Infortech Alliance Berhad
(439230-A)

A new beginning

# annual report 2010

atCom®

MSC-Status Company

# CONTENTS

# Corporate Information

## BOARD OF DIRECTORS

| | |
|---|---|
| Tan Siew Ching | *Executive Director* |
| Lee Chee Kheng | *Executive Director* |
| Roy Thean Chong Yew | *Independent, Non-Executive Director* |
| Law Seeh Key | *Independent, Non-Executive Director* |
| Ewe Chuan Seng | *Independent, Non-Executive Director* |

## AUDIT COMMITTEE

| | |
|---|---|
| Roy Thean Chong Yew | *Chairman* |
| Law Seeh Key | *Member* |
| Ewe Chuan Seng | *Member* |

## NOMINATION COMMITTEE

| | |
|---|---|
| Law Seeh Key | *Chairman* |
| Roy Thean Chong Yew | *Member* |
| Ewe Chuan Seng | *Member* |

## REMUNERATION COMMITTEE

| | |
|---|---|
| Ewe Chuan Seng | *Chairman* |
| Roy Thean Chong Yew | *Member* |
| Law Seeh Key | *Member* |

## FORM OF LEGAL ENTITY
Incorporated in Malaysia on 14 July 1997
as a private limited company
Converted to a public limited company
on 16 December 2002

## COMPANY NUMBER
439230-A

## STOCK EXCHANGE LISTING
Listed on ACE Market of Bursa Malaysia
Securities Berhad on 28 July 2003
Stock Code : 0024
Stock Name : Infotech
Sector : Technology

## SECRETARY
Tong Siut Moi
MAICSA 7024173

## SHARE REGISTRAR
Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Telephone no. : 03 7841 8000
Facsimile no. : 03 7841 8152

## REGISTERED OFFICE
Unit A-32-06
Three Two Square
2 Jalan 19/1
46300 Petaling Jaya
Selangor Darul Ehsan
Telephone no. : 03 7954 8876
Facsimile no. : 03 7954 7279

## PRINCIPAL OFFICE
Unit A-32-06
Three Two Square
2 Jalan 19/1
46300 Petaling Jaya
Selangor Darul Ehsan
Telephone no. : 03 7954 8876
Facsimile no. : 03 7954 7279
Website : www.infortechalliance.com

## AUDITORS
Messrs THL Wong & Co. (AF 0942)
Chartered Accountants
10, Lorong Universiti B
Section 16
46350 Petaling Jaya
Selangor Darul Ehsan
Telephone no. : 03 7956 5333
Facsimile no. : 03 7958 6833

## PRINCIPAL BANKERS
Malayan Banking Berhad
Public Bank Berhad
RHB Bank Berhad

# Group Corporate Structure

**INFORTECH ALLIANCE BERHAD**
(439230-A)

- **100%** — **Infortech atCom Sdn Bhd** (297387-W)
- **100%** — **Infortech Software Sdn Bhd** (206708-P)
- **25%** — **Shanghai Infortech Software Development Co. Ltd.** (Incorporated in the People's Republic of China)

# Message from the Board of Directors

Dear shareholders,

The Board of Directors ("Board") of Infortech Alliance Berhad ("the Company") is pleased to present to you the Annual Report and Audited Financial Statements of the Company and its subsidiaries ("Group") for the financial year ended ("FYE") 31 December 2010.

**FINANCIAL PERFORMANCE**

For the FYE 31 December 2010, the Group recorded revenue of approximately RM0.994 million, and incurred consolidated loss after tax ("LAT") of approximately RM0.376 million as compared to a revenue of approximately RM1.3 million and LAT of approximately RM0.221 million recorded in the previous financial year. The decline in revenue was mainly due to the proprietary solutions business getting more intense and competitive resulting in the profit margin being adversely affected. The Group endeavours to enhance its services to its existing customers and plans to diversify its business operations in future.

**RESEARCH AND DEVELOPMENT**

There were minimum research and development activities carried out in 2010. However, moving forward, research and product development in the payroll and human resource sector remains a key focus of the Group to grow and widen its product offerings to create additional revenue streams.

**CORPORATE PROPOSALS**

On 19 January 2011, the Company appointed PM Securities Sdn Bhd as its Principal Adviser to undertake the following corporate proposals:-

i) proposed acquisition of the entire equity interest in Jaring Metal Industries Sdn Bhd (Company No. 425785-T) for a total purchase consideration of RM64,800,000 to be satisfied by the issuance of 462,857,143 new ordinary shares of RM0.10 each in the Company at an issue price of RM0.14 each;

ii) proposed renounceable restricted issue of up to 181,500,000 ordinary shares of RM0.10 each in the Company together with up to 108,900,000 free detachable warrants; and

iii) proposed increase in the authorised share capital of the Company from RM10,000,000 comprising 100,000,000 ordinary shares in the Company of RM0.10 each to RM250,000,000 comprising 2,500,000,000 ordinary shares of RM0.10 each.

**PROSPECTS**

The growing competition in the Information and Communications Technology ("ICT") market has made the Group's products pricing very competitive. To meet the challenges in the market, the Group will focus on its own technologies, products development, products and service enhancement, and market expansion to cover in particular, the markets abroad.

The Group also endeavours to improve on cost efficiencies, prudent management of resources and, more importantly, plans to diversify its business activities to generate additional income.

Barring any unforeseen circumstances and upon the successful completion of the abovesaid corporate proposals, the Group could expect its financial performance for the coming financial years to improve whilst being in a better position to capitalise on the growth of the ICT sector and, henceforth create better values for the shareholders.

## BOARD CHANGES

During the year 2010, the three (3) Independent and Non-Executive Directors ("INEDs") namely Mr Hiroyuki Yokohama, Mr Ooi Giap Ch'ng and Mr Chong Ying Choy resigned and were replaced accordingly.

With an aim to better manage the Group, Executive Directors ("EDs") were subsequently appointed. Mr Lee Chee Kheng was first appointed as an INED but was subsequently redesignated as an ED effective 1 November 2010. The other ED, Ms Tan Siew Ching was appointed on 15 March 2011 after the FYE 31 December 2010.

## MANAGEMENT CHANGES

During the 4th quarter of 2010, both the General Manager and Finance Manager resigned from the Group. Nevertheless, their departure has not affected the new Management's plans to steer the Group to achieve better performance and profitability.

## APPRECIATION

The Board would like to convey its earnest gratitude to the Company's shareholders, employees, valued customers and business partners for their commitment, contributions and support over the past year. Despite the internal and external challenges, the stakeholders did their best to surmount the difficulties and continued to support and work with the Group.

**THE BOARD OF DIRECTORS**
of **INFORTECH ALLIANCE BERHAD**

Date : 27 May 2011

# Board of Directors' Profile

## MS TAN SIEW CHING

*Executive Director*
*Malaysian, aged 42*

Ms Tan Siew Ching was appointed as an ED of the Company on 15 March 2011. She is the largest shareholder in the Company. She is not a member of any Committee of the Board.

Ms Tan graduated with a Bachelor of Science (Honours) degree in Business Economics from the University of Salford in the United Kingdom.

Ms Tan has vast experience in trading, retailing, information technology, education and training, interior design, refurbishment and contracting. She is a director of several private companies.

As she only came on Board after the end of the FYE 31 December 2010, she did not attend any of the Board Meetings of the Company held during the financial year.

## MR LEE CHEE KHENG

*Executive Director*
*Malaysian, aged 51*

Mr Lee Chee Kheng joined the Board on 4 October 2010 as an INED, and was subsequently re-designated as an ED on 1 November 2010. He does not sit on any Committee of the Board.

Mr Lee is a Chartered Accountant and a member of the Malaysian Institute of Certified Public Accountants (MICPA) and the Malaysian Institute of Accountants (MIA). He is also a graduate of the Chartered Institute of Marketing (UK).

Mr Lee has more than 25 years of working experience in public practice, commerce and industry, and has over the years, held positions as Internal Audit Manager, Finance & Administration Manager, Financial Controller and Chief Financial Officer in various public listed companies.

He attended three out of the six Board Meetings of the Company held in the FYE 31 December 2010 as he was only appointed to the Board on 4 October 2010.

## MR LAW SEEH KEY

*Independent, Non-Executive Director*
*Malaysian, aged 38*

Mr Law Seeh Key was appointed to the Board on 13 October 2010 as an INED. He is the Chairman of the Nomination Committee, and a member of the Audit Committee as well as the Remuneration Committee.

Mr Law graduated with a Diploma of Science in Information System and Certificate in Accounting with Computing from the Tunku Abdul Rahman College, Kuala Lumpur. He also holds a Bachelor of Science in Information System from Campbell University, North Carolina, the United States of America.

He started his working path as a Business Development Manager/Director at a local IT distribution company, before moving on to being a Marketing Director/Founder of Softkey E-Solution Sdn Bhd ("Softkey"). Mr Law is at present the Chief Executive Officer and Co-Founder of SecureMetric Technology Sdn Bhd ("SecureMetric"), a joint venture company between Softkey and a China investor. Rooted in Kuala Lumpur, SecureMetric has various subsidiaries in Hanoi, Ho Chi Minh City, Jakarta and Singapore together with more than 20 channel partners worldwide.

Due to his appointment to the Board on 13 October 2010, Mr Law attended only three out of the six Board Meetings of the Company held in the FYE 31 December 2010.

## MR ROY THEAN CHONG YEW

*Independent, Non-Executive Director*
*Malaysian, aged 39*

Mr Roy Thean Chong Yew joined the Board on 18 October 2010 as an INED. He is the Chairman of the Audit Committee, and a member of the Nomination Committee and the Remuneration Committee.

Mr Roy Thean is a member of the Malaysian Institute of Certified Public Accountants (MICPA), Malaysian Institute of Accountants (MIA) and a Chartered Member of Institute of Internal Auditors of Malaysia (CMIIA).

Mr Roy Thean began his career in 1994 with PKF Malaysia. After accumulating extensive working experience in his field, Mr Roy Thean left PKF Malaysia as an Audit Manager in 2003 to join a professional services firm, Russell Bedford Malaysia Business Advisory Sdn Bhd for another six years, rising to the position of an ED. He is at present in the commercial line, playing the role of an ED of JIWA Group of Companies that is involved in manufacturing and project management activities.

He attended three out of the six Board Meetings of the Company held in the FYE 31 December 2010 as he only came on Board of the Company on 18 October 2010.

## MR EWE CHUAN SENG

*Independent, Non-Executive Director*
*Malaysian, aged 54*

Mr Ewe Chuan Seng was appointed to the Board on 3 November 2010 as an INED. He is the Chairman of the Remuneration Committee, and a member of the Audit Committee as well as the Nomination Committee.

Mr Ewe holds an Honours degree in Bachelor of Arts from Universiti Sains Malaysia, an LLB (Hons) from the University of East London and a Certificate of Legal Practice (CLP).

Mr Ewe was a teacher and a police officer before joining the private sector as a Factory Manager and then a General Manager. He subsequently became a partner in the legal firm Messrs Wan Ewe Chong & Khoo in Kuala Lumpur from July 1999 to present.

As he only joined the Board on 3 November 2010, Mr Ewe attended only one out of the six Board Meetings of the Company held in the FYE 31 December 2010.

***Notes:-***

*Save as disclosed above, none of the Directors has:-*

*(a) directorship in other public companies;*
*(b) any family relationship with any Director and/or major shareholder of the Company;*
*(c) any conflict of interest with the Company; and*
*(d) any conviction for offences (other than traffic offences) within the past ten years.*

# Statement on Corporate Governance

This statement serves to provide investors with an overview of the Corporate Governance ("CG") practices of the Company under the stewardship of the Board. It explains the manner in which the Company has applied the Principles and the state of compliance in accordance with the Best Practice provisions of the Malaysian Code on Corporate Governance ("CG Code"). This statement also provides compliance with paragraph 15.25 of the ACE Market Listing Requirements ("AMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

**THE BOARD OF DIRECTORS**

**1. Principal Responsibilities of the Board**

The Board is assisted by a management team relevant to the Group's business operations and takes full responsibility for the overall performance of the Company and the Group. The principal responsibilities of the Board include the following specific areas:-

- reviewing and adopting strategic business plans for the Group
- overseeing the conduct of the Group's businesses to evaluate whether the business is being properly managed
- identifying principal risks and ensuring the implementation of appropriate systems to manage these risks
- developing and implementing an investor relations programme or shareholders communication policy for the Company, as it is important that the Company is able to communicate effectively with its shareholders
- reviewing the adequacy and integrity of the Group's internal control systems and management information systems; including systems for compliance with applicable laws, regulations, rules, directives and guidelines

**2. Board Balance and Independence**

The Board comprises five (5) members of which three (3) are INEDs and two (2) are EDs. The size of INEDs on Board forms more than one-third of the entire Board structure.

The INEDs are all independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

The number of Directors reflects appropriately and fairly the investment in the Company by the shareholders at large even though one of the Board members namely Ms Tan Siew Ching is the largest shareholder in the Company. The members of the Board consist of professionals and entrepreneurs with diverse skills, expertise and experiences in computer software industry, law, accounting, management and, sales and marketing. Their diverse backgrounds, mix of skills and wide range of functional knowledge enable the Board to carry out its responsibilities in an effective and competent manner, and provide invaluable contributions to overseeing the management of the Company. The profile of each Director is as set out in the Board of Directors' Profile on pages 6 and 7 of the Annual Report.

The Board did not view the need to appoint a Senior INED as it is able to act independently and objectively due to its balance composition. No individual or group of individuals dominates the Board's decision-making.

**3. Board Structures and Procedures**

**a. Board and Board Committee Meetings**

For the FYE 31 December 2010, the Board had met a total of six (6) times, in addition to deliberating on the Company's quarterly financial results at the end of every quarter, to discuss important matters which demanded immediate attention and decision making. During the Board Meetings, the Board reviewed the operation and performance of the Company and other strategic issues that may affect the Company's business. Management staff as well as professional advisors were invited to attend some of the Board Meetings to provide the Board with their views and clarifications on issues raised by the Directors.

## THE BOARD OF DIRECTORS (cont'd)

### 3. Board Structures and Procedures (cont'd)

#### a. Board and Board Committee Meetings (cont'd)

The attendance record of each Director at Board of Directors' Meetings during the last financial year is as follows:-

| | Total no. of meetings held during tenure of office | Total no. of meetings attended | % of attendance |
|---|---|---|---|
| Mr Hiroyuki Yokohama (resigned on 01.10.10) | 3 | 2 | 67 |
| Mr Ooi Giap Ch'ng (resigned on 13.10.10) | 3 | 3 | 100 |
| Mr Chong Ying Choy (resigned on 18.10.10) | 3 | 3 | 100 |
| Mr Lee Chee Kheng (appointed on 04.10.10) | 3 | 3 | 100 |
| Mr Law Seeh Key (appointed on 13.10.10) | 3 | 3 | 100 |
| Mr Roy Thean Chong Yew (appointed on 18.10.10) | 3 | 3 | 100 |
| Mr Ewe Chuan Seng (appointed on 03.11.10) | 1 | 1 | 100 |
| Ms Tan Siew Ching (appointed on 15.03.11) | – | – | – |

The agenda of each Board meeting is finalised by the Chairman of the Meeting. Meeting papers are prepared to provide relevant facts and analysis. The agenda and papers for meetings are furnished to Directors and Board Committee members in advance to enable them to prepare for the meetings.

The Board encourages constructive and healthy debate at all meetings. The Directors are given the chance to freely express their opinions. Any Director/Board Committee member who has a direct or deemed interest in the subject matter to be deliberated shall abstain from deliberation and voting on the same during the meeting.

The Company Secretary would ensure a quorum is present for all meetings and that such meetings are convened in accordance with the relevant Board Committee's Terms of Reference ("TOR"). The Company Secretary records the proceedings of all meetings including pertinent issues, the substance of inquiries (if any) and responses thereto, and the decisions made.

#### b. Supply of and Access to Information

All Directors have individual and independent access to the advice and support services of the Company Secretary and external auditors and, may seek advice from the entire management on issues under their respective purview to ensure the effective functioning of the Board.

The Directors, whether as a full board or in their individual capacity, are encouraged to seek independent professional advice on specific issues and gain access to relevant information whenever required to enable the Board to discharge its duties in relation to the matters being deliberated.

#### c. Training of Directors

The Company provides relevant training programmes for Directors' continuing education. The Directors may also request to attend additional training courses according to their individual needs as a Director or member of Board Committees on which they serve.

