies;
 - significant and unusual items and events as well as significant adjustments arising from the audit; and
 - incidences of fraud and material litigation, if any.
- (f) To review any related party transactions and conflict of interest situations that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management's integrity;
- (g) To consider the nomination and appointment of external auditors, as well as the audit fee;
- (h) To review the resignation or dismissal of external auditors;
- (i) To review whether there is reason (supported by grounds) to believe that the external auditors are not suitable for reappointment;
- (j) To promptly report to Bursa Securities if it is of the view that a matter reported by it to the Board has not been satisfactorily resolved, resulting in a breach of the ACE LR; and
- (k) To review investment appraisal.

INTERNAL AUDIT FUNCTION

The Group has appointed an established external professional Internal Audit firm namely Talent League Sdn. Bhd.. The internal audit activities were reported directly to the Audit Committee based on the approved annual Internal Audit Plan. The approved annual Internal Audit Plan is designed to cover entities across all level of operations within the Group.

Internal audit provides independent assessment on the effectiveness and efficiency of internal controls utilising a global audit methodology and tool to support the corporate governance framework and an efficient and effective risk management framework to provide assurance to the Audit Committee.

The internal audit fee incurred during the financial year was RM35,000.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

The Audit Committees' activities during the financial year under review comprised the following:-

Unaudited Quarter Financial Results and Audited Financial Statements

- reviewed the audited financial statements of the Company prior to submission to the Board for their perusal and approval. This was to ensure compliance of the financial statements with the provisions of the Companies Act, 2016 and the applicable approved accounting standards as per Malaysian Accounting Standards Board; and
- reviewed the unaudited quarter financial results before recommending them for Board's approval, focusing particularly on:-
 - Any change in accounting policies
 - Significant adjustments arising from audit
 - Compliance with accounting standards and other legal requirements

AUDIT COMMITTEE REPORT

cont'd

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE (cont'd)

External Audit

- reviewed the external audit plan, outlining the audit scope, audit process and areas of emphasis based on the external auditors' presentation of audit plan;
- reviewed the external audit review memorandum and audit planning memorandum and the response from the Management;
- consideration and recommendation to the Board for approval of the audit fees payable to the external auditors;
- reviewed the performance and effectiveness of the external auditors in the provision of statutory audit services and recommend to the Board for approval on the re-appointment of external auditors; and
- reviewed and evaluated the factors relating to the independence of the external auditors.

Internal Audit

The Group outsources its Internal Audit Function to a professional services firm, namely Talent League Sdn. Bhd.. The Internal Auditors were engaged to conduct regular review and appraisals of the effectiveness of the governance, risk management and internal control process within the Company and the Group.

The Internal Audit Report directly to the Audit Committee, the appointed Internal Auditors are given full access to all the documents relating to the Company and Group's governance, financial statements and operational assessments.

Internal Control

The internal control activities carried out during the financial year are as follows:-

- reviewed the internal audit plan for adequacy scope and coverage and risk areas;
- reviewed internal audit reports;
- reviewed the effectiveness and adequacy of operational and compliance processes;
- reviewed the adequacy and effectiveness of corrective actions taken by the Management on all significant matters raised; and
- monitored fraud cases.

RELATED PARTY TRANSACTION AND CONFLICT OF INTEREST

At each quarterly meeting, the Audit Committee reviewed the recurrent related party transactions ("RPT") and conflict of interest situation that may arise within the Company and its Group including any transaction, procedure or course of conduct that raises questions of Management integrity.

The Audit Committee reviews the RPT and conflict of interest situation presented by the Management prior to the Company entering into such transaction. The Audit Committee also ensure that the adequate oversight over the controls on the identification of the interested parties and possible conflict of interest situation before entering into transaction.

NOMINATION COMMITTEE REPORT

The Board, through the Nomination Committee, ensures that it recruits to the Board only individuals of sufficient calibre, knowledge and experience to fulfil the duties of a director appropriately.

The Nomination Committee consists of three (3) Independent Non-Executive Directors and its Chairperson is an Independent Non-Executive Director appointed by the Board.

The Nomination Committee comprise of the following during the FYE 2022:

Chairperson

Dato' Ng Wan Peng

Independent Non-Executive Director

Members

Clifton Heath Fernandez

Independent Non-Executive Chairman

Shireen Chia Yin Ting

Independent Non-Executive Director

Objectives

The primary objective of the Nomination Committee is to act as a committee of the Board to assist in discharging the Board's responsibilities in:-

- (a) assessing each of the existing directors' ability to contribute to the effective decision making of the Board;
- (b) identifying, appointing and orientating new directors;
- (c) reviewing the mix of skills and experience and other qualities including core competencies the Board requires for it to function independently and efficiently;
- (d) reviewing membership of the Audit Committee, Risk Management Committee and Remuneration Committee and any other Board Committees as appropriate, in consultation with the chairperson of those committees;
- (e) assessing and evaluating the effectiveness of the Board as a whole and the Board Committees, assessing the performance of independence of Independent Non-Executive Directors and the Chief Executive Officer; and
- (f) identifying and recommending directors who are to be put forward for retirement by rotation in accordance with the Company's Constitution.

Composition

The Terms of the Nomination Committee provides that the Board shall appoint members to the Nomination Committee from amongst its members. The Nomination Committee shall comprise exclusively of Non-Executive Directors with at least three (3) members. Majority of the members of the Nomination Committee shall be independent. The Chairperson of the Nomination Committee shall be an Independent Non-Executive Director appointed by the Board.

In the absence of the Nomination Committee Chairperson, the remaining members present shall elect one of them to chair the meeting.

Meeting and Quorum

The Nomination Committee shall meet whenever there is a need for the Committee to perform its function, and at least once every year in carrying out an annual review of the Board, its Committees and the contribution of individual directors to the Company. A member may at any time and the Secretary shall on the requisition of a director, summon a meeting of the Nomination Committee. The quorum necessary for a meeting of the Nomination Committee shall be two (2) members.

NOMINATION COMMITTEE REPORT

cont'd

Meeting and Quorum (cont'd)

Questions arising at any meeting of the Nomination Committee shall be decided by a majority of votes and a determination by a majority of members shall for all purposes be deemed a determination/ decision of the Nomination Committee.

In the case of an equality of votes, the Chairperson of the meeting shall have a second or casting vote **PROVIDED THAT** two (2) members form a quorum. The Chairperson of the meeting at which only such a quorum is present, or at which only two (2) members are competent to vote on the question at issue, shall not have a casting vote.

Reporting procedures

Minutes of the Nomination Committee's meetings shall be kept by a duly appointed secretary of the meeting (who should normally be the Company Secretary), and such minutes shall be available for inspection at any reasonable time on reasonable notice by any director.

Minutes of meetings of the Nomination Committee shall record in sufficient detail, the matters considered by the Nomination Committee and decisions reached, including any concerns raised by directors, members or dissenting views expressed. Draft and final versions of minutes of such meetings shall be sent to all members of the Nomination Committee for their comment and records respectively, in both cases within a reasonable time after such meetings.

Without prejudice to the generality of the duties of the Nomination Committee set out in these Terms, the Nomination Committee shall report back to the Board and keep the Board fully informed of its decisions and recommendations, unless there are legal or regulatory restrictions on its ability to do so.

Responsibilities

The functions and responsibilities of the Nomination Committee are as follows:

- To make recommendations to the Board with regard to any appointment of directors considering their skills, knowledge, education, qualities, expertise and experience, professionalism, integrity, time commitment, contribution, boardroom diversity including gender, age and ethnicity diversity and other factors that will best qualify a nominee to serve on the Board, and for the position of Independent Non-Executive Directors, the ability to discharge such responsibilities/ functions as expected;
- To consider, in making its recommendations, candidates for directorships proposed by the Chief Executive Officer and within the bounds of practicability, by any other senior executive or any other director or shareholder;
- To assist the Board to review regularly the Board's structure, size and composition and the required mix of skills and experience and other qualities including core competencies which Non-Executive Directors shall bring to the Board;
- To assess the effectiveness of the Board, any other committees of the Board and the contributions of each individual director, including the independence of Independent Non-Executive Directors, as well as the Executive Directors, based on the processes and procedures laid out by the Board; and to provide the necessary feedback to directors in respect of their performance;
- To ensure proper documentation of all assessments and evaluations so carried out;
- To recommend to the Board, the directors to fill the seats on any committees of the Board. In making its recommendations, the Committee shall also consider, within the bounds of practicability, candidates proposed by any director, Chief Executive/Senior Executive or shareholder;
- To propose to the Board the responsibilities of Non-Executive Directors, including membership and Chairmanship of Board Committees;
- To recommend to the Board, for continuation or discontinuation in service of directors as an Executive Director or Non-Executive Director;

NOMINATION COMMITTEE REPORT

cont'd

Responsibilities (cont'd)

The functions and responsibilities of the Nomination Committee are as follows: (cont'd)

- To recommend to the Board, directors who are retiring by rotation to be put forward for re-election;
- To evaluate training needs for directors annually;
- To review induction programmes for newly appointed directors to familiarise themselves with the operations of the Group;
- To carry out other responsibilities, functions or assignments as may be defined by the Board from time to time.

Activities of Nomination Committee

The Nomination Committee met once during the financial year and all members of the Nomination Committee attended the meeting to deliberate on the following:

- Review the current Board structure, size and composition with an aim to achieving a balance of views on the Board;
- Review and assess the effectiveness of the Board as a whole, the various Board Committees as well as the contribution of each individual Director;
- Review the level of independence of Independent Directors;
- Discuss the character, experience, integrity and competence of the Directors, Chief Executive Officer or Chief Financial Officer and to ensure that they have the time to discharge their respective roles effectively; and
- Discuss on the annual retirement by rotation and re-election of Directors at the forthcoming Annual General Meeting.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Securemetric is pleased to present the Statement on Risk Management and Internal Control which outline the nature and scope of risk management and internal control system for the FYE 2022, pursuant to Paragraph 15.26(b) of ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, Malaysian Code on Corporate Governance issued in 2021 and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers (“the Guideline”) pursuant to Guidance Note 11 of ACE Market Listing Requirements.

BOARD’S RESPONSIBILITIES

The Board acknowledges its overall responsibility for the risk management and internal control system to cover the financial, compliance and operational controls of the Group as well as reviewing the adequacy, integrity, and effectiveness of the Group’s system of risk management and internal controls. The Group’s system is designed to manage the key areas of risk within an acceptable risk profile, rather than eliminating, the risk of not adhering to achieve the policies and business objectives and goals. The system of risk management and internal controls of the Group provides reasonable but not absolute assurance against occurrence of any material misstatement, losses, fraud or breaches of laws or regulations.

The Board believes that the review on the adequacy and effectiveness of the system of internal control and risk management is a concerted and continuous process. Such reviews are conducted through the various committees established by the Board and Management. The Board has, through the Risk Management Committee, carried out the process of identifying, evaluating, monitoring and managing the key operational and financial risks affecting the achievement of its corporate objectives throughout the period.

The Board is of the view that the system of internal controls in place for the financial year under review is sound and adequate after taking into consideration of the costs and benefits to safeguard the Group’s assets and to protect the stakeholders’ interests in ensuring achievement of the business objectives and enhancing shareholder value.

RISK MANAGEMENT

The Board recognises risk management as an integral part of system of internal control and good management practice in pursuit of its strategic objectives. The Board also acknowledges that all areas of the Group’s activities do involve some degree of risk and is committed to ensure that the Group has an effective risk management framework which allows the Group to identify, evaluate, manage and monitor risks within defined risk parameters that affect the achievement of the Group’s business objectives.

To carry out an effective risk management framework, the Board has oversight of the risk management through the Risk Management Committee, while Chief Operating Officer reports to the Risk Management Committee on the processes, findings and remedial actions taken by Management. The new risk will be identified by taking into consideration of the Group’s business objectives, strategies and targets, and external environmental factors. This covers matters such as, responses to significant risk identified, output from monitoring processes, and changes made to the system of risk management and internal controls.

The Board has formalised an Enterprise Risk Management framework (“ERM framework” or “framework”) which is based on an international accepted framework. The framework aids to the achievement of Group’s objectives and strategies by instilling continuous process of identifying, evaluating, profiling, mitigating, reporting and monitoring significant business risks that the Group may face.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

RISK MANAGEMENT (cont'd)

The Group's Framework encompasses the following:

- Risk management shall be an integral part of the Group's culture and embedded into day-to-day management of operations, processes and structures and should be extensively applied in all decision-making and strategic planning;
- To report, monitor and continuous performance review on the risk profile faced by the Group in a proactive, responsible and accountable manner;
- Continuous implementing and monitoring of underlying risk management process and practices; and
- Risk management processes should apply to aim opportunities by balancing risks incurred, managing uncertainties and minimising threats associated to the opportunities.

The above framework facilitates and enhances the ability of the Board and Management to manage risks within defined risk parameters and risk standards at the acceptable tolerance level.

INTERNAL AUDIT FUNCTIONS AND EFFECTIVENESS OF INTERNAL CONTROL

The Group has outsourced its internal audit function to an independent professional service provider, Talent League Sdn. Bhd. ("IA Consultant"). The duty of the internal audit function is to examine and evaluate major processes of operations of the Group in order to assist the Board in the effective discharge of the Board's responsibilities.

The IA Consultant aims to advise management on areas for improvement, highlight on significant findings in respect of any non-compliance and subsequently perform follow-up reviews to determine the extent to which the recommendations have been implemented.

The IA Consultant reports independently to the Audit Committee. In the course of performing its duties, the IA Consultant has unrestricted access to all functions, records, documents, personnel, or any other resources or information, at all levels throughout the Group. Being an independent third party, the IA Consultant is able to perform the internal audit function with impartiality, proficiency and due professional care.

The IA Consultant adopts a risk-based approach and prepares its audit strategy and plan based on the risk profiles of the Group. The performance of the internal audit function is carried out as per the annual audit plan approved by the Audit Committee. The internal control findings, weaknesses and recommendations as well as the management responses and action plan were deliberated during the quarterly reviews with the Audit Committee. The key management team is responsible for ensuring correction, corrective actions, preventive actions and recommendations on reported weaknesses are attended within the required time frame.

During the financial year under review, the IA Consultant had conducted various risks-based internal audit ("RBIA") assignments every quarter and made recommendations in improving the system of internal controls to the Risk Management Committee. The areas of RBIA audit covered during the financial year were as follows:

- Q1 2022: Procurement; and Inventory Management
- Q3 2022: Branch Reporting (Vietnam)
- Q4 2022: Branch Reporting (Indonesia)

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

OTHER KEY INTERNAL CONTROLS

The Board is committed in maintaining a strong control structure and environment to facilitate the proper conduct of the Group's businesses and operations. The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls are as stated below:

- **Organisational Structure**

The Group has in place an organisational structure that is aligned to business efficacy and operational requirements, with clearly defined lines of accountability, responsibility and delegated authority. The Board is the pinnacle of the corporate governance structure of the Group. The Board is assisted not only by the key management team, but also by delegation of authority to the independent board committees such as the Audit, Risk Management, Nomination and Remuneration Committees in specific areas for enhanced internal control and corporate governance. These Board Committees are all governed by clearly defined terms of reference.

- **Executive Review and Management Meetings**

There has been active participation by the Executive Directors in the day-to-day running of business operations, and regular dialogues with senior management of the respective business units.

Management meetings, attended by the Executive Directors and respective Head of Department are held on a monthly basis to identify, discuss and report on operational performance, business strategy, financial and key management issues for effective monitoring and decision making. In addition to the regular meetings, other ad hoc meetings are convened as and when necessary to stay on course of achieving the Group's goal and objectives.

- **Policies, Procedures and Financial Authority Limits**

The Group has in place, documented policies and procedures to govern the financial and operational functions, and internal control system of the Group. The objectives of the policies and procedures are to ensure ethical conduct, compliance with applicable laws and regulations, internal control principles and mechanisms are embedded in operations and that there is a clear line of responsibility and accountability among the business units of the Group. Some of the key policies and procedures implemented within the Group are:

- (a) **Group's Authority Manual**

The Group's Authority Manual assigns authority to the Board and to the appropriate level of Management staff to exercise control on the Group's commitment of both capital and operational expenditures. It provides limits to enable decisions to be taken timely and at the same time, provides check and balance on the amounts and types of commitments that Management can undertake on behalf of the Group. The Authority Manual is approved by the Board and is regularly updated as and when is necessary, in line with the changes in the organisation.

- (b) **Operational Manuals**

Operational manuals for business units are available within the Group. It sets out policies and procedures for day-to-day operations and act as guidance to employees on the necessary steps to be taken in a given set of circumstances. The manuals enable tasks to be carried out with minimal supervision.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

OTHER KEY INTERNAL CONTROLS (cont'd)

- **Policies, Procedures and Financial Authority Limits (cont'd)**

- (c) IT Policies and Procedures

The IT Security Policy incorporates the Corporate Policy among others, the usage of personal computer software, E-mail and internet; management of IT assets, security implementation for the antivirus level protection and hardware systems support procedures. It is established to achieve and maintain confidentiality, integrity, availability, authenticity and reliability of information and data processing.

- (d) Whistle Blowing Policy

The Group's whistle blowing policy guides employees of the Group in communicating and reporting instances of illegal or immoral conduct to the appropriate parties within the Group and at the same time, protecting these employees against victimisation, discrimination or being disadvantaged in any way arising from such communications. Arrangements are in place for the proportionate and independent investigations on all allegations or reports from within or outside the Group with appropriate follow up actions. The policy builds into the Group's culture, abhorrence for fraud, and that any conduct of this nature will not be tolerated. It also promotes a transparent and open environment for fraud reporting within the Group.

