DVM TECHNOLOGY

Corporate Vision

To be a transnational group of companies in the provision of leading edge technology for total business and operational solutions.

Content

Corporate Information

Board of Directors

Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid	- Independent Non-Executive Chairman
Kamarudin Bin Ngah	- Independent Non-Executive Director
Yee Yit Yang	- Independent Non-Executive Director
Dato' Goh Kian Seng	- Managing Director
Roy Ho Yew Kee	- Non-Independent Non-Executive Director

Audit Committee
Kamarudin Bin Ngah - Chairman
Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid
Yee Yit Yang

Remuneration Committee
Kamarudin Bin Ngah - Chairman
Yee Yit Yang
Dato' Goh Kian Seng

Nomination Committee
Kamarudin Bin Ngah - Chairman
Yee Yit Yang

Company Secretary
Pang Kah Man (MIA 18831)

Auditors
Kreston John & Gan
Chartered Accountants
(Firm No. AF 0113)

Registered Office
3-2, 3rd Mile Square, No. 151, Jalan Kelang Lama
Batu 3½, 58100 Kuala Lumpur
Tel: 603-7987 5300 Fax: 603-7987 5200

Share Registrar
Equiniti Services Sdn. Bhd.
Level 8, Menara MIDF, 82 Jalan Raja Chulan
50200 Kuala Lumpur
Tel: 603-2166 0933 Fax: 603-2166 0688

Business Address
Lot 11.3, 11th Floor Menara Lien Hoe
No. 8 Persiaran Tropicana
Tropicana Golf & Country Resort
47410 Petaling Jaya, Selangor Darul Ehsan
Tel: 603-7805 3868 Fax: 603-7805 3863
Website: www.dvm.com.my
Email: corp@dvm.com.my

Principal Bankers
Malayan Banking Berhad
AmBank (Malaysia) Berhad
AmInvestment Services Berhad
CIMB Bank Berhad
Malaysia Debt Venture Berhad
United Overseas Bank (Malaysia) Bhd

Stock Exchange Listing
ACE Market of the Bursa Malaysia Securities Berhad ("BMSB")

Stock Short Name
DVM

Stock Code
0036

Corporate Structure

DVM Technology Bhd
(Company No. 609953-k)

- 100% — **DVM Innovate Sdn Bhd**
  - 100% — **DVM Intellisource Sdn Bhd**
- 100% — **NGC System Sdn Bhd**
- 100% — **Key Alliance Sdn Bhd**
- 100% — **DVM Communication Sdn Bhd**
- 60% — **Mobile Video International Ltd**
- 33.34% — **Fatfish Capital Ltd**

Board of Directors

Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid
Independent Non-Executive Chairman

Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid, aged 76, a Malaysian was appointed as the Independent Non-Executive Chairman of DVM on 4 November 2003. He is also the member of the Audit Committee. He is a graduate of the Royal Military College, Malaysia and Army Staff College in Camberley, United Kingdom. Tan Sri was the Chief of the Malaysian Army and Defence Force between 1992 and 1994 and was the Acting Governor of Penang in 1994. From 1958 to 1994, he served in various capacities and appointments in the Malaysian Armed Forces. Tan Sri Abdul Rahman Bin Abdul Hamid is also the Chairman for Jaya Tiasa Holdings Berhad and AXA Affin Life Insurance Berhad, a joint venture company of Lembaga Tabung Angkatan Tentera. He is also the Chairman and Director of a few other multinational and private companies established in Malaysia. He attended four (4) out of five (5) board meetings held during the financial year ended 31 December 2013.

Dato' Goh Kian Seng
Managing Director

Dato' Goh Kian Seng, aged 52, a Malaysian was appointed as the Managing Director of DVM on 8 August 2003. He is also a member of the Remuneration Committee. Dato' Goh obtained his degree in Chemical Engineering from University of Malaya, Master and Doctorate of Business Administration from Southern Cross University, Australia. He is principally responsible for the overall management, marketing and strategic direction of the DVM Group. He has been in the computing, data and telecommunication industry since 1985. He has been offered an appointment as an Adjunct Professor in the City University College of Science and Technology commencing in January 2011 to December 2014. He attended all of the five (5) board meetings held during the financial year ended 31 December 2013.

Roy Ho Yew Kee
Non-Independent Non-Executive Director

Roy Ho Yew Kee, aged 39, a Malaysian was appointed as the Executive Director of DVM on 30 December 2011 and redesignated as Non-Independent Non-Executive Director on 23 May 2014. He obtained his Bachelor of Commerce from the Griffith University, Queensland, Australia. He has extensive experience with retail broking and cross border finance companies involving with sales trading, deal origination and institutional broking. He is principally responsible for managing the operations, business direction and strategies of the DVM Group. He attended four (4) out of five (5) board meetings held during the financial year ended 31 December 2013.

Kamarudin Bin Ngah
Independent Non-Executive Director

Kamarudin Bin Ngah, aged 66, a Malaysian was appointed as Independent Non-Executive Director on 4 November 2003. He is also the chairman of the Audit Committee, Nomination Committee and Remuneration Committee. He obtained his Diploma in Civil Engineering from the Johore Technical Institute in 1970. He is presently the Managing Director of a private company involved in spiral waste storage and handling systems. He attended four (4) out of five (5) board meetings held during the financial year ended 31 December 2013.

Yee Yit Yang
Independent Non-Executive Director

Yee Yit Yang, aged 47, a Malaysian was appointed as Independent Non-Executive Director on 07 October 2011. He is also a member of the Audit Committee, Nominating Committee and Remuneration Committee. He began his career with an international accounting firm and then joined an investment bank in which he involved with various corporate restructuring exercises. Currently, he is attached with a private consultancy firm. He holds a Bachelor of Economics and is a member of the Malaysian Institute of Accountants. He is also the Independent and Non-Executive Director of DPS Resources Berhad, Mlabs Systems Berhad, Len Cheong Holdings Berhad and Oriental Media Group Bhd. He attended all the five (5) board meetings held during the financial year ended 31 December 2013.

Notes to Director's Profile
All the Directors do not have any family relationship with any Director and/or Substantial Shareholders of the Company. None of the Directors have been convicted of any offences other than traffic offences within the past ten (10) years. None of the Directors have any conflict of interest with the Company.

Chairman's Statement

Dear Valued Shareholders

On behalf of the Board of Directors of DVM Technology Bhd, I am pleased to present you the Annual Report and Audited Financial Statements of the Group and the Company for the financial year ended 31 December 2013.

Overview and Financial Review

The year 2013 has been both a challenging year for DVM. Despite the rough business landscape, the Group recorded revenue of RM22.68 million compared to RM 9.06 million in the preceding financial year, approximately 150% higher than the previous financial year. The increase in revenue was driven mainly by the projects secured from the government sectors and approximately 21% of the revenue derives from the trading of computer hardware to businesses.

Losses after tax in the financial year under review has improved to RM2.50 million from RM4.85 million in the preceding financial year.

The operations were mainly focusing on the development of our core competencies that were tailored to meet mainly on local customers' demand and expectations in terms of functionality and superior features found in our products and strengths.

Corporate Development

Although the overall business sentiments are still a little hazy on account of the current economic concerns, we have moving ahead with the adoption of a number of initiatives to better prepare for the challenges ahead of us. The Group has instituted not only improve operating efficiency and rein in costs where feasible, but also actively seek out potentially profitable synergistic activities to improve the Group's future income streams and ultimately its bottom line.

Pursuant to the Right Issue with Warrants ("Rights Issue Exercise"), the Company issued the following ordinary shares and warrants which were listed on the ACE Market of Bursa Malaysia Securities Berhad on 8 July 2013:

(i) 387,200,000 Rights Shares issued pursuant to the Rights Issue Exercise on the basis of 4 rights shares for every 2 existing ordinary shares of RM0.10 each held; and

(ii) 290,400,000 Warrants issued pursuant to the Rights Issue Exercise on the basis of 3 warrants for every 2 existing ordinary shares held in DVM.

Consequently, the issued and paid-up share capital of the Company increased from RM19,360,000 comprising 193,600,000 ordinary shares of RM0.10 each to RM58,080,000 comprising 580,800,000 ordinary shares of RM0.10 each with the completion of Rights Issue with Warrants.

Future Prospects for 2014

The Group will focus going forward on the development and future growth of its existing businesses and the coming new projects despite the global economic outlook for 2014 to remain challenging, with growth expected at a moderate level.

The receipt of an award from Frost & Sullivan Asia Pacific for Asia Pacific's Most Promising innovative Application/Product for the year 2009 has enabled the Group to further penetrate into the target market both locally and overseas. Further the capital outlay for the R&D will be on an ongoing basis to improve the existing product lines and to adapt to the rapidly changing technology.

The Group envisaged an exciting year ahead with the increase in teaming arrangements with a number of local and international partners who are committed and share our vision to be global player in promoting our products locally and within region of Asia.

The Board is confident that the Group will perform satisfactorily in coming future years despite the prevailing challenging global economic environment.

Acknowledgement and Appreciation

On behalf of the Board, I wish to express sincere thanks and appreciation to our employees of DVM, customers, shareholders, business partners, technology partners and financiers who have given us their continuing strong support and encouragement and we look towards improved relationships as we strive for greater development in our business. I also wish to record my thanks to my fellow Directors for their invaluable advice and support through out the years.

The Management Team of DVM Technology Berhad

Statement on Corporate Governance

The Board of Directors ("the Board") recognised the importance of corporate governance requirements outlined in the Malaysian Code of Corporate Governance 2012 ("MCCG 2012"). The Board is continuously committed in maintaining high standards of corporate governance practices throughout the Group to protect and enhance shareholders' value and financial performance of the Group.

The following statement described the application of the principles and recommendations and extent of compliance with the best practices of MCCG 2012 during the financial year ended 31 December 2013.

PRINCIPAL 1 : ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND MANAGEMENT

1. Role and Responsibilities of the Board

The Board is responsible for the overall performance of the Group and provides the Group's strategic direction and formulation of medium and long term goals and overseeing the conduct of the Company's business, resources and investment of the Group to maximise the shareholders' value. The Board regularly reviews the strategic direction of the Group and the Group's business operations after taking into account the changes in business environment and risk factors. The Board also maintains full and effective control over the management of the Group.

The Board has delegated certain responsibilities to the Board Committees, i.e Audit Committee, Nomination Committee and Remuneration Committee where all of which operate within the defined terms of reference. All these Board Committees shall report to the Board on all matters considered and their recommendations. The respective Board Committees are detailed below:

1.1 Audit Committee

The details are set out in the Audit Committee Report of this Annual Report.

1.2 Nomination Committee

Nomination Committee is established and maintained to ensure that there is a formal and transparent procedure for the appointment of new Directors to the Board and to assess the effectiveness of individual Director the Board and Committees. In arriving at these recommendations, due consideration is given to the competencies, required mix of skills, knowledge, expertise, experience, professionalism, integrity and other qualities, including core competencies in the composition of the Board.

The Nomination Committee comprises the following members:

Chairman	: Kamarudin Bin Ngah (Independent Non-Executive Director)
Member	: Yee Yit Yang (Independent Non-Executive Director)

1.3 Remuneration Committee

The Remuneration Committee is principally responsible for assessing and reviewing the remuneration for the Executive Directors and subsequently furnishes their recommendations to the board for adoption. The current members of the Remuneration Committee are as follows:

Chairman	: Kamarudin Bin Ngah (Independent Non-Executive Director)
Member	: Dato' Goh Kian Seng (Managing Director)
Member	: Yee Yit Yang (Independent Non-Executive Director)

2. Strategies promoting sustainability

The Board promotes good corporate governance in the application of sustainability practices throughout the Group, the benefits of which are believed to translate into better corporate performance. A report on sustainability activities, demonstrating the Company's commitment to the global environmental, social, governance and sustainability agenda, is detailed in the Corporate Social Responsibility Statement of this Annual Report.

3. Board Charter and Code of Ethics

The Board is in the midst of finalising its Charter as well as the Code of Ethics for adoption by the second half of 2014. The Board will make available its Charter on the corporate website once finalised.

The documents, if finalized will clearly set out the roles and responsibilities of the Board and Board Committees and the processes and procedures for convening their meetings. It will also serve as a reference and primary induction literature providing prospective and existing Board members and Management insights into the fiduciary and leadership functions of the Directors of the Company.

4. Promoting Sustainability

The Company manages its business responsibly by managing the economic, social and environmental aspects of its operations. The Company produces the annual report, which highlights the financial aspects of the business and provides a clear, comprehensive and transparent representation of the Company's performance annually.

5. Access to Information and Advice

The Board has full access to relevant and timely information in the form and quality required pertaining to the Group's business affairs to assist in discharging of their duties and responsibilities. The Board is supplied with all relevant information and reports on Group's financial result, strategic and business plan by way of Board papers tabled at Board meetings.

The Board members have access to the advice and services of the Company Secretary and senior management staff. The Company Secretary is responsible for ensuring that Board meetings' procedures are followed and that applicable rules and regulations are complied with. Where necessary, the Directors may seek independent professional advice at the Group's expense in order to discharge their duties and responsible effectively.

6. Trading on Insider Information

The Directors and employees of the Group are prohibited from trading in securities or any other kind of property based on price sensitive information and knowledge which has not been publicly announced.

Directors are also prompted not to deal in the Company's shares at any point when price sensitive information is shared with them, occasionally in the form of Board papers.

PRINCIPLE 2 : STRENGTHEN THE COMPOSITION OF THE BOARD

1. Composition of Board

The Board currently consists of five (5) members comprising one (1) Managing Director and four (4) Independent Non-Executive Directors. The current Board composition complies with the ACE Market Listing Requirements ("Listing Requirements") of the Bursa Malaysia Securities Berhad ("Bursa Securities"). The brief write-up on each Director is set out under the Board of Directors of this Annual Report.

All the Independent Non-Executive Directors are independent of Management and free from any business or other relationship that could materially interfere with the exercise of their independent judgment. The wide spectrum of knowledge, skills and experience of the Board gives added strength to the leadership which is necessary for the effective stewardship of the Group.

The Board comprised of professionals from various experience and qualification in information technology, industry specific knowledge, financial, commercial and business management. The Board believes that this current composition has the required collective skills for the Board to provide clear and effective leadership to the company.

2. Appointment to the Board

The Board appoints its members through a formal and transparent selection process which is consistent with the Articles of Association of the Company. Appointments are made upon the recommendation of the Nomination Committee. The Nomination Committee meets at least once a year but may convene additional meetings if considered necessary. The Company Secretary will ensure that all appointments are properly made and that legal and regulatory obligations are met.