All the Directors appointed during the financial year have completed the Mandatory Accreditation Programme as prescribed by the AMLR of Bursa Securities. In addition, the Directors also attended development and training programmes and other professionally conducted seminars relevant to the Company's business during the year. The Directors will continually attend training programmes endorsed by Bursa Securities to keep abreast with developments in the capital market.

## THE BOARD OF DIRECTORS (cont'd)

### 4. Appointments to the Board and Board Committees

#### a. Appointments to the Board

The Nomination Committee ("NC") comprising three (3) INEDs, has the responsibility to identify and select potential new Directors and to make recommendations to the Board for the appointment of Directors.

The NC reviews candidates for appointment as Directors based on criteria such as their qualifications, skills, functional knowledge, experience, character, integrity and professionalism.

#### b. Appointments to the Board Committees

The NC is responsible for reviewing candidates for appointment to the Board Committees, and making recommendations to the Board for approval. The review is conducted on an annual basis, and as and when the need arises.

### 5. Re-election of Directors

Pursuant to Article 67 of the Articles of Association of the Company, an election of Directors shall take place each year at its Annual General Meeting ("AGM") where one-third (1/3) of the Directors who are longest in office shall retire, and, if eligible, may offer themselves for re-election. The NC is responsible for making recommendation to the Board on the re-election of Directors through this process of retirement by rotation in accordance with the provisions of the Articles of Association of the Company.

## DIRECTORS' REMUNERATION

### 1. Level and Make-up of Remuneration

The remuneration of each Director reflects the level of responsibility and commitment, which goes with Board membership. The full Board determines the remuneration of each Director.

It is the Board's duty to ensure that the level of remuneration is sufficient to attract and retain the Directors needed to run the Company successfully. The EDs play no part in deciding their own remuneration and the respective Board members shall abstain from all discussions pertaining to their remuneration.

### 2. Procedure for Approving Board Remuneration

The Remuneration Committee ("RC") is responsible for reviewing and making recommendations to the Board for approval, the framework and remuneration packages of the Non-Executive Directors ("NEDs") as well as the EDs in all forms, drawing from outside advice whenever necessary prior to making the relevant recommendations to the Board such that the levels of remuneration are sufficient to attract and retain the Directors needed to run the Company successfully.

The RC had recently considered the proposed increase to the Directors' fees in respect of the financial year ending 31 December 2011, which is subject to the shareholders' approval at the forthcoming AGM. The Board agreed with the RC's recommendation for revision based on a comparative analysis of the remuneration of NEDs in public listed companies in Malaysia.

**DIRECTORS' REMUNERATION (cont'd)**

**3. Disclosure of Board Remuneration**

A summary of remuneration packages of the Directors of the Company for the FYE 31 December 2010 which includes the figures for Directors who have resigned during the year is as follows:-

| Directors' Remuneration | Executive Directors (RM) | Non-Executive Directors (RM) |
|---|---|---|
| Fees | – | 40,500 |
| Salaries | 20,000 | – |
| Percentages | – | – |
| Bonuses | – | – |
| Commission | – | – |
| Compensation for loss of office | – | – |
| Benefits-in-kind | – | – |
| Meeting Expenses | – | – |
| Others | 2,400 | – |
| **Total** | **22,400** | **40,500** |

The details of remuneration for Directors of the Company received/receivable for the FYE 31 December 2010 by category and in bands of RM50,000 are as shown below:-

| Range of Remuneration Per Annum | No. of Directors (Executive) | No. of Directors (Non-Executive) |
|---|---|---|
| Below RM50,000 | 1 | 6 |
| RM50,001 to RM100,000 | – | – |
| RM100,001 to RM150,000 | – | – |

**SHAREHOLDERS**

**1. Dialogue between Company and Investors**

The Board has always recognised the importance of accurate and timely dissemination of information to its shareholders and potential investors. As such, the maintenance of an effective communication policy between members of the public and the Company is important.

Several channels are used to disseminate information on a timely basis to the investing public:-
- the AGM is used as the main forum of dialogue for shareholders to raise any issues pertaining to the Company
- annual report, quarterly financial results and various announcements made via Bursa Listing Information Network ("Bursa LINK")
- the Company's website www.infortechalliance.com provides corporate information on the Group.

**2. Annual General Meeting**

The AGM is held once in every calendar year. The Board ensures that full information of the Directors who are retiring at the AGM and willing to serve if re-elected are disclosed in the Notice of meeting and the Statement accompanying therewith.

An explanatory note facilitating full understanding and evaluation of issues involved in the proposed resolution accompanies each item of special business included in the Notice of the meeting.

## SHAREHOLDERS (cont'd)

### 2. Annual General Meeting (cont'd)

The proceedings of the AGM included the presentation of the Company's operating and financial performances for the year, the presentation of the external auditors' report to the shareholders, and a question and answer session in which the Chairman of the meeting would invite shareholders to raise questions on the Company's financial statements and other items for adoption at the meeting, before putting a resolution to vote. The EDs ensure that sufficient opportunities are given for shareholders to raise issues relating to the affairs of the Company and that adequate responses are given.

The results of all the resolutions set out in the Notice of the AGM would be announced on the same day via Bursa LINK, which is accessible on Bursa Securities's website.

## ACCOUNTABILITY AND AUDIT

### 1. Financial Reporting

The Company's audited financial statements are prepared in accordance with the requirements of the applicable approved accounting standards in Malaysia and the provisions of the Companies Act 1965 ("Act"). The Board is responsible to ensure that the audited financial statements of the Company present a balanced and understandable evaluation and assessment of the Company's financial performance, current position and future prospects. In this respect, the Audit Committee ("AC") assists the Board in scrutinizing information for disclosure to ensure accuracy and adequacy.

### 2. Directors' Responsibility Statement

In pursuance of the Act, Directors of a company are required to prepare the financial statements for each financial year in accordance with the provisions of the Act and applicable approved accounting standards to give a true and fair view of the state of affairs of the Company and the Group as at the financial year end and of the results and cash flow of the Company and the Group for that period.

In preparing the financial statements, the Directors have ensured that appropriate accounting policies have been adopted and applied consistently and, supported by reasonable and prudent judgements and estimates. The Directors have also ensured that all applicable approved accounting standards in Malaysia have been followed.

To ensure the financial statements comply with the provisions of the Act, proper accounting records which disclose the financial position of the Company and the Group with reasonable accuracy at any time, have been kept.

### 3. Internal Control

Information of the Company's internal control system and its framework are presented in the Statement on Internal Control on page 18 of the Annual Report.

### 4. Relationship with the Auditors

#### a. Internal Auditors

The outsourced internal auditors communicate regularly with and report directly to the AC. The outsourced internal auditors' representative attends meetings of the AC whenever appropriate.

The Internal Audit Review of the Company's operations encompasses an independent assessment of the Company's compliance with its internal controls and makes recommendations for improvement.

**ACCOUNTABILITY AND AUDIT (cont'd)**

**4. Relationship with the Auditors (cont'd)**

**b. External Auditors**

The Company's external auditors play an essential role by enhancing the reliability of the Company's financial statements and giving assurance of that reliability to users of these financial statements.

The AC would discuss with the external auditors on management's cooperation in the audit process, quality and competency in the financial reporting function, and audit issues in relation to appropriate accounting treatment.

The external auditors have an obligation to bring any significant defects in the Company's system of control and compliance to the attention of the AC and the Board. This includes the communication of fraud.

**COMPLIANCE STATEMENT**

The Board is satisfied that in 2010, the Company has complied with the Best Practices of the CG Code save for the appointment of a Senior INED for the reasons stated in the last paragraph of point 2 on page 8 of the Annual Report.

# Other Compliance Disclosures

The following information is provided in accordance with Paragraph 9.25 of the AMLR as set out in Appendix 9C thereto.

**1. Utilisation of Proceeds Raised from Corporate Proposals**

The proceeds of RM811,800.00 from the Private Placement of 6,600,000 ordinary shares of RM0.10 each in the share capital of the Company completed during the financial year were utilised by the Group for working capital purposes and for defraying the expenses in respect of the Private Placement.

**2. Share Buy-Back**

The Company did not undertake any share buy-back exercise during the financial year.

**3. Options, Warrants or Convertible Securities**

The Company did not grant any options to any parties to take up unissued shares in the Company and did not issue any warrants or convertible securities during the financial year.

**4. American Depository Receipt (ADR) or Global Depository Receipt (GDR) Programme**

The Company did not sponsor any ADR or GDR programme during the financial year.

**5. Corporate Social Responsibility (CSR)**

The Group recognises the importance of minimising the environmental impact and risks through encouraging the employees to be environmentally friendly and adopt cost and energy saving methods to preserve the environment.

The Group understands that CSR is an ongoing commitment and will therefore devise and implement additional CSR practices in other areas of its business and operations in the future.

**6. Related Party Transactions**

Significant related party transactions of the Group for the financial year are disclosed in Note 31 to the Financial Statements.

**7. Imposition of Sanctions and/or Penalties**

There was no penalty imposed on the Company during the financial year.

**8. Non-Audit Fees**

No non-audit fees were incurred for services rendered to the Company or its subsidiaries by the Company's auditors, or a firm or company affiliated to the auditors' firm for the FYE 31 December 2010.

**9. Variation in Results**

The annual audited financial statements of the Company/Group for the FYE 31 December 2010 did not vary by 10% or more from the unaudited results announced to Bursa Securities on 28 February 2011.

**10. Profit Guarantee**

There was no profit guarantee for the financial year.

**11. Material Contracts Involving Directors' and Major Shareholders' Interests**

There was no material contract entered into by the Group involving the interest of Directors and major shareholders, either still subsisting as at the end of the financial year or entered into since the end of the previous financial year.

**12. Revaluation Policy on Landed Properties**

The Group does not own any landed properties as at the end of the financial year.

**The Board of Infortech Alliance Berhad is pleased to present the Report of the Audit Committee for the year ended 31 December 2010.**

## COMPOSITION

All three (3) members of the AC are INEDs. The composition of the AC is set out on page 2 of the Annual Report.

Mr Roy Thean Chong Yew, the AC Chairman, is a member of the Malaysian Institute of Certified Public Accountants (MICPA), Malaysian Institute of Accountants (MIA) and a Chartered Member of Institute of Internal Auditors of Malaysia (CMIIA). In this respect, the Company is in compliance with paragraph 15.09(1)(c)(i) of the AMLR of Bursa Securities.

## TERMS OF REFERENCE

### 1. Authority

The Committee has unrestricted access to all of the Group's records, properties and personnel to enable it to discharge its duties. It may seek outside legal or independent advice and secure attendance of external experts as and when it considers necessary.

The Committee shall have the authority to:-

i. approve any appointment or termination of senior staff members of the internal audit function;
ii. investigate any matter within its TOR, have the resources which it needs to do so, full and unrestricted access to information pertaining to the Group and the management;
iii. have direct communication channels with the internal and external auditors, and also to engage the senior management on a continuous basis, such as the Chairman, the Chief Executive Officer and the Chief Financial Officer in order to be kept informed of matters affecting the Group;
iv. have the right to obtain external professional advice at the Company's expense and invite persons with relevant experience to attend its meetings, if necessary; and
v. have the right to convene meetings with the internal and external auditors, excluding the attendance of other Directors or employees of the Group, whenever deemed necessary and such meetings with the external auditors shall be held at least twice a year.

### 2. Responsibilities

The Committee members are able to effectively discharge their functions, duties and responsibilities in accordance with the TOR of the AC, which include the following:-

#### a. Financial Reporting Review

- review the quarterly and annual financial statements and make recommendations to the Board on the adoption and release of the same, focusing particularly on:-
  - going concern assumption
  - compliance with accounting standards and other regulatory requirements
  - changes in or implementation of major accounting policy
  - significant and unusual issues
  - significant adjustments arising from the audit; and
- review and assess the appropriateness of the Group's accounting policies and the adequacy of management reporting requirements.

#### b. External Audit

- discuss and liaise with external auditors on the nature and scope of audit and to ensure smooth implementation of audit plans;
- review and make recommendations to the Board concerning the external auditors, the audit fees and any questions of appointment, resignation, suggestions of their dismissal or replacement; and
- determine whether there is reason (supported by grounds) to believe that the external auditors are not suitable for re-appointment.

## TERMS OF REFERENCE (cont'd)

### 2. Responsibilities (cont'd)

#### c. Internal Audit

- review the effectiveness of the internal control systems and the findings of the internal auditors; and
- review the adequacy of the scope, functions, competency and resources of the internal auditors.

#### d. Internal Control

- review the annual Statement on Internal Control to be included in the Annual Report; and
- assess the Group's processes and procedures for the purposes of compliance with all laws, regulations and rules, directives and guidelines established by the relevant regulatory bodies.

#### e. Related Party Transactions

- 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 a question of management integrity.

#### f. Employee Share Option Scheme ("ESOS")

- verify any allocation of options pursuant to the ESOS at the end of each financial year as being in compliance with the criteria disclosed to the employees.

However, the ESOS has expired on 7 November 2009 and as at the date of the expiry, no option has been granted pursuant to the ESOS to any employee or Directors of the Company and the Group.

#### g. Other Matters

- review the Company's business ethics and compliance with the requirements of the laws and, where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the Committee to promptly report such matter to the Securities Commission; and
- carry out any other duties and functions as may be mutually agreed upon by the Committee and the Board.

## MEETINGS

During the FYE 31 December 2010, the Committee held a total of five (5) meetings, two (2) of which were held without the presence of the management.

The details of attendance of AC Meetings during the financial year are as below:-

| Members | Date of Appointment | Date ceased to be member | Total no. of meetings held during tenure of office | Total no. of meetings attended |
|---|---|---|---|---|
| Mr Ooi Giap Ch'ng | 23.04.2007 | 13.10.2010 (resigned) | 3 | 3 |
| Mr Chong Ying Choy | 23.04.2007 | 18.10.2010 (resigned) | 3 | 3 |
| Mr Hiroyuki Yokohama | 23.02.2009 | 01.10.2010 (resigned) | 3 | 2 |
| Mr Lee Chee Kheng | 04.10.2010 | 01.11.2010 (re-designated) | 1 | 1 |
| Mr Law Seeh Key | 13.10.2010 | – | 2 | 2 |
| Mr Roy Thean Chong Yew | 18.10.2010 | – | 2 | 2 |
| Mr Ewe Chuan Seng | 03.11.2010 | – | 1 | 1 |

## MEETINGS (cont'd)

The partner of the external auditors attended one (1) AC meeting in 2010 to present the auditors' report on the annual audited financial statements for FYE 31 December 2009.

Deliberations during the AC meetings, including the issues discussed and the rationale for decisions, were minuted. Minutes of the AC meetings were tabled for confirmation at the next following AC meeting. The AC Chairman presented the AC's recommendations together with the respective rationale to the Board for approval of the annual and quarterly financial statements. The AC Chairman also conveyed to the Board matters of significant concern as and when raised by the internal or external auditors.

## SUMMARY OF ACTIVITIES

The AC had undertaken the following activities during the FYE 31 December 2010:-

- reviewed the quarterly financial results for the quarters ended 31 December 2009, 31 March 2010, 30 June 2010 and 30 September 2010 before recommending the same for the Board's approval;
- reviewed the audited financial statements for the FYE 31 December 2009 before recommending the same for the Board's approval;
- reviewed and discussed with the external auditors their scope of work, the results of their examination, the auditors' report and management letters in relation to the audit and accounting issues arising from the audit, as well as new developments on accounting standards and regulatory requirements;
- reviewed related party transactions, if any, entered into by the Company and its group of companies;
- reviewed the Group's compliance with the accounting standards and regulatory requirements;
- reviewed and approved the internal audit plan for the year ended 31 December 2010, reviewed the adequacy and performance of the Internal Audit function and its comprehensive coverage of the Group's activities; and
- reviewed the annual Audit Committee Report and Statement on Internal Control to be included in the Annual Report.

## INTERNAL AUDIT FUNCTION

The outsourced Internal Audit function is independent and performs audit assignments with impartiality, proficiency and due professional care. Reporting directly to the AC, it provides the Board with a reasonable assurance that the internal control system is operating satisfactorily.

During the financial year, the internal auditors reviewed compliance with policies, procedures and standards, relevant external rules and regulations, as well as assessed the adequacy and effectiveness of the Group's system of internal control and recommended appropriate actions to be taken where necessary. The audits performed met the objective of highlighting any weaknesses in the Group's internal control system and ensuring that these weaknesses are appropriately addressed and that recommendations from the internal audit reports are duly acted upon by the management.

The total costs incurred for the outsourced internal audit function of the Group for the FYE 31 December 2010 was approximately RM13,880.