- (e) Group Communication Policy

The Board has also adopted a Communication Policy to ensure that all decisions made are communicated promptly to all staff at all levels within the Group and to enable the Group to communicate effectively with its shareholders, major investors, other stakeholders and public, generally with the intention of giving them a clear picture of the Group's performance and operations.

- (f) Human Resource Policy

The Group has implemented a Human Resource Policy and Code of Conduct that sets out general employment terms and conditions and sets the tone for control consciousness and employee conduct. It is designed to provide guidelines to employees with the objective of ensuring issues and matters during the tenure of their employment are properly understood by all employees. It is a written guideline which clearly defines the organisation's vision, mission, culture, values, policies, company's expectations of employees and employee's expectations toward the Company.

The Group has also incorporated Succession Planning policies and procedures within the Human Resource Policy. This is part of the Group's organisational development initiative to ensure leadership and talent continuity for all key positions and to enhance the Group's capability to systematically identify, evaluate, develop, deploy and retain those who are qualified, eligible and suitable to be potential successors for Senior Level Mission Critical Positions.

In addition, internal control procedures have been set out in a series of other standard operating practice manuals and business process manuals to serve as guidance for proper measures to be undertaken and are subject to regular review, enhancement and improvement to ensure that they stay relevant and to align with the best practices.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

OTHER KEY INTERNAL CONTROLS (cont'd)

- **Policies, Procedures and Financial Authority Limits (cont'd)**

- (g) Corporate Liability Policy

In line with the Corporate Liability Provision under the New Section 17A MACC (Amendment) Act 2019, the Group adopted an Anti-Corruption and Bribery Policy ("ACBP") to show the Group's commitment to transparency, integrity and accountability. Any forms of bribery and corruption are unacceptable and will not be tolerated. ACBP has control measures to detect and prevent bribery as well as proper training and communication of such policies and procedures.

- **Strategic Business Planning, Budgeting and Reporting**

A Group strategic business planning process is in place where the financial planning is correlated to the Group's strategic business plans. The Group performs an annual budgeting and forecasting exercise including development of business strategies and establishment of key performance indicators against which, units within the Group can be evaluated. The Group's strategic direction is also reviewed annually in light of the prevailing market conditions and significant market risks.

Financial performance and Monthly Management Accounts which serve as a monitoring tool are circulated to key management staff and regularly compared against budget, with detailed explanations provided for material variances, reviews of internal and external factors contributing to performance, and management actions taken to improve the results. Variances against budget are analysed and reported internally on a monthly basis in Management meetings.

- **Performance Reporting and Monitoring**

On a quarterly and annual basis, the financial performance and progress of key projects are reported and reviewed by the Board to enable them to gauge the Group's achievement of its annual targets and review any key financial and operational issues.

The Audit Committee reviews the quarterly financial statements with the Executive Directors before it recommends to the Board for approval to release the financial results to Bursa Securities Malaysia Berhad. The audited financial statements are reviewed with the external auditors before recommending them to the Board for tabling them to the shareholders at the annual general meeting.

- **Investment Appraisal**

Major investment proposals on mergers and acquisitions as well as long-term business investments are thoroughly reviewed and appraised by the Audit Committee, before recommending them to the Board.

- **Insurance and Physical Safeguards**

Adequate insurance provision and security measures on major assets of the Group are provided to ensure that it sufficiently safeguarded against any mishap that will result in material losses to the Group.

- **Regular Visits**

The Group conduct regular visits to operating units by members of the Board and senior management.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

ASSURANCE STATEMENT BY KEY MANAGEMENT TEAM

The Chief Executive Officer and Chief Financial Officer have provided assurance to the Board, to the best of their knowledge and belief, that the Group's risk management and internal control system were operating adequately and effectively in all material aspects, to meet the Group's objectives during the financial year under review until the date of this Statement on Risk Management and Internal Control.

REVIEW OF THE STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL BY EXTERNAL AUDITORS

As required by paragraph 15.23 of the Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control for the inclusion in this Annual Report for FYE 2022. Their limited assurance review was performed in accordance with the Audit and Assurance Practice Guide ("AAPG") 3: *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control Included in the Annual Report* issued by the Malaysian Institute of Accountants.

AAPG 3 does not require the external auditors to consider whether this Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system.

Based on their review, the external auditors have reported to the Board that nothing has come to their attention that caused them to believe that this Statement on Risk Management and Internal Control is not prepared in all material aspects, in accordance with the disclosures required by paragraphs 41 and 42 of the Guideline, nor is factually inaccurate.

CONCLUSION

The Board is of the opinion that the system of risk management and internal control that has been instituted throughout the Group is satisfactory and has not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Company's 2022 Annual Report. The Board and the Management will continue to review and take measures to strengthen and improve the internal control environment from time to time based on the recommendations proposed by the IA Consultant.

The Board recognises that the development of the system of internal control is an ongoing process as part of its efforts in managing the risks faced by the Group. Consequently, the Board maintains an ongoing commitment to further strengthen the control environment within the Group.

This Statement on Risk Management and Internal Control is issued in accordance with a resolution of the Board of Directors dated 19 April 2023.

ADDITIONAL COMPLIANCE INFORMATION

The following disclosures are made in accordance with Part A of Appendix 9C of the Listing Requirements of Bursa Malaysia Securities Berhad:-

STATUS OF UTILISATION OF PROCEEDS

Utilisation of proceeds from initial public offering

In conjunction with the Company's listing on the ACE Market of Bursa Malaysia Securities Berhad on 13 November 2018, the gross proceeds from the initial public offering amounting to RM17.00 million had been fully utilised as at 30 September 2022.

Utilisation of proceeds from private placement exercise

On 25 June 2020, 48,730,000 new Securemetric Shares, which were issued at RM0.107 each, were listed on the ACE Market of Bursa Malaysia Securities Berhad pursuant to Securemetric's private placement exercise ("Private Placement I").

Proceeds raised from Private Placement I had been fully utilised as at 31 December 2021.

On 3 August 2021, 40,476,000 new Securemetric Shares, which were issued at RM0.139 each, were listed on the ACE Market of Bursa Malaysia Securities Berhad pursuant to Securemetric's private placement exercise ("Private Placement II").

The details of the utilisation of the proceeds from the Private Placement II were as follows:

Details of utilisation	Proposed utilisation RM'000	Amount utilised RM'000	Deviation: Surplus/ (Deficit) RM'000	Balance RM'000	Estimated timeframe for utilisation of proceeds
Working capital	2,951	(2,978)	27	-	Utilised
Certification costs	1,280	(38)	-	1,242	By August 2023
IT infrastructure	1,280	(467)	-	813	By August 2023
Expenses for Private Placement	115	(88)	(27) ⁽¹⁾	-	Utilised
Total	5,626	(3,571)	-	2,055	

Note:

⁽¹⁾ The excess of RM0.027 million had been utilised for general working capital requirements of the Group.

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

The Company had undertaken a Bonus Issue exercise on the basis of 1 Bonus Share for every 1 existing Securemetric Share held by the entitled shareholders of the Company, which was completed on 20 January 2020 following the listing of 243,600,000 Bonus Shares on the ACE Market of Bursa Malaysia Securities Berhad on 20 January 2020 ("Bonus Issue").

ADDITIONAL COMPLIANCE INFORMATION

cont'd

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES (cont'd)

Following the Bonus Issue, the Company had issued 243,600,000 free warrants ("Warrants") on the basis of 1 Warrant for every 1 existing Securemetric Share held on the same entitlement date as the Bonus Issue, which was completed on 4 February 2020 following the listing of and quotation for the Warrants (Warrant Code: 0203WA) on the ACE Market of Bursa Malaysia Securities Berhad on 4 February 2020.

Each Warrant carries the entitlement to subscribe for 1 new ordinary share in Securemetric at the exercise price of RM0.16 at any time during the exercise period from 22 January 2020 to 21 January 2023, subject to any adjustments in accordance with the provisions of the deed poll dated 3 January 2020 constituting the Warrants.

The Warrants issued were not expected to raise any proceeds as the Warrants were issued at no cost to the shareholders of the Company. Nevertheless, the quantum of proceeds that would be raised by the Company pursuant to the exercise of the Warrants would depend on the number of Warrants exercised during the tenure of the Warrants.

On 21 February 2020, 100,000 Warrants were converted into 100,000 Securemetric Shares with proceeds of RM16,000.

On 16 January 2023, 560,000 Warrants were converted into 560,000 Securemetric Shares with proceeds of RM89,600.

The Warrants 2020/2023 had expired on 21 January 2023.

AUDIT AND NON-AUDIT FEES

During FYE 2022, the amount of audit and non-audit fees paid and payable by the Company and the Group to its External Auditors are as follows:

	Company RM'000	Group RM'000
Audit fees	75	154
Non-audit fees	5	5

MATERIAL CONTRACTS

During FYE 2022, there were no material contracts entered into by the Group and its subsidiaries involving Directors' and major shareholders.

RECURRENT RELATED PARTY TRANSACTIONS

During FYE 2022, there was no material Recurrent Related Party Transactions of a revenue or trading nature which requires shareholders' mandate.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation of financial statements of the Group and of the Company for each financial year which have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia (the "Act") so as to give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and the results and cash flows of the Group and of the Company for the financial year then ended.

In preparing the financial statements of the Group and of the Company for the FYE 2022, the Directors have :

- adopted and applied the appropriate and relevant accounting policies consistently;
- prepared the financial statements on a going concern basis, with reasonable expectation that the Group and the Company have adequate resources to continue in operational existence in the foreseeable future;
- made judgments and estimates that are reasonable and prudent; and
- complied with applicable approved accounting standards in Malaysia

The Directors are responsible to ensure that the Group and the Company keep proper accounting and other records which disclosed the financial position of the Group and of the Company with reasonable accuracy, enabling them to ensure the financial statements of the Group and of the Company comply with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Act in Malaysia.

The Directors have general responsibility for taking such reasonable steps to safeguard the assets of the Group and of the Company and to detect and prevent fraud and other irregularities.



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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 2022.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries are disclosed in Note 6 to the financial statements.

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

FINANCIAL RESULTS

	Group RM	Company RM
Loss for the financial year, attributable to:		
- Owners of the parent	1,723,299	399,921
- Non-controlling interests	74,083	-
	1,797,382	399,921

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

DIVIDENDS

There were no dividends proposed, declared or paid by the Company since the end of the previous financial year. The Directors do not recommend any dividend in respect of the current financial year.

ISSUE OF SHARES AND DEBENTURES

There was no issuance of shares and debentures during the financial year.

WARRANTS

The warrants were constituted under the Deed Poll date 3 January 2020.

As at 31 December 2022, the total number of warrants that remained unexercised were 243,500,000 units.

The salient terms of the warrants are disclosed in Note 18(e) to the financial statements.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

DIRECTORS' REPORT

cont'd

DIRECTORS

The Directors in office since the beginning of the current financial year until the date of this report are as follows:

Law Seeh Key *
 Yong Kim Fui *
 Clifton Heath Fernandez
 Shireen Chia Yin Ting
 Dato' Ng Wan Peng

* Director of the Company and its subsidiaries

The Directors who held office in the subsidiaries (excluding Directors who are also Directors of the Company) since the beginning of the current financial year until the date of this report are as follows:

Nioo Yu Siong
 Endah Lestari
 Leo Nugraha Kusuma
 Aimee Y. Asanza
 Tan Yung Hui, Gabriel
 Jayrill Cres B.Amarille
 Mary Jacqueline B.Haro
 Domingo C. Gomugda Jr (appointed on 4.1.2022)
 Joseph Erwin R. Capili (appointed on 4.1.2022)
 William J. Dimaano (resigned on 4.1.2022)
 Eliane F.Udo (resigned on 4.1.2022)

The information required to be disclosed pursuant to Section 253 of the Companies Act 2016 is deemed incorporated herein by such reference to the financial statements of the respective subsidiaries and made a part hereof.

DIRECTORS' INTERESTS IN SHARES

The interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end according to the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			At 31.12.2022
	At 1.1.2022	Bought	Sold	
Interests in the Company				
Direct Interests				
Law Seeh Key	179,675,210	-	-	179,675,210
Yong Kim Fui	6,886,200	-	-	6,886,200

By virtue of his interests in the shares of the Company, Law Seeh Key is also deemed interested in the shares of all the subsidiaries during the financial year to the extent the Company has an interest under Section 8 of the Companies Act 2016.

None of the other Directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

DIRECTORS' REPORT

cont'd

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as disclosed in the "Directors' Remuneration" of this report) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

DIRECTORS' REMUNERATION

The details of the Directors' remuneration paid/payable to the Directors of the Company during the financial year are as follows:

	Group RM	Company RM
Directors of the Company		
Executive:		
Salaries and other emoluments	1,075,850	600
Defined contribution plans	129,030	-
Social security contributions	1,798	-
Other benefits	206	-
	1,206,884	600
Non-executive:		
Fees	114,000	114,000
Other benefits	5,400	5,400
	119,400	119,400
	1,326,284	120,000

INDEMNITY AND INSURANCE COSTS

During the financial year, the total amount of indemnity coverage and insurance premium paid for the Directors and certain officers of the Group and of the Company were RM500,000 and RM5,800 respectively. No indemnity was given to or insurance effected for auditors of the Company.

DIRECTORS' REPORT

cont'd

OTHER STATUTORY INFORMATION

- (a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:
- (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no bad debts to be written off and that adequate allowance had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company have been written down to an amount which the current assets might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances:
- (i) which would render it necessary to write off any bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
 - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
 - (iii) not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading; or
 - (iv) 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.
- (c) At the date of this report, there does not exist:
- (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (d) In the opinion of the Directors:
- (i) no contingent liability 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 and of the Company to meet their obligations as and when they fall due;
 - (ii) 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; and
 - (iii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

DIRECTORS' REPORT

cont'd

SUBSIDIARIES

The details of the subsidiaries are disclosed in Note 6 to the financial statements.

SUBSEQUENT EVENT

The subsequent event is disclosed in Note 36 to the financial statements.

AUDITORS' REMUNERATION

The details of the auditors' remuneration for the financial year are as follows:

	Group RM	Company RM
Auditors' remuneration		
- Statutory audit	153,935	75,000
- Non-statutory audit	5,000	5,000
	158,935	80,000

AUDITORS

The Auditors, Messrs. UHY, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 19 April 2023.

LAW SEEH KEY

YONG KIM FUI

KUALA LUMPUR

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act 2016

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 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 2022 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 19 April 2023.

LAW SEEH KEY

YONG KIM FUI

KUALA LUMPUR

STATUTORY DECLARATION

Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Yong Kim Fui (MIA Membership No: 16784), being the Director primarily responsible for the financial management of Securemetric Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the)
 abovenamed at Kuala Lumpur in the)
 Federal Territory on 19 April 2023)

YONG KIM FUI

Before me,

No. W790

ZAINUL ABIDIN BIN AHMAD

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

To the members of Securemetric Berhad
[Registration No.: 201701019864 (1234029-D)]
(Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Securemetric Berhad, which comprise the statements of financial position as at 31 December 2022 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 67 to 145.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Key Audit Matters	How we addressed the key audit matters
<p>Impairment of trade receivables</p> <p>The Group's non-current and current trade receivables amounting to RM1,275,868 and RM6,482,353 respectively, which representing approximately 6% and 18% of the Group's total non-current assets and current assets respectively as at 31 December 2022.</p> <p>The assessment of recoverability of receivables involved judgements and estimation uncertainty in analysing historical bad debts, customer concentration, customer creditworthiness and customer payment terms.</p>	<p>We obtained and evaluated the Group's credit risk policy, and tested the processes used by management to assess credit exposures.</p> <p>We assessed the recoverability of trade receivables by checking past payment trend and assessing the receipts during the financial year and subsequent to year end collections.</p> <p>We have reviewed the appropriateness of the disclosures made in the financial statements.</p>

We have determined that there is no key audit matter in the audit of the financial statements of the Company to be communicated in our Auditors' Report.

INDEPENDENT AUDITORS' REPORT

To the members of Securemetric Berhad
[Registration No.: 201701019864 (1234029-D)]
(Incorporated in Malaysia)
cont'd

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

INDEPENDENT AUDITORS' REPORT

To the members of Securemetric Berhad
[Registration No.: 201701019864 (1234029-D)]
(Incorporated in Malaysia)
cont'd

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 6 to the financial statements.