On appointment of new Directors, the Management would facilitate the Directors' induction by providing the Directors with relevant information about the Group and encouraging them to visit the sites of the Group's operating units and meet with key senior executives.

The Nomination Committee had one (1) meeting during the financial year ended 31 December 2013 and it was attended by all members.

In respect of the assessment for the financial year ended 31 December 2013, the Board was satisfied that the Board and Board Committees have discharged their duties and responsibilities effectively. The Board was also satisfied that the Board composition in terms of size, the balance between Executive Directors, Non-Executive and Independent Directors and mix of skills was adequate.

Notwithstanding the recommendation of the MCCG 2012, the Board is presently of the view that there is no necessity to fix a specific gender diversity policy. However, the Board will endeavor to tap talent from human capital market from time to time with the aim to have at least one (1) female director in its Board in the future.

3. Re-election of Directors

In accordance with the Article Of Association of the Company, all directors (including Managing Director) shall retire from office once every three (3) years but shall be eligible for re-election and one-third (1/3) of Directors shall retire from office and eligible for re-election at each Annual General Meeting ("AGM")

Newly appointed directors during the financial year shall hold office until the next following AGM and shall then be eligible for re-election. Directors over seventy (70) years of age are required to submit themselves for re-appointment at every AGM in accordance with Section 129(6) of the Companies Act, 1965.

4. Director's Remuneration

The Remuneration Committee was established to assist the Board in determining the Director's remuneration. In determining the Executive Director's remuneration, the Remuneration Committee will take into account the responsibilities of each individual Director. Individual Directors are required to abstain from discussion on their own remuneration.

The Board as a whole recommends the remuneration of Non- Executive Directors in accordance with the experience and level of responsibilities undertaken with individual Directors abstaining from decision in respect of their individual remuneration. The Board, where appropriate, recommends payment of fees to Directors for approval by shareholders at the Company's AGM.

During the financial year, the Remuneration Committee met once and all members attended the meeting.

The details of remuneration of Directors who held office during the financial year ended 31 December 2013 are as follows:

	Aggregate remuneration paid/ payable (RM)		
	Executive Directors	**Non Executive Directors**	**Total**
Directors fees	120,000	98,000	218,000
Directors emoluments:			
-salaries & allowances	131,000	37,500	168,500
-contribution by EPF	15,720	4,500	20,220
Total	**266,720**	**140,000**	**406,720**

The number of Directors who held office during the financial year under review whose total remunerations fall within the following bands are as follows:

Remuneration band (in RM for the financial year)	Executive Directors	Non-Executive Directors
Below 100,000		3
100,001-150,000	1	
150,001 – 200,000	1	

PRINCIPLE 3 : REINFORCE INDEPENDENCE OF THE BOARD

1. Independence of the Board

The responsibilities of the Chairman and Managing Director are clearly divided in accordance with the requirements of the MCCG 2012 to ensure that there is a balance of power and authority. The Chairman, a Independent Non-Executive Director is primarily responsible for ensuring the effective conduct of the Board. Executive management led by the Managing Director who is responsible for the day to day management of the business as well as the implementation of the Board policies, decisions and operational effectiveness. The Independent Directors provide the necessary independent perspective and rigour in the formulation of strategies, deliberation of issues and implementation of major undertakings to ensure that the interest of not only the Group, but also stakeholders and the public in general are represented. This mixture of experience and expertise is deemed necessary in light of the increasing challenging economic and operating environment in which the Group operates.

The presence of the three (3) Independence Non-Executive Directors (including the Chairman) is essential in providing guidance, unbiased, fully balanced and independent views, advice and judgement to many aspects of the Group's strategy so as to safeguard the interests of minority shareholders and to ensure that high standards of conduct and integrity are maintained by the Group.

The Board has not nominated a Senior Independent Non-Executive Director to whom concerns may be conveyed as the Board is of the opinion that given the strong independent element on the Board, any concern regarding the Group may be conveyed by shareholders or investors to any of the Independent Directors (including Chairman) and such concerns will be reviewed and addressed by the Board accordingly.

The MCCG 2012 provides a limit of a cumulative term of nine (9) years on the tenure of an Independent Director. However, an Independent Director may continue to serve the Board upon reaching the nine (9) years limit subject to the Independent Director's re-designation as a Non-Independent Non-Executive Director. In the event the Board intends to retain the Director as Independent after the latter has served a cumulative term of nine (9) years, the Board must justify the decision and seek shareholders' approval at general meeting. In justifying the decision, the Nomination Committee is entrusted to assess the candidate's suitability to continue as an Independent Non-Executive Director based on the criteria and definition of an Independent Director as set out under Paragraph 1.01 of Listing Requirements on independence and recommend to the Board for its consideration.

2. Tenure of Independent Director

Kamarudin Bin Ngah and Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid were appointed as Independent Director since 4 November 2003 and 4 November 2003 respectively as Independent Director and Chairman of the Company. Pursuant to Recommendation 3.2 of the MCCG 2012, Kamarudin Bin Ngah and Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid will have served as Independent Directors for a period of more than nine (9) years by 27 June 2014 the scheduled date for the 2014 AGM.

Pursuant to Recommendation 3.3 of the MCCG 2012 and notwithstanding their long tenure in office; the Board is unanimous in its opinion that Kamarudin Bin Ngah and Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid's independence has not been compromised or impaired in any way after having noted the following considerations during the review and assessment of their independence:

- They continue to fulfill the criteria and definition of an Independent Director as set out under Paragraph 1.01 of Listing Requirements;
- During their tenure in office, they have not developed, established or maintained any significant relationship which would impair his independence as an Independent Director with the Executive Director and major shareholders other than normal engagements and interactions on a professional level consistent and expected of them to carry out his duties as Independent Non-Executive Director and Chairman or member of the Board's Committees;
- During their tenure in office, they have never transacted or entered into any transactions with, nor provided any services to the Company and any of its subsidiaries, within the scope and meaning as set forth under Paragraph 5 of Practice Note 13 of Listing Requirements;
- They are currently not sitting on the board of any other public and/or private companies having the same nature of business as that of the Group; and
- During their tenure in office as Independent Non-Executive Director and Chiarman of the Company, he has not been offered or granted any options by the Company. Other than Directors' fees and allowances paid which has been an industry norm and within acceptable market rates, duly disclosed in this Annual Report, no other incentives or benefits of whatsoever nature had been paid to them by the Company.

Accordingly the Board strongly recommends retaining Kamarudin Bin Ngah and Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid as Independent Non-Executive Directors and will be tabling Ordinary Resolutions to shareholders at the 2014 AGM for the said purpose.

PRINCIPLE 4 : FOSTER COMMITMENT OF DIRECTORS

1. Board Meetings

The Board meets regularly on quarterly basis and as and when required. The Board receives documents on matters requiring its consideration prior to and in advance of each meeting. The Board papers are comprehensive and encompass both quantitative and qualitative factors so that informed decisions are made. All proceedings from the Board meetings are recorded and kept at the Registered Office of the Company.

During the financial year under review, the Board met a total of five (5) times. The attendance of the Directors who held office during the financial year is set out below:

Directors	Attendance
Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid	4/5
Dato' Goh Kian Seng	5/5
Kamarudin Bin Ngah	4/5
Yee Yit Yang	5/5
Roy Ho Yew Kee	4/5

Based on the above, all Directors have complied with the minimum fifty percent (50%) attendance requirement in respect of Board meetings as stipulated in the Listing Requirements.

During the financial year under review, the Board also resolved and approved the Company's matters through circular resolutions. Board members are provided sufficient detailed information for approval via circular resolutions and are given full access to management to clarify any matters arising.

2. Continuing Education of Directors

All Directors of the Company had completed the Mandatory Accreditation Programme as prescribed by Bursa Securities for Directors of public listed companies. The Board acknowledges that continuous education is essential for the Directors to further enhance their skills and knowledge and to keep abreast with relevant changes in laws, regulations and the business environment.

Directors have attended various training programmes during the financial year under review as follows:
- Seminar Integrity and Contractor Ethical Code Bill 1/2014
- MFRS – Practical Implementation of Statements, IC Interpretations and Revised Bursa Listing Requirements.
- Shares with No Par Value, Share Buybacks and Redeemable Preference Share – Proposed Companies Bill 2013
- Listing in London Workshop

The Directors are mindful that they shall continue to undergo the relevant training programmes in order to stay abreast with the latest developments in the industry and to better enable them to fulfill their responsibilities.

The Company Secretary and external auditors have also regularly updated the Directors on the latest relevant regulatory requirements and accounting standards to enable them to keep abreast with such developments and amendments.

PRINCIPLE 5 : UPHOLD INTEGRITY IN FINANCIAL REPORTING BY COMPANY

1. Financial Reporting

The Directors have the responsibility of ensuring the proper accounting records are kept which disclose with reasonable accuracy the financial position of the Group and the Company, both quarterly and year-end, and have a duty to ensure that the financial statements comply with the Companies Act, 1965 and applicable accounting standards in Malaysia. The Board is also responsible for providing high level of disclosure to ensure integrity and consistency of the financial reports.

The Board is assisted by the Audit Committee in overseeing the Group's financial reporting processes and the quality of its financial reporting.

The Board's obligation to establish formal and transparent arrangements in considering how it should apply financial reporting and internal controls, and maintaining an appropriate relationship with the Group's external auditors is met through the Audit Committee. The Audit Committee discusses with the external auditors the nature and scope of the audit and reporting obligations before audit commences. The Audit Committee ensures that the Management provides timely response on any material queries raised by the external auditors, in respect of the accounting records, financial accounts or system of controls. The Audit Committee is empowered by the Board to review any matters concerning the appointment and re-appointment, resignations or dismissals of external auditors and review and evaluate factors relating to the independence of the external auditors. The Audit Committee works closely with the external auditors in establishing procedures in assessing the sustainability and independence of the external auditors.

PRINCIPLE 6 : RECOGNISE AND MANAGE RISKS OF THE GROUP

1. Risk management and internal control function

The Board recognizes its responsibility over the principal risks of various aspects in the Group's business.

The Board and Management are mindful of measures required to identify risks residing in any major proposed transactions, changes in nature of activities and/or operating environment, or venturing into new operating environment.

The responsibilities of identifying and managing risks are delegated to the respective Head of each business units. The Board and the Audit Committee are responsible to review the effectiveness of the processes. Any material risk identified will be discussed and appropriate actions or controls will be implemented. This is to ensure the risk is properly monitored and managed to an acceptable level.

The Board is fully aware of the importance of the internal audit function and has outsourced this function to an independent consulting service provider to provide an independent appraisal over the system of internal control of the Group to the Audit Committee.

The internal audit adopts a risk-based approach and prepares its audit strategy and plan based on the risk profiles of the business unit of the Group. Scheduled internal audits are carried out by the internal auditors based on the approved internal audit plan. The internal auditors provide yearly reports to the Audit Committee, reporting on the outcome of the audits conducted which highlight the effectiveness of the system of internal control and significant risks. The Audit Committee reviews and evaluates the key concerns and issues raised by the internal auditors and ensures that appropriate and prompt remedial action is taken by the Management.

The key features of the risk management and internal controls are set out in the Statement on Risk Management and Internal Control as stated in this Annual Report.

2. Relationship with External Auditors

The Board through the establishment of Audit Committee maintains a transparent relationship with External Auditors in seeking professional advice and ensuring compliance with applicable approved accounting standards and statutory requirements in Malaysia.

The External Auditors are invited to attend the Audit Committee Meeting where the Group's annual financial results are considered, as well as the meetings to review and discuss the Group's audit plans and audit findings.

The Audit Committee has private sessions with External Auditors, in the absence of the Executive Directors and management, to exchange views on issues of concern.

PRINCIPLE 7 : ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

An essential aspect of an active and constructive communication policy is the promptness in disseminating information to shareholders and investors. The Board is aware of the need to establish corporate disclosure policies and procedures to enable comprehensive, accurate and timely disclosures pertaining to the Group to the regulators, shareholders and stakeholders of the Company.

The Company acknowledges the need for investors to be informed of all material business and corporate developments affecting the Group.

PRINCIPLE 8 : STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHODLERS

1. Relation With Shareholders And Investors

The Company acknowledges the importance of keeping the shareholders and investors informed of the Group's business and corporate developments. Such information is disseminated via the circulars to the shareholders and the various announcements made from time to time including quarterly financial results to Bursa Securities, as well as the Annual Report which is published after the audited financial report submitted to Bursa Securities. Shareholders and investors may obtain the Company's latest announcement via the Bursa Malaysia Securities Berhad's website at www.bursamalaysia.com.my

The Group also provides the website (www.dvm.com.my) to provide public access, to highlight business activities and recent developments and for feedback for shareholders as well as interested investors.

2. Annual General Meeting

The Annual General Meeting ("AGM") is the principal forum for dialogue with individual shareholders where the shareholders are given the opportunity to raise questions during the question and answer session. The Directors are available to respond to those queries. Shareholders are notified twenty-one (21) days before the meeting and provided with a copy of the Company's Annual Report.

Where Extraordinary General Meetings (EGM) are held to obtain shareholders' approval on certain business or corporate proposals, comprehensive circulars to shareholders would be sent within the prescribed deadlines in accordance with the statutory and regulatory requirements.

Shareholders who are unable to attend the AGM and EGM are allowed to appoint proxies to attend and vote on their behalf.

3. Encourage poll voting

At the commencement of all general meetings, the Chairman will inform the shareholders of their rights to a poll voting. Where voting by poll is implemented, the detailed results showing the number of votes cast for and against each resolution will be announced to the public accordingly.

At the 10th AGM of the Company held on 28 June 2013, no substantive resolutions were put forth for approval, thus, the resolutions were voted on by a show of hands.

COMPLIANCE STATEMENT

The Board is pleased to report that this Statement provides the corporate governance practices of the Company with reference to the MCCG 2012. The Board considers and is satisfied that the Company has fulfilled its obligations under the broad Principles as set out in the MCCG 2012. However, the Board has reserved several of the Recommendations and their Commentaries and has rationalized and provided justifications for the deviations in this Statement. Nevertheless, the Company will continue to strengthen its governance practices to safeguard the best interests of its shareholders and other stakeholders.

This Statement was presented and approved at the meeting of the Board on 28 May 2014.

Statement of Directors' Responsibilities

The Directors are required to ensure that the financial statements of the Group and the Company are drawn up in accordance with the applicable Financial Reporting Standards in Malaysia, the Listing Requirements and the provisions of the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Group and the Company for the financial year ended 31 December 2013.

In preparing the financial statements, the Directors have considered that:

- The Group and the Company have used appropriate accounting policies, and are consistently applied;
- Reasonable and prudent judgments and estimates were made;
- The applicable approved accounting stadards in Malaysia have been applied; and
- The preparation of the financial statements is on a going concern basis.