# Statement on Internal Control

**This statement on Internal Control is included in the Annual Report pursuant to Paragraph 15.26(b) of the AMLR of Bursa Securities with regards to the Group's compliance with The Principle and Best Practices provisions relating to internal controls provided in the CG Code.**

**The Board is committed to maintaining a sound system of internal control in the Group, and is pleased to provide the following statement of internal control outlining the scope and nature of internal control of the Group.**

## BOARD RESPONSIBILITY

The Board ensures the discharge of its overall responsibility for safeguarding the shareholders' investment and the assets of the Company by implementing a sound and effective system of internal control and risk management, and reviewing the integrity and adequacy of those systems. The Board endeavours to fulfill its objective vide an effective and efficient governance, risk management, financial, organizational, operational and compliance control. It is committed to provide a system that gives reasonable, though not absolute assurance against the occurrence of any material misstatements or losses, or infringement against the laws or regulations.

## RISK MANAGEMENT

The Group has, through the help of an external Risk Management Consultant, adopted a risk management system to assist in measuring, assessing, aggregating, managing and mitigating risks in all its business processes. The Company believes that risk management is essential for continued profitability and enhancement of shareholders' value and, that a successful risk management system will help to achieve its corporate goals.

## KEY INTERNAL CONTROL PROCESSES

**1. Internal Audit**

The outsourced internal audit functions support the Board in an independent capacity to examine and evaluate the Company's business and operational processes, assess compliance with policies and procedures as well as relevant laws and regulations, and provide a reasonable assurance that the internal control system is adequate, effective and functional. The internal auditors provide reports on issues relating to internal controls and the associated risks together with recommendations for appropriate actions to the AC.

**2. External Audit**

The Board has always maintained a formal and transparent relationship with the Company's external auditors. From time to time, the external auditors highlight to the AC and the Board on matters that require the Board's attention.

**3. Employees Competency**

The Company provides constant training and development programmes to ensure that the employees are kept up-to-date with the necessary competencies to carry out their responsibilities towards achieving the Group's objectives.

## REVIEW OF INTERNAL CONTROL STATEMENT

The external auditors have reviewed this Internal Control Statement for inclusion in the 2010 Annual Report pursuant to Paragraph 15.23 of the AMLR, and reported to the Board that nothing has come to their attention that causes them to believe that this Internal Control Statement is inconsistent with their understanding of the processes adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.

## CONCLUSION

The Board members understand that they are ultimately responsible for ensuring the proper implementation of appropriate control system even though this responsibility has been delegated to the management. The Board opines that the system of internal controls in place for the year under review is sufficient to safeguard the shareholders' investment, the interests of the stakeholders, customers, regulators and employees.

# FINANCIAL STATEMENTS

# Directors' Report

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

**PRINCIPAL ACTIVITIES**

The Company is principally engaged in the business of computer software development, maintenance and support services. The principal activities of its subsidiaries are set out in Note 7 of the Notes to the Financial Statements. There have been no significant changes in the nature of these activities during the financial year.

| **RESULTS** | **GROUP RM** | **COMPANY RM** |
|---|---|---|
| Loss before taxation | (375,642) | (495,502) |
| Taxation | (500) | – |
| Net loss for the year | (376,142) | (495,502) |

**DIVIDENDS**

No dividend has been paid or declared by the Company since the end of the previous financial year and the Directors do not recommend the payment of any dividend for the current financial year.

**RESERVES AND PROVISIONS**

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

**ISSUE OF SHARES AND/OR DEBENTURES**

During the financial year, the following shares were issued:-

| Date | Purpose of issue | Class of shares | No. of shares | Terms of issue |
|---|---|---|---|---|
| 08.12.10 | Working capital | Ordinary shares of RM0.10 each | 6,600,000 | Cash |

During the financial year, the Company increased its share capital from RM 6,600,000 to RM 7,260,000 by issuance of 6,600,000 ordinary shares of RM 0.10 each at a price of RM 0.123 per ordinary share pursuant to a private placement, for additional working capital purposes. The share premium arising from the shares issued amounting to RM 151,800 has been credited to the share premium account. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

No debentures were issued during the financial year.

## EMPLOYEE SHARE OPTION SCHEME ("ESOS")

The ESOS is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 30th June 2004. The Scheme expired on 7th November 2009. The salient features of the ESOS are disclosed in Note 21 to the financial statements.

As of the date of expiry, no option has been granted pursuant to the ESOS to any employee or Directors of the Group and Company.

## INFORMATION ON THE FINANCIAL STATEMENTS

Before the Statements of Comprehensive Income and Statements of Financial Position of the Group and Company were made out, the Directors took reasonable steps :-

(a) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to realise in the ordinary course of business including their value as shown in the accounting records of the Group and Company have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:-

(a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and Company inadequate to any substantial extent; or

(b) which would render the values attributed to the current assets in the financial statements of the Group and Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and Company misleading or inappropriate.

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

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

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

(b) any contingent liability of the Group and Company which has arisen since the end of the financial year.

## OTHER STATUTORY INFORMATION

The Directors state that :-

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

In their opinion:-

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

(b) 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 Company for the financial year in which this report is made, other than as disclosed in Note 36 of the Notes to the Financial Statements.

## DIRECTORS

The Directors who have held office during the year since the date of the last report are as follows:-

| | |
|---|---|
| Lee Chee Kheng | (Appointed on 04.10.10) |
| Tan Siew Ching | (Appointed on 15.03.11) |
| Law Seeh Key | (Appointed on 13.10.10) |
| Roy Thean Chong Yew | (Appointed on 18.10.10) |
| Ewe Chuan Seng | (Appointed on 03.11.10) |
| Chong Ying Choy | (Resigned on 18.10.10) |
| Ooi Giap Ch'ng | (Resigned on 13.10.10) |
| Hiroyuki Yokohama | (Resigned on 01.10.10) |

None of the Directors in office at the end of the financial year had any interest in shares and/or options over shares and/or debentures in the Company and its related corporations during the financial year.

## DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangement subsisted to which the Company was a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than those disclosed as directors' remuneration in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has substantial financial interest.

**AUDITORS**

Messrs THL Wong & Co., the retiring Auditors, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 13th April 2011.

| | | |
|---|---|---|
| ______________ | ) | |
| **LEE CHEE KHENG** | ) | |
| | ) | |
| | ) | |
| | ) | |
| | ) | |
| | ) | |
| | ) | DIRECTORS |
| | ) | |
| | ) | |
| | ) | |
| | ) | |
| ______________ | ) | |
| **TAN SIEW CHING** | ) | |

Petaling Jaya

# Statement by Directors

We, **LEE CHEE KHENG** and **TAN SIEW CHING**, being two of the Directors of **INFORTECH ALLIANCE BERHAD**, do hereby state, in the opinion of the Directors, the financial statements set out on pages 27 to 72 are drawn up so as to give a true and fair view of the state of affairs of the Group and Company as at 31st December 2010 and of the results of the operations, changes in equity and cash flows of the Group and Company for the financial year ended on that date in accordance with the applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board and the provisions of the Companies Act, 1965 in Malaysia.

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

**LEE CHEE KHENG** | **TAN SIEW CHING**

Petaling Jaya
13th April 2011

# Statutory Declaration

I, **LEE CHEE KHENG**, I/C No. 590711-08-5665, the Director primarily responsible for the financial management of **INFORTECH ALLIANCE BERHAD**, do solemnly and sincerely declare that the financial statements set out on pages 27 to 72 are, to the best of my knowledge and belief, 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 LEE CHEE KHENG, )
I/C No. 590711-08-5665, )
at Petaling Jaya )
)
on 13th April 2011 )
)
) **LEE CHEE KHENG**

Before me

N. MADHAVAN NAIR
Commissioner for Oaths

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Infortech Alliance Berhad, which comprise the statements of financial position of the Group and Company as at 31st December 2010, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 27 to 72.

### *DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS*

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

### *AUDITORS' RESPONSIBILITY*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of financial statements that give a true and fair view 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

### *OPINION*

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

### *REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS*

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the accounts of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) The audit reports on the financial statements of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

### *OTHER MATTERS*

The supplementary information set out in Note 32 of the Notes to the Financial Statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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

**THL WONG & CO.**
(NO. AF 0942)
CHARTERED ACCOUNTANTS

**WONG KOK SEONG**
CHARTERED ACCOUNTANT
(NO: 2791/08/12 (J))

Petaling Jaya
13th April 2011

# Statements of Financial Position

As at 31st December 2010

| | Note | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | | 2010 | 2009 | 2010 | 2009 |
| | | RM | RM | RM | RM |
| **ASSETS** | | | | | |
| NON-CURRENT ASSETS | | | | | |
| Property, plant and equipment | 6 | **150,372** | 161,794 | **76,173** | 111,636 |
| Investments in subsidiaries | 7 | **–** | – | **–** | – |
| Investment in associated company | 8 | **330,952** | 382,074 | **300,875** | 300,875 |
| Development costs | 9 | **434,365** | 401,031 | **272,932** | 202,090 |
| Deferred tax asset | 10 | **–** | – | **–** | – |
| Other investment | 11 | **769,599** | 769,599 | **–** | – |
| | | **1,685,288** | 1,714,498 | **649,980** | 614,601 |
| CURRENT ASSETS | | | | | |
| Inventories | 12 | **15,719** | 14,018 | **–** | – |
| Trade receivables | 13 | **304,873** | 246,945 | **254,542** | 494,549 |
| Other receivables, deposits and prepayments | 14 | **43,664** | 55,051 | **22,856** | 15,851 |
| Amount due from subsidiaries | 15 | **–** | – | **972,258** | 876,324 |
| Amount due from an associated company | 16 | **1,775** | 1,775 | **–** | – |
| Tax assets | | **18,800** | 19,300 | **12,800** | 12,800 |
| Fixed deposits | 17 | **700,000** | 207,540 | **700,000** | 207,540 |
| Cash and bank balances | 18 | **157,776** | 337,851 | **72,056** | 166,274 |
| | | **1,242,607** | 882,480 | **2,034,512** | 1,773,338 |
| **TOTAL ASSETS** | | **2,927,895** | 2,596,978 | **2,684,492** | 2,387,939 |
| **EQUITY AND LIABILITIES** | | | | | |
| CURRENT LIABILITIES | | | | | |
| Trade payables | 19 | **266,491** | 286,990 | **–** | – |
| Other payables, accruals and deposits | 20 | **86,752** | 105,670 | **66,243** | 55,159 |
| | | **353,243** | 392,660 | **66,243** | 55,159 |
| TOTAL LIABILITIES | | **353,243** | 392,660 | **66,243** | 55,159 |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT | | | | | |
| Share capital | 21 | **7,260,000** | 6,600,000 | **7,260,000** | 6,600,000 |
| Reserves | 22 | **(4,685,348)** | (4,395,682) | **(4,641,751)** | (4,267,220) |
| TOTAL EQUITY | | **2,574,652** | 2,204,318 | **2,618,249** | 2,332,780 |
| **TOTAL EQUITY AND LIABILITIES** | | **2,927,895** | 2,596,978 | **2,684,492** | 2,387,939 |
| Net assets per share (sen) | 23 | **3.55** | 3.34 | | |

The above statements of financial position are to be read in conjunction with the notes to the financial statements set out on pages 33 to 72.

# Statements of Comprehensive Income

For the year ended 31st December 2010

| | Note | GROUP 2010 RM | GROUP 2009 RM | COMPANY 2010 RM | COMPANY 2009 RM |
|---|---|---|---|---|---|
| Revenue | 24 | **994,269** | 1,302,708 | **237,084** | 411,434 |
| Cost of sales | | **(430,129)** | (467,730) | **(271,442)** | (130,532) |
| **Gross profit/(loss)** | | **564,140** | 834,978 | **(34,358)** | 280,902 |
| Other income | 25 | **155,480** | 128,389 | **18,227** | 52,924 |
| | | **719,620** | 963,367 | **(16,131)** | 333,826 |
| Selling and distribution costs | | **(19,386)** | (29,731) | **–** | – |
| Administrative costs | | **(945,521)** | (842,173) | **(445,686)** | (309,437) |
| Other operating costs | | **(121,292)** | (328,500) | **(33,265)** | (49,739) |
| | | **(1,086,199)** | (1,200,404) | **(478,951)** | (359,176) |
| **Loss from operating activities** | 26 | **(366,579)** | (237,037) | **(495,082)** | (25,350) |
| Finance costs | 27 | **(725)** | (354) | **(420)** | (147) |
| | | **(367,304)** | (237,391) | **(495,502)** | (25,497) |
| Share of results of associated company | | **(8,338)** | 16,187 | **–** | – |
| **Loss before taxation** | | **(375,642)** | (221,204) | **(495,502)** | (25,497) |
| Taxation | 28 | **(500)** | – | **–** | – |
| **Net loss for the year** | | **(376,142)** | (221,204) | **(495,502)** | (25,497) |
| **Other comprehensive (expense)/income** | | | | | |
| Foreign exchange translation | | **(34,495)** | 11,077 | **–** | – |
| **Total comprehensive expense for the year** | | **(410,637)** | (210,127) | **(495,502)** | (25,497) |
| **Total loss for the year attributable to:** | | | | | |
| Owners of the parent | | **(376,142)** | (221,204) | **(495,502)** | (25,497) |
| Non-controlling interest | | **–** | – | **–** | – |
| | | **(376,142)** | (221,204) | **(495,502)** | (25,497) |
| **Total comprehensive expense attributable to:** | | | | | |
| Owners of the parent | | **(410,637)** | (210,127) | **(495,502)** | (25,497) |
| Non-controlling interest | | **–** | – | **–** | – |
| | | **(410,637)** | (210,127) | **(495,502)** | (25,497) |
| **Loss per share attributable to owners of the parent (sen per share):** | | | | | |
| Basic | 23 | **(0.56)** | (0.34) | | |
| Diluted | 23 | **N/A** | N/A | | |

The above statements of comprehensive income are to be read in conjunction with the notes to the financial statements set out on pages 33 to 72.

| GROUP | Note | Total equity RM | Share capital RM | Share premium RM | Accumulated losses RM | Foreign exchange translation reserve RM |
|---|---|---|---|---|---|---|
| | | | <------ Attributable to owners of the parent ------> | | | |
| | | | <-------- Non- Distributable -------> | | Distributable | Non-Distributable |
| **2010** | | | | | | |
| Opening balance at 01.01.10 | | **2,204,318** | **6,600,000** | **3,113,310** | **(7,544,379)** | **35,387** |
| Total comprehensive expense | | **(410,637)** | **–** | **–** | **(376,142)** | **(34,495)** |
| Transactions with owners | | | | | | |
| Issuance of shares | 21 | **811,800** | **60,000** | **151,800** | **–** | **–** |
| Share issuance expense | | **(30,829)** | **–** | **(30,829)** | **–** | **–** |
| Total transaction with owners | | **780,971** | **660,000** | **120,971** | **–** | **–** |
| Closing balance at 31.12.10 | | **2,574,652** | **7,260,000** | **3,234,281** | **(7,920,521)** | **892** |
| **2009** | | | | | | |
| Opening balance at 01.01.09 | | 2,414,445 | 6,600,000 | 3,113,310 | (7,323,175) | 24,310 |
| Total comprehensive expense | | (210,127) | – | – | (221,204) | 11,077 |
| Closing balance at 31.12.09 | | 2,204,318 | 6,600,000 | 3,113,310 | (7,544,379) | 35,387 |

| COMPANY | Note | Total equity RM | < Non-Distributable > Share capital RM | Share premium RM | Distributable Accumulated losses RM |
|---|---|---|---|---|---|
| **2010** | | | | | |
| Opening balance at 01.01.10 | | **2,332,780** | **6,600,000** | **3,113,310** | **(7,380,530)** |
| Total comprehensive expense for the year | | **(495,502)** | **–** | **–** | **(495,502)** |
| Transactions with owners | | | | | |
| Issuance of shares | 21 | **811,800** | **660,000** | **151,800** | **–** |
| Share issuance expense | | **(30,829)** | **–** | **(30,829)** | **–** |
| Total transaction with owners | | **780,971** | **660,000** | **120,971** | **–** |
| Closing balance at 31.12.10 | | **2,618,249** | **7,260,000** | **3,234,281** | **(7,876,032)** |
| **2009** | | | | | |
| Opening balance at 01.01.09 | | 2,358,277 | 6,600,000 | 3,113,310 | (7,355,033) |
| Total comprehensive expense for the year | | (25,497) | – | – | (25,497) |
| Closing balance at 31.12.09 | | 2,332,780 | 6,600,000 | 3,113,310 | (7,380,530) |