INDEPENDENT AUDITORS' REPORT

To the members of Securemetric Berhad
[Registration No.: 201701019864 (1234029-D)]
(Incorporated in Malaysia)
cont'd

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

UHY
Firm Number: AF 1411
Chartered Accountants

LIM BEE PENG
Approved Number: 03307/06/2023 J
Chartered Accountant

KUALA LUMPUR
19 April 2023

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2022

	Note	Group		Company	
		2022 RM	2021 RM	2022 RM	2021 RM
Assets					
Non-Current Assets					
Property, plant and equipment	4	934,904	1,248,403	-	-
Right-of-use assets	5	1,011,233	1,403,013	-	-
Investment in subsidiaries	6	-	-	15,067,859	15,067,859
Investment in an associate	7	8,231,287	8,129,996	8,000,000	8,000,000
Development expenditure	8	-	-	-	-
Other investments	9	10,095,250	6,323,939	10,095,250	6,095,250
Deferred tax assets	10	138,571	117,154	-	-
Trade receivables	11	1,275,868	1,040,774	-	-
Other receivables	12	322,216	503,403	-	-
Total Non-Current Assets		22,009,329	18,766,682	33,163,109	29,163,109
Current Assets					
Inventories	13	1,802,344	1,418,690	-	-
Contract assets	14	182,088	503,929	-	-
Trade receivables	11	6,482,353	8,146,765	-	-
Other receivables	12	3,077,179	3,646,732	37,816	15,589
Amount due from a subsidiary	15	-	-	5,813,002	3,241,002
Tax recoverable		670,261	650,698	31,861	29,873
Fixed deposits with licensed banks	16	7,431,424	3,123,047	-	2,521,154
Cash and bank balances		15,561,057	19,007,395	2,721,401	3,000,018
Total Current Assets		35,206,706	36,497,256	8,604,080	8,807,636
Total Assets		57,216,035	55,263,938	41,767,189	37,970,745

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2022

cont'd

	Note	Group		Company	
		2022 RM	2021 RM	2022 RM	2021 RM
Equity and Liabilities					
Equity					
Share capital	17	41,310,038	41,310,038	41,310,038	41,310,038
Reserves	18	(11,721,728)	(11,154,915)	-	-
Retained earnings/(Accumulated losses)		11,087,250	12,477,454	(3,829,236)	(3,429,315)
Equity attributable to the owners of the parent		40,675,560	42,632,577	37,480,802	37,880,723
Non-controlling interests		242,719	315,417	-	-
Total Equity		40,918,279	42,947,994	37,480,802	37,880,723
Non-Current Liabilities					
Employee defined benefit plan	19	274,541	331,849	-	-
Contract liabilities	14	466,525	763,271	-	-
Lease liabilities	20	332,186	731,025	-	-
Total Non-Current Liabilities		1,073,252	1,826,145	-	-
Current Liabilities					
Contract liabilities	14	6,091,648	4,046,266	-	-
Trade payables	21	3,750,346	2,149,285	-	-
Other payables	22	4,594,033	3,507,583	86,387	90,022
Amount due to a subsidiary	15	-	-	4,200,000	-
Lease liabilities	20	613,158	624,246	-	-
Tax payable		175,319	162,419	-	-
Total Current Liabilities		15,224,504	10,489,799	4,286,387	90,022
Total Liabilities		16,297,756	12,315,944	4,286,387	90,022
Total Equity and Liabilities		57,216,035	55,263,938	41,767,189	37,970,745

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Financial Year Ended 31 December 2022

	Note	Group		Company	
		2022 RM	2021 RM	2022 RM	2021 RM
Revenue	23	29,885,165	26,354,894	-	-
Cost of sales	24	(12,105,456)	(11,626,512)	-	-
Gross profit		17,779,709	14,728,382	-	-
Other income		680,548	1,235,681	49,337	157,653
Administrative expenses		(19,393,308)	(18,478,977)	(449,258)	(652,616)
Net gain on impairment of financial instruments		19,638	1,326,459	-	-
Finance cost	25	(40,035)	(23,192)	-	-
Share of results of an associate, net of tax		95,477	129,908	-	-
Loss before tax	26	(857,971)	(1,081,739)	(399,921)	(494,963)
Taxation	27	(939,411)	(777,784)	-	2,345
Loss for the financial year		(1,797,382)	(1,859,523)	(399,921)	(492,618)
Other comprehensive (loss)/income					
<i>Items that are or may be reclassified subsequently to profit or loss</i>					
Exchange translation differences for foreign operations		(418,442)	84,569	-	-
Share of other comprehensive income of an associate		5,814	88	-	-
		(412,628)	84,657	-	-
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Actuarial gain on employee defined benefit plan, net of tax		83,994	-	-	-
Net change in fair value of equity investments designated at fair value through other comprehensive income		96,301	63,135	-	-
		180,295	63,135	-	-
Total other comprehensive (loss)/income for the financial year		(232,333)	147,792	-	-
Total comprehensive loss for the financial year		(2,029,715)	(1,711,731)	(399,921)	(492,618)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Financial Year Ended 31 December 2022
cont'd

	Note	Group		Company	
		2022 RM	2021 RM	2022 RM	2021 RM
Loss for the financial year attributable to:					
Owners of the parent		(1,723,299)	(1,846,349)	(399,921)	(492,618)
Non-controlling interests		(74,083)	(13,174)	-	-
		<u>(1,797,382)</u>	<u>(1,859,523)</u>	<u>(399,921)</u>	<u>(492,618)</u>
Total comprehensive loss attributable to:					
Owners of the parent		(1,957,017)	(1,698,481)	(399,921)	(492,618)
Non-controlling interests		(72,698)	(13,250)	-	-
		<u>(2,029,715)</u>	<u>(1,711,731)</u>	<u>(399,921)</u>	<u>(492,618)</u>
Loss per share (sen)					
- Basic	28(a)	<u>(0.30)</u>	<u>(0.33)</u>		
- Diluted	28(b)	<u>(0.30)</u>	<u>(0.33)</u>		

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

STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2022

	Attributable to owners of the parent										
	Non-Distributable					Distributable					
	Share Capital	Fair Value Adjustment Reserve	Foreign Currency Translation Reserve	Other Reserves	Merger Reserve	Warrant Reserve	Retained Earnings	Total	Non-Controlling Interests	Total Equity	
RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	
Group											
At 1 January 2022	41,310,038	164,151	(317,677)	(38,201,876)	(11,004,663)	38,205,150	12,477,454	42,632,577	315,417	42,947,994	
Loss for the financial year	-	-	-	-	-	-	(1,723,299)	(1,723,299)	(74,083)	(1,797,382)	
Other comprehensive income/(loss) for the financial year	-	96,301	(402,662)	-	-	-	72,643	(233,718)	1,385	(232,333)	
Transfer upon disposal of equity investment designated at FVTOCI	-	(260,452)	-	-	-	-	260,452	-	-	-	
Total comprehensive loss for the financial year	-	(164,151)	(402,662)	-	-	-	(1,390,204)	(1,957,017)	(72,698)	(2,029,715)	
At 31 December 2022	41,310,038	-	(720,339)	(38,201,876)	(11,004,663)	38,205,150	11,087,250	40,675,560	242,719	40,918,279	

STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2022

cont'd

Group	Note	Attributable to owners of the parent										
		Non-Distributable					Distributable					
		Share Capital	Fair Value Adjustment Reserve	Foreign Currency Translation Reserve	Other Reserves	Merger Reserve	Warrant Reserve	Retained Earnings	Total	Non-Controlling Interests	Total Equity	
RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM		
At 1 January 2021		35,683,874	101,016	(402,410)	(38,201,876)	(11,004,663)	38,205,150	14,323,803	38,704,894	328,667	39,033,561	
Loss for the financial year		-	-	-	-	-	-	(1,846,349)	(1,846,349)	(13,174)	(1,859,523)	
Other comprehensive income/(loss) for the financial year		-	63,135	84,733	-	-	-	-	147,868	(76)	147,792	
Total comprehensive income/(loss) for the financial year		-	63,135	84,733	-	-	-	(1,846,349)	(1,698,481)	(13,250)	(1,711,731)	
Transactions with owners												
Issuance of ordinary shares		5,626,164	-	-	-	-	-	-	5,626,164	-	5,626,164	
- Private placement	17	5,626,164	-	-	-	-	-	-	5,626,164	-	5,626,164	
Total transactions with owners		5,626,164	-	-	-	-	-	-	5,626,164	-	5,626,164	
At 31 December 2021		41,310,038	164,151	(317,677)	(38,201,876)	(11,004,663)	38,205,150	12,477,454	42,632,577	315,417	42,947,994	

STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2022

cont'd

	Note	Share Capital RM	Other Reserves RM	Warrant Reserve RM	Accumulated Losses RM	Total Equity RM
Company						
At 1 January 2022		41,310,038	(38,205,150)	38,205,150	(3,429,315)	37,880,723
Loss for the financial year, representing total comprehensive loss for the financial year		-	-	-	(399,921)	(399,921)
At 31 December 2022		41,310,038	(38,205,150)	38,205,150	(3,829,236)	37,480,802
At 1 January 2021		35,683,874	(38,205,150)	38,205,150	(2,936,697)	32,747,177
Loss for the financial year, representing total comprehensive loss for the financial year		-	-	-	(492,618)	(492,618)
Transactions with owners						
Issuance of ordinary shares						
- Private placement	17	5,626,164	-	-	-	5,626,164
Total transactions with owners		5,626,164	-	-	-	5,626,164
At 31 December 2021		41,310,038	(38,205,150)	38,205,150	(3,429,315)	37,880,723

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

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 December 2022

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Operating Activities				
Loss before tax	(857,971)	(1,081,739)	(399,921)	(494,963)
Adjustments for:				
Amortisation of development expenditure	-	483,402	-	-
Impairment losses on trade receivables	8,550	55,635	-	-
Allowance for slow moving inventories	82,651	-	-	-
Inventories written off	38,103	27,669	-	-
Depreciation of:				
- property, plant and equipment	578,612	659,191	-	-
- right-of-use assets	761,368	652,005	-	-
Finance cost	40,035	23,192	-	-
Gain on disposal of property, plant and equipment	(599)	(16,464)	-	-
Property, plant and equipment written off	870	5,584	-	-
Provision for liquidated damages	-	782,500	-	-
Unrealised (gain)/loss on foreign exchange	(93,765)	(136,093)	168	1,336
Dividend income	(2,801)	(1,398)	-	-
Government grant income	-	(450,034)	-	-
Income from rent concessions	-	(67,484)	-	-
Interest income	(209,154)	(312,394)	(43,630)	(147,825)
Reversal of impairment losses on trade receivables	(28,188)	(1,382,094)	-	-
Share of results of an associate, net of tax	(95,477)	(129,908)	-	-
Operating profit/(loss) before working capital changes carried down	222,234	(888,430)	(443,383)	(641,452)

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 December 2022

cont'd

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Operating Activities (cont'd)				
Operating profit/(loss) before working capital changes brought down	222,234	(888,430)	(443,383)	(641,452)
Changes in working capital:				
Inventories	(504,408)	(416,256)	-	-
Receivables	2,244,847	(495,207)	(22,227)	(5,049)
Payables	2,685,798	1,137,943	(3,635)	4,216
Amount due from/to subsidiaries	-	-	1,628,000	(3,241,004)
Contract assets/(liabilities)	2,070,477	107,817	-	-
	6,496,714	334,297	1,602,138	(3,241,837)
Cash generated from/(used in) operations	6,718,948	(554,133)	1,158,755	(3,883,289)
Interest paid	(40,035)	(23,192)	-	-
Interest received	209,154	312,394	43,630	147,825
Tax paid	(979,001)	(729,745)	(1,988)	(7,020)
Payment of employee defined benefit	-	(6,267)	-	-
Exchange fluctuation adjustment	(330,108)	78,234	-	-
Net cash from/(used in) operating activities	5,578,958	(922,709)	1,200,397	(3,742,484)
Investing Activities				
Dividend received	2,801	1,398	-	-
Additional investment in financial assets at fair value through other comprehensive income	(4,000,000)	-	(4,000,000)	-
Additional investment in subsidiaries	-	-	-	(1,019,873)
Investment in an associate	-	(8,000,000)	-	(8,000,000)
Decrease/(Increase) in fixed deposit with a licensed bank with maturity more than 3 months	182,196	(4,224)	-	-
Purchase of property, plant and equipment	(281,126)	(498,840)	-	-
Purchase of right-of-use assets [Note 5(b)]	(86,800)	(29,278)	-	-
Proceeds from disposal of other investment	324,990	-	-	-
Proceeds from disposal of property, plant and equipment	22,537	29,704	-	-
Net cash used in investing activities	(3,835,402)	(8,501,240)	(4,000,000)	(9,019,873)

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 December 2022

cont'd

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Financing Activities				
Proceeds from issuance of shares				
- private placement (Note 17)	-	5,626,164	-	5,626,164
Increase in fixed deposit pledged	(7,764)	(7,839)	-	-
Payment of lease liabilities	(692,340)	(568,966)	-	-
Net cash (used in)/from financing activities	(700,104)	5,049,359	-	5,626,164
Net increase/(decrease) in cash and cash equivalents	1,043,452	(4,374,590)	(2,799,603)	(7,136,193)
Cash and cash equivalents at the beginning of the financial year	21,528,549	25,919,407	5,521,172	12,658,701
Effect of exchange translation differences on cash and cash equivalents	(6,981)	(16,268)	(168)	(1,336)
Cash and cash equivalents at the end of the financial year	22,565,020	21,528,549	2,721,401	5,521,172
Cash and cash equivalents at the end of the financial year comprises:				
Cash and bank balances	15,561,057	19,007,395	2,721,401	3,000,018
Fixed deposits with licensed banks	7,431,424	3,123,047	-	2,521,154
	22,992,481	22,130,442	2,721,401	5,521,172
Less: Fixed deposit pledged to a licensed bank	(427,461)	(419,697)	-	-
Less: Fixed deposit with a licensed bank with maturity of more than 3 months	-	(182,196)	-	-
	22,565,020	21,528,549	2,721,401	5,521,172

NOTE TO STATEMENTS OF CASH FLOWS

Cash flows for leases as a lessor

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Included in net cash used in operating activities				
Payment relating to short-term leases	65,198	93,591	-	-
Interest paid in relation to lease liabilities	40,035	23,192	-	-
	105,233	116,783	-	-
Included in net cash used in financing activities				
Payment of lease liabilities	692,340	568,966	-	-
	797,573	685,749	-	-

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the ACE Market of Bursa Malaysia Securities Berhad.

With effect from 18 April 2023, the principal place of business of the Company changed from Level 5-E-6, Enterprise 4, Technology Park Malaysia, Lebuhraya Sg Besi - Puchong, Bukit Jalil, 57000 Kuala Lumpur to Level 5-E-6, Hive 5, Taman Teknologi Mranti, Lebuhraya Puchong - Sg. Besi, Bukit Jalil, 57000 Kuala Lumpur.

With effect from 1 July 2022, the registered office of the Company was relocated from Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur to Level 5, Tower 8, Avenue 5, Horizon 2, Bangsar South City, 59200 Kuala Lumpur.

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries are disclosed in Note 6. There have been no significant changes in the nature of these activities of the Company and its subsidiaries during the financial year.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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

Adoption of new and amended standards

During the financial year, the Group and the Company have adopted the following new standards and amendments to standards issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for current financial year:

Amendments to MFRS 3	Reference to the Conceptual Framework
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract
Annual Improvements to MFRS Standards 2018 - 2020:	
•	Amendments to MFRS 1
•	Amendments to MFRS 9
•	Amendments to MFRS 16
•	Amendments to MFRS 141

The adoption of the new standards and amendments to standards did not have any significant impact on the financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

2. BASIS OF PREPARATION (cont'd)

(a) Statement of compliance (cont'd)

Standards issued but not yet effective

The Group and the Company have not applied the following new standards and amendments to standards that have been issued by the MASB but are not yet effective for the Group and for the Company:

		Effective dates for financial periods beginning on or after
MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 17	Initial Application of MFRS 17 and MFRS 9 - Comparative Information	1 January 2023
Amendments to MFRS 101	Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108	Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 101	Non-current Liabilities with Covenants	1 January 2024
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

The Group and the Company intend to adopt the above new standards and amendments to standards, if applicable, when they become effective.

The initial application of the above-mentioned new standards and amendments to standards are not expected to have any significant impacts on the financial statements of the Group and of the Company.

(b) Functional and presentation currency

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

(c) Significant accounting judgements, estimates and assumptions

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

2. BASIS OF PREPARATION (cont'd)

(c) Significant accounting judgements, estimates and assumptions (cont'd)

Judgements

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements:

Satisfaction of performance obligations in relation to contracts with customers

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method for recognising revenue. This assessment was made based on the terms and conditions of the contracts, and the provisions of relevant laws and regulations.

The Group recognises revenue over time in the following circumstances:

- (a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- (b) the Group does not create an asset with an alternative use to the Group and has an enforceable right to payment for performance completed to date; and
- (c) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

Where the above criteria are not met, revenue is recognised at a point in time. Where revenue is recognised at a point of time, the Group assesses each contract with customers to determine when the performance obligation of the Group under the contract is satisfied.

Determining the lease term of contracts with renewal options - the Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised.

The Group has several lease contracts that include extension options. The Group applies judgement in evaluating whether to exercise the option to renew the lease. It considers all relevant factors that create an economic incentive for it to exercise the renewal option. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew.

The Group includes the renewal period as part of the lease term for such leases. The Group typically exercises its option to renew for those leases with renewal option.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

2. BASIS OF PREPARATION (cont'd)

(c) Significant accounting judgements, estimates and assumptions (cont'd)

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are set out below:

Useful lives of property, plant and equipment and right-of-use ("ROU") assets

The Group regularly reviews the estimated useful lives of property, plant and equipment and ROU assets based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment and ROU assets would increase the recorded depreciation and decrease the value of property, plant and equipment and ROU assets. The carrying amount at the reporting date for property, plant and equipment and ROU assets are disclosed in Notes 4 and 5 respectively.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unutilised capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the unused tax losses, unutilised capital allowances and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amount of recognised and unrecognised deferred tax assets are disclosed in Note 10.