The Directors are responsible for ensuring that the Company maintains proper accounting records which disclose with reasonable accuracy the financial position of the Group and of the Company, and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

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

Audit Committee Report

Members of the Audit Committee

The members of the Audit Committee appointed by the Board are as follows:

Kamarudin Bin Ngah	-	Chairman/Independent Non-Executive Director
Yee Yit Yang	-	Member/Independent Non-Executive Director
Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid	-	Member/Independent Non-Executive Director

Terms of Reference of the Audit Committee

1. Composition of the Audit Committee

(a) The Audit Committee shall be appointed by the Board of Directors from among their number and shall be composed of not fewer than 3 members of whom a majority shall be Independent Non-Executive Directors.
(b) The Board shall at all times ensure that at least one (1) member of the Committee shall be:-
- a member of the Malaysian Institute of Accountants (MIA); or
- If he or she is not a member of MIA, he must have at least three (3) years of working experience and :
  - he or she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
  - he or she must be a member of the associates of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.

(c) The members of the Audit Committee shall elect a chairman from among their number who is not an Executive Director or employee of the Company or any related corporation. The Chairman elected shall be subject to endorsement by the Board.
(d) If a member to the Audit Committee for any reason ceases to be a member with the results that the number is reduced to below three (3), the Board of Directors shall, within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

2. Quorum and Committee's procedures

(a) The Committee will meet at least once a quarter and such additional meetings, as the Chairman shall decide in order to fulfill its duties.
(b) In addition, the chairman may call a meeting of the Committee if a request is made by any Committee member, the Company's Managing Director, the external auditors or the internal auditors where applicable.
(c) The company secretary shall be responsible for keeping the minutes of meetings of the Committee, and circulating them to Committee members and to other members of the Board of Directors.
(d) A quorum shall consist of a majority of Committee members who must be Independent Director(s).

3. Duties and Responsibilities

The duties and responsibilities of the Audit Committee are as follows:

(a) to review and recommend the appointment of the external auditors, the audit fees and any other related matters;
(b) to review the adequacy of existing external audit arrangements, with particular emphasis on the scope and quality of the audit;
(c) to review the external auditors' report;
(d) to review the quarterly results and year end financial statements with both the external auditors and management prior to approval by the Board of Directors;
(e) to discuss problems and reservations arising from the interim and final results, and any matters that the external auditors may wish to discuss (in the absence of the management where necessary);
(f) to review the effectiveness of the internal audit function, internal control and management information systems;
(g) to review all areas of significant risks and the arrangements in place to contain those risks to acceptable levels;
(h) to review all related party transactions and potential conflict of interest situations;
(i) be able to convene meetings with the external auditors, the internal auditors or both excluding the attendance of other Directors and employees, whenever deemed necessary;
(j) to identify and direct any special project or investigate and to report on any issue or concern in regard to the management of the Group; and
(k) to consider other topics as defined by the Board.

Audit Committee Report

Summary of Activities

The Committee covened five (5) meetings during the financial year which were attended by the Committee members.

The following activities were carried out by the AC during the financial year under review:-

(i) Reviewed the unaudited quarterly results and financial statements of the Company for recommendation to the Board;
(ii) Reviewed the External Audit Planning Memorandum of the Company during the financial year with the external auditors;
(iii) Reviewed the audited financial statements of the Company together with the external auditors, the issues arising from the audit, their resolution and the audited financial statements prior to recommending to the Board for approval;
(iv) Ensured outsourced internal audit function has adequate resources, consisting of people who are adequately skilled;
(v) Reviewed the disclosure Statement on Corporate Governance, Audit Committee Report and Statement on Risk Management and Internal Control and recommend for adoption to the Board;
(vi) Reviewed related party transactions entered into by the Company and the Group, the approval processed and disclosure of such transactions;
(vii) Reviewed the Company's compliance with the ACE LR and Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standard Boards;
(viii) Reviewed the application of corporate governance principles and the extent of the Group's compliance with the Recommendations set out under the MCCG2012; and
(ix) Met with the external auditors and the internal auditors twice during the year without the presence of any executive Board member and employees of the Group.

Audit Committee Members	Attendance
Kamarudin Bin Ngah	4/5
Yee Yit Yang	5/5
Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid	4/5

Internal Audit Function

The Board of Directors acknowledged their responsibilities for maintaining the internal audit function system of the Group and Company to ensure effectiveness and efficiency of the operations and compliance of the rules and regulations. The internal audit function is designed to meet the needs of respective business units and to manage the risks which they are exposed. The Board recognises that such risks cannot be fully avoided as there is no absolute assurance against material misstatement or loss to counter fraud and error. To achieve this objective the Company has outsourced the internal audit function to an independent consulting firm, who reports directly to the Audit Committee of their findings and aimed to minimise and manage the risks. The proposed professional fee is based on the understanding of the work, degree of responsibility, skill involved and the necessary time taken up.

Statement of Risk Management and Internal Control

The Board of Directors is pleased to present the Statement of Risk Management and Internal Control of DVM Group which outlines the key elements of its risk management framework for the year ended 31 December 2013.

Board Responsibility

The Board acknowledges the importance of sound internal control and good risk management and practices to good corporate governance. The Board affirms its overall responsibility to maintain and review the adequacy and integrity of the system of internal control to safeguard shareholders' investments and the Group's assets.

However, the Board recognises that reviewing the adequacy of the Group's risk management and system of internal controls are a concerted and continuous process, designed to manage rather than to eliminate the risk of failure to achieve business objectives. It should be noted that any system could provide only reasonable, and not, absolute assurance against material misstatement or loss.

Risk Assessment

The Board recognises that effective risk management is critical for continuous profitability to enhance shareholders value and good corporate governance.

The Board is on ongoing process to identify, evaluate, manage and review the significant risks faced by the company and accords with the Statement of Internal Control-Guidance for Directors of Public Listed Companies.

Key Control Activities / Processes

The key processes of internal control of the Group include:

- The Board have established delegation of responsibilities to Board Committees, namely Audit Committee, Nomination Committee and Remuneration Committee.
- Within the Group, there are organisation structure with clearly defined lines of responsibility, authority and accountability.
- The Group has documented policies, procedures and standards in place to further strengthen the internal control system. These documents will be kept updated in accordance with changes in operating environment.
- The Board and Audit Committee receive and reviews quarterly operating results and annual audited financial statements.
- Key management personnel, including Managing Director and Executive Director, meet regularly to address key business risk and operational issues.
- Regular training and development programmes are being attended by employees with the objective of enhancing their knowledge and skill competency.
- The Group has appointed an external professional firm to conduct the internal audit function of the Group independently reviews the control processes implemented by management.

The Board considers the risk management and system of internal controls to be at an acceptable level within the context on the business environment and level of operations and activities. The Board will continue to monitor all risks faced by the Group including taking appropriate mitigation actions that necessary to strengthen its internal control environment.

Internal Audit

The Group outsourced its internal audit function to an independent firm of consultants to provide independent review on the adequacy and integrity of the risk management and system of internal controls of the Group. The internal annual audit plan was approved by the Audit Committee prior to the execution of the assignment. The internal auditors report directly to the Audit Committee.

Conclusion

The Board also received assurance from Group Managing Director of the Company that the Group's current risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

Corporate Social Responsibility

DVM being the new signatory of the UN Global Compact initiative signifies the Group's support for the Global Compact's principles in the areas of human rights, labour, the environment and anti-corruption.

DVM actively pursues the development of a continuous learning and to become a knowledge-based organisation. The Group constantly provides opportunities for employees to enhance job knowledge and develop professional skills, by encouraging employees to undertake various types of training programs sponsored by the company. The Group believes employees well-equipped with confidence are motivated to carry out their duties and responsibilities, subsequently create a sense of mutual accomplishments.

The Group also participates in the initiatives taken by the Government to increase the employment of prospective new graduates by accepting trainees from local colleges and universities for industrial, subsequently considering them for permanent employment.

The Group steps forward and serves the community in which it operates and strives to make positive contribution to the community particular in helping the underprivileged and the less fortunate.

DVM aims for sustainable growth in increasing societal value while reducing environmental footprint. The Group promotes awareness in sustainable resource usage by encouraging employees to recycle used papers. The Group has also implemented the e-leave system to reduce the use of paper-based leave application form. These approaches not only help in reducing company expenditure but also respond to environment concern with a paperless environment.

Additional Compliance Information

1. **1. Share Buyback**
   The Company does not have a scheme to buy back its shares.

2. **Options, Warrants or Convertible Securities**
   The warrants were listed on the ACE Market of Bursa Malaysia Securities Berhad on 8 July 2013 accordingly.

   As at 31 December 2013, none of the warrants was exercised.

   The details of the Company's Employees' Share Option Scheme are set out in this Annual Report.

   The Company did not issue any convertible securities during the financial year under review.

3. **Depository Receipt Programme**
   The Company did not sponsor any depository receipt programme during the financial period under review.

4. **Imposition of Sanctions and/or Penalties**
   There were no material sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the regulatory bodies during the financial year under review.

5. **Non-Audit Fees**
   Non-audit fees amounting to RM5,000 were paid to the external auditors of the Company during the financial year under review.

6. **Deviation in Results**
   There were no significant variances noted between the reported results and the unaudited results announced during the financial year under review.

7. **Profit Guarantee**
   The Company did not give any profit guarantee during the financial year under review.

8. **Revaluation Policy**
   The revaluation policy on investment properties of the Company is disclosed in the Audited Financial Statements.

9. **Profit Estimate, Forecast or Projection**
   The Company did not release any profit estimate, forecast or projection during the financial year under review.

10. **Material Contracts**
    There were no material contracts of the company and its subsidiaries involving the directors and substantial shareholders' interests during the financial year under review.

11. **Status of Utilisation Proceeds From The Right Issue**
    On 8 July 2013, the Company had completed the renounceable rights issue of 387,200,000 new ordinary shares of RM0.10 each in the Company on the basis of 4 rights shares for every 2 existing ordinary shares of RM0.10 each in the Company on 10 June 2013 at the issue price of RM0.10 per rights share together with 290,400,000 free detachable warrants on the basis of 3 warrants for every 2 existing ordinary shares in the Company.

    The status of the utilisation proceeds from the abovementioned as at 31 December 2013 is summarised as follows:

	Proposed Utilisation RM'000	**Actual Utilisation RM'000**	**Deviation RM'000**
Working capital expendture			
(a) Day-to-day working capital expenses	26,620	5,306	21,314
(b) Setting up of startup accelerator	3,900	467	3,433
Repayment of bank borrowings	7,800	7,800	-
To defray expenses relating to the Proposals	400	400	-
Total	38,720	13,973	24,747

Directors' Report

The directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31st December 2013.

Principal Activities

The Company is principally engaged in investment and property holding, whilst the principal activities of the subsidiary companies are set out in Note 5 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 after taxation attributable to :-		
Equity holders of the Company	(2,486,254)	(11,995,746)
Non-controlling interests	(11,796)	-
Loss for the financial year	**(2,498,050)**	**(11,995,746)**

Reserves and provisions

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

Issue of shares

During the financial year, the Company completed the renounceable rights issue of 387,200,000 new ordinary shares of RM0.10 each in the Company on the basis of 4 rights shares for every 2 existing ordinary shares of RM0.10 each in the Company held at 5.00pm on 10th June 2013 at the issue price of RM0.10 per rights share together with 290,400,000 free detachable warrants on the basis of 3 warrants for every 2 existing ordinary shares in the Company.

Warrants

The Company's outstanding warrants will expire on 2nd July 2018.

The salient features of the warrants are :

(i) The warrants are offered at no cost to the entitled shareholders of the Company pursuant to the Rights Issue of Shares with warrants in the financial year ended 31st December 2013,

(ii) Four (4) Right Shares together with three (3) Warrants for every two (2) existing ordinary shares,

(iii) Subsequent to the allotment and issuance of the Rights Shares and warrants, the warrants were immediately detached and are traded on Bursa Malaysia,

(iv) The warrants may be exercised at any time within the exercise period expiring on 2nd July 2018.Warrants not exercised during the exercise period will thereafter lapse and become null and void,

(v) The warrants are tradeable in board lots of 100 units carrying rights to subscribe for 100 new ordinary shares of the Company at any time during the exercise period or such other number of units as maybe prescribed by Bursa Securities,

(vi) Subject to the provision of the Deed Poll, each warrant will entitle its registered holder to subscribe for one (1) new ordinary share in the Company at the exercise price at any time during the exercise period,

(vii) The Exercise Price of the warrant is RM0.10 each. The exercise price and the number of outstanding warrants shall however be subject to the adjustment in accordance with the terms and provisions of the Deed Poll during the exercise period,

(viii) The new ordinary shares in the Company issued upon exercise of the warrants shall, upon allotment and issue, rank pari passu in all respects with the existing issued and paid-up ordinary shares in the Company,

(ix) The registered holder of the warrant shall pay cash for the aggregate exercise price when exercising the warrants and subscribing for the new ordinary shares in the Company, and

(x) Where a resolution has been passed for a members' voluntary winding-up of the Company, or where there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme of arrangement between the Company and its shareholders and/or creditors, then : -

(a) if such winding-up or scheme of arrangement is one in which the warrant holders, or some person designated by them for such purpose by Special Resolution, are to be a party, the terms of such winding-up or scheme of arrangement are binding on all the warrant holders ; and

(b) in a voluntary winding up or compromise or arrangement in any other case, every warrant holder is entitled upon and subject to the terms and conditions of the Deed Poll at any time, within six (6) weeks after the passing of such resolution for a members voluntary winding-up of the Company or within six (6) weeks from the last approval being granted for the compromise or arrangement, by irrevocable surrender of his warrants to the Company by submitting the Exercise Form(s) duly completed, authorising the debiting of his warrants, together with payment of the relevant Exercise Price to elect, be treated as if he had immediately prior to the commencement of such winding-up, compromise or arrangement, exercised the Exercise Rights represented by such warrants to the extent specified in the Exercise Form(s) and had on such date been the holder of the shares to which he would have become entitled pursuant to such exercise and the liquidator of the Company or the Company, as the case may be, must give effect to such election accordingly and all Exercise Rights, which have not been exercised within the above six (6) weeks, will lapse and the warrants will cease to be valid for any purpose.

As at 31st December 2013, the total outstanding warrants are 290,400,000 and none have been exercised during the financial period.

Details of warrants issued to directors are disclosed in the section on directors' interest in this report.

Share options

The Company implemented an Employee's Share Option Scheme ("ESOS") which came into effect on 25th June 2009 for a period of 5 years. The ESOS was approved by the shareholders on 25th June 2009 for not more than 30% of the issued and paid-up share capital of the Company.