The above statements of changes in equity are to be read in conjunction with the notes to the financial statements set out on pages 33 to 72.

| | Note | GROUP 2010 RM | GROUP 2009 RM | COMPANY 2010 RM | COMPANY 2009 RM |
|---|---|---|---|---|---|
| **OPERATING ACTIVITIES** | | | | | |
| Loss before taxation | | **(375,642)** | (221,204) | **(495,502)** | (25,497) |
| Adjustments for:- | | | | | |
| Amortisation of development costs | | **81,275** | 114,163 | **43,767** | 100,731 |
| Bad debts written off | | **65,969** | – | **–** | – |
| Depreciation of property, plant and equipment | | **45,703** | 39,930 | **30,560** | 31,313 |
| Impairment loss on trade receivables | | **1,200** | 284,960 | **–** | 18,036 |
| Property, plant and equipment written off | | **5,627** | 4 | **1,804** | 1 |
| Share of results of associated company | | **8,338** | (16,187) | **–** | – |
| Reversal of impairment loss on trade receivables | | **(141,372)** | (56,467) | **–** | (8,091) |
| Bad debts recovered | | **–** | (400) | **–** | – |
| Dividend received | | **–** | – | **(8,289)** | – |
| Interest received | | **(2,052)** | (29,254) | **(2,042)** | (11,376) |
| Gain on disposal of an associated company | | **–** | (683) | **–** | (683) |
| Gain on disposal of property, plant and equipment | | **–** | (160) | **–** | (160) |
| Unrealised gain on foreign currency exchange | | **–** | (2,056) | **–** | – |
| Total adjustments | | **64,688** | 333,850 | **65,800** | 129,771 |
| **Operating cash flows before changes in working capital** | | **(310,954)** | 112,646 | **(429,702)** | 104,274 |
| Changes in working capital | | | | | |
| Increase in inventories | | **(1,701)** | – | – | – |
| Decrease/(increase) in receivables | | **27,662** | (291,808) | **233,002** | 3,393 |
| (Decrease)/increase in payables | | **(39,417)** | 160,307 | **11,084** | (60,157) |
| Increase in development costs | | **(114,609)** | (168,534) | **(114,609)** | – |
| Total changes in working capital | | **(128,065)** | (300,035) | **129,477** | (56,764) |
| **Net cash flows (used in)/from operating activities** | | **(439,019)** | (187,389) | **(300,225)** | 47,510 |

| | Note | GROUP 2010 RM | GROUP 2009 RM | COMPANY 2010 RM | COMPANY 2009 RM |
|---|---|---|---|---|---|
| **INVESTING ACTIVITIES** | | | | | |
| Interest received | | **2,052** | 29,254 | **2,042** | 11,376 |
| Dividend received from an associated company | | **8,289** | – | **8,289** | – |
| Proceeds from disposal of an associated company | | **–** | 683 | **–** | 683 |
| Proceeds from disposal of property, plant and equipment | | **4,049** | 174 | **4,049** | 174 |
| Repayment to subsidiary companies | | **–** | – | **(95,934)** | (392,999) |
| Purchase of property, plant and equipment | 29 | **(43,957)** | (91,614) | **(950)** | (50,733) |
| **Net cash flows used in investing activities** | | **(29,567)** | (61,503) | **(82,504)** | (431,499) |
| **FINANCING ACTIVITY** | | | | | |
| Proceeds from issuance of shares | 21 | **811,800** | – | **811,800** | – |
| Share issuance expense | | **(30,829)** | – | **(30,829)** | – |
| **Net cash flows from financing activity** | | **780,971** | – | **780,971** | – |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | | **312,385** | (248,892) | **398,242** | (383,989) |
| **EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS** | | **–** | 2,056 | **–** | – |
| **CASH AND CASH EQUIVALENTS AT 1 JANUARY** | | **545,391** | 792,227 | **373,814** | 757,803 |
| **CASH AND CASH EQUIVALENTS AT 31 DECEMBER** | 18 | **857,776** | 545,391 | **772,056** | 373,814 |

The above statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 33 to 72.

## 1. PRINCIPAL ACTIVITY AND GENERAL INFORMATION

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

The Company is principally engaged in the business of computer software development, maintenance and support services. The principal activities of its subsidiaries are set out in Note 7 of the Notes to the Financial Statements. There have been no significant changes in the nature of these activities during the financial year.

The registered office and the principal place of business of the Company is located at Unit A-32-06, Three Two Square, No. 2, Jalan 19/1, 46300 Petaling Jaya, Selangor Darul Ehsan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of Directors dated 13th April 2011.

## 2. SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements.

### a) Basis of preparation

The financial statements of the Group and Company have been prepared:-

i) in accordance with the applicable approved Financial Reporting Standards (FRS) issued by the Malaysian Accounting Standards Board (MASB) and the provisions of the Companies Act, 1965 in Malaysia; and

ii) under the historical cost convention, unless otherwise indicated.

The financial statements are presented in Ringgit Malaysia (RM), unless otherwise indicated.

### b) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries made up to the end of the financial year.

All intergroup balances, transactions and resulting unrealised gains are eliminated on consolidation. Unrealised losses are eliminated on consolidation unless cost cannot be recovered. Consolidated financial statements reflect external transactions only.

The financial statements of subsidiaries acquired or disposed off during the financial year are included in the consolidated financial statements based on the purchase method from the effective date of acquisition or up to the effective date of disposal respectively. These assets, liabilities and contingent liabilities assumed of a subsidiary are measured at their fair values at the date of acquisition and these values are reflected in the consolidated statements of financial position.

Any excess of the cost of the acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities assumed represents goodwill. Any excess of the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the statements of comprehensive income.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the non-controlling interests' share of the fair value of net assets at the acquisition date and the non controlling interests' share of changes in the equity since then.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### b) Basis of Consolidation (cont'd)

The consolidated financial statements are prepared on the basis that excess of losses attributable to non-controlling shareholders over their equity interest will be absorbed by the Group. All profits subsequently reported by the subsidiaries will be allocated to the Group until the non-controlling shareholders' share of losses previously absorbed by the Group has been recovered.

### c) Goodwill

Goodwill represents the difference between the purchase consideration and the fair value of the Group's share of net assets of the subsidiaries at the date of acquisition.

Goodwill is stated at cost less accumulated impairment losses, if any. Impairment test is performed annually. Goodwill is also tested for impairment when indication of impairment exists. Impairment losses recognised are not reversed in subsequent periods.

### d) Subsidiary Companies

A subsidiary is a company in which the Group has the power, directly or indirectly, to exercise control over its financial and operating policies so as to obtain benefits from its activities.

Investments in subsidiaries, which are eliminated on consolidation, are stated at cost less accumulated impairment losses, if any, in the Company's financial statements. An impairment loss is recognised when there is impairment in the value of the investments determined on an individual basis and is charged to the statements of comprehensive income as an expense. The difference between the net disposal proceeds and its carrying amount is charged or credited to statements of comprehensive income upon disposal of the investment.

### e) Associated Companies

An associated company is defined as a company, not being a subsidiary, in which the Group has a long term equity interest and where it exercises significant influence over the financial and operating policies.

Investments in associated companies are stated at cost less accumulated impairment losses, if any, in the Company's financial statements.

The Group's interest in associated companies is stated at cost plus adjustments for post-acquisition changes in the Group's share of net assets of the associated companies. The Group's share of post-acquisition results of the associated companies is accounted for using the equity method of accounting in the statements of comprehensive income.

The Group's share of post-acquisition losses is restricted to the carrying value of the investment in that associated company. Should the associated company subsequently report profits, the Group will only resume recognising its share of profits after its share of profits equals to its share of losses previously not recognised.

Where the audited financial statements of the associated companies are not co-terminus with those of the Group, the share of results is based on a limited review on the financial statements performed by the auditors of the associated company made up to the financial year end of the Group.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### f) Property, plant and equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the assets' carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statements of comprehensive income as incurred.

Depreciation is calculated on the straight line method to write off the cost of the property, plant and equipment over their estimated useful lives.

The principal annual rates of depreciation used are as follows:-

| | |
|---|---|
| Furniture, fittings and equipment | 10% - 20% |
| Computers and printers | 20% |
| Renovation | 20% |

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the statements of comprehensive income.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these property, plant and equipment.

### g) Research and Development Costs

Research expenditure is recognised as an expense when it is incurred.

Development expenditure is recognised as an expense except that expenditure incurred on development projects are capitalised as long-term assets to the extent that such expenditure is expected to generate future economic benefits. Development expenditure is capitalised if, and only if an entity can demonstrate all of the following:-

i) its ability to measure reliably the expenditure attributable to the asset under development;

ii) the product or process is technically and commercially feasible;

iii) its future economic benefits are probable;

iv) its ability to use or sell the developed assets; and

v) the availability of adequate technical financial and other resources to complete the asset under development.

Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses, if any. Development expenditure initially recognised as an expense are not recognised as assets in the subsequent period.

The development expenditure is amortised on a straight line method over a period of 7 years when the products are ready for sale or use. In the event that the expected future economic benefits are no longer probable of being recovered, the development expenditure is written down to its recoverable amount.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### h) Grants

Grants represent grants awarded by the Government of Malaysia under the Multimedia Super Corridor Research and Development Grant Scheme, for the purposes of supporting the Company's research and development activities in information technology. Grants are not recognised until there is reasonable assurance that all conditions attaching to them will be complied with and that the grants will be received.

Grants related to income are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on systematic basis, and are presented as a credit under other income in the statements of comprehensive income. Grants related to assets are presented in the statements of financial position by deducting the grants in arriving at the carrying amount of the assets.

### i) Financial Assets

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

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include loans and receivables and available-for-sale financial assets.

i) Loans and Receivables

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

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

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

ii) Available-for-sale Financial Assets

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any of the other categories.

After initial recognition, available-for-sale financial assets are measured at fair value at the end of each reporting period. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses are recognised in profit or loss.

The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as reclassification adjustments when the financial asset is derecognised. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss, if any.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### i) Financial Assets (cont'd)

ii) Available-for-sale Financial Assets (cont'd)

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

### j) Impairment of Financial Assets

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

i) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

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

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

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

ii) Unquoted equity securities carried at cost

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### k) Inventories

Inventories are stated at the lower of cost and net realisable value and are determined on the first-in-first-out basis. Cost includes the actual cost of purchases and incidentals in bringing the inventories into store.

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.

### l) Cash and cash equivalents

Cash comprises cash at bank and in hand including bank overdraft and deposits. Cash equivalents comprises investments maturing within three months from the date of acquisition and which are readily convertible to known amount of cash which are subject to an insignificant risk of change in value.

### m) Financial Liabilities

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

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

i) Other financial liabilities

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

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

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

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

### n) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### o) Impairment of Non-Financial Assets

The carrying values of assets (other than inventories, deferred tax assets and financial assets) are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of an asset's net selling price and its value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets, or if it is not possible, for the cash-generating unit.

An impairment loss is charged to the statements of comprehensive income immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of previously recognised revaluation surplus for the same asset.

In respect of assets other than goodwill, when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the profit and loss immediately, unless the asset is carried at revalued amount.

A reversal of an impairment loss on a revalued asset is credited to other comprehensive income. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the statements of comprehensive income, a reversal of that impairment loss is recognised as income in the statements of comprehensive income.

### p) Revenue Recognition

Revenue from sales of goods are recognised upon delivery of products and customer acceptance, or performance of services, net of returns and discounts, after eliminating revenue within the Group, if any.

Revenue from maintenance contract are recognised proportionately over the term of the support period up to the current financial year end. The unrecognised balance is classified as deferred income in trade payables.

Interest revenue is recognised on a time proportion basis that reflects the effective yield of the asset.

### q) Foreign currencies

Transactions in foreign currencies are recorded in Ringgit Malaysia at rates of exchange ruling at the time of the transactions. Foreign currency monetary assets and liabilities are translated at exchange rates ruling at the end of the financial year.

Gains and losses from conversion of short term assets and liabilities, whether realised or unrealised are included in operating profit as they arise.

The assets and liabilities of the foreign entities, if any, are translated at financial year end rates and operating results are translated at the rates ruling at the end of each month. Gains and losses arising on translation are taken directly to the foreign exchange translation reserve.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### q) Foreign currencies (cont'd)

All other foreign exchange differences are taken to the statements of comprehensive income in the financial year in which they arise.

The principal closing rates used are as follows:-

| | 2010<br>RM | 2009<br>RM |
|---|---|---|
| 1 US Dollar | **3.0530** | 3.4295 |
| 1 Singapore Dollar | **2.3570** | 2.4408 |
| 1 Japanese Yen | **0.0374** | 0.0366 |
| 1 Thai Baht | **0.0920** | 0.1028 |

### r) Taxation

Income tax on the profit or loss for the financial year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted at the end of the financial year.

Deferred tax is provided in the financial statements, using the liability method, on temporary differences at the end of the financial year between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax credits and losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against the temporary differences and unused tax credits and losses.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted at the end of the financial year.

### s) Employee Benefits

i) Short Term Employee Benefits

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

ii) Defined Contribution Plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund. The Group's foreign subsidiary makes contributions to its country's statutory pension scheme. Such contributions are recognised as an expense in the statements of comprehensive income as incurred.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### s) Employee Benefits (cont'd)

iii) Share Based Compensation

The Employee Share Options Scheme ("ESOS"), an equity-settled, share-based compensation plan, allows the Group's employees to acquire ordinary shares of the Company. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised. As at the end of the financial year, no option has been granted pursuant to the ESOS to any employees or Directors of the Group.

### t) Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

### u) Related parties

Related parties are entities with common directors/shareholders wherein one party has the ability to control or exercise significant influence over the other parties in financial or operating policy decision.

## 3. CHANGES IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM ADOPTION OF NEW AND REVISED FRSs

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

During the financial year, the Group and Company has adopted the following new and amended FRS and IC Interpretations.

Amendments to FRS 1, First-time Adoption of Financial Reporting Standards and FRS 127, Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 2, Share-based Payment - Vesting Conditions and Cancellations
FRS 4, Insurance Contracts
FRS 7, Financial Instruments: Disclosures
Amendments to FRS 7, Financial Instruments: Disclosures
FRS 8, Operating Segments
FRS 101, Presentation of Financial Statements
FRS 123, Borrowing Costs
Amendments to FRS 132, Financial Instruments: Presentation
FRS 139, Financial Instruments: Recognition and Measurement
Improvements to FRS issued in 2009
IC Interpretation 9, Reassessment of Embedded Derivatives
Amendments to IC Interpretation 9, Reassessment of Embedded Derivatives
IC Interpretation 10, Interim Financial Reporting and Impairment
IC Interpretation 11, FRS 2 - Group and Treasure Share Transactions
IC Interpretation 13, Customer Loyalty Programmes
IC Interpretation 14, FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction

## 3. CHANGES IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM ADOPTION OF NEW AND REVISED FRSs (cont'd)

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

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

**FRS 7, Financial Instruments: Disclosures**

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

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

**FRS 8, Operating Segments**

FRS 8, which replaces FRS 114, Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The Standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group has adopted FRS 8 retrospectively. These revised disclosures, including the related revised comparative information, are shown in Note 33 to the financial statements.

**FRS 101, Presentation of Financial Statements**

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

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

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

**FRS 139, Financial Instruments: Recognition and Measurement**

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group and the Company have adopted FRS 139 prospectively on 1 January 2010 in accordance with the transitional provisions.

The effects arising from the adoption of this Standard has been accounted for by adjusting the opening balance of retained earnings as at 1 January 2010. Comparatives are not restated. The details of the changes in accounting policies and the effects arising from the adoption of FRS 139 are discussed below:

## 3. CHANGES IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM ADOPTION OF NEW AND REVISED FRSs (cont'd)

**FRS 139, Financial Instruments: Recognition and Measurement (cont'd)**

Impairment of trade receivables

Prior to 1 January 2010, provision for doubtful debts was recognised when it was considered uncollectible. Upon the adoption of FRS 139, an impairment loss is recognised when there is objective evidence that an impairment loss has been incurred. The amount of the loss is measured as the difference between the receivable's carrying amount and the present value of the estimated future cash flows discounted at the receivable's original effective interest rate. As at 1 January 2010, the Group has remeasured the allowance for impairment losses as at that date in accordance with FRS 139 but no adjustments is required to be made to the opening balance of retained earnings as at that date.