Inventories valuation

Inventories are measured at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected sales prices less estimated cost to sell. Demand levels and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories. Details of inventories are disclosed in Note 13.

Determination of transaction prices

The Group is required to determine the transaction price in respect of each of its contracts with customers. In making such judgement, the Group assesses the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component and any non-cash consideration in the contract.

There is no estimation required in determining the transaction price, as revenue from sale of goods and rendering of services are based on invoiced values. Discounts are not considered as they are only given in rare circumstances.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

2. BASIS OF PREPARATION (cont'd)

(c) Significant accounting judgements, estimates and assumptions (cont'd)

Key sources of estimation uncertainty (cont'd)

Provision for expected credit loss of financial assets at amortised cost

The Group uses a provision matrix to calculate expected credit loss for trade receivables. The provision rates are based on number of days past due.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and expected credit loss is a significant estimate. The Group's historical credit loss experience and forecast of economic conditions may not be representative of customer's actual default in the future. Information about the expected credit loss on the Group's trade receivables is disclosed in Note 11.

Discount rate used in leases

Where the interest rate implicit in the lease cannot be readily determined, the Group uses the incremental borrowing rate to measure the lease liabilities. The incremental borrowing rate is the interest rate that the Group would have to pay to borrow over a similar term, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Therefore, the incremental borrowing rate requires estimation, particularly when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs when available and is required to make certain entity-specific estimates.

Defined benefit liability

Management estimates the defined benefit liability annually with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The estimate is based on standard rates of inflation, medical cost trends and mortality. It also takes into account the Group's specific anticipation of future salary increases. Discount factors are determined close to each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. Estimation uncertainties exist particularly with regard to medical cost trends, which may vary significantly in future appraisals of the Group's defined benefit obligations. The defined benefit liability of the Group at the reporting date is disclosed in Note 19.

Income taxes

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

The Group recognises liabilities for tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these tax matters is different from the amounts that were initially recognised, such differences will impact the income tax and/or deferred tax provisions in the period in which such determination is made. As at 31 December 2022, the Group has tax recoverable of RM670,261 (2021: RM650,698) and tax payable of RM175,319 (2021: RM162,419) respectively. As at 31 December 2022, the Company has tax recoverable of RM31,861 (2021: RM29,873).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

(i) Subsidiaries

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

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

Under the acquisition method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceased. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed in profit or loss as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is re-measured at its acquisition-date fair value and the resulting gain or loss is recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (which cannot exceed one year from the acquisition date), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date, if known, would have affected the amounts recognised at that date.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of consolidation (cont'd)

(i) Subsidiaries (cont'd)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 *Financial Instruments* is measured at fair value with the changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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

In the Company's separate financial statements, investment in subsidiaries are stated at cost less accumulated impairment losses. On disposal of such investment, the difference between net disposal proceeds and their carrying amounts are recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. Refer accounting policy Note 3(n)(i) on impairment of non-financial assets.

(ii) Changes in ownership interests in subsidiaries without change of control

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

(iii) Disposal of subsidiaries

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

(b) Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

On acquisition of an investment in an associate, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of 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 associates' profit or loss for the period in which the investment is acquired.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Investment in associates (cont'd)

An associate is equity accounted for either at cost or equity method as described in MFRS 128 from the date on which the investee becomes an associate. Under the equity method, on initial recognition of the investment in an associate is recognised at cost and the carrying amount is increased or decreased to recognise the Group's share of profit or loss and other comprehensive income of the associate after the date of acquisition. 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 legal or constructive obligations or made payments on behalf of the associate.

Profits or losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's consolidated financial statements only to the extent of unrelated investors' interests in the associate. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the assets transferred.

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.

The requirements of MFRS 136 *Impairment of Assets* are applied to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with MFRS 136 as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

In the Company's separate financial statements, investment in associates are either stated at cost less accumulated impairment losses or equity method. On disposal of such investment, the difference between net disposal proceeds and their carrying amounts are recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. Refer accounting policy Note 3(n)(i) on impairment of non-financial assets.

(c) Foreign currency translation

(i) Foreign currency transactions and balances

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Foreign currency translation (cont'd)

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

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

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

(ii) Foreign operations

The assets and liabilities of foreign operations denominated in functional currencies other than RM are translated to RM at the rate of exchange prevailing at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

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

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 3(n)(i) on impairment on non-financial assets.

(i) Recognition and measurement

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Property, plant and equipment (cont'd)

(i) Recognition and measurement (cont'd)

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Leases

The Group recognises a ROU asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located, less any lease incentives received.

The ROU asset is subsequently measured at cost less any accumulated depreciation, accumulated impairment loss and, if applicable, adjusted for any remeasurement of lease liabilities. The policy of recognition and measurement of impairment losses is in accordance with Note 3(n)(i) on impairment on non-financial assets.

The ROU asset under cost model is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The estimated useful lives of the ROU assets are determined on the same basis as those of property, plant and equipment as follows:

Buildings	Over the lease term
Motor vehicles	20% or over the lease term, if shorter

The ROU assets are subject to impairment.

The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted using the respective Group entities' incremental borrowing rates. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the Group is reasonably certain to exercise.

Variable lease payments that do not depend on an index or a rate and are dependent on a future activity are recognised as expenses in profit or loss in the period in which the event or condition that triggers the payment occurs.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate, or if the Group changes its assessment of whether it will exercise an extension or termination option.

Lease payments associated with short-term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less and do not contain a purchase option. Low value assets are those assets valued at less than RM20,000 each when purchased new.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Intangible assets

(i) Internally-generated intangible assets - research and development expenditure

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

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

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

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

(ii) Derecognition of intangible assets

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

Refer accounting policy Note 3(n)(i) on impairment of non-financial assets.

(g) Financial assets

Recognition and initial measurement

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.

At initial recognition, the Group and the Company measure a financial asset at its fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance of the financial instruments. Transaction costs of financial assets carried at fair value through profit or loss ("FVTPL") are expensed in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Financial assets (cont'd)

Financial asset categories and subsequent measurement

The Group and the Company determine the classification of financial assets at initial recognition and are not reclassified subsequent to their initial recognition unless the Group and the Company change its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

The Group and the Company classify their financial assets as follows:

(i) Financial assets at amortised cost

The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Any gain and loss on derecognition is recognised in profit or loss.

The Group's financial assets at amortised cost include trade and other receivables, fixed deposits with licensed banks and cash and bank balances. The Company's financial assets at amortised cost include other receivables, amount due from a subsidiary, fixed deposits with licensed banks and cash and bank balances.

(ii) Financial assets at fair value through other comprehensive income ("FVTOCI")

(a) Debt investments

A debt investment is measured at FVTOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Financial assets (cont'd)

Financial asset categories and subsequent measurement (cont'd)

The Group and the Company classify their financial assets as follows: (cont'd)

(ii) Financial assets at fair value through other comprehensive income ("FVTOCI") (cont'd)

(a) Debt investments (cont'd)

The debt investment is not designated as fair value through profit or loss. Interest income calculated using effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income.

On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

(b) Equity investments

This category comprises investment in equity investment that is not held for trading. The Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represent a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income.

On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

(iii) Financial assets at fair value through profit or loss

All financial assets not classified as measured at amortised cost or FVTOCI, as described above are measured at FVTPL. This includes derivative financial assets (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument). On initial recognition, the Group and the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as FVTPL are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income are recognised in the profit or loss.

All financial assets, except for those measured at FVTPL and equity investments measured at FVTOCI, are subject to impairment assessment as disclosed in Note 3(n)(ii) on impairment of financial assets.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Financial assets (cont'd)

Regular way purchase or sale of financial assets

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

Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to receive cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial assets and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

(h) Financial liabilities

Recognition and initial measurement

Financial liabilities 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.

At initial recognition, the Group and the Company measure a financial liability at its fair value less, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance of the financial instruments.

Financial liability categories and subsequent measurement

The Group and the Company classify their financial liabilities as follows:

(i) Financial liabilities at fair value through profit or loss

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

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses recognised in the profit or loss.

The Group and the Company have not designated any financial liabilities as FVTPL.

(ii) Financial liabilities at amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Financial liabilities (cont'd)

Financial liability categories and subsequent measurement (cont'd)

(ii) Financial liabilities at amortised cost (cont'd)

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

The Group's financial liabilities at amortised cost comprise trade and other payables and lease liabilities. The Company's financial liabilities at amortised cost comprise other payables and amount due to a subsidiary.

Derecognition

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

(i) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs when the guaranteed debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as financial liabilities at fair value, net of transaction costs. Subsequently, the liability is measured at the higher of:

- The amount of the loss allowances; and
- The amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance the principles of MFRS 15 *Revenue from Contracts with Customers*.

(j) Offsetting of financial instruments

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

(k) Inventories

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

Cost of inventories comprise cost of purchase and other costs incurred in bringing it to their present location and condition are determined on first-in-first-out basis.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits 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. For the purpose of statements of cash flows, cash and cash equivalents are presented net of pledged deposits.

(m) Contract assets and liabilities

Contract asset is the right to consideration for goods or services transferred to the customers. The Group's contract asset is the excess of revenue recognised over the billings to-date and deposits or advances received from customers.

Where there is objective evidence of impairment, the amount of impairment losses is determined by comparing the contract asset's carrying amount and the present value of estimated future cash flows to be generated by the contract asset.

Contract asset is reclassified to trade receivables at the point at which invoices have been billed to customers.

Contract liability is the obligation to transfer goods or services to customers for which the Group has received the consideration or has billed the customers. The Group's contract liability is the excess of the billings to-date over the revenue recognised. Contract liabilities are recognised as revenue when the Group performs its obligation under the contracts.

(n) Impairment of assets

(i) Non-financial assets

The carrying amounts of non-financial assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amounts of the assets in the cash-generating unit (group of cash-generating units).

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Impairment of assets (cont'd)

(ii) Financial assets

The Group and the Company recognise an allowance for expected credit losses ("ECL") for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months ("a 12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default ("a lifetime ECL").

For trade receivables and other receivables and contract assets, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company have established a provision matrix that is based on its historical credit loss experience and the economic environment.

(o) Share capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are equity instruments. Ordinary shares are recorded at the proceeds received, net of direct attributable incremental transaction costs. Ordinary shares are classified as equity.

Dividend distribution to the Company's shareholders is recognised as a liability in the period they are approved by the Board of Directors except for the final dividend which is subject to approval by the Company's shareholders.

(p) Employee benefits

(i) Short-term employee benefits

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

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(p) Employee benefits (cont'd)

(ii) Defined contribution plans

As required by law, companies in Malaysia contribute to the state pension scheme, the Employee Provident Fund ("EPF"). Some of the Group's foreign subsidiaries also make contributions to their respective countries' pension scheme. Such contributions are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the Group has no further payment obligations.

(iii) Defined benefit plans

A defined benefit plan is a pension plan that is not a defined contribution plan. Defined benefit plan is an approved fund independent of the Group's finances and defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability in respect of a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for actuarial gains/losses and unrecognised past service cost. The Group determines the present value of the defined benefit obligation and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of reporting period.

The defined benefit obligation, calculated annually using the Projected Unit Credit Method, is determined by independent actuaries, considering the estimated future cash outflows using market yields at reporting date of Government securities which have currency and terms to maturity approximating the terms of the related liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. The actuarial gains and losses are not subsequently reclassified to profit or loss in subsequent period.

Past-service costs are recognised immediately in profit or loss.

The Group recognises gains and losses on the settlement of a defined benefit plan when settlement occurs.

(q) Revenue and other income

(i) Revenue from contracts with customers

Revenue is recognised when the Group satisfied a performance obligation ("PO") by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A PO may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied PO.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(q) Revenue and other income (cont'd)

(i) Revenue from contracts with customers (cont'd)

The Group recognises revenue from the following major sources:

(a) Sale of goods

The Group is involved in the trading of electronic identification products. Sales are recognised in the accounting period when control of the products has been transferred, being when the products are delivered to the customer. Delivery occurs when the products have been shipped to the designated location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(b) Rendering of services

Revenue from services rendered is recognised in the profit or loss based on the value of services performed and invoiced to customers or in proportion to the stage of completion of the transaction during the reporting period. The stage of completion is assessed by reference to the proportion that costs incurred to date that reflect services performed bear to the total estimated costs of the transaction. Where the outcome of the transaction cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

(ii) Interest income

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

(iii) Dividend income

Dividend income is recognised when the Group and the Company's right to receive payment is established.

(r) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(s) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

When the grant relates to an expense item, it is recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Where the grant relates to an asset, it is recognised as deferred income and transferred to profit or loss on a systematic basis over the useful lives of the related asset.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Where the Group receives non-monetary government grants, the asset and the grant are recorded at nominal amount and transferred to profit or loss on a systematic basis over the life of the depreciable asset by way of a reduced depreciation charge.

(t) Income taxes

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

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

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(u) Segments reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments and make overall strategic decisions. The Group's operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

(v) Contingencies

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

(w) Provisions

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

Provisions are reviewed at the end of each reporting period 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.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. The expense relating to any provision is presented in the statements of profit or loss and other comprehensive income net of any reimbursement.

(x) Fair value measurement

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(x) Fair value measurement (cont'd)

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

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

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

Level 3 : unobservable inputs for the asset or liability.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022
cont'd

4. PROPERTY, PLANT AND EQUIPMENT

	Office equipment	Computer and IT equipment	Furniture and fittings	Renovation	Motor vehicles	Hostel equipment	Total
	RM	RM	RM	RM	RM	RM	RM
Group							
2022							
Cost							
At 1 January 2022	220,176	2,809,930	232,389	288,374	181,479	12,748	3,745,096
Additions	22,631	255,205	3,290	-	-	-	281,126
Disposals	-	(39,977)	-	-	-	-	(39,977)
Written off	(1,232)	(2,710)	(290)	-	-	-	(4,232)
Exchange differences	(1,295)	12,524	(1,404)	(1,481)	(4,127)	-	4,217
At 31 December 2022	240,280	3,034,972	233,985	286,893	177,352	12,748	3,986,230
Accumulated depreciation							
At 1 January 2022	97,595	1,992,547	127,351	114,328	155,387	9,485	2,496,693
Charge for the financial year	22,711	495,180	20,961	22,609	16,208	943	578,612
Disposals	-	(18,039)	-	-	-	-	(18,039)
Written off	(362)	(2,710)	(290)	-	-	-	(3,362)
Exchange differences	(876)	4,647	(872)	(1,481)	(3,996)	-	(2,578)
At 31 December 2022	119,068	2,471,625	147,150	135,456	167,599	10,428	3,051,326
Carrying amount							
At 31 December 2022	121,212	563,347	86,835	151,437	9,753	2,320	934,904

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Office equipment RM	Computer and IT equipment RM	Furniture and fittings RM	Renovation RM	Motor vehicles RM	Hostel equipment RM	Total RM
Group							
2021							
Cost							
At 1 January 2021	226,843	2,420,359	232,398	203,559	181,479	12,748	3,277,386
Additions	18,249	394,003	1,773	84,815	-	-	498,840
Disposals	-	(28,811)	-	-	-	-	(28,811)
Written off	(24,585)	(48,941)	(1,390)	-	-	-	(74,916)
Transferred from inventories	-	64,759	-	-	-	-	64,759
Exchange differences	(331)	8,561	(392)	-	-	-	7,838
At 31 December 2021	220,176	2,809,930	232,389	288,374	181,479	12,748	3,745,096
Accumulated depreciation							
At 1 January 2021	96,167	1,506,058	106,246	93,205	136,876	8,543	1,947,095
Charge for the financial year	21,207	575,256	22,246	21,116	18,424	942	659,191
Disposals	-	(15,571)	-	-	-	-	(15,571)
Written off	(19,741)	(48,596)	(995)	-	-	-	(69,332)
Transferred from inventories	-	(33,682)	-	-	-	-	(33,682)
Exchange differences	(38)	9,082	(146)	7	87	-	8,992
At 31 December 2021	97,595	1,992,547	127,351	114,328	155,387	9,485	2,496,693
Carrying amount							
At 31 December 2021	122,581	817,383	105,038	174,046	26,092	3,263	1,248,403

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

5. RIGHT-OF-USE ASSETS

	Buildings RM	Motor vehicles RM	Total RM
Group			
2022			
Cost			
At 1 January 2022	1,258,250	708,815	1,967,065
Additions	358,346	-	358,346
Expiration of lease contracts	(167,432)	-	(167,432)
Exchange differences	6,429	-	6,429
At 31 December 2022	1,455,593	708,815	2,164,408
Accumulated depreciation			
At 1 January 2022	296,635	267,417	564,052
Charge for the financial year	619,606	141,762	761,368
Expiration of lease contracts	(167,432)	-	(167,432)
Exchange differences	(4,813)	-	(4,813)
At 31 December 2022	743,996	409,179	1,153,175
Carrying amount			
At 31 December 2022	711,597	299,636	1,011,233
2021			
Cost			
At 1 January 2021	1,154,244	400,537	1,554,781
Additions	1,084,656	308,278	1,392,934
Expiration of lease contracts	(978,608)	-	(978,608)
Exchange differences	(2,042)	-	(2,042)
At 31 December 2021	1,258,250	708,815	1,967,065
Accumulated depreciation			
At 1 January 2021	728,536	164,086	892,622
Charge for the financial year	548,674	103,331	652,005
Expiration of lease contracts	(978,608)	-	(978,608)
Exchange differences	(1,967)	-	(1,967)
At 31 December 2021	296,635	267,417	564,052
Carrying amount			
At 31 December 2021	961,615	441,398	1,403,013