The salient features and other terms of the ESOS are as follows : -

(i) Maximum number of the Company shares which may be made available under the scheme shall not exceed 30% of the issued and paid-up share capital of the Company at any point of time during the duration of the Scheme and is subject to the following : -

(a) not more than 50% of the shares available under the scheme shall be allocated, in aggregate, to directors and senior management of the Group; and

(b) to allocation to an eligible employee who, singly or collectively though persons connected with him, holds 20% or more of the issued and paid-up capital of the Company, must not exceed 10% of the total number of shares available under the scheme.

(ii) Eligibility
An eligible employee who fulfils the following conditions shall be eligible to participate in the Scheme : -

(a) if he is at least 18 years of age on the date of offer;

(b) if he is confirmed and has worked for the Group for at least one year prior to the date of offer;

(c) if he is employed by a subsidiary of the Company, the period of employment in the Group shall be deemed to commence from the date on which he has been confirmed and worked for the subsidiary for at least one year, or the date on which such company became a subsidiary of the Company, whichever is earlier; and

(d) if in the case a director, whose specific allocation has been approved by the shareholders of the Company in a general meeting and is not prohibited or disallowed by the relevant authorities or laws from participating in the scheme.

(iii) Subscription Price
The subscription price of each share comprised in any option shall be the higher of the following:-

(a) the weighted average market price of the Company Shares for the 5 market immediately preceding the date of offer with a discount of not more than 10%; or

(b) the par value of the Shares.

The subscription price shall be subject to certain adjustments in accordance with the By-Laws.

(iv) Acceptance of Offer
An offer shall be accepted by an eligible employee within a period of 14 days from the date of offer by written notice to the Company accompanied by a payment to the Company of a nominal non-refundable consideration of RM1.00 only for the grant of the options. The date of receipt by the Option Committee of such written notice shall constitute the date of acceptance.

As at reporting date, no options were being offered and granted.

Directors of the Company

The directors who served since the date of the last report are : -

Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid
Dato' Goh Kian Seng
Roy Ho Yew Kee
Kamarudin Bin Ngah
Yee Yit Yang

In accordance with Article 81 of the Company's Articles of Association, Roy Ho Yew Kee retires at the forthcoming Annual General Meeting and being eligible offer himself for re-election.

In accordance with Article 129(6) of the Company's Articles of Association, Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid retires at the forthcoming Annual General Meeting and being eligible offer himself for re-election.

Directors' interests

The interests and deemed interest in the ordinary shares of the Company of those who are Directors at year end (including the interests of the spouses or children of the Directors) as recorded in the Register of Directors' Shareholdings are as follows : -

	Number of ordinary shares of RM0.10 each			
	As at 1/1/2013	Bought	Sold	As at 31/12/2013
Direct interests				
Dato' Goh Kian Seng	7,202,000	-	(3,202,000)	4,000,000
Indirect interests				
Dato' Goh Kian Seng	1,690,000	89,912,500	(1,690,000)	89,912,500

	Number of warrants 2013/2018			
	As at 1/1/2013	Bought	Sold	As at 31/12/2013
Direct interests				
Dato' Goh Kian Seng	-	67,434,375	(67,434,300)	75

Save and except as disclosed above, none of the other directors holding office at the end of the financial year held any shares and warrants in the Company or in any related corporations during the financial year ended 31st December 2013.

By virtue of Dato' Goh Kian Seng interests in the shares of the Company, he is deemed to has an interest in the shares of the subsidiary companies during the financial year to the extent that the DVM Technology Berhad has an interest.

Directors' Report

Directors' benefits

Since the end of the previous financial year, none of the directors of the Company have received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors as shown 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 the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may deemed to have arisen by virtue of the significant related party transactions as disclosed in Note 40 to the financial statements.

There were no arrangements during and at the end of the financial year, to which the Company or its subsidiaries companies is a party, which had the object of enabling the 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.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps : -

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

(ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

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

(i) that would render the amount written off for bad debts, or the amount of the allowance for doubtful debts, in the Group and in the Company inadequate to any substantial extent; or

(ii) that would render the value attributed to the current assets in the Group's and in the Company's financial statements misleading; or

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

(iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

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

(ii) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial year.

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

In the opinion of the directors, the results of the operations of the Group and of the Company for the financial year ended 31st December 2013 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Directors' Report

Significant events

Details of significant events are disclosed in Note 41 to the financial statements.

Auditors

The auditors, Kreston John & Gan, Chartered Accountants, have expressed their willingness to continue in office.

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

Dato' Goh Kian Seng	**Roy Ho Yew Kee**

Petaling Jaya,
Date : 24th April 2014

Statement by Directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, Dato' Goh Kian Seng and Roy Ho Yew Kee, being two of the directors of DVM Technology Berhad, do hereby state that, in the opinion of the directors, the financial statements set out on pages 27 to 94 are drawn up in accordance with applicable approved Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board, International Financial Reporting Standards and the provisions of the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Group and of the Company at 31st December 2013 and of the results and the cash flows of the Group and of the Company for the financial year ended on that date.

The information set out in Note 44 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors

Dato' Goh Kian Seng

Roy Ho Yew Kee

Petaling Jaya,
Date : 24th April 2014

Statutory Declaration

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

I, Dato' Goh Kian Seng, being the director primarily responsible for the financial management of DVM Technology Berhad, do solemnly and sincerely declare that the financial statements set out on pages 27 to 94, to the best of my knowledge and belief, are correct.

And, I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared at Kuala Lumpur on 24th April 2014.

Dato' Goh Kian Seng

Before me

Commissioner for Oaths

Independent Auditors' Report

Report on the Financial Statements

We have audited the financial statements of DVM Technology Berhad, which comprise the statements of financial position as at 31st December 2013 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 27 to 94.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with applicable Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is 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 applicable Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31st December 2013 and of their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

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

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

(b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the 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 subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Independent Auditors' Report

Other Reporting Responsibilities

The supplementary information set out in Note 44 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. 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.

Other Matters

The financial statements of the Group and the Company for the financial year 31st December 2012 were audited by another firm of auditors who expressed an unmodified opinion on those statements on 30th April 2013.

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.

Kreston John & Gan
Chartered Accountants
(AF 0113)

Lim Chiam Kay
Approval No: 1285/03/15(J)
Chartered Accountant

Kuala Lumpur,
Date : 24th April 2014

Consolidated Statement of Financial Position

	Note	**2013 RM**	2012 RM
ASSETS			
Non-current Assets			
Property, plant and equipment	3	**3,598,517**	7,719,494
Investment property	4	**8,000,000**	8,000,000
Investment in associates	6	**137,843**	188,153
Development expenditure	7	**614,945**	1,261,718
		12,351,305	17,169,365
Current Assets			
Inventories	8	**545,008**	-
Contract work performed but not bill	9	**73,900**	-
Trade receivables	10	**13,962,837**	3,495,076
Other receivables, deposits and prepayments	11	**2,031,239**	980,676
Amount due from an associated company	13	**49,264**	-
Tax recoverable		**27,600**	16,600
Deposits with licensed banks	14	**21,067,295**	2,095,535
Cash and bank balances		**5,857,539**	2,776,570
		43,614,682	9,364,457
Total Assets		**55,965,987**	26,533,822
EQUITY AND LIABILITIES			
Equity attributable to owners			
Share capital	15	**58,080,000**	19,360,000
Reserves	16	**(12,487,177)**	(9,559,620)
		45,592,823	9,800,380
Non-controlling interests	17	**(1,105,382)**	(1,093,586)
		44,487,441	8,706,794
Non-current Liabilities			
Deferred tax liabilities	18	**1,723,500**	1,675,983
Borrowings	19	**125,109**	2,703,434
		1,848,609	4,379,417
Current Liabilities			
Trade payables	23	**5,721,715**	1,154,665
Other payables and accruals	24	**3,878,331**	3,142,706
Amount due to a director	25	**5,000**	2,639,000
Borrowings	19	**24,891**	6,467,927
Income tax payable		**-**	43,313
		9,629,937	13,447,611
Total Liabilities		**11,478,546**	17,827,028
Total Equity and Liabilities		**55,965,987**	26,533,822

* The accompanying accounting policies and explanatory notes form an integral part of the financial statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	**2013**	2012
		RM	RM
Revenue	26	**22,684,221**	9,060,175
Cost of sales		**(20,145,805)**	(5,106,364)
Gross profit		**2,538,416**	3,953,811
Other income	27	**1,154,206**	1,712,153
Direct expenses			
Selling and distribution costs		**(155,792)**	(126,187)
Administrative expenses		**(3,717,080)**	(4,148,867)
Other expenses		**(1,799,807)**	(4,770,546)
Loss from operations		**(1,980,057)**	(3,379,636)
Finance costs		**(419,942)**	(819,374)
Share of results of associates		**(50,311)**	(64,800)
Loss before taxation	28	**(2,450,310)**	(4,263,810)
Income tax expense	31	**(47,740)**	(581,668)
Loss for the year, representing total comprehensive loss for the year		**(2,498,050)**	(4,845,478)
Total comprehensive loss for the year attributable to :-			
Equity holders of the Company		**(2,486,254)**	(4,793,332)
Non-controlling interests		**(11,796)**	(52,146)
		(2,498,050)	(4,845,478)
Basic loss per share (sen)	32	**(0.51)**	(2.53)

* The accompanying accounting policies and explanatory notes form an integral part of the financial statements

Consolidated Statement of Changes in Equity

	Share capital RM	Share premium RM	Warrants reserve RM	Accumulated losses RM	Total RM	Non-controlling interests RM	Total equity RM
	<----------------Attributable to equity holders of the company ----------->						
	<----------------- Non-Distributable ----------------->						
Balance at 1st December 2012	17,600,000	10,716,665	-	(15,482,953)	12,833,712	(1,041,440)	11,792,272
Transaction with owners :							
Issuance of shares	1,760,000	-	-	-	1,760,000	-	1,760,000
Total comprehensive loss	-	-	-	(4,793,332)	(4,793,332)	(52,146)	(4,845,478)
Balance at 31st December 2012	19,360,000	10,716,665	-	(20,276,285)	9,800,380	(1,093,586)	8,706,794
Transactions with owners :							
Issuance of shares arising from rights issue	38,720,000	-	-	-	38,720,000	-	38,720,000
Share issuance expenses relating to rights issue	-	(441,303)	-	-	(441,303)	-	(441,303)
Warrant reserve arising from rights issue	-	-	3,775,200	(3,775,200)	-	-	-
Total transactions with owners	38,720,000	(441,303)	3,775,200	(3,775,200)	38,278,697	-	38,278,697
Total comprehensive loss	-	-	-	(2,487,254)	(2,486,254)	(1,796)	(2,498,050)
Balance at 31st December 2013	58,080,000	10,275,362	3,775,200	(26,537,739)	45,592,823	(1,105,382)	44,487,441

* The accompanying accounting policies and explanatory notes form an integral part of the financial statements

Consolidated Statement of Cash Flows

	Note	**2013**	2012
		RM	RM
Cash flows from operating activities			
Profit /(Loss) before taxation		**(2,450,310)**	(4,263,810)
Adjustments for : -			
Amortisation of development expenditure		**646,773**	851,439
Bad debts written off		**-**	80,946
Depreciation of plant and equipment		**3,530,971**	7,311,124
Fair value adjustment, net		**-**	(400,000)
Gain on disposal of plant & equipment		**(62,526)**	-
Impairment losses on trade receivables		**158,852**	128,781
Impairment losses on other receivables		**189,420**	-
Interest expense		**419,942**	819,373
Interest income		**(373,792)**	(40,024)
Plant and equipment written off		**877**	203,967
Reversal of impairment losses on trade receivables		**(20,697)**	(139,536)
Reversal of unrealised gain on foreign exchange		**26,773**	-
Share of results of associates		**50,311**	64,800
Waiver of debts		**(41,084)**	-
Unrealised gain on foreign exchange		**-**	(113,242)
Operating profit before working capital changes		**2,075,510**	4,503,818
Increase in contract work performed but not billed		**(73,900)**	-
Increase in inventories		**(545,008)**	-
(Increase) /Decrease in trade receivables		**(10,632,189)**	1,600,898
Increase in other receivables, deposits and prepayments		**(1,240,483)**	-
Increase /(Decrease) in trade payables		**4,567,050**	(981,181)
Increase in other payables and accruals		**776,340**	457,831
Cash generated from /(used in) operations		**(5,072,680)**	5,581,366
Interest paid		**(419,942)**	(560,249)
Tax paid		**(66,536)**	(48,469)
Tax refund		**12,369**	1,418
Net cash from /(used in) operating activities		**(5,546,789)**	4,974,066
Cash flows from investing activities			
Interest received		**373,792**	40,024
Acquisition of an associate		**(1)**	(252,953)
Advance to an associated company		**(49,264)**	-
(Placement) /Uplift of deposits with licensed banks		**1,028,240**	(59,218)
Proceeds from disposal of plant and equipment		**877,087**	-
Purchase of property, plant and equipment	33	**(75,432)**	(45,849)
Net cash from /(used in) investing activities		**2,154,422**	(317,996)
Balance carried forward		**(3,392,367)**	4,656,070

* The accompanying accounting policies and explanatory notes form an integral part of the financial statements

Consolidated Statement of Cash Flows

	Note	2013 RM	2012 RM
Balance brought forward		**(3,392,367)**	4,656,070
Cash flows from financing activities			
Proceeds from issuance of shares		**38,720,000**	1,760,000
Advance from /(Repayment to) a director		**(2,634,000)**	1,380,000
Repayment of trust receipts		**-**	(994,160)
Repayment of term loan		**(7,065,268)**	(4,315,488)
Repayment of hire purchase liabilities		**(30,311)**	(24,577)
Right issue expenses		**(441,303)**	-
Net cash from /(used in) financing activities		**28,549,118**	(2,194,225)
Net increase in cash and cash equivalents		**25,156,751**	2,461,845
Cash and cash equivalents at the beginning of the year		**700,788**	(1,761,057)
Cash and cash equivalents at the end of the year	34	**25,857,539**	700,788

* The accompanying accounting policies and explanatory notes form an integral part of the financial statements