The Malaysian Accounting Standards Board (MASB) has issued the following new FRSs and IC Interpretations that are yet to be effective and have not been adopted by the Group and Company in preparing these financial statements.

| **FRSs / Interpretations** | **For financial periods beginning on or after** |
|---|---|
| FRS 1, First-time Adoption of Financial Reporting Standards (revised) | 1 July 2010 |
| Amendments to FRS 1, First-time Adoption of Financial Reporting Standards | |
| - Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters | 1 January 2011 |
| - Additional Exemptions for First-time Adopters | 1 January 2011 |
| Amendments to FRS 2, Share-based Payment | 1 July 2010 |
| Amendments to FRS 2, Group Cash-settled Share Based Payment Transactions | 1 January 2011 |
| FRS 3, Business Combinations (revised) | 1 July 2010 |
| Amendments to FRS 5, Non-current Assets Held for Sale and Discontinued Operations | 1 July 2010 |
| Amendments to FRS 7, Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments | 1 January 2011 |
| FRS 124, Related Party Disclosures (revised) | 1 January 2012 |
| FRS 127, Consolidation and Separate Financial Statements (revised) | 1 July 2010 |
| Amendments to FRS 132, Financial Instruments: Presentation | 1 March 2010 |
| Amendments to FRS 138, Intangible Assets | 1 July 2010 |
| Improvements to FRSs (2010) | 1 January 2011 |
| IC Interpretation 4, Determining whether an Arrangement contains a Lease | 1 January 2011 |
| Amendments to IC Interpretation 9, Reassessment of Embedded Derivatives | 1 July 2010 |
| IC Interpretation 12, Service Concession Agreements | 1 July 2010 |
| Amendments to IC Interpretation 13, Customer Loyalty Programmes | 1 January 2011 |
| Amendments to IC Interpretation 14, Prepayments of a Minimum Funding Requirement | 1 July 2011 |
| Amendments to IC Interpretation 15, Agreements for the Construction of Real Estate | 30 August 2010 |
| IC Interpretation 15, Agreements for the Construction of Real Estate | 1 January 2012 |
| IC Interpretation 16, Hedges of a Net Investment in a Foreign Operation | 1 July 2010 |
| IC Interpretation 17, Distribution of Non-cash Assets to Owners | 1 July 2010 |
| IC Interpretation 18, Transfers of Assets from Customers | 1 January 2011 |
| IC Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments | 1 July 2011 |

**3. CHANGES IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM ADOPTION OF NEW AND REVISED FRSs (cont'd)**

The new and revised FRSs and Interpretations above are expected to have no significant impact on the financial statements of the Group and Company upon their initial application except for the following:-

**FRS 3: Business Combinations and FRS 127: Consolidated and Separate Financial Statements (revised)**

FRS 3 (revised) introduces a number of changes to the accounting for business combinations occurring on or after 1st July 2010. These include changes that affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

FRS 127 (revised) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners and to be recorded in equity. Therefore, such transaction will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended Standard changes the accounting for losses incurred by the subsidiary as well as loss of control of a subsidiary.

The changes by FRS 3 and FRS 127 (revised) will be applied prospectively and only affect future acquisition or loss of control of subsidiaries and transactions with non-controlling interests.

**4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group and Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results.

The estimates and assumptions that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:

a) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial and production factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

The Group anticipates that the residual values of its plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

b) Impairment of Development Costs

Impairment testing and amortisation of development costs (Note 9) - the measurement of the recoverable amount of cash-generating units are determined based on the value-in-use method, which requires the use of cash flow projections based on financial budgets approved by the management. Changes in the expected level of usage and technological development could impact the economic useful lives and therefore future amortisation charges could be revised.

**4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)**

c) Allowance for Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates.

Possible changes in these estimates could result in revisions to the valuation of inventories.

d) Impairment on Loans and Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loans and receivables financial assets and analyses historical bad debt, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

e) Impairment of Non-Financial Assets

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

f) 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 tax liabilities based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

g) Impairment of investment in unquoted corporations

The Group follows the guidance of the applicable FRS in Malaysia in determining whether there is an impairment loss in value of its investment in unquoted corporations. This determination requires significant judgement. In making this judgement, the Group evaluates the quantitative and qualitative factors affecting the market position of the investee including the regulatory support it receives and its longer term business outlook and financial standing. Appropriate considerations are given to the investee's financial gestation period, financial projections, business prospects and the proprietary technology involved.

h) Fair Value Estimates for Certain Financial Assets and Liabilities

The Group carries certain financial assets and liabilities at fair value, which require extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and equity.

## 5. FINANCIAL RISK MANAGEMENT POLICIES

The Group's and Company's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's and Company's business whilst managing its risks. The Group's and Company's activities expose it to limited financial risk, principally market risk, credit risk, interest rate risk, foreign currency risk, liquidity and cash flow risk. The Board reviews and agrees policies in respect of the major areas of treasury activities which are as follows:-

a) Market risk

The Group has in place policies to manage its competitive risks from its competitors in providing better and more innovative products and services. The Group regularly takes part in exhibitions, advertise through the media and make face-to-face customer visits to promote its products and services.

b) Credit risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from receivables. The maximum exposure to credit risk is represented by the total carrying amount of these financial assets in the statements of financial position reduced by the effects of any netting arrangements with counter parties.

The Group does not have any major concentration of credit risk related to any individual customer or counter party.

The Group manages its exposure to credit risk by investing its cash assets safely and profitably, and by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis.

c) Interest rate risk

The Group obtains financing through bank borrowings. Its policy is to obtain the most favourable interest rates available.

Surplus funds are placed with licensed financial institutions at the most favourable interest rates.

d) Foreign currency risk

The Group is exposed to foreign exchange risk on sales and purchases that are denominated in foreign currencies. It manages its foreign exchange exposure by a policy of matching as far as possible receipts and payments in each individual currency.

Surpluses of convertible currencies are either retained in foreign currency or sold for Ringgit Malaysia. The Group's foreign currency transactions and balances are substantially denominated in Thai Baht, Singapore Dollar, Japanese Yen and United States ("US") Dollar.

Foreign exchange risk is monitored closely and managed to an acceptable level.

e) Liquidity and cash flow risk

The Group's exposure to liquidity and cash flow risks arises mainly from general funding and business activities.

It practises prudent liquidity risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

## 6. PROPERTY, PLANT AND EQUIPMENT

| GROUP | <------- COST ------- At 01.01.10/ 01.01.09 RM | Additions RM | Disposals RM | Written off RM | At 31.12.10/ 31.12.09 RM -------> |
|---|---|---|---|---|---|
| **2010** | | | | | |
| Furniture, fittings and equipment | **107,420** | **29,799** | **–** | **(9,009)** | **128,210** |
| Computers and printers | **473,478** | **14,158** | **(6,393)** | **(2,400)** | **478,843** |
| Renovation | **52,166** | **–** | **–** | **–** | **52,166** |
| | **633,064** | **43,957** | **(6,393)** | **(11,409)** | **659,219** |
| **2009** | | | | | |
| Furniture, fittings and equipment | 97,957 | 13,373 | – | (3,910) | 107,420 |
| Computers and printers | 459,486 | 78,241 | (48,279) | (15,970) | 473,478 |
| Renovation | 52,166 | – | – | – | 52,166 |
| | 609,609 | 91,614 | (48,279) | (19,880) | 633,064 |

| GROUP | <------- ACCUMULATED DEPRECIATION ------- At 01.01.10/ 01.01.09 RM | Depreciation charge for the year RM | Disposals RM | Written off RM | At 31.12.10/ 31.12.09 RM -------> |
|---|---|---|---|---|---|
| **2010** | | | | | |
| Furniture, fittings and equipment | **81,608** | **8,834** | **–** | **(5,182)** | **85,260** |
| Computers and printers | **373,304** | **26,436** | **(2,344)** | **(600)** | **396,796** |
| Renovation | **16,358** | **10,433** | **–** | **–** | **26,791** |
| | **471,270** | **45,703** | **(2,344)** | **(5,782)** | **508,847** |
| **2009** | | | | | |
| Furniture, fittings and equipment | 79,965 | 5,552 | – | (3,909) | 81,608 |
| Computers and printers | 413,935 | 23,601 | (48,265) | (15,967) | 373,304 |
| Renovation | 5,581 | 10,777 | – | – | 16,358 |
| | 499,481 | 39,930 | (48,265) | (19,876) | 471,270 |

## 6. PROPERTY, PLANT AND EQUIPMENT (cont'd)

| GROUP | NET CARRYING AMOUNT At 2010 RM | At 2009 RM |
|---|---|---|
| Furniture, fittings and equipment | **42,950** | 25,812 |
| Computers and printers | **82,047** | 100,174 |
| Renovation | **25,375** | 35,808 |
| | **150,372** | 161,794 |

| COMPANY | COST At 01.01.10/ 01.01.09 RM | Additions RM | Disposals RM | Written off RM | At 31.12.10/ 31.12.09 RM |
|---|---|---|---|---|---|
| **2010** | | | | | |
| Furniture, fittings and equipment | **38,485** | **950** | **–** | **(4,855)** | **34,580** |
| Computers and printers | **361,764** | **–** | **(6,393)** | **(2,400)** | **352,971** |
| Renovation | **52,166** | **–** | **–** | **–** | **52,166** |
| | **452,415** | **950** | **(6,393)** | **(7,255)** | **439,717** |
| **2009** | | | | | |
| Furniture, fittings and equipment | 42,395 | – | – | (3,910) | 38,485 |
| Computers and printers | 359,310 | 50,733 | (48,279) | – | 361,764 |
| Renovation | 52,166 | – | – | – | 52,166 |
| | 453,871 | 50,733 | (48,279) | (3,910) | 452,415 |

## 6. PROPERTY, PLANT AND EQUIPMENT (cont'd)

| COMPANY | <---- ACCUMULATED DEPRECIATION ----> At 01.01.10/ 01.01.09 RM | Additions RM | Disposals RM | Written off RM | At 31.12.10/ 31.12.09 RM |
|---|---|---|---|---|---|
| **2010** | | | | | |
| Furniture, fittings and equipment | **36,713** | **535** | **–** | **(4,851)** | **32,397** |
| Computers and printers | **287,708** | **19,592** | **(2,344)** | **(600)** | **304,356** |
| Renovation | **16,358** | **10,433** | **–** | **–** | **26,791** |
| | **340,779** | **30,560** | **(2,344)** | **(5,451)** | **363,544** |
| **2009** | | | | | |
| Furniture, fittings and equipment | 40,052 | 570 | – | (3,909) | 36,713 |
| Computers and printers | 316,007 | 19,966 | (48,265) | – | 287,708 |
| Renovation | 5,581 | 10,777 | – | – | 16,358 |
| | 361,640 | 31,313 | (48,265) | (3,909) | 340,779 |

| COMPANY | Net Carrying <--- Amount ---> At 2010 RM | At 2009 RM |
|---|---|---|
| Furniture, fittings and equipment | **2,183** | 1,772 |
| Computers and printers | **48,615** | 74,056 |
| Renovation | **25,375** | 35,808 |
| | **76,173** | 111,636 |

## 7. INVESTMENT IN SUBSIDIARIES

| | COMPANY 2010 RM | 2009 RM |
|---|---|---|
| Unquoted shares, at cost | **1,742,588** | 1,742,588 |
| Less: Accumulated impairment losses | | |
| At 1st January | **(1,742,588)** | (1,742,588) |
| Addition | **–** | – |
| At 31st December | **(1,742,588)** | (1,742,588) |
| | **–** | – |

## 7. INVESTMENT IN SUBSIDIARIES (cont'd)

The subsidiary companies are as follows:-

| Name of company | Country of incorporation | Principal activities | Proportion (%) of ownership interest 2010 | 2009 |
|---|---|---|---|---|
| Infortech AtCom Sdn. Bhd. | Malaysia | Computer software development, marketing and support services | **100%** | 100% |
| Infortech Software Sdn. Bhd. | Malaysia | Software development, marketing, support of system integration and network solution | **100%** | 100% |

## 8. INVESTMENT IN ASSOCIATED COMPANY

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2010 RM** | **2009 RM** | **2010 RM** | **2009 RM** |
| Unquoted shares, at cost | | | | |
| At beginning of the year | **300,875** | 432,440 | **300,875** | 432,440 |
| Disposed during the year | **–** | (131,565) | **–** | (131,565) |
| At end of the year | **300,875** | 300,875 | **300,875** | 300,875 |
| Share of post-acquisition profits/(losses) (net) | | | | |
| At beginning of the year | **81,199** | (77,630) | **–** | – |
| Addition during the year | **(51,122)** | 27,264 | **–** | – |
| Disposed during the year | **–** | 131,565 | **–** | – |
| At end of the year | **30,077** | 81,199 | – | – |
| Less: Accumulated impairment loss | | | | |
| At beginning of the year | **–** | – | **–** | (131,565) |
| Addition during the year | **–** | – | **–** | – |
| Disposed during the year | **–** | – | **–** | 131,565 |
| At end of the year | **–** | – | **–** | – |
| | **330,952** | 382,074 | **300,875** | 300,875 |

## 8. INVESTMENT IN ASSOCIATED COMPANY (cont'd)

The associated company is as follow:-

| Name of company | Country of incorporation | Principal activities | Effective equity interest 2010 | 2009 |
|---|---|---|---|---|
| Shanghai Infortech Software Development Co. Ltd. * | People's Republic of China | Computer software development and providing support services | **25%** | 25% |

* Audited by firms other than THL Wong & Co.

The summarised financial information of the associated company is as follows:-

| | 2010 RM | 2009 RM |
|---|---|---|
| **Assets and liabilities** | | |
| Current assets | **1,388,096** | 1,959,156 |
| Non-current assets | **69,193** | 50,117 |
| **Total assets** | **1,457,289** | 2,009,273 |
| Current liabilities | **510,357** | 418,675 |
| **Total liabilities** | **510,357** | 418,675 |
| **Results** | | |
| Revenue | **3,337,951** | 2,851,906 |
| (Loss)/profit for the year | **(33,353)** | 64,748 |

## 9. DEVELOPMENT COSTS

| | GROUP 2010 RM | GROUP 2009 RM | COMPANY 2010 RM | COMPANY 2009 RM |
|---|---|---|---|---|
| At 1st January | **4,594,409** | 4,425,875 | **4,108,456** | 4,108,456 |
| Addition | **114,609** | 168,534 | **114,609** | – |
| At 31st December | **4,709,018** | 4,594,409 | **4,223,065** | 4,108,456 |
| Government grant received | **(3,089,060)** | (3,089,060) | **(3,089,060)** | (3,089,060) |
| | **1,619,958** | 1,505,349 | **1,134,005** | 1,019,396 |
| Accumulated amortisation:- | | | | |
| At 1st January | **(1,104,318)** | (990,155) | **(817,306)** | (716,575) |
| Charge for the year | **(81,275)** | (114,163) | **(43,767)** | (100,731) |
| At 31st December | **(1,185,593)** | (1,104,318) | **(861,073)** | (817,306) |
| | **434,365** | 401,031 | **272,932** | 202,090 |

The development costs relate to expenditure incurred for the development of "atCom Studio", "atCom iTrack", "atCom ERM", "atCom Human Resources SQL Version 2", "Human Resource Management System Version 9" and "Openbravo POS".

A reconciliation of amortisation before and after the deduction of the government grant recognised as income is as follows:-

| | GROUP 2010 RM | GROUP 2009 RM | COMPANY 2010 RM | COMPANY 2009 RM |
|---|---|---|---|---|
| Amortisation before deduction of government grant | **522,569** | 555,457 | **485,061** | 542,025 |
| Less: Effect of government grant | **(441,294)** | (441,294) | **(441,294)** | (441,294) |
| Amortisation after deduction of government grant | **81,275** | 114,163 | **43,767** | 100,731 |

## 10. DEFERRED TAX ASSET

The tax effects of temporary differences which would give rise to future net tax benefits are generally recognised only where there is a probable expectation of realisation. As at the end of the financial year, the estimated amount of deferred taxation benefits calculated at current rate, that have not been recognised in the financial statements are as follows:-

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2010 RM** | **2009 RM** | **2010 RM** | **2009 RM** |
| Tax effect of the excess of property, plant and equipment's net carrying amount over its tax written down value | **(78,400)** | (69,100) | **(69,200)** | (62,700) |
| Tax effect of unabsorbed capital allowances | **350,300** | 349,000 | **350,300** | 326,500 |
| Tax effect of unutilised tax losses | **1,308,100** | 1,253,100 | **533,700** | 446,400 |
| Deferred tax asset | **1,580,000** | 1,533,000 | **814,800** | 710,200 |

Deferred tax asset has not been recognised in the financial statements as it is not probable that the Group and the Company will have sufficient taxable profits and temporary differences to which the unutilised tax losses and unabsorbed capital allowances can be utilised.