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

5. RIGHT-OF-USE ASSETS (cont'd)

- (a) The motor vehicles of the Group with carrying amount of RM299,636 (2021: RM441,398) are pledged as securities for the related lease liabilities.
- (b) The aggregate costs for the right-of-use assets of the Group during the financial year acquired under lease financing and cash payments are as follows:

	Group	
	2022	2021
	RM	RM
Aggregate costs	358,346	1,392,934
Less: Lease financing	(271,546)	(1,363,656)
Cash payments	86,800	29,278

6. INVESTMENT IN SUBSIDIARIES

- (a) Investment in subsidiaries

	Company	
	2022	2021
	RM	RM
Unquoted shares, at cost		
In Malaysia	10,166,998	10,166,998
Outside Malaysia	4,900,861	4,900,861
	15,067,859	15,067,859

- (b) Details of the subsidiaries are as follows:

Name of company	Place of business/ Country of incorporation	Effective interest (%)		Principal activities
		2022	2021	
Direct holding				
Securemetric Technology Sdn. Bhd. ("Securemetric Malaysia")	Malaysia	100	100	Provision of digital security solutions as well as trading of electronic identification products, and other related services
Securemetric Technology Co., Ltd ("Securemetric Vietnam") *	Vietnam	100	100	Provision of digital security solutions as well as trading of electronic identification products, and other related services

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

6. INVESTMENT IN SUBSIDIARIES (cont'd)

(b) Details of the subsidiaries are as follows: (cont'd)

Name of company	Place of business/ Country of incorporation	Effective interest (%)		Principal activities
		2022	2021	
Direct holding				
Securemetric Technology, Inc. ("Securemetric Philippines") *	Philippines	99.995	99.995	Provision of digital security solutions as well as trading of electronic identification products, and other related services
PT Securemetric Technology ("Securemetric Indonesia") *	Indonesia	99.999	99.999	Provision of digital security solutions as well as trading of electronic identification products, and other related services
Securemetric Technology Pte. Ltd. ("Securemetric Singapore") *	Singapore	100	100	Trading of electronic identification products and other related services
PT Softkey Indonesia ("Softkey Indonesia") *	Indonesia	80	80	Trading of electronic identification products and other related services
Signing Cloud Sdn. Bhd. ("Signing Cloud Malaysia")	Malaysia	100	100	Provision of digital security solutions and other related services

* Audited by member firm of UHY International Limited

(c) Additional investment in subsidiaries

Financial year ended 31 December 2021

- (i) On 16 March 2021, Signing Cloud Malaysia, a wholly-owned subsidiary of the Company, had increased its issued and paid-up share capital from 2 to 250,000 ordinary shares. The Company has subscribed for an additional of 249,998 ordinary shares in Signing Cloud Malaysia for a total cash consideration of RM249,998.
- (ii) On 25 November 2021, Securemetric Singapore, a wholly-owned subsidiary of the Company, had increased its issued and paid-up share capital from 50,000 to 300,000 ordinary shares. The Company has subscribed for an additional of 250,000 ordinary shares in Securemetric Singapore for a total cash consideration of RM769,875.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

6. INVESTMENT IN SUBSIDIARIES (cont'd)

(d) Material partly-owned subsidiary

The summarised financial information of the Group's subsidiary that have material non-controlling interests (amount before inter-company elimination) is as follows:

Name of company	Proportion of ownership, interest and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
	2022	2021	2022	2021	2022	2021
	%	%	RM	RM	RM	RM
Softkey Indonesia	20	20	(74,083)	(13,174)	242,719	315,417

(i) Summarised Statement of Financial Position

	2022	2021
	RM	RM
Non-current assets	1,430,758	1,123,268
Current assets	496,372	1,125,636
Non-current liability	(178,319)	(226,029)
Current liabilities	(149,938)	(60,512)
Net assets	1,598,873	1,962,363

(ii) Summarised Statement of Profit or Loss and Other Comprehensive Income

	2022	2021
	RM	RM
Revenue	489,571	1,036,210
Loss for the financial year	(370,415)	(65,870)
Other comprehensive income/(loss) for the financial year	6,925	(382)
Total comprehensive loss for the financial year	(363,490)	(66,252)

NOTES TO THE FINANCIAL STATEMENTS

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6. INVESTMENT IN SUBSIDIARIES (cont'd)

(d) Material partly-owned subsidiary (cont'd)

(iii) Summarised Statement of Cash Flows

	2022	2021
	RM	RM
Net cash from operating activities	52,082	410,244
Net cash used in investing activities	(57,602)	(526)
Net cash used in financing activity	-	(391,500)
Net (decrease)/increase in cash and cash equivalents	(5,520)	18,218

There are no significant restrictions on the ability of the subsidiaries to transfer funds to the Group in the form of cash dividends or repayment of loans and advances. Generally, for all subsidiaries which are not wholly-owned by the Company, non-controlling shareholders hold protective rights restricting the Company's ability to use the assets of the subsidiaries and settle the liabilities of the Group, unless approval is obtained from non-controlling shareholders.

7. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Unquoted shares in Malaysia, at cost	8,000,000	8,000,000	8,000,000	8,000,000
Share of post-acquisition reserve	231,287	129,996	-	-
	8,231,287	8,129,996	8,000,000	8,000,000

In the previous financial year, the Company acquired 112,500 ordinary shares, representing 20% equity interest in Innov8tif Solutions Sdn. Bhd. ("Innov8tif Malaysia") for a total cash consideration of RM8,000,000. Consequently, Innov8tif Malaysia became a 20% owned associate of the Company.

NOTES TO THE FINANCIAL STATEMENTS

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7. INVESTMENT IN AN ASSOCIATE (cont'd)

Details of the associate are as follows:

Name of company	Place of business/ Country of incorporation	Effective interest (%)		Principal activities
		2022	2021	
Direct holding				
Innov8tif Solutions Sdn. Bhd. *	Malaysia	20	20	Involved in ICT system development, development and maintenance service with software trading and services

* Associate not audited by UHY

The summarised financial information of the associate, not adjusted for the percentage of ownership held by the Group are as follows:

	2022	2021
	RM	RM
Assets and liabilities		
Non-current assets	159,399	163,577
Current assets	7,892,160	7,591,947
Total assets	8,051,559	7,755,524
Non-current liability	(295,099)	(407,682)
Current liabilities	(1,518,364)	(1,616,199)
Net assets	6,238,096	5,731,643
Financial results		
Revenue	12,570,378	10,830,793
Profit for the financial year	477,385	537,733
Other comprehensive income for the financial year	29,068	3,375
Total comprehensive income for the financial year	506,453	541,108
Group's share of results for the financial year ended 31 December		
Group's share of profit	95,477	129,908
Group's share of other comprehensive income	5,814	88
Group's share of total comprehensive income	101,291	129,996
Group's share of net assets, representing carrying amount of Group's interest in an associate	1,247,620	1,146,329

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8. DEVELOPMENT EXPENDITURE

	Group	
	2022	2021
	RM	RM
Cost		
At 1 January/31 December	2,417,014	2,417,014
Accumulated amortisation		
At 1 January	2,417,014	1,933,612
Charge for the financial year	-	483,402
At 31 December	2,417,014	2,417,014
Carrying amount		
At 31 December	-	-

The development expenditure incurred for research and development of in-house developed centralised authentication management system ("CENTAGATE®"), which is funded through government grant received by a subsidiary as disclosed in Note 22(a).

9. OTHER INVESTMENTS

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Non-current				
Financial assets at fair value through other comprehensive income				
At market value				
Quoted shares, in Malaysia	-	228,689	-	-
At cost				
Unquoted shares, outside Malaysia	10,095,250	6,095,250	10,095,250	6,095,250
	10,095,250	6,323,939	10,095,250	6,095,250

During the financial year, the Company acquired 250,000 ordinary shares, representing 5% of equity shareholding in ACE Digital Revolution Group Limited for a total cash consideration of RM4,000,000.

The fair value of the quoted shares was determined by reference to the quoted price in the share market.

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10. DEFERRED TAX ASSETS

	Group	
	2022	2021
	RM	RM
At 1 January	117,154	92,225
Recognised in profit or loss	49,960	23,141
Recognised in other comprehensive income	(23,690)	-
Exchange differences	(4,853)	1,788
At 31 December	138,571	117,154

The net deferred tax assets shown on the statements of financial position after appropriate offsetting are as follows:

	Group	
	2022	2021
	RM	RM
Deferred tax assets	138,571	117,154

The components and movements of deferred tax assets and liabilities are as follows:

Deferred tax assets

	Right-of-use assets and lease liabilities	Deferred revenue	Others	Total
	RM	RM	RM	RM
Group				
At 1 January 2022	-	45,025	123,928	168,953
Recognised in profit or loss	1,260	89,547	33,399	124,206
Recognised in other comprehensive income	-	-	(23,690)	(23,690)
Under/(Over) provision in prior year	-	12,775	(233)	12,542
Exchange differences	-	-	(4,491)	(4,491)
At 31 December 2022 (before offsetting)	1,260	147,347	128,913	277,520
Less : Offsetting				(138,949)
At 31 December 2022 (after offsetting)				138,571

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10. DEFERRED TAX ASSETS (cont'd)

The components and movements of deferred tax assets and liabilities are as follows: (cont'd)

Deferred tax assets (cont'd)

	Right-of-use assets and lease liabilities	Deferred revenue	Others	Total
	RM	RM	RM	RM
Group				
At 1 January 2021	-	-	140,674	140,674
Recognised in profit or loss	-	45,025	(35,592)	9,433
Under provision in prior year	-	-	17,723	17,723
Exchange differences	-	-	1,123	1,123
At 31 December 2021 (before offsetting)	-	45,025	123,928	168,953
Less : Offsetting				(51,799)
At 31 December 2021 (after offsetting)				117,154

Deferred tax liabilities

	Accelerated capital allowances	Others	Total
	RM	RM	RM
Group			
At 1 January 2022	51,799	-	51,799
Recognised in profit or loss	12,494	61,752	74,246
Under provision in prior year	12,542	-	12,542
Exchange differences	-	362	362
At 31 December 2022 (before offsetting)	76,835	62,114	138,949
Less : Offsetting			(138,949)
At 31 December 2022 (after offsetting)			-
At 1 January 2021	45,362	3,087	48,449
Recognised in profit or loss	(4,743)	(3,084)	(7,827)
Under provision in prior year	11,180	662	11,842
Exchange differences	-	(665)	(665)
At 31 December 2021 (before offsetting)	51,799	-	51,799
Less : Offsetting			(51,799)
At 31 December 2021 (after offsetting)			-

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10. DEFERRED TAX ASSETS (cont'd)

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

	Group	
	2022	2021
	RM	RM
Other deductible temporary differences	245,327	370,776
Deferred revenue	2,620,306	2,178,559
Unutilised capital allowances	1,761,401	1,387,284
Unused tax losses	13,366,128	10,456,024
	17,993,162	14,392,643

Deferred tax assets have not been recognised in respect of these items as they may not have sufficient taxable profits to be used to offset.

For Malaysia entities, pursuant to Section 8 of the Finance Act 2021 (Act 833) and the amendment to Section 44(5F) of the Income Tax Act 1967, effective from year of assessment 2019 onwards, the time limit on the carried forward unused tax losses has been extended to maximum of ten (10) consecutive years of assessment. Any unused tax losses accumulated up to the year of assessment 2018 can be carried forward for another ten (10) consecutive years of assessment (ie: from year of assessment 2019 to 2028) under the current tax legislation.

The unrecognised unused tax losses shall be disregarded after the end of the year of assessment as follows:

	Group	
	2022	2021
	RM	RM
2030	4,984,440	4,984,440
2031	4,294,384	4,294,384
2032	2,184,164	-
Indefinite *	1,903,140	1,177,200
	13,366,128	10,456,024

* The recognised and unrecognised unused tax losses of a foreign subsidiary can be carried forward indefinitely. The use of tax losses of subsidiaries in other countries is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the subsidiaries operate.

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11. TRADE RECEIVABLES

	Group	
	2022	2021
	RM	RM
Non-current		
Trade receivables	1,275,868	1,040,774
Current		
Trade receivables	6,848,517	8,532,248
Less: Accumulated impairment losses	(366,164)	(385,483)
	6,482,353	8,146,765
Total trade receivables	7,758,221	9,187,539

Trade receivables are non-interest bearing and are on 30 to 90 days (2021: 30 to 90 days) term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Movements in the allowance for impairment losses of trade receivables are as follows:

	Lifetime allowance	Credit Impaired	Loss allowance
	RM	RM	RM
Group			
At 1 January 2022	32,491	352,992	385,483
Impairment losses recognised	416	8,134	8,550
Impairment losses reversed	(28,188)	-	(28,188)
Exchange differences	319	-	319
At 31 December 2022	5,038	361,126	366,164
At 1 January 2021	94,682	1,615,058	1,709,740
Impairment losses recognised	-	55,635	55,635
Impairment losses reversed	(64,393)	(1,317,701)	(1,382,094)
Exchange differences	2,202	-	2,202
At 31 December 2021	32,491	352,992	385,483

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

NOTES TO THE FINANCIAL STATEMENTS

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11. TRADE RECEIVABLES (cont'd)

The ageing analysis of trade receivables at the end of the reporting period are as follows:

	Gross amount RM	Loss allowance RM	Net amount RM
Group			
2022			
Not past due	4,686,360	(4,686)	4,681,674
Past due			
Less than 30 days	752,800	(15)	752,785
31 to 60 days	1,000,153	(15)	1,000,138
61 to 90 days	316,671	(246)	316,425
More than 90 days	1,007,275	(76)	1,007,199
	3,076,899	(352)	3,076,547
Credit impaired			
Individually impaired	361,126	(361,126)	-
	8,124,385	(366,164)	7,758,221
2021			
Not past due	4,875,233	(19,302)	4,855,931
Past due			
Less than 30 days	609,345	(480)	608,865
31 to 60 days	261,504	(11)	261,493
61 to 90 days	793,399	(12,672)	780,727
More than 90 days	2,680,549	(26)	2,680,523
	4,344,797	(13,189)	4,331,608
Credit impaired			
Individually impaired	352,992	(352,992)	-
	9,573,022	(385,483)	9,187,539

Trade receivables that are not past due nor individually impaired are creditworthy debtors with good payment records with the Group.

As at 31 December 2022, the Group has gross trade receivables amounting to RM3,076,899 (2021: RM4,344,797) were past due but not individually impaired. These relate to a number of independent customers from whom there is no recent history of default but with slower repayment records.

The trade receivables of the Group that are individually assessed to be impaired amounting to RM361,126 (2021: RM352,992), relate to customers that are in financial difficulties and have defaulted on payments. These balances are expected to be recovered through the debts recovery process.

The Group has 3 (2021: 3 customers) that owed to the Group for approximately 62% (2021: 41%) of total trade receivables at the end of the reporting period.

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31 December 2022

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12. OTHER RECEIVABLES

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Non-current				
Deferred costs	319,712	476,340	-	-
Prepayments	2,504	2,605	-	-
Deposits	-	24,458	-	-
	<u>322,216</u>	<u>503,403</u>	<u>-</u>	<u>-</u>
Current				
Other receivables	82,863	379,170	-	-
Deferred costs	2,358,708	1,911,891	-	-
Deposits	216,166	741,242	1,000	1,000
Prepayments	418,219	613,845	36,816	14,589
Goods and Services Tax receivable	1,223	584	-	-
	<u>3,077,179</u>	<u>3,646,732</u>	<u>37,816</u>	<u>15,589</u>
	<u>3,399,395</u>	<u>4,150,135</u>	<u>37,816</u>	<u>15,589</u>

In the previous financial year, included in the other receivables of the Group is a refundable performance security bonds amounting to RM8,489 and are repayable within next twelve months upon the issuance of sale invoices.

13. INVENTORIES

	Group	
	2022 RM	2021 RM
Finished goods	<u>1,802,344</u>	<u>1,418,690</u>
Recognised in profit or loss		
Inventories recognised as cost of sales	5,301,158	5,285,613
Allowance for slow moving inventories	82,651	-
Inventories written off	<u>38,103</u>	<u>27,669</u>

In the previous financial year, the Group's inventories amounted to RM31,077 were transferred from/to property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

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14. CONTRACT ASSETS/(LIABILITIES)

(a) Contract assets

	Note	Group	
		2022 RM	2021 RM
Amount due from customers on contracts	(i)	-	54,325
Software, consultancy and installation services	(ii)	182,088	449,604
		<u>182,088</u>	<u>503,929</u>

(i) Amount due from customers on contracts

	Group	
	2022 RM	2021 RM
Contract costs incurred to date	-	1,080,563
Attributable profits	-	3,940,126
	-	5,020,689
Less: Progress billings	-	(4,966,364)
	-	<u>54,325</u>
Presented as:		
Contract assets	-	<u>54,325</u>

Amount due from customers on contracts relates to the Group's rights to consideration for work completed but not billed at the reporting date. This amount will be transferred to trade receivables when the rights become unconditional.

(ii) Software, consultancy and installation services

This represents Group's rights to consideration for work completed but not yet billed at the reporting date.