Statement of Financial Position

	Note	2013 RM	2012 RM
ASSETS			
Non-current Assets			
Property, plant and equipment	3	**16,777**	145,455
Investment property	4	**8,000,000**	8,000,000
Investment in subsidiary companies	5	**8,149,574**	13,752,982
Investment in associated companies	6	**137,843**	252,953
		16,304,194	22,151,390
Current Assets			
Other receivables, deposits and prepayments	11	**330,534**	200,102
Amount due from subsidiary companies	12	**10,027,286**	3,718,232
Amount due from an associated company	13	**46,870**	-
Tax recoverable		**11,000**	-
Deposits with a licensed bank	14	**20,000,000**	-
Cash and bank balances		**4,602,007**	1,208,880
		35,017,697	5,127,214
Total Assets		**51,321,891**	27,278,604
EQUITY AND LIABILITIES			
Equity attributable to owners			
Share capital	15	**58,080,000**	19,360,000
Reserves	16	**(7,956,308)**	4,480,741
		50,123,692	23,840,741
Non-current Liability			
Deferred tax liabilities	18	**949,500**	991,983
Borrowings	19	**-**	1,152,543
		949,500	2,144,526
Current Liabilities			
Other payables and accruals	24	**248,699**	477,087
Amount due to a subsidiary company	12	**-**	6,670
Amount due to a director	25	**-**	250,000
Borrowings	19	**-**	516,636
Income tax payable		**-**	42,944
		248,699	1,293,337
Total Liabilities		**1,198,199**	3,437,863
Total Equity and Liabilities		**51,321,891**	27,278,604

* The accompanying accounting policies and explanatory notes form an integral part of the financial statements

Statement of Profit or Loss and Other Comprehensive Income

	Note	**2013 RM**	2012 RM
Revenue	26	**-**	420,000
Other income	27	**1,209,246**	1,446,961
Selling and distribution costs		**(79,459)**	(73,335)
Administrative expenses		**(1,304,101)**	(1,241,285)
Other expenses		**(11,732,642)**	(155,490)
Profit /(Loss) from operations		**(11,906,956)**	396,851
Finance costs		**(124,681)**	(107,191)
Profit /(Loss) before taxation	28	**(12,031,637)**	289,660
Income tax expense	31	**35,891**	(154,800)
Profit /(Loss) for the year, representing total comprehensive income for the year		**(11,995,746)**	134,860

* The accompanying accounting policies and explanatory notes form an integral part of the financial statements

Statement of Changes in Equity

	Share capital RM	Share premium RM	Warrant reserves RM	Accumulated losses RM	Total RM
	------ Non-distributable ------				
		------ Reserves ------			
Balance at 1st January 2012	17,600,000	10,716,665	-	(6,370,784)	21,945,881
Transaction with owners :					
Issuance of shares	1,760,000	-	-	-	1,760,000
Total comprehensive income for the year	-	-	-	134,860	134,860
Balance at 31st December 2012	19,360,000	10,716,665	-	(6,235,924)	23,840,741
Transactions with owners :					
Issuance of shares arising from rights issue	38,720,000	-	-	-	38,720,000
Share issuance expenses relating to rights issue	-	(441,303)	-	-	(441,303)
Warrant reserve arising from rights issue	-	-	3,775,200	(3,775,200)	-
Total transactions with owners	38,720,000	(441,303)	3,775,200	(3,775,200)	38,278,697
Total comprehensive loss for the year	-	-	-	(11,995,746)	(11,995,746)
Balance at 31st December 2013	58,080,000	10,275,362	3,775,200	(22,006,870)	50,123,692

* The accompanying accounting policies and explanatory notes form an integral part of the financial statements

Statement of Cash Flows

	Note	2013 RM	2012 RM
Cash flows from operating activity			
Profit /(Loss) before taxation		**(12,031,637)**	289,660
Adjustments for : -			
Depreciation of plant and equipment		**128,617**	155,490
Impairment loss on investment in subsidiary companies		**5,603,408**	-
Impairment loss on investment in an associated company		**115,111**	-
Impairment loss on amount due from subsidiary company		**5,885,445**	-
Fair value adjustment, net		**-**	(400,000)
Interest expenses		**124,681**	107,191
Interest income		**(325,577)**	-
Plant and equipment written off		**61**	-
Waiver of debts		**(41,084)**	-
Operating profit /(loss) before working capital changes		**(540,975)**	152,341
Increase in other deposits and prepayments		**(130,432)**	(167,736)
Decrease in other payables and accruals		**(187,304)**	(101,282)
Cash used in operations		**(858,711)**	(116,677)
Tax paid		**(60,536)**	(34,583)
Interest paid		**(124,681)**	(107,191)
Net cash used in operating activity		**(1,043,928)**	(258,451)
Cash flows from investing activities			
Acquisition of an associated company		**(1)**	(252,953)
Advance to subsidiary companies		**(12,194,499)**	(168,076)
Advance to an associated company		**(46,870)**	-
Interest received		**325,577**	-
Net cash used in investing activities		**(11,915,793)**	(421,029)
Balance carried forward		**(12,959,721)**	(679,480)

* The accompanying accounting policies and explanatory notes form an integral part of the financial statements

Statement of Cash Flows

	Note	**2013 RM**	2012 RM
Balance brought forward		**(12,959,721)**	(679,480)
Cash flows from financing activity			
Advance from /(Repayment to) a director		**(250,000)**	250,000
Repayment to subsidiary companies		**(6,670)**	-
Proceeds from issuance of shares		**38,720,000**	1,760,000
Right issue expenses		**(441,303)**	-
Repayment of term loan		**(1,286,141)**	(108,214)
Net cash from financing activities		**36,735,886**	1,901,786
Net increase in cash and cash equivalents		**23,776,165**	1,222,306
Cash and cash equivalents at the beginning of the year		**825,842**	(396,464)
Cash and cash equivalents at the end of the year	34	**24,602,007**	825,842

* The accompanying accounting policies and explanatory notes form an integral part of the financial statements

Notes to the Financial Statements

DVM Technology Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the ACE Market of Bursa Malaysia Securities Berhad. The addresses of the principal place of business and registered office of the Company are as follows:-

Principal place of business	:	Lot 11.3, 11th Floor, Menara Lien Hoe No. 8, Persiaran Tropicana, Tropicana Golf & Country Resort 47410 Petaling Jaya, Selangor Darul Ehsan
Registered office	:	3-2, 3rd Mile Square, No. 151, Jalan Kelang Lama Batu 3 ½, 58100 Kuala Lumpur

The consolidated financial statements of the Company as at and for the financial year ended 31st December 2013 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in associates.

The Company is principally engaged in investment and property holding, whilst the principal activities of the subsidiary companies are set out in Note 5 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 24th April 2014.

1. Basis of preparation of financial statements

1 (a) Statement of compliance

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

The following are accounting standards, amendments and interpretations of the MFRS framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company.

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

- Amendments to MFRS 10, Consolidated Financial Statements: Investment Entities
- Amendments to MFRS 12, Disclosure of Interest in Other Entities: Investment Entities
- Amendments to MFRS 127, Separate Financial Statements (2011): Investment Entities
- Amendments to MFRS 132, Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 136, Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to MFRS 139, Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting
- IC Interpretation 21, Levies

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014

- Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)
- Amendments to MFRS 2, Share-based Payment (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 3, Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)
- Amendments to MFRS 8, Operating Segments (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 13, Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)
- Amendments to MFRS 116, Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 119, Employee Benefits – Defined Benefit Plans: Employee Contributions
- Amendments to MFRS 124, Related Party Disclosures (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 138, Intangible Assets (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 140, Investment Properties (Annual Improvements 2011-2013 Cycle)

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

- MFRS 9, Financial Instruments (2009)
- MFRS 9, Financial Instruments (2010)
- MFRS 9, Financial Instruments – Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139
- Amendments to MFRS 7, Financial Instruments: Disclosures – Mandatory Date of MFRS 9 and Transition Disclosures

1. Basis of preparation of financial statements (Cont'd)

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

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations :

- from the annual period beginning on 1st January 2014 for those accounting standards, amendments or interpretations that are applicable to the Group and the Company and effective for annual periods beginning on or after 1st January 2014.

- from the annual period beginning on 1st January 2015 for those accounting standards, amendments or interpretations that are applicable to the Group and the Company and effective for annual periods beginning on or after 1st July 2014 and 1st January 2015.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company except as mentioned below :

MFRS 9, Financial Instruments
MFRS 9 replaces the guidance in MFRS 139, Financial Instruments: Recognition and Measurements on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

MFRS 132, Financial Instruments: Presentation
The amendments to MFRS 132 clarify the criteria for offsetting financial assets and financial liabilities.

The Group and the Company is currently assessing the financial impact that may arise from the adoption of MFRS 9 and MFRS 132.

1 (b) Basis of measurement
The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

1 (c) Functional and presentation currency
These financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's and Company's functional currency.

1 (d) Use of estimates and judgments
The preparation of the financial statements in conformity with MFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgments in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:-

(i) Classification between investments property and property, plant and equipment

The Group has developed certain criteria based on MRFS 140 in making judgment whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property. could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

1. Basis of preparation of financial statements (Cont'd)

1 (d) Use of estimates and judgments (Cont'd)

(ii) Depreciation of plant and equipment

Plant and equipment are depreciated in a straight-line basis over their estimated useful life. Management estimated the useful life of these assets to be 5 years. Changes in the expected level of usage and technological developments could impact economic useful life and the residual values of these assets, therefore future depreciation charges could be revised.

(iii) Fair value of investment property

The fair value of investment property is determined by the directors based on valuations by an independent valuer, who holds a recognised qualification and has relevant experience, by reference to market evidence of transaction prices of similar properties or comparable available market data.

(iv) Income tax expense

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group and the Company recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. 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.

(v) Impairment losses for receivables

The Group and the Company make impairment losses based on an assessment of the recoverability of receivables. Impairment loss is applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical default rate, and changes in customer payment terms when making a judgments to evaluate the adequacy of the impairment losses of receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

(vi) Deferred tax assets

Deferred tax assets are recognised for all unabsorbed tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the unabsorbed tax losses and unabsorbed capital allowances can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amount of unrecognised deferred tax assets arising from unabsorbed tax losses and capital allowances was approximately RM3,873,000 (2012 – RM3,857,000).

(vii) Impairment of investments in subsidiaries and amounts due from subsidiaries

The Company reviews the investments in subsidiaries for impairment when there is an indication of impairment and assess the impairment of receivables on the amounts due from subsidiaries when the receivables are long outstanding.

The recoverable amounts of the investments in subsidiaries and amounts due from subsidiaries are assessed by reference to the value in use of the respective subsidiaries.

The value in use is the net present value of the projected future cash flows derived from the business operations of the respective subsidiaries discounted at an appropriate discount rate. For such discounted cash flow method, it involves the use of estimated future results and a set assumptions to reflect their income and cash flows. Judgment had also been used to determine the discount rate for the cash flows and the future growth of the businesses of the businesses of the subsidiaries.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

2 (a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group adopted MFRS 10, Consolidated Financial Statements in the current financial year. This resulted in changes to the following policies:-

- Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In the previous financial years, control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

- Potential voting rights are considered when assessing control only when such rights are substantive. In the previous financial years, potential voting rights are considered when assessing control when such rights are presently exercisable.

- The Group considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return. In the previous financial years, the Group did not consider *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return. In the previous financial years, the Group did not consider *de facto* power in its assessment of control.

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of MFRS 10. The adoption of MFRS 10 has no significant impact to the financial statements of the Group.

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

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

2. Significant accounting policies (Cont'd)

2 (a) Basis of consolidation (Cont'd)

(iii) Acquisitions of non-controlling interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

(vi) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interest and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

2. Significant accounting policies (Cont'd)

2 (a) Basis of consolidation (Cont'd)

(vii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2 (b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1st January 2011 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

The income and expenses of foreign operations in hyperinflationary economies are translated to RM at the exchange rate at the end of the reporting period. Prior to translating the financial statements of foreign operations in hyperinflationary economies, their financial statements for the current period are restated to account for changes in the general purchasing power of the local currency. The restatement is based on relevant price indices at the end of the reporting period.

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

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

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

2. Significant accounting policies (Cont'd)

2 (b) Foreign currency (Cont'd)

(ii) Operations denominated in functional currencies other than Ringgit Malaysia (Cont'd)

The closing exchange rates used in the translation of foreign currency monetary assets and liabilities, and the financial statements of foreign operations are as follows : -

2013	2012
RM1 : US Dollar 0.3047	RM1 : US Dollar 0.3270
RM1 : -	RM1 : Euro Dollar 0.2475
RM1 : -	RM1 : Singapore Dollar 0.3995

2 (c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categories financial instruments as follows:-

Financial assets

(a) *Financial assets at fair value through profit or loss*

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) *Held-to-maturity investments*

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group or the Company has the positive intention and ability to hold them to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

(c) *Loans and receivables*

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

2. Significant accounting policies (Cont'd)

2 (c) Financial instruments (Cont'd)

(ii) Financial instrument categories and subsequent measurement (Cont'd)

Financial assets (Cont'd)

(d) *Available-for-sale financial assets*

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedge items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(j)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

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

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) *Financial guarantee contracts*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Fair value arising from financial guarantee contracts are classified as deferred income and is amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharged of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(iv) *Regular way purchase or sale of financial assets*

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:-

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and

(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

2. Significant accounting policies (Cont'd)

2 (c) Financial instruments (Cont'd)

(v) Derecognition

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

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

2 (d) Plant and equipment

(i) Recognition and measurement

Items of plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

(ii) Subsequent costs

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

2. Significant accounting policies (Cont'd)

2 (d) Plant and equipment (Cont'd)

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component are depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Plant and equipment under construction are not depreciated until the assets are ready for their intended use. The principal annual rates of depreciation for the plant and equipment are as follows:-

	Rate %
Computer equipment and software	20
Furniture, fittings, office equipment and renovation	20
Motor vehicles	20

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period, and adjusted as appropriate.

2 (e) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Assets with unexpired economic life of 50 years and above will be classified as long term lease assets, whereas short term lease assets will be those assets with unexpired economic life of less than 50 years.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

(ii) Operating lease

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

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

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

2. Significant accounting policies (Cont'd)

2 (f) Intangible assets

(i) Goodwill

Goodwill arises on business combinations are measured at cost less any accumulated impairment losses. In respect of equity-accounted associates, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted associates.

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Expenditure on development activities, whereby the application of research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and overheads costs that are directly attributable to preparing the asset for its intended use. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less any accumulated amortisation and any accumulated impairment losses.

(iii) Other intangible assets

Intangible assets, other than goodwill, that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and any accumulated impairment losses.

(iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(v) Amortisation

Amortisation is based on the cost of an asset less its residual value.

Goodwill and intangible assets with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

Other intangible assets are amortised from the date that they are available for use.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

The principal annual rate of amortisation for software development expenditure is as follow : -

	Rate %
Software development expenditure	20

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

2. Significant accounting policies (Cont'd)

2 (g) Investment property

(i) Investment property carried at fair value

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in profit or loss for the period in which they arise. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

(ii) Reclassification to /from investment property

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its fair value at the date of reclassification becomes its cost for subsequent accounting.