## 11. OTHER INVESTMENT

| | GROUP | |
|---|---|---|
| | **2010 RM** | **2009 RM** |
| Unquoted shares, at cost | **900,000** | 900,000 |
| Less: Accumulated impairment loss | **(130,401)** | (130,401) |
| | **769,599** | 769,599 |

## 12. INVENTORIES

| | GROUP | |
|---|---|---|
| | **2010 RM** | **2009 RM** |
| Clocks, forms cards and accessories | **15,719** | 14,018 |

All inventories are carried at net realisable value.

## 13. TRADE RECEIVABLES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2010 RM | 2009 RM | 2010 RM | 2009 RM |
| Third parties | **610,786** | 693,030 | **40,006** | 60,013 |
| Subsidiary companies | **–** | – | **1,649,950** | 1,869,950 |
| Associated company | **1,848** | 1,848 | **1,848** | 1,848 |
| | **612,634** | 694,878 | **1,691,804** | 1,931,811 |
| Less: Allowance for impairment | | | | |
| Third parties | **(307,761)** | (447,933) | **(31,581)** | (31,581) |
| Subsidiary companies | **–** | – | **(1,405,681)** | (1,405,681) |
| | **(307,761)** | ( 447,933) | **(1,437,262)** | (1,437,262) |
| | **304,873** | 246,945 | **254,542** | 494,549 |

The Group's normal trade credit term ranges from 30 days to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

*Ageing analysis*

The ageing analysis of the Group and Company's trade receivables are as follows:-

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2010 RM | 2009 RM | 2010 RM | 2009 RM |
| Neither past due nor impaired | **215,968** | 180,754 | **7,425** | – |
| 1 to 30 days past due not impaired | **250** | 1,875 | **–** | – |
| 31 to 60 days past due not impaired | **7,350** | 3,099 | **–** | – |
| 61 to 90 days past due not impaired | **1,800** | 10,000 | **–** | 10,000 |
| 91 to 120 days past due not impaired | **–** | 2,647 | **–** | – |
| More than 121 days past due not impaired | **79,505** | 48,570 | **247,117** | 484,549 |
| | **88,905** | 66,191 | **247,117** | 494,549 |
| Impaired | **307,761** | 447,933 | **1,437,262** | 1,437,262 |
| | **612,634** | 694,878 | **1,691,804** | 1,931,811 |

*Trade receivables that are neither past due nor impaired*

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group and have not been renegotiated during the financial year.

## 13. TRADE RECEIVABLES (cont'd)

*Trade receivables that are neither past due nor impaired (cont'd)*

The Group has trade receivables amounting to RM88,905 (2009: RM 66,191) that are past due at the reporting date but not impaired.

The trade receivables that are past due but not impaired are unsecured in nature. The management is confident that the amounts are recoverable as these accounts are still active.

*Trade receivables that are impaired*

Trade receivables that are impaired as at the year end and the movement of the allowance accounts used to record the impairment are as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2010 RM** | **2009 RM** | **2010 RM** | **2009 RM** |
| Individually impaired | | | | |
| Trade receivables - nominal amounts | **308,961** | 463,774 | **1,681,531** | 1,901,531 |
| Less: Allowance for impairment | **(307,761)** | (447,933) | **(1,437,262)** | (1,437,262) |
| | **1,200** | 15,841 | **244,269** | 464,269 |

Movement in allowance accounts:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2010 RM** | **2009 RM** | **2010 RM** | **2009 RM** |
| At 1 January | **447,933** | 219,440 | **1,437,262** | 1,427,317 |
| Charge for the year (Note 26) | **1,200** | 284,960 | **–** | 18,036 |
| Reversal of impairment losses | **(141,372)** | (56,467) | **–** | (8,091) |
| At 31 December | **307,761** | 447,933 | **1,437,262** | 1,437,262 |

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

The foreign currency exposure profiles are as follows:-

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2010 RM** | **2009 RM** | **2010 RM** | **2009 RM** |
| United States Dollar | **8,540** | 10,150 | **–** | 10,150 |
| Singapore Dollar | **8,000** | – | **–** | – |
| Thai Baht | **10,281** | 10,281 | **–** | – |
| Japanese Yen | **900** | 900 | **900** | 900 |

## 14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2010 RM | 2009 RM | 2010 RM | 2009 RM |
| Analyse into:- | | | | |
| Other receivables | **21,764** | 13,048 | **10,356** | 6,658 |
| Deposits | **21,300** | 37,003 | **11,900** | 9,193 |
| Prepayments | **600** | 5,000 | **600** | – |
| | **43,664** | 55,051 | **22,856** | 15,851 |

## 15. AMOUNT DUE FROM SUBSIDIARIES

| | COMPANY | |
|---|---|---|
| | 2010 RM | 2009 RM |
| Balance outstanding | **1,107,593** | 1,011,659 |
| Less: Allowance for impairment | **(135,335)** | (135,335) |
| | **972,258** | 876,324 |

These amounts are non-trade in nature, unsecured, interest free, repayable on demand and are to be settled in cash.

## 16. AMOUNT DUE FROM AN ASSOCIATED COMPANY

This amount is non-trade in nature, unsecured, interest free, repayable on demand and is to be settled in cash.

## 17. FIXED DEPOSITS

| | GROUP/COMPANY | |
|---|---|---|
| | 2010 RM | 2009 RM |
| Fixed deposits with licensed bank (Note 18) | **700,000** | 207,540 |

The fixed deposits of the Group and of the Company bear effective interest at rates of 2.75% (2009: 2.51%) per annum and have a maturity period of less than one year.

## 18. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:-

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2010 RM | 2009 RM | 2010 RM | 2009 RM |
| Cash and bank balances | **157,776** | 337,851 | **72,056** | 166,274 |
| Fixed deposits with licensed bank (Note 17) | **700,000** | 207,540 | **700,000** | 207,540 |
| | **857,776** | 545,391 | **772,056** | 373,814 |

## 19. TRADE PAYABLES

| | GROUP | |
|---|---|---|
| | 2010 RM | 2009 RM |
| Deferred income | **265,702** | 286,990 |
| Trade payable - Third party | **789** | – |
| | **266,491** | 286,990 |

The normal trade credit term granted to the Group ranges from 30 to 60 days.

## 20. OTHER PAYABLES, ACCRUALS AND DEPOSITS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2010 RM | 2009 RM | 2010 RM | 2009 RM |
| Analyse into:- | | | | |
| Accruals | **80,924** | 95,867 | **62,359** | 46,033 |
| Other payables | **5,828** | 9,803 | **3,884** | 9,126 |
| | **86,752** | 105,670 | **66,243** | 55,159 |

## 21. SHARE CAPITAL

| | GROUP/COMPANY 2010 RM | 2009 RM |
|---|---|---|
| Authorised: | | |
| 100,000,000 ordinary shares of RM 0.10 each | **10,000,000** | 10,000,000 |
| Issued and fully paid: | | |
| Ordinary shares of RM 0.10 each | | |
| At beginning of the year | **6,600,000** | 6,600,000 |
| Issued during the year | **660,000** | – |
| At the end of the year | **7,260,000** | 6,600,000 |

During the financial year, the Company increased its share capital from RM 6,600,000 to RM 7,260,000 by issuance of 6,600,000 ordinary shares of RM 0.10 each at a price of RM 0.123 per ordinary share pursuant to a private placement, for additional working capital purposes. The share premium arising from the shares issued amounting to RM 151,800 has been credited to the share premium account. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

An Employee Share Option Scheme ("ESOS") was implemented on 8th November 2004 which was governed by the by-laws and was approved by the shareholders at an Extraordinary General Meeting held on 30th June 2004. The Scheme expired on 7th November 2009.

The salient features of the ESOS was as follows:-

i) any employee (including executive Directors) who is at least 18 years old, and has been confirmed and served in the employment of any company within the Group for at least one financial year on or prior to the Date of Offer shall be eligible to participate in the Scheme;

ii) in the case of the executive Directors of the Company, their specific entitlements under the Scheme shall be approved by the shareholders of the Company in a general meeting;

iii) the total number of new ordinary shares of the Company which may be made available under the Scheme shall not exceed 15% of the total issued and paid-up share capital of the Company at any time during the existence of the Scheme;

iv) not more than 50% of the new ordinary shares of the Company available under the Scheme will be allocated, in aggregate, to the executive Directors and senior management of the Group;

v) not more than 10% of the new ordinary shares of the Company available under the Scheme will be allocated to any individual eligible employee, who either singly or collectively through his or her associates, holds 20% or more in the issued and paid-up share capital of the Company;

vi) the price at which the option holder is entitled to subscribe for each new ordinary share of the Company may be at a discount of not more than 10% (if deemed appropriate by the Options Committee) from the 5 days weighted average market price of ordinary shares as at the offer date subject to adjustments in the event of any alteration in the capital structure of the Company, provided that the subscription price in no event be less than the par value of the ordinary shares; and

vii) the shares to be allocated upon any exercise of an option will upon allotment rank pari passu in all respects with the existing issued and paid-up share capital.

## 22. RESERVES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2010 RM | 2009 RM | 2010 RM | 2009 RM |
| Accumulated losses | **(7,920,521)** | (7,544,379) | **(7,876,032)** | (7,380,530) |
| Non-distributable | | | | |
| Share premium | **3,234,281** | 3,113,310 | **3,234,281** | 3,113,310 |
| Foreign exchange translation reserve | **892** | 35,387 | **–** | – |
| | **3,235,173** | 3,148,697 | **3,234,281** | 3,113,310 |
| | **(4,685,348)** | (4,395,682) | **(4,641,751)** | (4,267,220) |

## 23. NET TANGIBLE ASSETS AND LOSS PER SHARE

Net Assets Per Share

The net assets per share is calculated by dividing the net assets of RM 2,574,652 (2009: RM 2,204,318) by the number of ordinary shares in issue as at the end of the financial year of 72,600,000 (2009: 66,000,000).

Basic Loss Per Share

The basic loss per share is calculated by dividing the Group's loss attributable to owners of the parent of RM 376,142 (2009: RM 221,204) by the weighted average number of shares of 66,433,970 (2009: 66,000,000) ordinary shares of RM 0.10 each.

Diluted Loss Per Share

No ESOS option has been granted as at the end of the financial year, therefore the disclosure of diluted loss per share is not applicable.

## 24. REVENUE

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2010 RM | 2009 RM | 2010 RM | 2009 RM |
| Customisation projects | **36,000** | 43,500 | **3,300** | – |
| Sales of own proprietary software and solutions | **55,000** | 276,928 | **1,000** | 200,000 |
| Sale of software, hardware and accessories | **58,000** | 85,343 | **4,435** | 42,724 |
| Software development, maintenance and training fees | **845,269** | 896,937 | **228,349** | 168,710 |
| | **994,269** | 1,302,708 | **237,084** | 411,434 |

## 25. OTHER INCOME

| | GROUP 2010 RM | GROUP 2009 RM | COMPANY 2010 RM | COMPANY 2009 RM |
|---|---|---|---|---|
| Bad debts recovered | **–** | 400 | **–** | – |
| Dividend received | **–** | – | **8,289** | – |
| Interest received | **2,042** | 29,254 | **2,042** | 11,376 |
| Gain on disposal of property, plant and equipment | **–** | 160 | **–** | 160 |
| Gain on disposal of an associated company | **–** | 683 | **–** | 683 |
| Gain on foreign currency exchange - realised | **8,156** | 32,772 | **7,896** | 32,614 |
| Gain on foreign currency exchange - unrealised | **–** | 2,056 | **–** | – |
| Reversal of allowance for impairment of trade receivables | **141,372** | 56,467 | **–** | 8,091 |
| Others | **3,910** | 6,597 | **–** | – |
| | **155,480** | 128,389 | **18,227** | 52,924 |

## 26. LOSS FROM OPERATING ACTIVITIES

Loss from operating activities for the financial year has been determined after charging/(crediting) amongst other items the following:-

| | GROUP 2010 RM | GROUP 2009 RM | COMPANY 2010 RM | COMPANY 2009 RM |
|---|---|---|---|---|
| Amortisation of development costs | **81,275** | 114,163 | **43,767** | 100,731 |
| Auditors' remuneration | | | | |
| - statutory audit | **15,000** | 14,500 | **10,000** | 10,000 |
| - non statutory audit | **–** | 4,200 | **–** | 4,200 |
| - under provision in prior year | **–** | 175 | **–** | – |
| Bad debts written off | **65,969** | – | **–** | – |
| Depreciation of property, plant and equipment | **45,703** | 39,930 | **30,560** | 31,313 |
| Directors' remuneration (Note 30) | | | | |
| - fees - current year | **40,500** | 36,000 | **40,500** | 36,000 |
| - over provision in prior year | **–** | (32,000) | **–** | (32,000) |
| - salaries and other emoluments | **206,307** | 163,346 | **108,653** | 64,332 |
| Impairment loss on trade receivables | **1,200** | 284,960 | **–** | 18,036 |
| Property, plant & equipment written off | **5,627** | 4 | **1,804** | 1 |
| Rental of office | **96,800** | 108,233 | **46,800** | 44,343 |
| Loss on foreign currency exchange | | | | |
| - realised | **1,892** | 3,306 | **1** | 89 |

## 27. FINANCE COSTS

| | GROUP 2010 RM | GROUP 2009 RM | COMPANY 2010 RM | COMPANY 2009 RM |
|---|---|---|---|---|
| Bank charges | **725** | 354 | **420** | 147 |

## 28. TAXATION

| | GROUP 2010 RM | GROUP 2009 RM | COMPANY 2010 RM | COMPANY 2009 RM |
|---|---|---|---|---|
| Malaysian taxation: | | | | |
| Under provision in prior years: | | | | |
| Taxation | **500** | – | **–** | – |

Company

As at 31st December 2010, the Company has unutilised tax losses and unabsorbed capital allowances of approximately RM 2,134,900 (2009: RM 1,785,800) and RM 1,401,200 (2009: RM 1,305,800) respectively, which are subject to the agreement of the Inland Revenue Board.

The Company has estimated tax exempt income account of approximately RM 682,000 (2009: RM 674,000) in respect of tax exempt dividends received from subsidiary companies as well as income exempted under the Promotion of Investment Act, 1986. The tax exempt income are available for distribution by way of tax exempt dividend out of its future profits.

Income tax of the Company and the Malaysian subsidiary companies are calculated at the rate of 25% on the estimated taxable profit. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

A reconciliation of average effective tax rate applicable to loss before taxation to effective statutory tax rate is as follows:-

| | GROUP 2010 RM | GROUP 2009 RM | COMPANY 2010 RM | COMPANY 2009 RM |
|---|---|---|---|---|
| Loss before taxation | **(375,642)** | (221,204) | **(495,502)** | (25,497) |

| | GROUP 2010 % | GROUP 2009 % | COMPANY 2010 % | COMPANY 2009 % |
|---|---|---|---|---|
| Average effective tax rate for the year | **(0.1)** | – | **–** | – |
| Under provision in prior year | **0.1** | – | **–** | – |
| Tax effect of income not subject to tax | **–** | (5.5) | **(0.4)** | – |
| Deferred tax asset not recognised during the year | **27.9** | 82.4 | **21.1** | – |
| Utilisation of deferred tax asset previously not recognised | **(15.3)** | – | **–** | (111.4) |
| Tax effect of expenses not deductible for tax purpose | **12.4** | 3.4 | **4.3** | 12.0 |
| Effect of previously unrecognised opening deferred tax due to change in tax rate | **–** | (55.3) | **–** | 124.4 |
| Effective statutory tax rate for the year | **25.0** | 25.0 | **25.0** | 25.0 |

## 29. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

During the financial year, the Group and Company acquired property, plant and equipment as follows:-

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2010 RM | 2009 RM | 2010 RM | 2009 RM |
| Cash payment | **43,957** | 91,614 | **950** | 50,733 |

## 30. DIRECTORS' REMUNERATION

The aggregate amounts of emoluments receivable by Directors of the Group and Company during the financial year are as follows:-

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2010 RM | 2009 RM | 2010 RM | 2009 RM |
| Executive Directors | | | | |
| - salaries and other emoluments | **206,307** | 163,346 | **108,653** | 64,332 |
| Independent Non-Executive Directors | | | | |
| - fees | | | | |
| - current year | **40,500** | 36,000 | **40,500** | 36,000 |
| - over provision in prior year | **–** | (32,000) | **–** | (32,000) |
| | **246,807** | 167,346 | **149,153** | 68,332 |

The aggregate amounts of emoluments receivable by Directors of the Company and subsidiary companies during the financial year are as follows:-

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2010 RM | 2009 RM | 2010 RM | 2009 RM |
| Executive Directors of the Company and subsidiary companies | | | | |
| - salaries and other emoluments | **206,307** | 163,346 | **108,653** | 64,332 |

## 30. DIRECTORS' REMUNERATION (cont'd)

The number of Directors of the Company whose total remuneration during the financial year falling within the following bands are as follows:-

| | NUMBER OF DIRECTORS 2010 RM | 2009 RM |
|---|---|---|
| Executive Directors :- | | |
| Below RM 50,000 | **1** | – |
| RM 50,001 - RM 100,000 | **–** | – |
| RM 100,001 - RM 150,000 | **–** | – |
| | **1** | – |
| Non-Executive Directors | | |
| Below RM 50,000 | **6** | 2 |

The number of Directors of the Group whose total remuneration during the financial year falling within the following bands are as follows:-

| | NUMBER OF DIRECTORS 2010 RM | 2009 RM |
|---|---|---|
| Executive Directors :- | | |
| Below RM 50,000 | **1** | – |
| RM 50,001 - RM 100,000 | **1** | 2 |
| RM 100,001 - RM 150,000 | **1** | – |
| | **3** | 2 |
| Non-Executive Directors | | |
| Below RM 50,000 | **6** | 2 |

## 31. SIGNIFICANT RELATED PARTY TRANSACTIONS

Significant transactions with related parties are as follows:-

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2010 RM | 2009 RM | 2010 RM | 2009 RM |
| Sales to related party | | | | |
| - Connstellar (M) Sdn. Bhd.* | **81,648** | 80,282 | **81,648** | 80,282 |

* A company in which the subsidiary company has substantial financial interest.