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31 December 2022

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14. CONTRACT ASSETS/(LIABILITIES) (cont'd)

(b) Contract liabilities

	Group	
	2022	2021
	RM	RM
Non-current		
Deferred revenue	466,525	763,271
Current		
Deferred revenue	6,091,648	4,046,266
	<u>6,558,173</u>	<u>4,809,537</u>

Deferred revenue represents advance consideration received (or an amount of consideration is due) from the customer in respect of services which are yet to be provided. The deferred revenue will be recognised as revenue when the related services is rendered.

Revenue expected to be recognised in the future relating to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date, are as follows:

	Group	
	2022	2021
	RM	RM
Aggregate amount of transaction price allocated to contracts that are partially unsatisfied as at 31 December	<u>6,558,173</u>	<u>4,809,537</u>

15. AMOUNT DUE FROM/TO SUBSIDIARIES

(a) Amount due from a subsidiary

This represents unsecured, non-interest bearing advances and repayable on demand.

(b) Amount due to a subsidiary

This represents unsecured, non-interest bearing advances and repayable on demand.

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16. FIXED DEPOSITS WITH LICENSED BANKS

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Deposits with tenures of:				
- less than 3 months	7,003,963	2,521,154	-	2,521,154
- more than 3 months	427,461	601,893	-	-
	<u>7,431,424</u>	<u>3,123,047</u>	<u>-</u>	<u>2,521,154</u>

Included in fixed deposits with licensed banks of the Group is an amount of RM427,461 (2021: RM419,697) which has been pledged to a licensed bank as security for bank guarantee facilities granted to a subsidiary.

The interest rates and maturity of deposits at the end of the reporting period are as follows:

	Group		Company	
	2022	2021	2022	2021
Interest rate per annum	1.85% to 3.30%	1.85% to 2.08%	N/A	1.85%
Maturity of deposits	1 to 12 months	1 to 12 months	N/A	3 months

17. SHARE CAPITAL

	Group and Company			
	Number of shares		Amount	
	2022	2021	2022	2021
	Units	Units	RM	RM
Issued and fully paid ordinary shares				
At 1 January	576,506,000	536,030,000	41,310,038	35,683,874
Issuance of shares during the financial year				
- Private placement	-	40,476,000	-	5,626,164
At 31 December	<u>576,506,000</u>	<u>576,506,000</u>	<u>41,310,038</u>	<u>41,310,038</u>

In the previous financial year, the Company issued 40,476,000 new ordinary shares pursuant to the private placement at an issue price of RM0.139 per placement share for a total cash consideration of RM5,626,164.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

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

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18. RESERVES

	Note	Group		Company	
		2022 RM	2021 RM	2022 RM	2021 RM
Fair value adjustment reserve	(a)	-	164,151	-	-
Foreign currency translation reserve	(b)	(720,339)	(317,677)	-	-
Other reserves	(c)	(38,201,876)	(38,201,876)	(38,205,150)	(38,205,150)
Merger reserve	(d)	(11,004,663)	(11,004,663)	-	-
Warrant reserve	(e)	38,205,150	38,205,150	38,205,150	38,205,150
		(11,721,728)	(11,154,915)	-	-

(a) Fair value adjustment reserve

Fair value adjustment reserve represents the cumulative net change in the fair value of financial asset at fair value through other comprehensive until they are derecognised or impaired.

(b) Foreign currency translation reserve

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

(c) Other reserves

Other reserves comprise of the followings:

(i) Tax amnesty

The subsidiaries, namely Securemetric Indonesia and Softkey Indonesia participated in the Tax Amnesty Program in accordance with Law No. 11/2016. Both subsidiaries paid the related redemption money amounting to RM3,274 (2021: RM3,274) and recorded the declared tax amnesty assets under other reserve.

(ii) Fair value of warrants issued amounting to RM38,205,150 (2021: RM38,205,150).

(d) Merger reserve

The merger reserve arises from the difference between the nominal value of shares issued by the Company and the nominal value of shares of the subsidiary acquired under the merger method of accounting.

(e) Warrant reserve

This represents the fair value of the warrants issued and is non-distributable.

On 4 February 2020, the Company had issued 243,600,000 warrants pursuant to bonus issue of warrants to all the entitled shareholders of the Company on the basis of one (1) warrant for every one (1) existing ordinary shares held in the Company.

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18. RESERVES (cont'd)

(e) Warrant reserve (cont'd)

The warrants are constituted under a Deed Poll executed on 3 January 2020 and each warrant entitles the registered holder the right at any time during the exercise period from 22 January 2020 to 21 January 2023 to subscribe in cash for one new ordinary share of the Company at an exercise price of RM0.16 each.

The new ordinary shares allotted and issued upon exercise of the warrants shall rank pari passu in all respects with the existing ordinary shares of the Company, save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of allotment of the new ordinary shares arising from the exercise of the warrants.

As at 31 December 2022, the total number of warrants that remain unexercised were 243,500,000 (2021: 243,500,000) units.

19. EMPLOYEE DEFINED BENEFIT PLAN

	Group	
	2022	2021
	RM	RM
Present value of defined benefit obligations	274,541	331,849

The subsidiaries in Indonesia operate an unfunded defined benefit retirement benefit scheme for its employees based on the provisions of Labour Law No. 13/2003. The latest independent actuarial report is dated 17 January 2023.

Movements in the present value of defined benefit obligations of the Group are as follows:

	Group	
	2022	2021
	RM	RM
At 1 January	331,849	274,944
Recognised in profit or loss:		
- Current service costs	64,948	62,809
Benefits paid by the plan	-	(6,267)
Remeasurement recognised in other comprehensive income:		
- Effects of changes in financial assumptions	3,090	-
- Effect of experience adjustment	(110,774)	-
Exchange differences	(14,572)	363
At 31 December	274,541	331,849

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19. EMPLOYEE DEFINED BENEFIT PLAN (cont'd)

The principal actuarial assumptions at the end of the reporting period are as follows:

	Group	
	2022	2021
Discount rate at 31 December	7.3%	7.4%
Expected rate of salary increases	5.0%	5.0%
Normal retirement age	55 years	55 years

Sensitivity analysis

The effect of changes in the principal actuarial assumptions on the present value of unfunded obligations of the Group are as follows:

	Group	
	+1%	-1%
	RM	RM
2022		
Increase/(Decrease) of present value of unfunded obligations		
- Discount rates	(60,674)	69,838
- Expected salary	69,651	(60,751)
2021		
Increase/(Decrease) of present value of unfunded obligations		
- Discount rates	(32,484)	42,596
- Expected salary	42,424	(32,538)

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

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20. LEASE LIABILITIES

	Group	
	2022	2021
	RM	RM
At 1 January	1,355,271	629,928
Additions	271,546	1,363,656
Accretion of interest	40,035	23,192
Payments	(732,375)	(592,158)
Rent concessions related to Covid-19	-	(67,484)
Exchange differences	10,867	(1,863)
At 31 December	945,344	1,355,271
Presented as:		
Non-current	332,186	731,025
Current	613,158	624,246
	945,344	1,355,271

The maturity analysis of lease liabilities of the Group at the end of the reporting period are as follows:

	Group	
	2022	2021
	RM	RM
Within one year	633,324	658,069
Later than one year but not later than two years	161,145	560,211
Later than two years but not later than five years	185,399	197,121
	979,868	1,415,401
Less: Future finance charges	(34,524)	(60,130)
Present value of lease liabilities	945,344	1,355,271

The Group leases buildings and motor vehicles. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The weighted average incremental borrowing rate applied to lease liabilities at the reporting date was range from 2.30% to 2.44% (2021: 2.30% to 2.44%)

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21. TRADE PAYABLES

	Group	
	2022	2021
	RM	RM
Trade payables		
- Related party	125,009	-
- Third parties	3,625,337	2,149,285
	<u>3,750,346</u>	<u>2,149,285</u>

Related party represents associate of the Company. The trade credit terms granted to the Group range from 30 to 90 days (2021: 30 to 90 days) depending on the terms of the contracts.

22. OTHER PAYABLES

	Note	Group		Company	
		2022	2021	2022	2021
		RM	RM	RM	RM
Other payables		2,836,843	1,629,523	1,887	5,522
Deferred capital grant	(a)	-	-	-	-
Accruals		974,690	1,095,560	84,500	84,500
Provision for liquidated damages	(b)	782,500	782,500	-	-
		<u>4,594,033</u>	<u>3,507,583</u>	<u>86,387</u>	<u>90,022</u>

(a) Deferred capital grant

Deferred capital grant refers to government grant received from Government of Malaysia under Kementerian Sains, Teknologi and Inovasi ("MOSTI") for the new technology project research and development activities. There are no unfulfilled conditions or contingencies attached to this grant. The grant is to be amortised over the useful life of the technology and recognised as other income in profit or loss upon the completion of the project.

Movements of the deferred capital grant is as follows:

	2021
	RM
Group	
At 1 January	450,034
Amortised during the financial year	(450,034)
At 31 December	<u>-</u>

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22. OTHER PAYABLES (cont'd)

(b) Provision for liquidated damages

Provision for liquidated damages represents liquidated damages compensation of SGD250,000 to a customer for late commissioning of the system pursuant to the Principal Agreement dated 31 May 2021.

Movements of provision for liquidated damages is as follows:

	Group	
	2022	2021
	RM	RM
At 1 January	782,500	-
Provision made	-	782,500
At 31 December	782,500	782,500

23. REVENUE

	Group	
	2022	2021
	RM	RM
Revenue from contracts with customers		
Sale of goods	11,622,391	11,198,177
Rendering of services	18,262,774	15,156,717
	29,885,165	26,354,894
Timing of revenue recognition		
At a point in time	18,543,907	16,689,420
Over time	11,341,258	9,665,474
Total revenue from contracts with customers	29,885,165	26,354,894

Revenue from contracts customers recognised for the Group in the current financial year included RM4,046,266 (2021: RM3,378,978) that was included in the contract liabilities at the beginning of the financial year.

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23. REVENUE (cont'd)

Set below is the disaggregation of the Group's revenue from contracts with customers:

	Digital security solutions RM	Electronic identification products RM	Others RM	Total RM
Group				
2022				
Type of goods and services				
Sale of goods	10,674,739	946,010	1,642	11,622,391
Rendering of services	6,312,324	-	11,950,450	18,262,774
Total revenue from contracts with customers	16,987,063	946,010	11,952,092	29,885,165
Geographical market				
Malaysia	2,993,351	599,244	1,633,871	5,226,466
Vietnam	4,441,097	22,706	1,392,814	5,856,617
Philippines	3,548,649	85,128	1,919,922	5,553,699
Indonesia	1,631,245	238,932	4,339,726	6,209,903
United States	193,059	-	15,857	208,916
Singapore	1,888,588	-	1,902,093	3,790,681
Others	2,291,074	-	747,809	3,038,883
	16,987,063	946,010	11,952,092	29,885,165
Timing of revenue recognition				
At a point in time	16,599,397	946,010	998,500	18,543,907
Over time	387,666	-	10,953,592	11,341,258
Total revenue from contracts with customers	16,987,063	946,010	11,952,092	29,885,165

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

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23. REVENUE (cont'd)

Set below is the disaggregation of the Group's revenue from contracts with customers: (cont'd)

	Digital security solutions RM	Electronic identification products RM	Others RM	Total RM
2021				
Type of goods and services				
Sale of goods	9,718,805	1,479,372	-	11,198,177
Rendering of services	5,552,874	-	9,603,843	15,156,717
Total revenue from contracts with customers	15,271,679	1,479,372	9,603,843	26,354,894
Geographical market				
Malaysia	1,773,598	657,094	711,603	3,142,295
Vietnam	4,942,531	16,475	1,353,276	6,312,282
Philippines	1,854,061	27,117	2,141,677	4,022,855
Indonesia	3,040,310	777,817	3,719,596	7,537,723
United States	208,280	-	12,116	220,396
Singapore	871,915	869	1,026,132	1,898,916
Others	2,580,984	-	639,443	3,220,427
	15,271,679	1,479,372	9,603,843	26,354,894
Timing of revenue recognition				
At a point in time	14,745,880	1,479,372	464,168	16,689,420
Over time	525,799	-	9,139,675	9,665,474
Total revenue from contracts with customers	15,271,679	1,479,372	9,603,843	26,354,894

NOTES TO THE FINANCIAL STATEMENTS

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24. COST OF SALES

	Group	
	2022	2021
	RM	RM
Sale of goods	5,301,158	5,285,613
Services rendered	6,804,298	6,340,899
	<u>12,105,456</u>	<u>11,626,512</u>

25. FINANCE COST

	Group	
	2022	2021
	RM	RM
Interest expense on lease liabilities	<u>40,035</u>	<u>23,192</u>

26. Loss Before Tax

Loss before tax is arrived at after charging/(crediting):

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Auditors' remuneration				
- statutory				
- UHY	100,000	100,000	75,000	75,000
- member firms of UHY International Limited	53,935	48,352	-	-
- non-statutory	5,000	5,000	5,000	5,000
Amortisation of development expenditure	-	483,402	-	-
Depreciation of:				
- property, plant and equipment	578,612	659,191	-	-
- right-of-use assets	761,368	652,005	-	-
Non-executive Directors' remuneration				
- fees	114,000	114,000	114,000	114,000
- allowances	5,400	5,400	5,400	5,400
Impairment losses on trade receivables	8,550	55,635	-	-
Allowance for slow moving inventories	82,651	-	-	-
Inventories written off	38,103	27,669	-	-
Property, plant and equipment written off	870	5,584	-	-

NOTES TO THE FINANCIAL STATEMENTS

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26. Loss Before Tax (cont'd)

Loss before tax is arrived at after charging/(crediting): (cont'd)

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Lease expenses relating to short-term leases				
- office	35,798	64,191	-	-
- hostel	29,400	29,400	-	-
Provision for liquidated damages	-	782,500	-	-
Gain on disposal of property, plant and equipment	(599)	(16,464)	-	-
Dividend income	(2,801)	(1,398)	-	-
(Gain)/Loss on foreign exchange				
- unrealised	(93,765)	(136,093)	168	1,336
- realised	(54,573)	(36,594)	(5,707)	(9,828)
Government grant income	-	(450,034)	-	-
Interest income	(209,154)	(312,394)	(43,630)	(147,825)
Income from rent concessions	-	(67,484)	-	-
Reversal of impairment losses on trade receivables	(28,188)	(1,382,094)	-	-

27. TAXATION

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Tax expenses recognised in profit or loss				
Current tax provision				
- Foreign tax	989,371	828,485	-	-
Over provision in prior years	-	(27,560)	-	(2,345)
	989,371	800,925	-	(2,345)
Deferred tax (Note 10)				
Relating to origination and reversal of temporary differences	(49,960)	(17,260)	-	-
Over provision in prior year	-	(5,881)	-	-
	(49,960)	(23,141)	-	-
	939,411	777,784	-	(2,345)

NOTES TO THE FINANCIAL STATEMENTS

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27. TAXATION (cont'd)

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Tax expenses recognised in other comprehensive income				
Deferred tax (Note 10)				
Relating to origination and reversal of temporary differences	23,690	-	-	-

Malaysian income tax is calculated at the statutory tax rate of 24% (2021: 24%) of the estimated assessable loss for the financial year. Taxation for other jurisdiction is calculated at the rates prevailing in the respective jurisdictions.

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

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Loss before tax	(857,971)	(1,081,739)	(399,921)	(494,963)
At Malaysian statutory tax rate of 24% (2021: 24%)	(205,913)	(259,617)	(95,981)	(118,791)
Effect of different tax rate in other jurisdictions	(68,507)	(663,190)	-	-
Expenses not deductible for tax purposes	1,959,053	1,431,316	107,821	156,631
Income not subject to tax	(1,609,347)	(424,581)	(11,840)	(37,840)
Deferred tax assets not recognised	864,125	727,297	-	-
Utilisation previously unrecognised tax losses	-	-	-	-
Over provision of income tax in prior years	-	(27,560)	-	(2,345)
Over provision of deferred tax in prior years	-	(5,881)	-	-
Tax expenses for the financial year	939,411	777,784	-	(2,345)

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31 December 2022

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27. TAXATION (cont'd)

The Group has the following estimated unutilised capital allowances and unused tax losses available for offset against future taxable profits. The said amounts are subject to approval by the tax authorities.

	Group	
	2022	2021
	RM	RM
Unutilised capital allowances	1,761,401	1,387,284
Unused tax losses	13,366,128	10,456,024
	15,127,529	11,843,308

28. LOSS PER SHARE

(a) Basic loss per share

The basic loss per share are calculated based on the consolidated loss for the financial year attributable to owners of the parent and the weighted average number of ordinary shares in issue during the financial year as follows:

	Group	
	2022	2021
Loss for the financial year, attributable to owners of the parent (RM)	(1,723,299)	(1,846,349)
Weighted average number of ordinary shares in issue (in units)		
- Ordinary shares in issue at 1 January	576,506,000	536,030,000
- Effect of private placement	-	16,744,866
Weighted average number of ordinary shares in issue at 31 December	576,506,000	552,774,866
Basic loss per ordinary share (sen)	(0.30)	(0.33)

(b) Diluted loss per share

The Group has no dilution in their loss per ordinary share as the exercise price of the warrants has exceeded the average market price of ordinary shares during the financial year, the warrants do not have any dilutive effect on the weighted average number of ordinary shares. There have been no other transactions involving ordinary shares or potential ordinary shares since the end of the reporting period and before the authorisation of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

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29. STAFF COSTS

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Salaries, wages and other emoluments	11,890,747	10,217,852	600	600
Defined contribution plans	1,199,641	1,036,562	-	-
Social security contributions	122,787	114,596	-	-
Other benefits	301,959	312,910	-	-
Defined benefit plans	64,948	62,809	-	-
	13,580,082	11,744,729	600	600

The staff costs of the Group do not include the estimated non-monetary value of benefit-in-kind amounting to RM15,000 (2021: RM15,000).