2 (h) Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is estimated selling price in the ordinary course of the business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Cost of finished goods (determined on the first-in-first-out basis) consists of the original purchase price plus the costs of bringing the stocks to their present location.

2 (i) Cash and cash equivalents

Cash and cash equivalents consists of cash and bank balances (net of bank overdrafts), deposits and other short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Bank overdrafts are included within short term borrowings in current liabilities in the statement of financial position. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

2. Significant accounting policies (Cont'd)

2 (j) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investment in subsidiaries and investment in associates) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal payment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial 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.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories, amount due from contract customers, deferred tax asset, assets arising from employee benefits, investment property measured at fair value and non-current assets (or disposal groups) classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

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

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

2. Significant accounting policies (Cont'd)

2 (j) Impairment (Cont'd)

(ii) Other assets (Cont'd)

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

2 (k) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses
Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares
Ordinary shares are classified as equity.

2 (l) Compound financial instruments

A compound financial instrument is a non-derivative financial instrument that contains both a liability and an equity component.

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, when the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not measured subsequent to initial recognition.

Interest and losses and gains relating to the financial liability are recognised in profit or loss. On conversion, the financial liability is reclassified to equity; no gain or loss is recognised on conversion.

2. Significant accounting policies (Cont'd)

2 (m) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(iii) Share-based payment transactions

The grant date fair value of share-based payment granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the employee share options is measured using a binomial lattice model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(iv) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting period, then they are discounted.

2 (n) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

2. Significant accounting policies (Cont'd)

2 (o) Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the end of the reporting period. The stage of completion is assessed by reference to surveys of work performed.

(iii) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as other income.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(v) Management fees

Management fees are recognised when the services are rendered.

(vi) Commissions

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

2. Significant accounting policies (Cont'd)

2 (p) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets.

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

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

2 (q) Income tax

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

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

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reserve, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(g), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

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

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

Unutilised reinvestment allowance and investment tax allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

2. Significant accounting policies (Cont'd)

2 (r) Earnings per ordinary shares

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS').

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding , adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible motes and share options granted to employees.

2 (s) Operating segments

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

2 (t) Contingencies

(i) Contingent liabilities

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

(ii) Contingent assets

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

2 (u) Fair value measurements

From 1st January 2013, the Group adopted MFRS 13, Fair Value Measurement which prescribed that fair value of an asset or a liability, except for share-based payment and lease transactions, is determine as the price that would be received to sell an asset or paid to transfer a liability in an orderly transactions between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

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

In accordance with the transitional provision of MFRS 13, the Group applied the new fair value measurement guidance prospectively, and has not provided any comparative fair value information for new disclosures. The adoption of MFRS 13 has not significantly affected the measurements of the Group's asset or liabilities other than the additional disclosures.

3. Plant and equipment

Group **2013**	Computer software and equipment RM	Furniture and fittings, office equipment and renovation RM	Capital work-in-progress RM	Motor vehicle RM	Total RM
At cost					
Balance at 1/1/2013	**40,109,911**	**1,625,835**	**-**	**132,000**	**41,867,746**
Additions	**5,432**	**-**	**-**	**220,000**	**225,432**
Disposal /Written off	**(3,525,964)**	**(1,251,854)**	**-**	**(132,000)**	**(4,909,818)**
Balance at 31/12/2013	**36,589,379**	**373,981**	**-**	**220,000**	**37,183,360**
Accumulated Depreciation					
Balance at 1/1/2013	**32,558,646**	**1,488,406**	**-**	**101,200**	**34,148,252**
Charge for the year	**3,375,730**	**129,574**	**-**	**25,667**	**3,530,971**
Deletion	**(2,720,106)**	**(1,251,074)**	**-**	**(123,200)**	**(4,094,380)**
Balance at 31/12/2013	**33,214,270**	**366,906**	**-**	**3,667**	**33,584,843**
Net Book Value	**3,375,109**	**7,075**	**-**	**216,333**	**3,598,517**
2012					
At cost					
Balance at 1/1/2012	37,059,380	1,625,835	3,208,649	132,000	42,025,864
Additions	45,849	-	-	-	45,849
Written off	-	-	(203,967)	-	(203,967)
Reclassification	3,004,682	-	(3,004,682)	-	-
Balance at 31/12/2012	40,109,911	1,625,835	-	132,000	41,867,746
Accumulated Depreciation					
Balance at 1/1/2012	25,441,775	1,320,553	-	74,800	26,837,128
Charge for the year	7,116,871	167,853	-	26,400	7,311,124
Balance at 31/12/2012	32,558,646	1,488,406	-	101,200	34,148,252
Net Book Value	7,551,265	137,429	-	30,800	7,719,494

3. Plant and equipment (Cont'd)

Company **2013**	Computer software and equipment RM	Furniture and fittings, office equipment and renovation RM	Total RM
At cost			
Balance at 1/1/2013	**152,330**	**1,404,485**	**1,556,815**
Written off	**(89,696)**	**(1,204,543)**	**(1,294,239)**
Balance at 31/12/2013	**62,634**	**199,942**	**262,576**
Accumulated Depreciation			
Balance at 1/1/2013	**122,410**	**1,288,950**	**1,411,360**
Charge for the year	**19,790**	**108,827**	**128,617**
Deletion	**(89,668)**	**(1,204,510)**	**(1,294,178)**
Balance at 31/12/2013	**52,532**	**193,267**	**245,799**
Net Book Value	**10,102**	**6,675**	**16,777**
2012			
At cost			
Balance at 1/1/2012 and 31/12/2012	152,330	1,404,485	1,556,815
Accumulated Depreciation			
Balance at 1/1/2012	99,901	1,155,969	1,255,870
Charge for the year	22,509	132,981	155,490
Balance at 31/12/2012	122,410	1,288,950	1,411,360
Net Book Value	29,920	115,535	145,455

(i) The gross carrying amounts of fully depreciated plant and equipment of the Group and of the Company are as follow : -

	Group		Company	
	2013 RM	2012 RM	**2013 RM**	2012 RM
Computer software and equipment	**30,397,139**	1,089,769	**1,680**	41,958
Furniture and fittings, office equipment and renovation	**183,277**	768,035	**14,270**	743,506
	30,580,416	1,857,804	**15,950**	785,464

3. Plant and equipment (Cont'd)

(ii) The carrying amount of plant and equipment at the reporting date held under hire purchase arrangements is as follows : -

	Group	
	2013	2012
	RM	RM
Motor vehicles	**216,333**	30,800

4. Investment property

Group and Company

	Freehold office building
2013	RM
At Fair Value	
Balance at 1/1/13 and 31/12/13	**8,000,000**
2012	
At Fair Value	
Balance at 1/1/12	7,600,000
Fair value adjustment	400,000
Balance at 31/12/12	8,000,000

Investment property represents commercial property that is leases to third party.

The fair value of the investment property of the Group and the Company at 31st December 2013 is determined by a valuation carried out by Sr. Lee Pak Ling, a Registered Valuer and Estate Agent, and Registered Valuer of Messrs First Pacific Valuers Property Consultants Sdn. Bhd., based on the open market value basis.

Rental income earned by the Group and the Company amounted to RM627,068 (2012 – RM786,500) is recognised in profit or loss in respect of the investment property.

The strata title of the freehold office building has yet to be issued by the authority.

The investment property of the Group and the Company was charged to a licensed bank as security for bank facilities granted to the Company and a subsidiary company. The bank facilities were fully settled during the financial year.

4. Investment property (Cont'd)

Fair value information

The fair value of investment property of the Group and the Company is categorised as follows : -

Group and Company	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2013				
Investment property	-	**8,000,000**	-	**8,000,000**
2012				
Investment property	-	8,000,000	-	8,000,000

Investment property is stated at fair value based on valuation performed by independent professional valuer, who holds a recognised relevant professional qualification and has recent experience in the locations and categories of investment properties valued. The fair value of the investment property as at 31st December 2013 was RM8,000,000.

Fair value is determined based on comparison method of valuation using significant observable inputs (Level 2 inputs). Changes in fair value are recognised in the profit or loss during the period in which they are reviewed.

Policy on transfer between levels
The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value
Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical investment properties that the entity can access at the measurement date.

Level 2 fair value
Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the investment property, either directly or indirectly.

Level 2 fair value building has been generally derived using the open market value approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

Transfer between Level 1 and 2 fair values
There is no transfer between Level 1 and 2 fair values during the financial year.

Level 3 fair value
Level 3 fair value is estimated using unobservable inputs for the investment property.

5. Investment in subsidiary companies

	Company	
	2013	2012
	RM	RM
Unquoted shares, at valuation	**20,609,982**	20,609,982
Less : Impairment losses	**(12,460,408)**	(6,857,000)
	8,149,574	13,752,982

The principal activities of the subsidiaries in the Group and the interest of DVM Technology Berhad are as follows : -

Name of companies	Place of incorporation	Principal activities	Effective ownership interest	
			2013 %	**2012 %**
DVM Innovate Sdn. Bhd.	Malaysia	Provision of communications systems integration and solutions, data network, data communications solutions, business and operational support systems.	**100**	100
NGC Systems Sdn. Bhd.	Malaysia	Development of software applications and provision of communication solutions. However, the company has temporary ceased its business operations in last financial year and remain inactive during the year.	**100**	100
Key Alliance Sdn. Bhd.	Malaysia	Distribution and provision of information technology in relation to computer parts, software and accessories.	**100**	100
DVM Communications Sdn. Bhd.	Malaysia	Dormant.	**100**	100
MobileVideo International Limited	Cayman Island	Dormant.	**60**	60
Subsidiary company of DVM Innovate Sdn. Bhd.				
Corporate One Training Academy Sdn. Bhd. (Formerly known as DVM Intellisource Sdn. Bhd.)	Malaysia	Provision of business and operational support systems and services, software development and business process outsourcing.	**100**	100

5. Investment in subsidiary companies (Cont'd)

Non-controlling interest in subsidiary company

The Group's subsidiary company that has material non-controlling interest ("NCI") is as follows : -

	MobileVideo International Limited	
	2013	2012
NCI percentage of ownership interest and voting interest	**40%**	40%
Carrying amount of NCI (RM)	**(1,105,382)**	(1,093,586)
Loss allocated to NCI (RM)	**(11,796)**	(52,146)

Summarised financial information before intra-group elimination :

	RM	RM
As at 31st December		
Non-current assets	**519**	1,210
Current assets	**7,885**	441,006
Non-current liabilities	**-**	-
Current liabilities	**(3,826,875)**	(4,231,198)
Net liabilities	**(3,818,471)**	(3,788,982)
Year ended 31st December		
Revenue	**Nil**	Nil
Loss for the year	**(29,489)**	(130,365)
Total comprehensive loss	**(29,489)**	(130,365)
Cash flows from operating activities	**(28,953)**	(120,950)
Cash flows from investing activities	**422,867**	-
Cash flows from financing activities	**(396,340)**	88,917
Net decrease in cash and cash equivalents	**(2,426)**	(32,033)
Dividends paid to NCI	**-**	-

The Group does not have any significant restrictions on its ability to access or use the assets and settle the liabilities within the Group.

6. Investment in associated companies

Group	2013 RM	2012 RM
Unquoted shares at cost		
Balance at beginning of the year	**252,953**	252,953
Acquisition during the year	**1**	-
Balance at end of the year	**252,954**	252,953
Group's share of post acquisition profits less losses		
Balance at beginning of the year	**(64,800)**	-
Share of losses for current year	**(50,311)**	(64,800)
	(115,111)	(64,800)
Investment in associated companies	**137,843**	188,153

Company	2013 RM	2012 RM
Unquoted shares at cost		
Balance at beginning of the year	**252,953**	252,953
Acquisition during the year	**1**	-
Balance at end of the year	**252,954**	252,953
Less : Impairment losses	**(115,111)**	-
Investment in associated companies	**137,843**	252,953

The associated companies are as follows : -

Name of companies	Place of incorporation	Principal activities	Effective ownership interest 2013 %	Effective ownership interest 2012 %
Fatfish Capital Ltd. *	British Virgin Island	Investment company.	**33**	50
Design Dept Sdn. Bhd.	Malaysia	To carry on the business of architectural and 3D interior design and image consultants.	**50**	-

* Audited by a firm other than Kreston John & Gan.

6. Investment in associated companies (Cont'd)

The following table summarises the information of the Group's material associates and reconciles the information to the carrying amount of the Group's interest in the associates.

Group **2013**	Fatfish Capital Ltd.	Design Dept Sdn. Bhd.	Total
Percentage of ownership interest and voting interest	**33%**	**50%**	
Summarised financial information :			
	RM	**RM**	**RM**
As at 31st December			
Non-current assets	**19,879**	**-**	**19,879**
Current assets	**1,367,121**	**10,872**	**1,377,993**
Non-current liabilities	**(283,601)**	**-**	**(283,601)**
Current liabilities	**(23,500)**	**(49,578)**	**(73,078)**
Net assets /(liabilities)	**1,079,899**	**(38,706)**	**1,041,193**
Summarised financial information :			
Year ended 31st December			
Loss from continuing operations	**(60,170)**	**(38,708)**	**(98,878)**
Other comprehensive income	**1,018,974**	**-**	**1,018,974**
Total comprehensive income /(loss)	**958,804**	**(38,708)**	**920,096**
Included in total comprehensive income is Revenue	**29,673**	**-**	**29,673**
Reconcile of net assets to carrying amount :			
As at 31st December			
Group's share of net assets /(liabilities)	**360,038**	**(19,353)**	**340,685**
Goodwill	**-**	**-**	**-**
Elimination of unrealised profit	**-**	**-**	**-**
Carrying amount in the statement of financial position	**360,038**	**(19,353)**	**340,685**
Group's share of results :			
Year ended 31st December			
Group's share of profit or loss from continuing operations			
- current year	**(50,311)**	**-**	**(50,311)**
- under recognition in prior year	**-**	**-**	**-**
Group's share of total comprehensive loss	**(50,311)**	**-**	**(50,311)**

6. Investment in associated companies (Cont'd)

Group 2012	Fatfish Capital Ltd.
Percentage of ownership interest and voting interest	50%
Summarised financial information :	RM
As at 31st December	
Non-current assets	79,957
Current assets	264,339
Non-current liabilities	-
Current liabilities	(45,054)
Net assets	299,242
Year ended 31st December	
Loss from continuing operations	(202,020)
Other comprehensive income	-
Total comprehensive loss	(202,020)
Included in total comprehensive income is Revenue	35,423
Reconcile of net assets to carrying amount :	
As at 31st December	
Group's share of net assets	149,621
Goodwill	-
Elimination of unrealised profit	-
Carrying amount in the statement of financial position	149,621
Group's share of results :	
Year ended 31st December	
Group's share of profit or loss from continuing operations	
- current year	(64,800)
- under recognition in prior year	-
Group's share of total comprehensive loss	(64,800)
Other information :	
Dividends received	-

The results of associates are accounted for by using equity method.