## 32. SUPPLEMENTARY INFORMATION - BREAKDOWN OF RETAINED PROFITS INTO REALISED AND UNREALISED

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2010 RM** | **2009 RM** | **2010 RM** | **2009 RM** |
| Accumulated losses analysed into: | | | | |
| - Realised | **(11,402,600)** | (11,043,085) | **(7,876,032)** | (7,380,530) |
| - Unrealised | **–** | – | **–** | – |
| | **(11,402,600)** | (11,043,085) | **(7,876,032)** | (7,380,530) |
| Less: Consolidation adjustments | **3,482,079** | 3,498,706 | **–** | – |
| Accumulated losses as per financial statement | **(7,920,521)** | (7,544,379) | **(7,876,032)** | (7,380,530) |

## 33. SEGMENTAL INFORMATION

Segment information is presented in respect of the Group's business and geographical segments.

Segment results, assets and liabilities includes items directly attributable to a segment as well as those that can be allocated in a reasonable basis. Unallocated items mainly comprise corporate assets, liabilities and expenses.

Segment assets and liabilities do not include tax assets and tax liabilities respectively.

Segment capital expenditure is the total cost incurred during the financial year to acquire segment assets that are expected to be used for more than one accounting period.

Inter-segment revenue are entered in the ordinary course of business based on terms mutually agreed upon by the parties concerned.

## 33. SEGMENTAL INFORMATION (cont'd)

i) Business Segments

| 2010 | Customisation Projects RM | Own Proprietory Software RM | Third Party Software, Hardware & Accessories RM | Maintenance, Training & Others RM | Elimination RM | Total RM |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| External sales | 36,000 | 55,000 | 58,000 | 845,269 | – | 994,269 |
| Inter-segment sales | – | – | – | – | – | – |
| Total revenue | 36,000 | 55,000 | 58,000 | 845,269 | – | 994,269 |
| **Results** | | | | | | |
| Segment results | (10,404) | (15,895) | (16,762) | (244,285) | – | (287,346) |
| Financing costs | | | | | | (725) |
| Interest revenue | | | | | | 2,042 |
| Amortisation of development costs | | | | | | (81,275) |
| Share of results of associated companies | | | | | | (8,338) |
| Loss before taxation | | | | | | (375,642) |
| Taxation | | | | | | (500) |
| Loss for the year | | | | | | (376,142) |

## 33. SEGMENTAL INFORMATION (cont'd)

i) Business Segments

| 2010 | Customisation Projects RM | Own Proprietary Software RM | Third Party Software, Hardware & Accessories RM | Maintenance, Training & Others RM | Elimination RM | Total RM |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Segment assets | 65,483 | 100,043 | 105,500 | 1,537,518 | – | 1,808,544 |
| Interest in associated companies | | | | | | 330,952 |
| Other investment | | | | | | 769,599 |
| Tax assets | | | | | | 18,800 |
| | | | | | | 2,927,895 |
| **Liabilities** | | | | | | |
| Segment liabilities | 12,790 | 19,540 | 20,607 | 300,306 | – | 353,243 |
| **Other Segment Information** | | | | | | |
| Amortisation of development costs | 2,943 | 4,496 | 4,741 | 69,095 | – | 81,275 |
| Bad debts written off | 2,389 | 3,649 | 3,848 | 56,083 | – | 65,969 |
| Capital expenditure | 1,592 | 2,432 | 2,563 | 37,370 | – | 43,957 |
| Depreciation | 1,655 | 2,529 | 2,665 | 38,854 | – | 45,703 |
| Impairment loss on trade receivables | 43 | 66 | 71 | 1,020 | – | 1,200 |

## 33. SEGMENTAL INFORMATION (cont'd)

i) Business Segments

| 2009 | Customisation Projects RM | Own Proprietory Software RM | Third Party Software, Hardware & Accessories RM | Maintenance, Training & Others RM | Elimination RM | Total RM |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| External sales | 43,500 | 276,928 | 85,343 | 896,937 | – | 1,302,708 |
| Inter-segment sales | – | – | – | – | – | – |
| Total revenue | 43,500 | 276,928 | 85,343 | 896,937 | – | 1,302,708 |
| **Results** | | | | | | |
| Segment results | (5,080) | (32,339) | (9,966) | (104,743) | – | (152,128) |
| Financing costs | | | | | | (354) |
| Interest revenue | | | | | | 29,254 |
| Amortisation of development costs | | | | | | (114,163) |
| Share of results of associated companies | | | | | | 16,187 |
| Loss before taxation | | | | | | (221,204) |
| Taxation | | | | | | – |
| Loss for the year | | | | | | (221,204) |

## 33. SEGMENTAL INFORMATION (cont'd)

i) Business Segments

| 2009 | Customisation Projects RM | Own Proprietory Software RM | Third Party Software, Hardware & Accessories RM | Maintenance, Training & Others RM | Elimination RM | Total RM |
|---|---|---|---|---|---|---|
| **Assest** | | | | | | |
| Segment assets | 47,617 | 303,139 | 93,420 | 981,829 | – | 1,426,005 |
| Interest in associated companies | | | | | | 382,074 |
| Other investment | | | | | | 769,599 |
| Tax assets | | | | | | 19,300 |
| | | | | | | 2,596,978 |
| **Liabilities** | | | | | | |
| Segment liabilities | 13,112 | 83,471 | 25,724 | 270,353 | – | 392,660 |
| **Other Segment Information** | | | | | | |
| Amortisation of development costs | 3,812 | 24,269 | 7,479 | 78,603 | – | 114,163 |
| Capital expenditure | 3,059 | 19,475 | 6,002 | 63,078 | – | 91,614 |
| Depreciation | 1,333 | 8,489 | 2,616 | 27,492 | – | 39,930 |
| Impairment loss on trade receivables | 9,515 | 60,577 | 18,668 | 196,200 | – | 284,960 |

## 33. SEGMENTAL INFORMATION (cont'd)

ii) Geographical Segments

Segment revenue based on geographical location of its customers:-

| 2010 | Malaysia RM | Japan RM | Singapore RM | Other RM | Consolidated RM |
|---|---|---|---|---|---|
| Total revenue from external customers | **990,853** | **–** | **3,416** | **–** | **994,269** |
| Segment assets | **1,802,330** | **–** | **6,214** | **–** | **1,808,544** |
| Investment in associated companies | **330,952** | **–** | **–** | **–** | **330,952** |
| Other investment | **769,599** | **–** | **–** | **–** | **769,599** |
| Tax assets | **18,800** | **–** | **–** | **–** | **18,800** |
| Consolidated total assets | **2,921,681** | **–** | **6,214** | **–** | **2,927,895** |
| Capital expenditure | **43,806** | **–** | **151** | **–** | **43,957** |
| **2009** | | | | | |
| Total revenue from external customers | 991,311 | 200,000 | 101,115 | 10,282 | 1,302,708 |
| Segment assets | 1,085,135 | 218,929 | 110,685 | 11,256 | 1,426,005 |
| Investment in associated companies | 382,074 | – | – | – | 382,074 |
| Other investment | 769,599 | – | – | – | 769,599 |
| Tax assets | 19,300 | – | – | – | 19,300 |
| Consolidated total assets | 2,256,108 | 218,929 | 110,685 | 11,256 | 2,596,978 |
| Capital expenditure | 72,594 | 2,971 | 6,109 | 578 | 82,252 |

## 34. EMPLOYEES INFORMATION

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| | **RM** | **RM** | **RM** | **RM** |
| Directors' salaries and other emoluments (Note 30) | **206,307** | 163,346 | **108,653** | 64,332 |
| EPF | **34,368** | 46,610 | **26,003** | 5,756 |
| Salaries, bonus, wages and gratuity | **320,899** | 408,515 | **246,173** | 48,200 |
| SOCSO | **3,723** | 5,220 | **3,058** | 619 |
| Other personnel costs | **43,614** | 24,909 | **18,918** | 9,151 |
| | **608,911** | 648,600 | **402,805** | 128,058 |

The total number of employees of the Company, including the Directors, as at the end of the financial year was 9 (2009: 5).

The total number of employees of the Group, including the Directors, as at the end of the financial year was 11 (2009: 16).

## 35. FINANCIAL INSTRUMENTS

Fair values of financial instruments

The carrying amounts and estimated fair values of the financial instruments of the Group and Company at the end of the financial year are as follows:-

| | 2010 | | 2009 | |
|---|---|---|---|---|
| **GROUP** | **Carrying amounts** | **Fair Value** | **Carrying amounts** | **Fair Value** |
| | **RM** | **RM** | **RM** | **RM** |
| **Financial Assets** | | | | |
| Other investment | **769,599** | ***–** | 769,599 | *– |
| Trade and other receivables | **348,537** | **348,537** | 301,996 | 301,996 |
| Amount due from an associated company | **1,775** | **1,775** | 1,775 | 1,775 |
| Fixed deposits | **700,000** | **700,000** | 207,540 | 207,540 |
| Cash and bank balances | **157,776** | **157,776** | 337,851 | 337,851 |
| **Financial Liabilities** | | | | |
| Trade and other payables | **353,243** | **353,243** | 392,660 | 392,660 |

* It is not practicable to estimate the fair values of the Group's unquoted investments because of lack of quoted market prices and the inability to estimate their fair values without incurring excessive costs.

## 35. FINANCIAL INSTRUMENTS (cont'd)

| COMPANY | 2010 Carrying amounts RM | 2010 Fair Value RM | 2009 Carrying amounts RM | 2009 Fair Value RM |
|---|---|---|---|---|
| **Financial Assets** | | | | |
| Trade and other receivables | **277,398** | **277,398** | 510,400 | 510,400 |
| Amount owing by subsidiaries | **972,258** | **972,258** | 876,324 | 876,324 |
| Fixed deposits | **700,000** | **700,000** | 207,540 | 207,540 |
| Cash and bank balances | **72,056** | **72,056** | 166,274 | 166,274 |
| **Financial Liabilities** | | | | |
| Trade and other payables | **66,243** | **66,243** | 55,159 | 55,159 |

There are no fair value for financial instruments not recognised in the statements of financial position that are required to be disclosed.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:-

a) Cash and bank balances

The carrying amount of cash and bank balances approximates fair value due to the relatively short term maturity of these instruments.

b) Trade and other receivables and payables

The historical cost carrying amount of trade receivables and payables subject to normal trade credit terms approximates fair value.

The carrying amounts of other receivables and payables are reasonable estimates of fair value because of their short maturity.

## 36. EVENT SUBSEQUENT TO BALANCE SHEET DATE

On 19th January 2011, the Company appointed PM Securities Sdn. Bhd. as Principal Adviser to undertake the following Proposals:-

i) proposed acquisition of the entire equity interest in Jaring Metal Industries Sdn. Bhd. for a total purchase consideration of RM64,800,000 to be satisfied by the issuance of 462,857,143 new ordinary shares of RM0.10 each in the Company at an issue price of RM0.14 each;

ii) proposed renounceable restricted issue of up to 181,500,000 shares in the Company together with up to 108,900,000 free detachable warrants; and

iii) proposed increase in the authorised share capital of the Company from RM10,000,000 comprising 100,000,000 ordinary shares in the Company of RM0.10 each to RM250,000,000 comprising 2,500,000,000 ordinary shares of RM0.10 each.

## 37. COMPARATIVE FIGURES

The following comparative figures have been reclassified to conform with current year's classification for better understanding of the financial statements:-

| GROUP | As previously stated RM | Reclassification RM | As restated RM |
|---|---|---|---|
| For the financial year ended 31st December 2009 | | | |
| Statements of Comprehensive Income | | | |
| Other income | 80,013 | 48,376 | 128,389 |
| Other operating expenses | (280,124) | (48,376) | (328,500) |
| As at 31st December 2009 | | | |
| Statements of Financial Position | | | |
| Trade payables | – | 286,990 | 286,990 |
| Other payables, accruals and deposits | 392,660 | (286,990) | 105,670 |

# Statistics of Shareholdings

as at 15 April 2011 *(as per Record of Depositors)*

| | | |
|---|---|---|
| Authorised Share Capital | : | RM10,000,000.00 divided into 100,000,000 ordinary shares of RM0.10 each |
| Share Capital Issued | : | 72,600,000 ordinary shares of RM0.10 each |
| Paid-Up Share Capital | : | RM7,260,000.00 |
| Class of Shares | : | Ordinary shares of RM0.10 each |
| Voting Rights | : | One vote per ordinary share |

## ANALYSIS BY SIZE OF SHAREHOLDINGS

| Size of Holdings | No. of Holders | No. of Shares Held | % of Issued Shares |
|---|---|---|---|
| Less than 100 | 21 | 983 | – |
| 100 to 1,000 | 121 | 96,328 | 0.13 |
| 1,001 to 10,000 | 462 | 2,694,900 | 3.71 |
| 10,001 to 100,000 | 335 | 13,806,584 | 19.02 |
| 100,001 to less than 5% of issued shares | 104 | 36,363,182 | 50.09 |
| 5% and above of issued shares | 2 | 19,638,023 | 27.05 |
| **Total** | **1,045** | **72,600,000** | **100.00** |

## SUBSTANTIAL SHAREHOLDERS according to the Register of Substantial Shareholders as at 15 April 2011

| | | Direct Interest | | Deemed Interest | |
|---|---|---|---|---|---|
| No. | Name | No. of Issued Shares | % of Issued Shares | No. of Issued Shares | % of Issued Shares |
| 1. | ECML Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Tan Siew Ching (001)* | 14,338,023 | 19.75 | – | – |
| 2. | Lim Poh Mei | 5,300,000 | 7.30 | – | – |

## DIRECTORS' DIRECT AND DEEMED INTERESTS in the Company and/or its Related Corporations as at 15 April 2011

| | Direct Interest | | Deemed Interest | |
|---|---|---|---|---|
| Name of Directors | No. of Issued Shares | % of Issued Shares | No. of Issued Shares | % of Issued Shares |
| Tan Siew Ching | 14,338,023 | 19.75 | – | – |
| Lee Chee Kheng | – | – | – | – |
| Law Seeh Key | – | – | – | – |
| Roy Thean Chong Yew | – | – | – | – |
| Ewe Chuan Seng | – | – | – | – |