Included in staff costs is aggregate amount of remuneration received by the Executive Directors of the Company and of the subsidiaries during the financial year as below:

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Executive Directors				
Company's Directors				
Salaries and other emoluments	1,075,850	1,020,600	600	600
Defined contribution plans	129,030	122,400	-	-
Social security contributions	1,798	1,656	-	-
Other benefits	206	190	-	-
	1,206,884	1,144,846	600	600
Executive Directors				
Subsidiaries' Directors				
Salaries and other emoluments	250,568	231,756	-	-
Defined contribution plans	35,257	30,130	-	-
Social security contributions	899	829	-	-
Other benefits	43,303	18,795	-	-
	330,027	281,510	-	-
Total	1,536,911	1,426,356	600	600

The Directors' remuneration of the Group do not include the estimated non-monetary value of benefit-in-kind amounting to RM15,000 (2021: RM15,000).

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30. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below show the details changes in the liabilities of the Group arising from financing activities, both cash and non-cash changes:

	Note	At 1 January RM	Financing cash flows (i) RM	New lease [Note 5(b)] RM	Other changes (ii) RM	At 31 December RM
Group						
2022						
Lease liabilities	20	1,355,271	(692,340)	271,546	10,867	945,344
2021						
Lease liabilities	20	629,928	(568,966)	1,363,656	(69,347)	1,355,271

(i) The financing cash flows represents payment of lease liabilities in the statements of cash flows.

(ii) Other changes represent income from Covid-19 rent concessions and exchange differences.

31. RELATED PARTY DISCLOSURES

(a) Identifying related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel comprise the Directors and management personnel of the Group, having authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly.

(b) Significant related party transactions

Other than related party balances disclosed elsewhere in the financial statements, the Group and the Company do not have any significant related party transactions during the financial year.

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31. RELATED PARTY DISCLOSURES (cont'd)

(c) Compensation of key management personnel

Remuneration of Directors and other members of key management are as follows:

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Fees	114,000	114,000	114,000	114,000
Salaries and others emoluments	2,259,419	2,111,738	6,000	6,000
Defined contribution plans	278,868	258,525	-	-
Social security contributions	6,293	5,800	-	-
Others	67,920	43,364	-	-
	2,726,500	2,533,427	120,000	120,000

The remuneration of Directors and other members of key management of the Group do not include the estimated non-monetary value of benefit-in-kind amounting to RM15,000 (2021: RM15,000).

32. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and service as follows:

Digital security solutions	Provision of digital security solutions
Electronic identification products	Sales of smart cards, smart card readers, finger print readers, barcode scanners and barcode printers
Others	Provision of support and maintenance services, labelling and packaging

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Transactions between segments are carried out on agreed terms between both parties. The effects of such inter-segment transactions are eliminated on consolidation. The measurement basis and classification are consistent with those adopted in the previous financial year.

Information about segment assets and liabilities are neither included in the internal management reports nor provided regularly to the management. Hence, no disclosures are made on segment assets and liabilities.

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32. SEGMENT INFORMATION (cont'd)

	Digital security solutions RM	Electronic identification products RM	Others RM	Total RM
2022				
Total revenue	20,474,666	1,042,463	14,170,590	35,687,719
Inter-segment revenue	(3,487,603)	(96,453)	(2,218,498)	(5,802,554)
Revenue from				
external customers	16,987,063	946,010	11,952,092	29,885,165
Cost of sales	(6,741,062)	(403,434)	(4,960,960)	(12,105,456)
Segment gross profit	10,246,001	542,576	6,991,132	17,779,709
Other income				471,394
Interest income				209,154
Administrative expenses				(18,053,328)
Depreciation of:				
- property, plant and equipment				(578,612)
- right-of-use assets				(761,368)
Net gain on impairment of financial instruments				19,638
Finance cost				(40,035)
Share of results of an associate, net of tax				95,477
Loss before tax				(857,971)
Taxation				(939,411)
Loss for the financial year				(1,797,382)
2021				
Total revenue	18,837,714	1,498,272	12,167,714	32,503,700
Inter-segment revenue	(3,566,035)	(18,900)	(2,563,871)	(6,148,806)
Revenue from external customers	15,271,679	1,479,372	9,603,843	26,354,894
Cost of sales	(6,869,324)	(682,167)	(4,075,021)	(11,626,512)
Segment gross profit	8,402,355	797,205	5,528,822	14,728,382
Other income				923,287
Interest income				312,394
Administrative expenses				(16,684,379)
Amortisation of development expenditure				(483,402)
Depreciation of:				
- property, plant and equipment				(659,191)
- right-of-use assets				(652,005)
Net gain on impairment of financial instruments				1,326,459
Finance cost				(23,192)
Share of results of an associate, net of tax				129,908
Loss before tax				(1,081,739)
Taxation				(777,784)
Loss for the financial year				(1,859,523)

NOTES TO THE FINANCIAL STATEMENTS

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32. SEGMENT INFORMATION (cont'd)

(a) Other non-cash items consist of following as presented in the respective notes to the financial statements:

	2022	2021
	RM	RM
Other non-cash items		
Allowance for slow moving inventories	82,651	-
Inventories written off	38,103	27,669
Gain on disposal of property, plant and equipment	(599)	(16,464)
Property, plant and equipment written off	870	5,584
Provision for liquidated damages	-	782,500
Unrealised gain on foreign exchange	(93,765)	(136,093)
Income from rent concessions	-	(67,484)
	<u>27,260</u>	<u>595,712</u>

(b) Adjustments and eliminations

Interest income, finance cost, depreciation and amortisation and other non-cash items are not allocated to individual segments as the underlying instruments are managed on a group basis.

Current taxes and deferred taxes are not allocated to individual segments as the underlying instruments are managed on a group basis.

Inter-segment revenue are eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

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32. SEGMENT INFORMATION (cont'd)

(c) Geographic information

Revenue, non-current assets and capital expenditure information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets		Capital expenditure	
	2022	2021	2022	2021	2022	2021
	RM	RM	RM	RM	RM	RM
Malaysia	5,226,466	3,142,295	1,233,888	2,040,690	130,603	1,525,573
Vietnam	5,856,617	6,312,282	222,168	372,058	4,713	290,281
Philippines	5,553,699	4,022,855	312,439	84,212	351,444	18,273
Indonesia	6,209,903	7,537,723	162,927	152,537	136,547	57,647
United States	208,916	220,396	-	-	-	-
Singapore	3,790,681	1,898,916	14,715	1,919	16,165	-
Others	3,038,883	3,220,427	-	-	-	-
	29,885,165	26,354,894	1,946,137	2,651,416	639,472	1,891,774

Non-current assets for this purpose consist of property, plant and equipment, right-of-use assets and development expenditure.

Capital expenditure consists of additions of property, plant and equipment and right-of-use assets.

(d) Major customers

No customer revenue equal or more than 10% of the Group's revenue.

33. FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 3 describe how the classes of the financial instruments are measured and how income and expense, including fair value gains or losses, are recognised.

NOTES TO THE FINANCIAL STATEMENTS

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33. FINANCIAL INSTRUMENTS (cont'd)

(a) Classification of financial instruments (cont'd)

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned and therefore by the measurement basis:

	Financial asset at FVTOCI RM	Financial assets at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
Group				
2022				
Financial Assets				
Other investments	10,095,250	-	-	10,095,250
Trade receivables	-	7,758,221	-	7,758,221
Other receivables *	-	299,029	-	299,029
Fixed deposits with licensed banks	-	7,431,424	-	7,431,424
Cash and bank balances	-	15,561,057	-	15,561,057
	10,095,250	31,049,731	-	41,144,981
Financial Liabilities				
Trade payables	-	-	3,750,346	3,750,346
Other payables	-	-	4,594,033	4,594,033
Lease liabilities	-	-	945,344	945,344
	-	-	9,289,723	9,289,723
Group				
2021				
Financial Assets				
Other investments	6,323,939	-	-	6,323,939
Trade receivables	-	9,187,539	-	9,187,539
Other receivables *	-	1,144,870	-	1,144,870
Fixed deposits with licensed banks	-	3,123,047	-	3,123,047
Cash and bank balances	-	19,007,395	-	19,007,395
	6,323,939	32,462,851	-	38,786,790
Financial Liabilities				
Trade payables	-	-	2,149,285	2,149,285
Other payables	-	-	3,507,583	3,507,583
Lease liabilities	-	-	1,355,271	1,355,271
	-	-	7,012,139	7,012,139

NOTES TO THE FINANCIAL STATEMENTS

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33. FINANCIAL INSTRUMENTS (cont'd)

(a) Classification of financial instruments (cont'd)

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned and therefore by the measurement basis: (cont'd)

	Financial asset at FVTOCI RM	Financial assets at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
Company				
2022				
Financial Assets				
Other investments	10,095,250	-	-	10,095,250
Other receivables	-	1,000	-	1,000
Amount due from a subsidiary	-	5,813,002	-	5,813,002
Fixed deposits with licensed banks	-	-	-	-
Cash and bank balances	-	2,721,401	-	2,721,401
	10,095,250	8,535,403	-	18,630,653
Financial Liabilities				
Other payables	-	-	86,387	86,387
Amount due from a subsidiary	-	-	4,200,000	4,200,000
	-	-	4,286,387	4,286,387
2021				
Financial Assets				
Other investments	6,095,250	-	-	6,095,250
Other receivables	-	1,000	-	1,000
Amount due from a subsidiary	-	3,241,002	-	3,241,002
Fixed deposits with licensed banks	-	2,521,154	-	2,521,154
Cash and bank balances	-	3,000,018	-	3,000,018
	6,095,250	8,763,174	-	14,858,424
Financial Liability				
Other payables	-	-	90,022	90,022

* exclude prepayments, deferred costs and Goods and Services Tax receivable

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

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33. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management objectives and policies

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its credit, liquidity, foreign currency, interest rate and market price risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

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

(i) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and deposits with banks. The Company's exposure to credit risk arises principally from deposits with banks and amount due from a subsidiary. There are no significant changes as compared to prior year.

The Group has adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposits with banks with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

The Company provides unsecured advances to a subsidiary. The Company monitors on an ongoing basis the results of the subsidiary and repayments made by the subsidiary.

At each reporting date, the Group assesses whether any of the receivables and contract assets are credit impaired.

The gross carrying amounts of credit impaired trade receivables and contract assets are written off (either partial or full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the reporting period represent the Group's and the Company's maximum exposure to credit risk.

The Group has no significant concentration of credit risks except as disclosed in Note 11. The Company has no significant concentration of credit risks except for amount due from a subsidiary where the risk of default is assessed to be low.

(ii) Liquidity risk

Liquidity risk refers to the risk that the Group or the Company will encounter difficulty in meeting its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's and the Company's funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. The Group finances its liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

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33. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management objectives and policies (cont'd)

(ii) Liquidity risk (cont'd)

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years RM	Total contractual cash flows RM	Total carrying amount RM
Group					
2022					
Non-derivative financial liabilities					
Trade payables	3,750,346	-	-	3,750,346	3,750,346
Other payables	4,594,033	-	-	4,594,033	4,594,033
Lease liabilities	633,324	161,145	185,399	979,868	945,344
Financial guarantees #	22,243	-	-	22,243	-
	<u>8,999,946</u>	<u>161,145</u>	<u>185,399</u>	<u>9,346,490</u>	<u>9,289,723</u>
2021					
Non-derivative financial liabilities					
Trade payables	2,149,285	-	-	2,149,285	2,149,285
Other payables	3,507,583	-	-	3,507,583	3,507,583
Lease liabilities	658,069	560,211	197,121	1,415,401	1,355,271
Financial guarantees #	25,917	-	-	25,917	-
	<u>6,340,854</u>	<u>560,211</u>	<u>197,121</u>	<u>7,098,186</u>	<u>7,012,139</u>
Company					
2022					
Non-derivative financial liabilities					
Other payables	86,387	-	-	86,387	86,387
Amount due to a subsidiary	4,200,000	-	-	4,200,000	4,200,000
	<u>4,286,387</u>	<u>-</u>	<u>-</u>	<u>4,286,387</u>	<u>4,286,387</u>
2021					
Non-derivative financial liability					
Other payables	<u>90,022</u>	<u>-</u>	<u>-</u>	<u>90,022</u>	<u>90,022</u>

Based on the maximum amount that can be called for under the financial guarantee contract.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

33. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management objectives and policies (cont'd)

(iii) Market risks

(1) Foreign currency risk

The Group is exposed to foreign currency risk on transactions that are denominated in currencies other than the functional currencies of Group entities. The currencies giving rise to this risk are primarily United States Dollar (USD), Euro (EUR) and Chinese Yuan (CNY).

The Group has not entered into any derivative instruments for hedging or trading purposes as the net exposure to foreign currency risk is not significant. However, the exposure to foreign currency risk is monitored from time to time by management.

The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	USD RM	EUR RM	CNY RM	Total RM
Group				
2022				
Trade receivables	2,838,810	-	-	2,838,810
Cash and bank balances	1,090,289	49,068	-	1,139,357
Trade payables	(2,128,908)	(792,625)	(821,538)	(3,743,071)
	<u>1,800,191</u>	<u>(743,557)</u>	<u>(821,538)</u>	<u>235,096</u>
2021				
Trade receivables	1,995,406	-	-	1,995,406
Cash and bank balances	1,684,161	82,260	-	1,766,421
Trade payables	(759,427)	(1,123,020)	-	(1,882,447)
	<u>2,920,140</u>	<u>(1,040,760)</u>	<u>-</u>	<u>1,879,380</u>
			Denominated in USD	
			2022	2021
			RM	RM
Company				
Cash and bank balances			<u>739</u>	<u>2,987</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

33. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management objectives and policies (cont'd)

(iii) Market risks (cont'd)

(1) Foreign currency risk (cont'd)

Foreign currency sensitivity analysis

The following table demonstrates the sensitivity of the Group's and the Company's loss before tax to a reasonably possible change in the USD, EUR and CNY exchange rates against RM, with all other variables held constant.

	Change in currency rate	2022 Effect on loss before tax RM	Change in currency rate	2021 Effect on loss before tax RM
Group				
USD	Strengthened 10%	180,019	Strengthened 10%	292,014
	Weakened 10%	<u>(180,019)</u>	Weakened 10%	<u>(292,014)</u>
EUR	Strengthened 10%	(74,356)	Strengthened 10%	(104,076)
	Weakened 10%	<u>74,356</u>	Weakened 10%	<u>104,076</u>
CNY	Strengthened 10%	(82,154)	Strengthened 10%	-
	Weakened 10%	<u>82,154</u>	Weakened 10%	<u>-</u>
Company				
USD	Strengthened 10%	74	Strengthened 10%	299
	Weakened 10%	<u>(74)</u>	Weakened 10%	<u>(299)</u>

(2) Interest rate risk

The Group's and the Company's investment in fixed rate deposits placed with licensed banks and borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

The Group and the Company manage the interest rate risk of its deposits with licensed banks by placing them at the most competitive interest rates obtainable, which yield better returns than cash at bank and maintaining a prudent mix of short and long-term deposits.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

33. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management objectives and policies (cont'd)

(iii) Market risks (cont'd)

(2) Interest rate risk (cont'd)

The Group manages its interest rate risk exposure from interest bearing borrowings by obtaining financing with the most favourable interest rates in the market. The Group constantly monitors its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained. The Group does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

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

	2022	2021
	RM	RM
Group		
<i>Fixed rate instruments</i>		
Fixed deposits with licensed banks	7,431,424	3,123,047
Lease liabilities	(945,344)	(1,355,271)
	<u>6,486,080</u>	<u>1,767,776</u>
Company		
<i>Fixed rate instrument</i>		
Fixed deposits with licensed banks	-	2,521,154
	<u>-</u>	<u>2,521,154</u>

(c) Fair value of financial instruments

The carrying amounts of short-term receivables and payables, cash and cash equivalents and short-term loans and borrowings approximate their fair value due to the relatively short-term nature of these financial instruments and insignificant impact of discounting.

It was not practical to estimate fair value of investment in unquoted equity due to the lack of comparable quoted prices in active market and the fair value cannot be reliably estimated.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

33. FINANCIAL INSTRUMENTS (cont'd)

(c) Fair value of financial instruments (cont'd)

The table below analyses financial instruments carried at fair value, together with their fair value and carrying amount shown in the statements of financial position.

	Fair value of financial instruments carried at fair value				Carrying amount
	Level 1	Level 2	Level 3	Total	
	RM	RM	RM	RM	
Group					
2021					
Financial asset					
Quoted shares	228,689	-	-	228,689	228,689

The fair value above has been determined using the following basis:

- The fair value of the quoted shares was determined by reference to the quoted price in the share market.

Transfer between levels of fair value hierarchy

There is no transfer between levels of fair value hierarchy during the financial year.