The Group does not have any capital commitments or contingent liabilities in relation to its interest in the associates as at 31st December 2013 (2012 – Nil).

7. Development expenditures

	Group 2013 RM	2012 RM
Cost		
Balance as at beginning and end of the year	**5,374,787**	5,374,787
Accumulated amortisation		
Balance as at beginning of the year	**4,113,069**	3,261,630
Charge for the year	**646,773**	851,439
Balance as at end of the year	**4,759,842**	4,113,069
Carrying amount		
Balance as at end of the year	**614,945**	1,261,718

8. Inventories

	Group 2013 RM	2012 RM
At cost : -		
Finished goods	**545,008**	-

The cost of inventories recognised as an expense during the financial year in the Group amounted to RM4,637,878 (2012 – Nil).

9. Contract work performed but not bill

	2013 RM	2012 RM
Costs incurred	**73,900**	-

10. Trade receivables

	Group 2013 RM	2012 RM
Trade receivables	**16,226,411**	5,421,223
Less : Allowance account	**(2,263,574)**	(1,926,147)
	13,962,837	3,495,076

10. Trade receivables (Cont'd)

The reconciliation of the allowance account is as follows : -

	Group	
	2013	2012
	RM	RM
At beginning of the financial year	**(1,926,147)**	(2,107,649)
Impairment losses recognised	**(158,852)**	(128,781)
Amounts recovered and reversed	**-**	139,536
Unrealised foreign exchange difference	**(178,575)**	170,747
At the end of the financial year	**(2,263,574)**	(1,926,147)

Allowance account at end of the financial year represents individually assessed impairment.

The normal credit terms of trade receivables range from 14 to 45 days (2012 – 14 to 30 days). Other terms are assessed and approved on a case-by-case basis.

The foreign currency exposures of trade receivables of the Group are as follows : -

	Group	
	2013	2012
	RM	RM
Trade receivables		
US Dollar	**-**	1,772,866

11. Other receivables, deposits and prepayments

	Group		Company	
	2013	2012	**2013**	2012
	RM	RM	**RM**	RM
Other receivables	**279,474**	199,891	**57,754**	-
Less : Allowance account	**(189,420)**	-	**-**	-
	90,054	199,891	**57,754**	-
Other deposits	**1,401,804**	138,574	**225,210**	31,430
Prepayments	**539,381**	642,211	**47,570**	168,672
	2,031,239	980,676	**330,534**	200,102

The reconciliation of the allowance account is as follows : -

	Group	
	2013	2012
	RM	RM
At beginning of the financial year	**-**	-
Impairment losses recognised	**(189,420)**	-
At the end of the financial year	**(189,420)**	-

Allowance account at end of the financial year represents individually assessed impairment.

11. Other receivables, deposits and prepayments (Cont'd)

Group

Included in prepayments is prepaid term loan interest of Nil (2012 – RM205,528) for credit facilities granted to one of the subsidiary companies.

12. Amounts due from /(to) subsidiary companies

	Company	
	2013	2012
	RM	RM
Amount due from subsidiry companies		
- DVM Innovate Sdn. Bhd.	**8,003,869**	2,707,062
- NGC Systems Sdn. Bhd.	**5,829,259**	409,592
- Key Alliance Sdn. Bhd.	**1,991,894**	672,626
- DVM Communications Sdn. Bhd.	**4,107**	4,107
- MobileVideo International Limited	**52,079**	46,275
- Corporate One Training Academy Sdn. Bhd. (Formerly known as DVM Intellisource Sdn. Bhd.)	**152,953**	-
	16,034,161	3,839,662
Less : Allowance account	**(6,006,875)**	(121,430)
	10,027,286	3,718,232
Amount due to a subsidiary company		
- Corporate One Training Academy Sdn. Bhd. (Formerly known as DVM Intellisource Sdn. Bhd.)	**-**	(6,670)

Non-trade balances due from /(to) subsidiary companies are in respect of advances and payments made on behalf, which are unsecured, interest free and repayable on demand.

The reconciliation of the allowance account is as follows : -

	Company	
	2013	2012
	RM	RM
At beginning of the financial year	**(121,430)**	(121,430)
Impairment losses recognised	**(5,885,445)**	-
At the end of the financial year	**(6,006,875)**	(121,430)

Allowance account at end of the financial year represents individually assessed impairment.

13. Amounts due from an associated company

	Group and Company	
	2013	2012
	RM	RM
Amount due from an associated company		
- Design Dept Sdn. Bhd.	**49,264**	-

Non-trade balances due from an associated company is in respect of payments made on behalf, which are unsecured, interest free and repayable on demand.

14. Deposits with licensed banks

	Group		Company	
	2013	2012	**2013**	2012
	RM	RM	**RM**	RM
Fixed deposits with licensed banks	**21,067,295**	2,095,535	**20,000,000**	-

The interest rates of fixed deposits with licensed banks that were effective during the financial year range from 2.80% to 3.60% (2012 – 1.90% to 3.10%) per annum.

15. Share capital

	Group and Company			
	2013	2012	**2013**	2012
	Number of shares		**RM**	RM
Authorised:				
At beginning of the financial year	**500,000,000**	500,000,000	**50,000,000**	50,000,000
Created during the financial year	**500,000,000**	-	**50,000,000**	-
At end of the financial year	**1,000,000,000**	500,000,000	**100,000,000**	50,000,000
Issued and fully paid:				
At beginning of the financial year	**193,600,000**	176,000,000	**19,360,000**	17,600,000
Issued during the financial year	**387,200,000**	17,600,000	**38,720,000**	1,760,000
At end of the financial year	**580,800,000**	193,600,000	**58,080,000**	19,360,000

During the financial year, the Company increased its authorised share capital from RM50,000,000 to RM100,000,000 by creation of 500,000,000 ordinary shares of RM0.10 each ranking pari passu with the existing ordinary shares.

In addition, the Company increased its issued and fully paid share capital from RM19,360,000 to RM58,080,000 by issuing renounceable rights issue of 387,200,000 new ordinary shares of RM0.10 each in the Company on the basis of 4 rights shares for every 2 existing ordinary shares of RM0.10 each in the Company together with 290,400,000 free detachable warrants on the basis of 3 warrants for every 2 existing ordinary shares in the Company.

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

16. Reserves

	Group		Company	
	2013	2012	**2013**	2012
	RM	RM	**RM**	RM
Non-distributable				
Share premium	**10,275,362**	10,716,665	**10,275,362**	10,716,665
Warrant reserves	**3,775,200**	-	**3,775,200**	-
	14,050,562	10,716,665	**14,050,562**	10,716,665
Distributable				
Accumulated losses	**(26,537,739)**	(20,276,285)	**(22,006,870)**	(6,235,924)
	(12,487,177)	(9,559,620)	**(7,956,308)**	4,480,741

Warrant reserves

The warrant reserves represent the fair value adjustment for the free detachable warrants issued pursuant to the rights issue on 3rd July 2013. The fair value of the warrants is measured using "Trinomial" pricing model with the following inputs and assumptions : -

Fair value of warrants and assumptions	
Fair value of warrants at issuance date (RM)	0.013
Exercise price (RM)	0.10
Expected volatility (weighted average volatility)	17%
Option life (expected weighted average life)	5 years
Risk-free interest rate (based on rates of years Malaysian government bonds)	3%

17. Non-controlling interests

	Group	
	2013	2012
	RM	RM
Balance at the beginning of the year	**1,093,586**	1,041,440
Transferred from profit or loss	**11,796**	52,146
Balance at the end of the year	**1,105,382**	1,093,586

18. Deferred tax liabilities

	Group		Company	
	2013	2012	**2013**	2012
	RM	RM	**RM**	RM
Balance at the beginning of the year	**1,675,983**	1,084,983	**991,983**	891,983
Recognised in profit or loss (Note 31)	**47,517**	591,000	**(42,483)**	100,000
Balance at the end of the year	**1,723,500**	1,675,983	**949,500**	991,983

18. Deferred tax liabilities (Cont'd)

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

Group	As at 1st Jan	Recognised in profit or loss	As at 31st Dec
2013	RM	RM	RM
Deferred tax assets			
Unabsorbed tax losses	**(232,000)**	**206,000**	**(26,000)**
Unabsorbed capital allowances	**-**	**-**	**-**
Impairment loss on receivables	**(72,000)**	**72,000**	**-**
	(304,000)	**278,000**	**(26,000)**
Deferred tax liabilities			
Accelerated capital allowances	**988,000**	**(190,800)**	**797,200**
Fair value gain on investment property	**991,983**	**(39,683)**	**952,300**
	1,979,983	**(230,483)**	**1,749,500**
2012			
Deferred tax assets			
Unabsorbed tax losses	(710,000)	478,000	(232,000)
Unabsorbed capital allowances	(963,000)	963,000	-
Impairment loss on receivables	(125,000)	53,000	(72,000)
	(1,798,000)	1,494,000	(304,000)
Deferred tax liabilities			
Accelerated capital allowances	1,991,000	(1,003,000)	988,000
Fair value gain on investment property	891,983	100,000	991,983
	2,882,983	(903,000)	1,979,983

Company	As at 1st Jan	Recognised in profit or loss	As at 31st Dec
2013	RM	RM	RM
Deferred tax assets			
Accelerated capital allowances	**-**	**(2,800)**	**(2,800)**
Deferred tax liabilities			
Fair value gain on investment property	**991,983**	**(39,683)**	**952,300**
2012			
Deferred tax liabilities			
Fair value gain on investment property	891,983	100,000	991,983

18. Deferred tax liabilities (Cont'd)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and where the deferred income taxes relate to the same tax authority. The net deferred tax assets and liabilities shown on the statement of financial position after appropriate offsetting are : -

	Group		Company	
	2013	2012	**2013**	2012
	RM	RM	**RM**	RM
Deferred tax assets	**(26,000)**	(304,000)	**(2,800)**	-
Deferred tax liabilities	**1,749,500**	1,979,983	**952,300**	991,983
	1,723,500	1,675,983	**949,500**	991,983

19. Borrowings

	Group		Company	
	2013	2012	**2013**	2012
	RM	RM	**RM**	RM
Non-current liabilities				
Secured				
Term loans	**-**	2,699,079	**-**	1,152,543
Hire purchase creditors	**125,109**	4,355	**-**	-
	125,109	2,703,434	**-**	1,152,543
Current liabilities				
Secured				
Bank overdrafts	**-**	2,075,782	**-**	383,038
Term loans	**-**	4,366,189	**-**	133,598
Hire purchase creditors	**24,891**	25,956	**-**	-
	24,891	6,467,927	**-**	516,636

	Group		Company	
	2013	2012	**2013**	2012
	RM	RM	**RM**	RM
Total borrowings				
Secured				
Bank overdrafts (Note 20)	**-**	2,075,782	**-**	383,038
Term loans (Note 21)	**-**	7,065,268	**-**	1,286,141
Hire purchase creditors (Note 22)	**150,000**	30,311	**-**	-
	150,000	9,171,361	**-**	1,669,179

19. Borrowings (Cont'd)

Effective interest rates per annum on the borrowings of the Group and of the Company are as follows : -

	Group		Company	
	2013	2012	**2013**	2012
	%	%	**%**	%
Bank overdraft	**-**	7.60	**-**	7.60
Term loans	**-**	6.85-7.00	**-**	7.00
Hire purchase creditors	**4.50**	2.43	**-**	-

20. Bank overdrafts

Secured

Group and Company

The bank overdraft of the Group and the Company was secured by fixed charge over the freehold office building of the Company and assignment of rental proceeds from the building (Note 4).

The bank overdraft bears interest at a rate of Nil (2012 – 1.00%) per annum above the bank's Base Lending Rate (BLR).

At the reporting date, the Group and the Company have unutilised bank overdrafts facilities of RM705,000 (2012 – RM32,945).

21. Term loans

	Group		Company	
	2013	2012	**2013**	2012
	RM	RM	**RM**	RM
Secured				
Term loan I	**-**	1,286,141	**-**	1,286,141
Term loan II	**-**	3,557,008	**-**	-
Term loan III	**-**	2,222,119	**-**	-
	-	7,065,268	**-**	1,286,141
Repayable as follows : -				
Non-current liabilities				
- later than one year and not later than two years	-	1,679,623	-	133,087
- later than two years and not later than five years	-	458,232	-	458,232
- later than five years	-	561,224	-	561,224
	-	2,699,079		1,152,543
Current liabilities				
- not later than one year	-	4,366,189	-	133,598
	-	7,065,268	-	1,286,141

21. Term loans (Cont'd)

The term loans were secured by the following : -

(i) first legal charge over the freehold office building of the Company and assignment of rental proceeds from the building (Note 4);

(ii) debenture incorporating fixed and floating charge over all present and future assets and undertakings of the subsidiaries;

(iii) a deed of assignment over the rights, title and interest of Sales and Purchase Agreement with respect to the freehold office building of the Company;

(iv) corporate guarantee by the Company.

(v) a Deed of Assignment between a subsidiary company and Malaysian Debt Venture Berhad of all contract proceeds to be received from Ministry of Health;

(vi) any other securities that Malaysia Debt Venture Berhad may from time to time at its absolute discretion required from a subsidiary company; and

(vii) fixed deposits of subsidiary companies of Nil (2012 – RM2,095,535).

The term loan I is repayable by 120 equal monthly instalments of RM17,332 and bears interest at rate of 0.25% per annum above the bank's Base Lending Rate (BLR). During the financial year, the term loan I was fully settled by the Company.

The term loan II is repayable by 60 equal monthly instalments and bears interest at rate of 0.40% per annum above the bank's Base Lending Rate (BLR). During the financial year, the term loan II was fully settled by the Company.

The term loan III is repayable by 60 equal monthly instalments and bears interest at rate of 1.50% per annum above the bank's Base Lending Rate (BLR). During the financial year, the term loan III was fully settled by the Company.

22. Hire purchase creditors

	Group	
	2013	2012
	RM	RM
Minimum hire purchase payments : -		
- not later than one year	**30,767**	26,520
- later than one year and not later than two years	**33,564**	4,400
- later than two year and not later than five years	**103,444**	-
	167,775	30,920
Less : Future interest charges	**(17,775)**	(609)
Present value of hire purchase liabilities	**150,000**	30,311

22. Hire purchase creditors (Cont'd)

	Group	
	2013	2012
	RM	RM
Repayable as follows : -		
Non-current liabilities		
- later than one year and not later than five years	**125,109**	4,355
Current liabilities		
- not later than one year	**24,891**	25,956
	150,000	30,311

Effective interest rates of hire purchase for the financial year is at 4.50% (2012 – 2.43%) per annum.