## Statistics of Shareholdings (cont'd)

as at 15 April 2011 *(as per Record of Depositors)*

**TOP 30 SECURITIES ACCOUNT HOLDERS as per Record of Depositors as at 15 April 2011**

| No. | Name | No. of Issued Shares | % of Issued Shares |
|---|---|---|---|
| 1. | ECML Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Tan Siew Ching (001)* | 14,338,023 | 19.75 |
| 2. | Lim Poh Mei | 5,300,000 | 7.30 |
| 3. | Lai Yin Sin @ Lai Yin Sen | 3,102,000 | 4.27 |
| 4. | ECML Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Liew Yoon Peck* | 1,900,000 | 2.62 |
| 5. | Wong Kim Tart | 1,356,100 | 1.87 |
| 6. | ECML Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Lim Ai Ling* | 1,150,000 | 1.58 |
| 7. | Leong Wai Keong | 1,000,000 | 1.38 |
| 8. | Mohd Jamel bin Abdul Munin | 1,000,000 | 1.38 |
| 9. | Lee Mee Yoke | 825,000 | 1.14 |
| 10. | Foo Wen Pok | 700,000 | 0.96 |
| 11. | OSK Nominees (Tempatan) Sdn Berhad<br>*Pledged Securities Account for Tan Puai Ling* | 650,000 | 0.90 |
| 12. | Wee Biau Kuan @ Wee Kui Kee | 614,900 | 0.85 |
| 13. | Chin Chau Choon | 600,000 | 0.83 |
| 14. | TA Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Chong Chen Kong* | 600,000 | 0.83 |
| 15. | Public Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Tan Chong Swee (E-KLC)* | 555,900 | 0.77 |
| 16. | Lim Meng Yan | 524,000 | 0.72 |
| 17. | Navaneetha Rajah a/l Selvadurai | 502,800 | 0.69 |
| 18. | CIMSEC Nominees (Tempatan) Sdn Bhd<br>*CIMB Bank for Diana Teo May Ling (MY0649)* | 500,000 | 0.69 |
| 19. | Ishak bin Awang | 500,000 | 0.69 |
| 20. | Lu Kok Tiong | 500,000 | 0.69 |
| 21. | Wong Pow Kian | 491,700 | 0.68 |
| 22. | Teh Teong Meng | 478,190 | 0.66 |
| 23. | Choon Yuet Chun @ Chan Yuet Ming | 450,000 | 0.62 |
| 24. | Leong Wai Keong | 425,000 | 0.59 |
| 25. | Sim Ah Choo @ Sim Beck Choo | 422,000 | 0.58 |
| 26. | Loi Kien Loon | 415,800 | 0.57 |
| 27. | Ho Chwee Hoon | 400,000 | 0.55 |
| 28. | Lu Chee Boon | 400,000 | 0.55 |
| 29. | Public Invest Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Koay Yan Wah (M)* | 400,000 | 0.55 |
| 30. | Tan Gek Toh | 400,000 | 0.55 |
| **Total** | | **40,501,413** | **55.79** |

**NOTICE IS HEREBY GIVEN THAT** the 13th Annual General Meeting of the Company will be held at Room Arcadia III, Level 3, Hotel Armada Petaling Jaya, Lorong Utara C, Section 52, 46200 Petaling Jaya, Selangor Darul Ehsan on Monday, 20 June 2011 at 10.00 a.m. for the transaction of the following business:-

**AGENDA**

**Ordinary Business**

1. To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2010 together with the Reports of the Directors and Auditors thereon. **ORDINARY RESOLUTION 1**

2. To re-elect the following Directors of the Company who retire in accordance with Article 72 of the Company's Articles of Association and who being eligible offer themselves for re-election:-

   (i) Mr Lee Chee Kheng **ORDINARY RESOLUTION 2**

   (ii) Mr Law Seeh Key **ORDINARY RESOLUTION 3**

   (iii) Mr Roy Thean Chong Yew **ORDINARY RESOLUTION 4**

   (vi) Ms Tan Siew Ching **ORDINARY RESOLUTION 5**

3. To re-appoint Messrs THL Wong & Co. as Auditors of the Company for the financial year ending 31 December 2011 and to authorise the Board of Directors of the Company to determine their remuneration. **ORDINARY RESOLUTION 6**

4. To approve the payment of Director's fee amounting to RM40,500 for the financial year ended 31 December 2010. **ORDINARY RESOLUTION 7**

**Special Business**

5. To approve the increase in annual Director's fee payable to each non-Executive Director of the Company for the financial year ending 31 December 2011 to RM24,000.00. **ORDINARY RESOLUTION 8**

6. To consider and, if thought fit, pass the following Ordinary Resolution:-

   **Authority to issue shares pursuant to Section 132D of the Companies Act, 1965** **ORDINARY RESOLUTION 9**

   "**THAT** subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals from the relevant governmental and/or regulatory authorities, where such approval is necessary, the Directors of the Company be and are hereby empowered, pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company from time to time and upon such terms and conditions and for such purposes and to such person or persons whomsoever as the Directors of the Company may in their absolute discretion deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total issued share capital of the Company for the time being **AND THAT** such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company.

   **AND THAT** the Directors of the Company, whether solely or jointly, be and are hereby empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the ACE Market of Bursa Malaysia Securities Berhad AND be hereby authorised to do all such acts and things including executing all relevant documents as he/they may consider expedient or necessary to complete and give full effect to the abovesaid mandate."

7. To transact any other ordinary business that may be transacted at an Annual General Meeting, due notice of which shall have been given in accordance with the Companies Act, 1965 and the Articles of Association of the Company.

**FURTHER NOTICE IS HEREBY GIVEN THAT** for the purpose of determining a member who shall be entitled to attend this 13th Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 47(f) of the Articles of Association of the Company and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors ("ROD") as at 14 June 2011. Only a depositor whose name appears on the ROD as at 14 June 2011 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

**BY ORDER OF THE BOARD**

**TONG SIUT MOI**
**MAICSA 7024173**
Secretary

Selangor Darul Ehsan
27 May 2011

***Notes:***

***Proxy***

1. *A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy/proxies who may but need not be a member/members of the Company. In the event the proxy/proxies is/are not a member/members he/she needs not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.*
2. *A member shall not, subject to Note (3) below, be entitled to appoint more than two (2) proxies to attend and vote at the Annual General Meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportion of his/her shareholding to be represented by each proxy.*
3. *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each securities account it holds which is credited with ordinary shares of the Company.*
4. *The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing. In the event the appointer is a corporation, the instrument appointing a proxy must be either under the appointer's Common Seal or under the hand of its officer or attorney duly authorised and be supported by a certified true copy of the resolution appointing such officer or certified true copy of the power of attorney.*
5. *The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a notarially certified copy thereof, must be deposited at the Registered Office of the Company at Unit A-32-06, Three Two Square, 2 Jalan 19/1, 46300 Petaling Jaya, Selangor Darul Ehsan, not less than forty-eight (48) hours before the time set for holding the Annual General Meeting or any adjournment thereof.*

***Abstention from Voting***

6. *All the Non-Executive Directors of the Company who are shareholders of the Company will abstain from voting on Ordinary Resolutions 7 and 8 concerning Directors' fees at the Annual General Meeting.*

***Special Business***

7. ***Ordinary Resolution 8 – Proposed Increase in Annual Director's Fee***

   *The Ordinary Resolution 8 under agenda 5 above is proposed based on a comparative analysis of the remuneration of Non-Executive Directors in public listed companies in Malaysia.*

   *The proposed Ordinary Resolution 8, if passed, will grant the Directors of the Company the authority to increase the annual Director's fees payable to each Non-Executive Director of the Company for the financial year ending 31 December 2011 to RM24,000.00.*

8. ***Ordinary Resolution 9 – Authority to issue shares pursuant to Section 132D of the Companies Act, 1965***

   *The Ordinary Resolution 9 proposed under agenda 6 above is a renewal of the general mandate for issuance of new ordinary shares pursuant to Section 132D of the Companies Act, 1965, which was granted by the shareholders at the last Annual General Meeting. During the financial year ended 31 December 2010, there was an issue of 6,600,000 new ordinary shares of RM0.10 each in the Company pursuant to a private placement for working capital purposes and the proceeds raised amounted to RM811,800.00.*

   *The proposed Ordinary Resolution 9, if passed, will give the Directors of the Company, from the date of the above Meeting, the authority to issue and allot ordinary shares from the unissued share capital of the Company up to an amount not exceeding in total ten per centum (10%) of the total issued share capital of the Company for the time being for such purposes as the Directors of the Company consider would be in the best interests of the Company. There will be no adverse effect on the share price in such cases, as the new issuance would not be priced at a discount of more than ten per centum (10%) of the weighted average market price for five (5) market days before the price-fixing date. This authority will, unless revoked or varied at a general meeting, expire at the conclusion of the next Annual General Meeting of the Company.*

   *The abovesaid mandate will provide the Directors certain flexibilities when the need arises to issue additional shares for any possible fund raising activities, including but not limited to funding future investment projects, working capital and/or acquisitions and, in addition to enhancing efficiency in implementing the same, it will reduce the time and cost that would be involved in seeking shareholders' approval for such issue of shares.*

Further details of the Directors who are standing for re-election as per Agenda 2 of the Notice of AGM:-

1. Pursuant to Article 72 of the Articles of Association of the Company, the following Directors will be retiring and standing for re-election at the 13th AGM:-
   (i) Mr Lee Chee Kheng
   (ii) Mr Law Seeh Key
   (iii) Mr Roy Thean Chong Yew
   (iv) Mr Ewe Chuan Seng *
   (v) Ms Tan Siew Ching

   * However, Mr Ewe Chuan Seng has advised the Company that he does not wish to seek re-election at the 13th AGM.

2. The details of the Directors standing for re-election (save for Mr Ewe Chuan Seng) are set out in "Board of Directors' Profile" on pages 6 and 7 of the Annual Report. Save as disclosed therein, the above Directors have no family relationship with any Director and/or major shareholder of the Company, have no conflict of interest with the Company and have not been convicted for any offence (other than traffic offences) within the past ten (10) years.

3. No notice of nomination has been received to date from any member nominating any individual for election as a Director at the AGM of the Company.

# Information for Shareholders on 13th Annual General Meeting

The 13th AGM will be held at Room Arcadia III, Level 3, Hotel Armada Petaling Jaya, Lorong Utara C, Section 52, 46200 Petaling Jaya, Selangor Darul Ehsan on Monday, 20 June 2011 at 10.00 a.m.

Details of the 13th AGM are set out in the Notice of 13th AGM in the 2010 Annual Report together with a Form of Proxy. They are also available on Bursa Malaysia Securities Berhad's website, www.bursamalaysia.com

The Company has requested Bursa Malaysia Depository Sdn Bhd in accordance with Article 47(f) of the Articles of Association of the Company and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue an ROD as at 14 June 2011, for the purpose of determining the persons to whom the Notice of 13th AGM shall be given by the Company. Only a depositor whose name appears on the ROD as at 14 June 2011 shall be given the Notice of 13th AGM.

The General Meeting ROD as at 14 June 2011 will determine a member who shall be entitled to attend the 13th AGM or appoint proxies to attend and/or vote on his/her behalf.

# Abbreviations

| | |
|---|---|
| Act | Companies Act, 1965 |
| AC | Audit Committee |
| AMLR | ACE Market Listing Requirements |
| AGM | Annual General Meeting |
| Board | Board of Directors |
| Bursa LINK | Bursa Listing Information Network |
| Bursa Securities | Bursa Malaysia Securities Berhad |
| CG | Corporate Governance |
| CG Code | Malaysian Code on Corporate Governance and its revision dated 1 October 2007 |
| Company | Infortech Alliance Berhad |
| CSR | Corporate Social Responsibility |
| ED/EDs | Executive Director or its plural |
| ESOS | Employee Share Option Scheme |
| FRS/FRSs | Financial Reporting Standard or its plural |
| FYE | Financial year ended |
| Group | Infortech Alliance Berhad and its subsidiary companies |
| ICT | Information and Communications Technology |
| INED/INEDs | Independent and Non-Executive Director or its plural |
| LAT | Loss After Tax |
| NC | Nomination Committee |
| NED/NEDs | Non-Executive Director or its plural |
| RC | Remuneration Committee |
| RM | Ringgit Malaysia |
| ROD | Record of Depositors |
| TOR/TORs | Terms of Reference or its plural |

This page is intentionally left blank

# FORM OF PROXY

**INFORTECH ALLIANCE BERHAD** (439230-A)
(Incorporated in Malaysia)

**No. of Shares held** ........................................................

**CDS Account No.** ..........................................................

*I/We.............................................................................................................................................................................
*(full name as per NRIC/Certificate of Incorporation in capital letters)*

Company No./NRIC No. ................................................................ of ..................................................................................

.................................................................................................................................................................................................
*(full address)*

.................................................................................................................................................................................................
*(full address)*

being a member of **INFORTECH ALLIANCE BERHAD** hereby appoint ..............................................................................
*(full name as per NRIC in capital letters)*

................................................................................ NRIC No. ..............................................................................

or failing him/her, .........................................................................................................................................................
*(full name as per NRIC in capital letters)*

NRIC No. ...................................................... or failing him/her the Chairman of the Meeting as *my/our proxy, to vote for *me/us on *my/our behalf at the 13th AGM of the Company to be held at Room Arcadia III, Level 3, Hotel Armada Petaling Jaya, Lorong Utara C, Section 52, 46200 Petaling Jaya, Selangor Darul Ehsan on Monday, 20 June 2011 at 10.00 a.m. and at any adjournment thereof, on the following resolutions referred to in the Notice of 13th AGM.

*My/Our proxy(ies) *is/are to vote as indicated below:-

| **Ordinary Business** | | **FOR** | **AGAINST** |
|---|---|---|---|
| Resolution 1 | To receive Audited Financial Statements for the year ended 31 December 2010 and Reports of Directors and Auditors thereon | | |
| Resolution 2 | To re-elect Mr Lee Chee Kheng as Director (Article 72) | | |
| Resolution 3 | To re-elect Mr Law Seeh Key as Director (Article 72) | | |
| Resolution 4 | To re-elect Mr Roy Thean Chong Yew as Director (Article 72) | | |
| Resolution 5 | To re-elect Ms Tan Siew Ching as Director (Article 72) | | |
| Resolution 6 | To re-appoint Messrs THL Wong & Co. as auditors of the Company and to authorise the Board of Directors to determine their remuneration | | |
| Resolution 7 | To approve payment of Directors' fees for financial year ended 31 December 2010 | | |
| **Special Business** | | | |
| Resolution 8 | To approve increase in annual Director's fee for financial year ending 31 December 2011 | | |
| Resolution 9 | Authority to issue shares pursuant to Section 132D of the Companies Act, 1965 | | |

*(Please indicate with an "X" in the appropriate box against each Resolution how you wish your vote to be cast. If no specific direction as to how the proxy shall vote, the proxy shall vote as he/she thinks fit or, at his/her discretion, abstain from voting.)*

Signed this ................ day of ........................... 2011

.....................................................................................
Signature(s)/Common Seal of Member(s)

For appointment of two proxies, percentage of shareholdings to be represented by the proxies

| | **No. of shares** | **Percentage** |
|---|---|---|
| Proxy 1 | | |
| Proxy 2 | | |
| Total | | 100% |

**NOTES:**

1. A member entitled to attend and vote at the AGM is entitled to appoint a proxy/proxies who may but need not be a member/members of the Company. In the event the proxy/proxies is/are not a member/members he/she needs not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.
2. A member shall not, subject to Note (3) below, be entitled to appoint more than two (2) proxies to attend and vote at the AGM. Where a member appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportion of his/her shareholding to be represented by each proxy.
3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each securities account it holds which is credited with ordinary shares of the Company.
4. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing. In the event the appointer is a corporation, the instrument appointing a proxy must be either under the appointer's Common Seal or under the hand of its officer or attorney duly authorised and be supported by a certified true copy of the resolution appointing such officer or certified true copy of the power of attorney.
5. The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a notarially certified copy thereof, must be deposited at the Registered Office of the Company at Unit A-32-06, Three Two Square, 2 Jalan 19/1, 46300 Petaling Jaya, Selangor Darul Ehsan, not less than forty-eight (48) hours before the time set for holding the AGM or any adjournment thereof.
6. For the purpose of determining a member who shall be entitled to attend this 13th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 47(f) of the Articles of Association of the Company and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting ROD as at 14 June 2011. Only a depositor whose name appears on the ROD as at 14 June 2011 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

** Delete if not applicable*

Fold here

Fold here

STAMP

**Infortech Alliance Berhad**
(Company No: 439230-A)
Unit A-32-06
Three Two Square
2, Jalan 19/1
46300 Petaling Jaya
Selangor Darul Ehsan

**INFORTECH ALLIANCE BERHAD** (439230-A)
Unit A-32-06, Three Two Square
No. 2, Jalan 19/1
46300 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel : 603-7954 8876
Fax : 603-7954 7279
Website : www.infortechalliance.com