34. CAPITAL MANAGEMENT

The Group's and the Company's objectives when managing capital are to safeguard the Group's and the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group and the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

34. CAPITAL MANAGEMENT (cont'd)

The Group and the Company monitors capital using a gearing ratio, which is the net debt divided by total equity. The Group and the Company include within net debt, lease liabilities less cash and cash equivalents. The Group's and the Company's policy is to maintain a prudent level of gearing ratio that complies with debt covenants and regulatory requirements. The gearing ratios at the end of the reporting period are as follows:

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Lease liabilities	945,344	1,355,271	-	-
Less: Cash and cash equivalents	(22,565,020)	(21,528,549)	(2,721,401)	(5,521,172)
Excess funds	(21,619,676)	(20,173,278)	(2,721,401)	(5,521,172)
Total equity	40,918,279	42,947,994	37,480,802	37,880,723
Gross gearing ratio (times)	0.02	0.03	#	#
Net gearing ratio (times)	*	*	#	#

* Net gearing ratio is not applicable for the Group as the cash and cash equivalents as at 31 December 2022 and 31 December 2021 is sufficient to cover the entire borrowing obligation.

Gearing ratio is not applicable to the Company as the Company has no loans and borrowings as at 31 December 2022 and 31 December 2021.

There were no changes in the Group's and the Company's approach to capital management during the financial year.

35. FINANCIAL GUARANTEES

	Group	
	2022 RM	2021 RM
Secured		
Bank guarantees provided to customers to secure performance under contracts	22,243	25,917

36. SUBSEQUENT EVENT

On 18 January 2023, the Company entered into share sale and purchase agreement ("SSPA") and a shareholders' agreement ("SSA") with Innov8tif Consortium Sdn. Bhd. ("Innov8tif Consortium") for the disposal of its entire equity interest in Innov8tif Malaysia for RM112,500, which is to settle via the allotment of 112,500 new ordinary shares in Innov8tif Consortium to the Company. The disposal has been completed as at the date of this report.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

cont'd

37. COMPARATIVE INFORMATION

The following reclassification were made to the financial statements of prior year to be consistent with current year presentation.

	As previously stated RM	Reclassification RM	As restated RM
<u>Statements of Financial Position</u>			
Group			
Non-current Assets			
Other receivables	-	503,403	503,403
Current Assets			
Other receivables	4,230,014	(583,282)	3,646,732
Tax recoverable	603,276	47,422	650,698
Non-current Liabilities			
Contract liabilities	-	763,271	763,271
Current Liabilities			
Contract liabilities	4,809,537	(763,271)	4,046,266
Other payables	3,540,040	(32,457)	3,507,583
<u>Statements of Cash Flows</u>			
Group			
Operating Activities			
Changes in working capital:			
Receivables	(462,750)	(32,457)	(495,207)
Payables	1,105,486	32,457	1,137,943

38. DATE OF AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution Directors on 19 April 2023.

ANALYSIS OF SHAREHOLDINGS

As at 31 MARCH 2023

SHARE CAPITAL

Total Number of Issued Shares	:	577,066,000 Shares
Issued Share Capital	:	RM 41,399,638.00
Class of Shares	:	Ordinary Shares
Voting Rights	:	Every member of the Company, present in person or by proxy, shall have on a show of hands, one (1) vote or on a poll, one (1) vote for each share held

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Holders	%	No. of Shares	%
1 to 99	1	0.03	20	negligible
100 to 1,000	199	6.54	110,480	0.02
1,001 to 10,000	897	29.49	6,085,900	1.06
10,001 to 100,000	1,525	50.13	64,764,000	11.22
100,001 to less than 5% of issued shares	417	13.71	291,595,036	50.53
5% and above of issued shares	3	0.10	214,510,564	37.17
Total	3,042	100.00	577,066,000	100.00

DIRECTORS' SHAREHOLDINGS

Name of Directors	← Direct →		← Indirect →	
	No. of Shares	%	No. of Shares	%
Clifton Heath Fernandez	-	-	-	-
Law Seeh Key	179,675,210	31.13	-	-
Yong Kim Fui	6,886,200	1.19	-	-
Shireen Chia Yin Ting	-	-	-	-
Dato' Ng Wan Peng	-	-	-	-

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

Name of Shareholders	← Direct →		← Indirect →	
	No. of Shares	%	No. of Shares	%
Law Seeh Key	179,675,210	31.13	-	-
Phillip Securities (Hong Kong) Ltd				
Affin Hwang Nominees (Asing) Sdn Bhd	40,000,000	6.93	-	-

ANALYSIS OF SHAREHOLDINGS

As at 31 MARCH 2023

cont'd

THIRTY (30) LARGEST SHAREHOLDERS AS AT 31 MARCH 2022

No.	Name of Shareholders	No. of Shares	%
1	KENANGA NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LAW SEEH KEY</i>	89,510,564	15.51
2	AMSEC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LAW SEEH KEY</i>	85,000,000	14.73
3	AFFIN HWANG NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR PHILLIP SECURITIES (HONG KONG) LTD (CLIENTS' ACCOUNT)</i>	40,000,000	6.93
4	LI JIANJUN	24,024,000	4.16
5	NIOO YU SIONG	23,175,790	4.02
6	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR ONG KAH HOE</i>	15,473,300	2.68
7	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR OCR LAND HOLDINGS SDN BHD (MY2080)</i>	12,500,000	2.17
8	KOH LIAN SIM	10,000,000	1.73
9	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR TEH SWEE HENG (MM1118)</i>	8,916,300	1.55
10	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>MAYBANK PRIVATE WEALTH MANAGEMENT FOR KOH THUAN TECK (PW-M00971)(422076)</i>	8,000,000	1.39
11	YONG KIM FUJ	6,886,200	1.19
12	APEX NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR POO CHIN KEONG (MARGIN)</i>	5,962,900	1.03
13	LAW SEEH KEY	5,164,646	0.89
14	LOW LAY PING	5,048,400	0.87
15	CHAN JEE CHET	4,320,000	0.75
16	APEX NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR TAN KAY YEN (MARGIN)</i>	4,000,000	0.69
17	LEE KAO CHOON	3,800,000	0.66
18	CHUA TECK KIM	3,200,000	0.55
19	LAY SOOK HWEY	3,000,000	0.52
20	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>MAYBANK TRUSTEES BERHAD FOR DANA MAKMUR PHEIM (211901)</i>	2,924,000	0.51
21	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR TEE CHEE CHIANG (M55008)</i>	2,632,600	0.46
22	ALLIANCE GROUP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR SOE AIK KEONG (6000972)</i>	2,300,000	0.40
23	RHB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR TEH HENG TIAN</i>	2,200,000	0.38
24	KWAN LI WEI	1,982,200	0.34
25	YAP KIAN PENG	1,700,100	0.29

ANALYSIS OF SHAREHOLDINGS

As at 31 MARCH 2023

cont'd

THIRTY (30) LARGEST SHAREHOLDERS AS AT 31 MARCH 2022 (cont'd)

No.	Name of Shareholders	No. of Shares	%
26	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR DZAKWAN BIN MANSORI</i>	1,650,000	0.29
27	TAI KIAT SIONG	1,512,500	0.26
28	CHOW KHUI WENG	1,500,000	0.26
29	ON THIAM CHAI	1,500,000	0.26
30	RHB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR JACKSON LOW</i>	1,500,000	0.26
Total		379,383,500	65.73

NOTICE OF SIXTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Sixth Annual General Meeting of the Company will be held at Auditorium @ Resource Centre (MRANTI), Taman Teknologi Mranti, Lebuhraya Puchong - Sg. Besi, 57000 Bukit Jalil, Kuala Lumpur on Friday, 26 May 2023 at 2.30 p.m., for the following purposes: -

AGENDA

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2022 together with the Directors' and Audit Reports thereon. *Please refer to Explanatory Note 1*
2. To approve the following payments: -
 - (a) Directors' fees to the Non-Executive Directors of up to RM150,000.00 from Sixth Annual General Meeting until the next Annual General Meeting. *Ordinary Resolution 1*
 - (b) Directors' allowances to the Non-Executive Directors of up to RM10,000.00 from Sixth Annual General Meeting until the next Annual General Meeting. *Ordinary Resolution 2*
3. To re-elect the following Directors who are retiring in accordance with Clause 97 of the Company's Constitution: -
 - (a) Mr. Law Seeh Key *Ordinary Resolution 3*
 - (b) Ms. Shireen Chia Yin Ting *Ordinary Resolution 4*
4. To re-appoint Messrs. UHY Malaysia as the Company's Auditors for the ensuing year and to authorise the Directors to fix their remuneration. *Ordinary Resolution 5*

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary Resolution:-

5. **Authority to Issue and Allot Shares Pursuant to Sections 75 and 76 of the Companies Act 2016** *Ordinary Resolution 6*

"**THAT** subject always to the Companies Act 2016 ("Act"), Constitution of the Company, ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of the relevant authorities, the Directors be and are hereby authorised pursuant to Sections 75 and 76 of the Companies Act 2016, to issue and allot shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company at the time of issue **AND THAT** the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares to be issued on Bursa Malaysia Securities Berhad ("Bursa Securities") **AND FURTHER THAT** such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

Please refer to Explanatory Note 2

AND FURTHER THAT pursuant to Section 85 of the Companies Act, 2016 read together with Clause 54 of the Company's Constitution, approval be and is hereby given to waive the statutory pre-emptive rights of the shareholders of the Company and to offer new shares arising from the issuance and allotment of the new shares pursuant to Sections 75 and 76 of the Companies Act 2016 **AND THAT** the Board of Directors of the Company is exempted from the obligation to offer such new shares first to the existing shareholders of the Company.

NOTICE OF SIXTH ANNUAL GENERAL MEETING

cont'd

- To transact any other business of the Company of which due notice shall be given in accordance with the Company's Constitution and the Companies Act 2016.

By Order of the Board
SECUREMETRIC BERHAD

WONG YOUN KIM
Company Secretary

Kuala Lumpur

Dated this 28th day of April, 2023

NOTES:

- A member of the Company entitled to be present and vote at the meeting is entitled to appoint a proxy/proxies, to attend and vote instead of him. A proxy may but need not be a member of the Company and need not be an advocate, an approved company auditor or a person appointed by the Registrar of Companies.*
- A member shall be entitled to appoint more than two (2) proxies to attend and vote at the same meeting.*
- Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
- If the appointer is a corporation, the Form of Proxy must be executed under its Common Seal or under the hand of its attorney.*
- Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), as defined under the Securities Industry (Central Depositories) Act, 1991 there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
- A proxy appointed to attend and vote in a meeting of the Company shall have the same rights as the member to speak at the meeting.*
- The duly completed Form of Proxy must be deposited at the registered office of the Company at Acclime Corporate Services Sdn. Bhd., Level 5, Tower 8, Avenue 5, Horizon 2, Bangsar South City, 59200 Kuala Lumpur not less than twenty-four (24) hours before the time for holding the meeting or any adjournment thereof.*
- General Meeting Record of Depositors**

For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn Bhd in accordance with Article 55(3) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 19 May 2023. Only a depositor whose name appears on the Record of Depositors as at 19 May 2023 shall be entitled to attend this meeting or appoint proxy/proxies to attend and/or vote in his stead.

NOTICE OF SIXTH ANNUAL GENERAL MEETING

cont'd

EXPLANATORY NOTES ON SPECIAL BUSINESS

1. Item 1 of the Agenda - Audited Financial Statement for the Financial Year Ended 31 December 2022

The Audited Financial Statements are for discussion only as the approval of the shareholders is not required pursuant to the provisions of Section 340(1)(a) of the Companies Act 2016. Hence, this Agenda is not put forward for voting by the shareholders of the Company.

2. Ordinary Resolution 6 - Authority to Issue and Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016

The proposed Resolution 6 under item 5 above, if passed, will empower the Directors of the Company, from the date of the above Annual General Meeting, with the authority to issue and allot shares in the Company up to an amount not exceeding 10% of the total number of issued shares of the Company for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting.

The general mandate sought for issue of shares is a renewal of the mandate approved by the shareholders at the last AGM held on 31 May 2022 which will lapse at the conclusion of this 6th AGM.

As at the date of this Notice, no new shares in the Company were issued pursuant to the general mandate granted to the Directors at the last AGM held on 31 May 2022. The general mandate is to provide flexibility to the Company to issue new shares without the need to convene a separate general meeting to obtain shareholders' approval so as to avoid incurring cost and time. The purpose of this general mandate is for fund raising exercises including but not limited to further placement of shares for the purpose of funding current and/or future investment projects, working capital and/or acquisition(s).

The approval of the issuance and allotment of the new shares under Sections 75 and 76 of the Companies Act 2016 shall have the effect of the shareholders having agreed to waive their statutory pre-emptive rights pursuant to Section 85 of the Companies Act, 2016 and Clause 54 of the Constitution of the Company, the shareholders of the Company hereby agree to waive and are deemed to have waived their statutory pre-emptive rights pursuant to Section 85 of the Companies Act, 2016 and Clause 54 of the Constitution of the Company pertaining to the issuance and allotment of new shares under Sections 75 and 76 of the Companies Act 2016, which will result in a dilution to their shareholding percentage in the Company.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

The Directors who are seeking re-election as Director or continuing in office as Independent Non-Executive Director at the Sixth Annual General Meeting of the Company are: -

- (a) Mr. Law Seeh Key (Clause 97 of the Company's Constitution)
- (b) Ms. Shireen Chia Yin Ting (Clause 97 of the Company's Constitution)

The Board of Directors, taking into the recommendation of Nomination Committee, supported the above-mentioned Directors of their re-election as Director at the Sixth Annual General Meeting of the Company.

Based on the assessment and evaluation conducted by the Nomination Committee, the retiring Directors met the performance criteria required of an effective and a high-performance Board. In addition, all the Independent Non-Executive Directors have also provided annual declaration/confirmation of independence respectively.

The profiles of the above Directors who are seeking re-election are set out in the Profile of Directors as disclosed on Pages 16 to 18 of the Annual Report.

The details of the above Directors' interest in the securities of the Company are stated on Page 146 of the Annual Report.

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SECUREMETRIC BERHAD

Registration No. 201701019864 (1234029-D)

(Incorporated in Malaysia)

I/We
(FULL NAME IN BLOCK LETTERS)

of
(FULL ADDRESS)

being a member/members of **SECUREMETRIC BERHAD**, hereby appoint the following person(s) or failing him, the Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf, at the Sixth Annual General Meeting of the Company to be held at Auditorium @ Resource Centre (MRANTI), Taman Teknologi Mranti, Lebuhraya Puchong - Sg. Besi, 57000 Bukit Jalil, Kuala Lumpur on Friday, 26 May 2023 at 2.30 p.m. and any adjournment thereof:-

Name of Proxy, NRIC No. & Address

No. of Shares to be
represented by Proxy

1. Name:
NRIC No.:
Mobile number:
Email address:
Address:

2. Name:
NRIC No.:
Mobile number:
Email address:
Address:

NO.	RESOLUTIONS		FOR	AGAINST
1.	Approval of the following payments :- (a) Directors' fees to the Non-Executive Directors of up to RM150,000.00 from Sixth Annual General Meeting until the next Annual General Meeting (b) Directors' allowances to the Non-Executive Directors of up to RM10,000.00 from Sixth Annual General Meeting until the next Annual General Meeting	<i>Ordinary Resolution 1</i> <i>Ordinary Resolution 2</i>		
2.	Re-election of Mr. Law Seeh Key	<i>Ordinary Resolution 3</i>		
3.	Re-election of Ms. Shireen Chia Yin Ting	<i>Ordinary Resolution 4</i>		
4.	Re-appointment of Messrs. UHY Malaysia as Auditors	<i>Ordinary Resolution 5</i>		
5.	Authority to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016	<i>Ordinary Resolution 6</i>		

Please indicate with an "X" in the appropriate boxes on how you wish your vote to be cast on the Resolutions specified in the Notice of Meeting. Unless voting instructions are indicated in the space above, the proxy will vote as he/she thinks fit.

Number of shares _____

CDS A/C No. _____

Mobile No. _____

Email address _____

.....
Date

.....
Signature of Shareholder

Then fold here

AFFIX
STAMP

The Company Secretary

SECUREMETRIC BERHAD
Registration No. 201701019864 (1234029-D)
c/o
Acclime Corporate Services Sdn. Bhd.
Level 5, Tower 8, Avenue 5, Horizon 2
Bangsar South City
59200 Kuala Lumpur
Malaysia

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NOTES:

1. A member of the Company entitled to be present and vote at the meeting is entitled to appoint a proxy/proxies, to attend and vote instead of him. A proxy may but need not be a member of the Company and need not be an advocate, an approved company auditor or a person appointed by the Registrar of Companies.
2. A member shall be entitled to appoint more than two (2) proxies to attend and vote at the same meeting.
3. Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
4. If the appointer is a corporation, the Form of Proxy must be executed under its Common Seal or under the hand of its attorney.
5. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), as defined under the Securities Industry (Central Depositories) Act, 1991 there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
6. A proxy appointed to attend and vote in a meeting of the Company shall have the same rights as the member to speak at the meeting.
7. The duly completed Form of Proxy must be deposited at the registered office of the Company at Acclime Corporate Services Sdn. Bhd., Level 5, Tower 8, Avenue 5, Horizon 2, Bangsar South City, 59200 Kuala Lumpur not less than twenty-four (24) before the time for holding the meeting or any adjournment thereof.
8. **General Meeting Record of Depositors**
For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn. Bhd. in accordance with Article 55(3) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 19 May 2023. Only a depositor whose name appears on the Record of Depositors as at 19 May 2023 shall be entitled to attend this meeting or appoint proxy/proxies to attend and/or vote in his stead.

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