The Group obtain hire purchase facilities to finance its purchase of motor vehicles. The remaining hire purchase terms are 5 years as at 31st December 2013. Implicit interest rates of the hire purchase are fixed at the inception of the hire purchase arrangements, and the hire purchase instalments are fixed throughout the hire purchase period. The Group has the option to purchase the assets at the end of the agreements. There are no significant restriction clauses imposed on the hire purchase arrangements.

23. Trade payables

Group

The credit terms of trade payables range from 30 to 60 days (2012 – 30 to 60 days). However, the terms may vary upon negotiation with the trade payables.

24. Other payables and accruals

	Group		Company	
	2013	2012	**2013**	2012
	RM	RM	**RM**	RM
Other payables	**284,127**	2,101,739	**199,974**	288,189
Deferred income	**-**	500,900	**-**	-
Accruals	**3,594,204**	540,067	**48,725**	188,898
	3,878,331	3,142,706	**248,699**	477,087

Company

Included in accruals is accrued director fees of RM8,000 (2012 – RM73,000).

25. Amount due to a director

Amount due to a director is non-trade in nature, unsecured, interest free and repayable on demand.

26. Revenue and cost of sales

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Revenue				
Sales of computer hardware and software	**12,444,541**	227,299	**-**	-
Service and maintenance fee	**10,239,680**	8,832,876	**-**	-
Management fee	**-**	-	**-**	420,000
	22,684,221	9,060,175	**-**	420,000

27. Other income

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Interest income			**-**	-
- fixed deposits	**287,448**	40,024	**239,233**	-
- other	**86,344**	-	**86,344**	-
Fair value adjustment	**-**	400,000	**-**	400,000
Gain on disposal of plant and equipment	**62,526**	-	**-**	-
HRDF refund	**25,230**	-	**-**	-
Rental income receivable from				
- third party	**627,068**	786,500	**627,068**	786,500
- subsidiary companies	**-**	-	**214,026**	256,956
- associated company	**993**	-	**993**	-
Realised gain on foreign exchange	**-**	2,050	**-**	-
Reversal of impairment losses on trade receivables	**20,697**	139,536	**-**	-
Sundry income	**2,816**	230,801	**498**	3,505
Unrealised gain on foreign exchange	**-**	113,242	**-**	-
Waiver of debts	**41,084**	-	**41,084**	-
	1,154,206	1,712,153	**1,209,246**	1,446,961

28. Profit /(Loss) before taxation

	Group		Company	
	2013	2012	**2013**	2012
Profit /(Loss) before tax is arrived at after charging : -	**RM**	RM	**RM**	RM
Auditors' remuneration				
- current year	**58,800**	53,800	**12,000**	12,000
- underprovision in previous year	**5,500**	3,000	**8,000**	3,000
Amortisation of development expenditure	**646,773**	851,439	**-**	-
Bad debts written off	**-**	80,946	**-**	-
Depreciation of property, plant and equipment	**3,530,971**	7,311,124	**128,617**	155,490
Directors' fee	**216,000**	218,000	**216,000**	218,000
Employee benefits expense (Note 29)	**2,377,004**	4,939,280	**510,482**	410,110
Finance costs				
- Bank overdrafts	**88,810**	141,980	**14,179**	15,546
- Bank guarantee commission	**7,869**	-	**-**	-
- Hire purchase	**609**	1,943	**-**	-
- Term loans	**322,654**	649,858	**110,502**	91,645
- Trust receipts	**-**	25,592	**-**	-
Impairment losses on trade receivables	**158,852**	128,781	**-**	-
Impairment losses on other receivables	**189,420**	-	**-**	-
Impairment loss on investment in subsidiary companies	**-**	-	**5,603,408**	-
Impairment loss on investment in an associated company	**115,111**	-	**115,111**	-
Impairment losses on amount due from subsidiary companies	**-**	-	**5,885,445**	-
Plant and equipment written off	**877**	203,967	**61**	-
Rental of equipment	**23,509**	123,261	**2,100**	1,650
Rental of office	**245,174**	287,110	**245,174**	287,110
Realised loss on foreign exchange	**3,433**	9,817	**-**	-
Reversal of unrealised gain on foreign exchange	**26,773**	-	**-**	-
and after crediting : -				
Fair value adjustment	**-**	(400,000)	**-**	(400,000)
Gain on disposal of plant and equipment				
Interest income - Fixed deposits	**(62,526)**			
- Others	**(287,448)**	(40,024)	**(239,233)**	-
Rental income receivable from : -	**(86,344)**		**(86,344)**	-
- third party				
- subsidiary companies	**(627,068)**	(786,500)	**(627,068)**	(786,500)
- associated company	**-**	-	**(214,026)**	(256,956)
Reversal of impairment losses on trade receivables	**(993)**	-	**(993)**	-
Waiver of debts				
Unrealised gain on foreign exchange	**(20,697)**	(139,536)	**-**	-
	(41,084)	-	**(41,084)**	-
	-	(113,242)	**-**	-

29. Employee benefits expense

	Group		Company	
	2013	2012	**2013**	2012
	RM	RM	**RM**	RM
Salaries, allowances and other emoluments	**2,037,660**	4,238,300	**447,143**	358,040
Employees Provident Fund	**245,904**	464,561	**54,766**	43,972
Social security costs	**19,486**	36,070	**3,234**	2,783
Other staff related expenses	**73,954**	200,349	**5,339**	5,315
	2,377,004	4,939,280	**510,482**	410,110

Included in employee benefits expense of the Group and of the Company are directors' emoluments amounting to RM186,178 (2012 – RM107,520) as disclosed in Note 30.

30. Directors' remuneration

	Group and Company	
	2013	2012
	RM	RM
Executive directors		
- Fees	**120,000**	120,000
- Other emoluments	**131,000**	96,000
- EPF contributions	**15,720**	11,520
Non-executive directors		
- Fees	**96,000**	98,000
- Other emoluments	**35,000**	-
- EPF Contributions	**4,200**	-
- Social security cost	**258**	-
	402,178	325,520
Total excluding benefits-in-kind	**402,178**	325,520

The number of directors of the Company and the subsidiary companies whose total remuneration during the year fell within the following bands is analysed below : -

	Number of directors Group and Company	
	2013	2012
Executive directors :		
- RM100,000 - RM200,000	**2**	2
Non-Executive directors :	**2**	3
- Below RM50,000	**1**	-
- RM50,001 – RM100,000		

31. Income tax expense

	Group		Company	
	2013	2012	**2013**	2012
	RM	RM	**RM**	RM
Income tax				
- current year provision	**-**	54,800	**-**	54,800
- under /(over)provision in previous year	**223**	(64,132)	**6,592**	-
	223	(9,332)	**6,592**	54,800
Deferred taxation (Note 18)	**47,517**	591,000	**(42,483)**	100,000
	47,740	581,668	**(35,891)**	154,800

Income tax is calculated at the Malaysian statutory tax rate of 25% of the estimated assessable profit for the year.

The numerical reconciliation between the effective tax rate and the applicable tax rate is as follows:-

	Group		Company	
	2013	2012	**2013**	2012
	%	%	**%**	%
Applicable tax rate	**(25)**	(25)	**(25)**	25
Tax effects of :				
- Non-allowable expenses	**9**	11	**25**	28
- Non-taxable income	**(1)**	-	**-**	-
- Deferred tax assets not recognised during the year	**19**	29	**-**	-
- (Over) /Underprovision in previous year	**-**	(1)	**-**	-
Effective tax rate	**2**	14	**-**	53

Unabsorbed tax losses and capital allowances of the Group which are available to set-off against future chargeable income for which the tax effects have not been recognised in the financial statements are shown below : -

	Group	
	2013	2012
	RM	RM
Unabsorbed tax losses	**10,773,000**	10,887,000
Unabsorbed capital allowances	**5,441,000**	5,471,000

31. Income tax expense (Cont'd)

The potential deferred tax benefits that have not been accounted for in the financial statements are as follows : -

Group	Unabsorbed tax losses	Unabsorbed capital allowances	Development expenditure	Accelerated capital allowances	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 1st January 2012	2,222	1,356	(528)	(878)	2,172
Arising during the year	267	12	213	758	1,250
Balance at 31st December 2012	2,489	1,368	(315)	(120)	3,422
Arising /(Utilised) during the year	78	(62)	167	108	291
Balance at 31st December 2013	2,567	1,306	(148)	(12)	3,713

No deferred tax asset has been recognised as the Group is unable to ascertain whether it is probable that taxable profit of the subsidiary companies will be available against which the deductible temporary differences can be utilised.

32. Loss per share

Basic :

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

	Group	
	2013	2012
	RM	RM
Loss for the year attributable to ordinary equity holders of the Company	**(2,486,254)**	(4,793,332)
Weighted average number of ordinary shares in issue		
At beginning of financial year	**189,115,616**	176,000,000
Effect of ordinary shares issued during the financial year	**294,908,493**	13,115,616
At end of financial year	**484,024,109**	189,115,616
Basic loss per share (sen)	**(0.51)**	(2.53)

Diluted :

The basic and diluted loss per share are equal as the Company has no dilutive potential ordinary shares.

There is no diluted loss per share as it is assumed that there will not be any conversion of outstanding warrants as the exercise price of the convertible financial instrument exceeds the average market price.

33. Purchase of plant and equipment

During the financial year, the Group and the Company made the following cash payments to purchase plant and equipment :

	Group		Company	
	2013	2012	**2013**	2012
	RM	RM	**RM**	RM
Purchase of plant and equipment (Note 3)	**225,432**	45,849	**-**	-
Financed by hire purchase arrangements	**(150,000)**	-	**-**	-
Cash payments on purchase of plant and equipment	**75,432**	45,849	**-**	-

34.Cash and cash equivalents

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts : -

	Group		Company	
	2013	2012	**2013**	2012
	RM	RM	**RM**	RM
Deposits with licensed banks (Note 14)	**21,067,295**	2,095,535	**20,000,000**	-
Less : Pledged deposits (Note 14)	**(1,067,295)**	(2,095,535)	**-**	-
	20,000,000	-	**20,000,000**	-
Cash and bank balances	**5,857,539**	2,776,570	**4,602,007**	1,208,880
Bank overdraft	**-**	(2,075,782)	**-**	(383,038)
	25,857,539	700,788	**24,602,007**	825,842

35. Segmental information

No segmental reporting by industry and geographical segments has been prepared as the Group operated predominantly in the information communication technology industry principally in Malaysia as mentioned in Note 5 to the financial statements.

The following are major customers with revenue equal or more than 10% of the Group's total revenue : -

	Group	
	2013	2012
	RM	RM
- Customer A	**12,582,685**	-
- Customer B	**-**	6,924,000
	12,582,685	6,924,000

36. Financial instruments

a) Categories of financial instruments

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

i) Loans and receivables ("L&R");

ii) Financial liabilities measured at amortised cost ("FL").

Group	Carrying amount RM	L&R RM	FL RM
2013			
Financial assets			
Contract work performed but not bill	**73,900**	**73,900**	**-**
Trade receivables	**13,962,837**	**13,962,837**	**-**
Other receivables	**90,054**	**90,054**	**-**
Amount due from an associated company	**49,264**	**49,264**	**-**
Deposits with licensed banks	**21,067,295**	**21,067,295**	**-**
Cash and bank balances	**5,857,539**	**5,857,539**	**-**
	41,100,889	**41,100,889**	**-**
Financial liabilities			
Trade payables	**(5,721,715)**	**-**	**(5,721,715)**
Other payables and accruals	**(3,878,331)**	**-**	**(3,878,331)**
Amount due to a director	**(5,000)**	**-**	**(5,000)**
Hire purchase creditor	**(150,000)**	**-**	**(150,000)**
	(9,755,046)	**-**	**(9,755,046)**
2012			
Financial asset			
Trade receivables	3,495,076	3,495,076	-
Other receivables	199,891	199,891	-
Deposits with licensed banks	2,095,535	2,095,535	-
Cash and cash equivalents	2,776,570	2,776,570	-
	8,567,072	8,567,072	-
Financial liabilities			
Trade payables	(1,154,665)	-	(1,154,665)
Other payables and accruals	(3,142,706)	-	(3,142,706)
Amount due to a director	(2,639,000)	-	(2,639,000)
Bank overdrafts	(2,075,782)	-	(2,075,782)
Term loans	(7,065,268)	-	(7,065,268)
Hire purchase creditors	(30,311)	-	(30,311)
	(16,107,732)	-	(16,107,732)

36. Financial instruments (Cont'd)

a) Categories of financial instruments (Cont'd)

Company	Carrying amount RM	L&R RM	FL RM
2013			
Financial assets			
Other receivable	**57,754**	**57,754**	**-**
Amount due from subsidiary companies	**10,027,286**	**10,027,286**	**-**
Amount due froma an associated company	**46,870**	**46,870**	**-**
Deposits with licensed bank	**20,000,000**	**20,000,000**	**-**
Cash and bank balances	**4,602,007**	**4,602,007**	**-**
	34,733,917	**34,733,917**	**-**
Financial liabilities			
Other payables and accruals	**(248,699)**	**-**	**(248,699)**
2012			
Financial asset			
Amount due from subsidiary companies	3,718,232	3,718,232	-
Cash and cash equivalents	1,208,880	1,208,880	-
	4,927,112	4,927,112	-
Financial liabilities			
Other payables and accruals	(477,087)	-	(477,087)
Amount due to a subsidiary company	(6,670)	-	(6,670)
Amount due to a director	(250,000)	-	(250,000)
Bank overdraft	(383,038)	-	(383,038)
Term loan	(1,286,141)	-	(1,286,141)
	(2,402,936)	-	(2,402,936)

36. Financial instruments (Cont'd)

b) Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

i) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from loans and advances to subsidiary companies and financial guarantee given to banks for credit facilities granted to the Company and a subsidiary company.

Receivables

Risk management objectives, policies and processes for managing the risk

The credit risk is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high credit worthiness. The Group also has an internal credit review which is conducted if the credit risk is material. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

Exposure to credit risk, credit quality and collateral

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

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any past due receivables having significant balances, which are deemed to have higher credit risk, are monitored individually.

The trade receivables are not secured by any collateral or supported by any other credit enhancements.

The ageing analysis of the trade receivables is as follows : -

	2013 **RM**	2012 RM
Within credit terms :	**10,555,683**	728,500
Past due :		
1 - 30 days	**10,700**	627,122
31 - 60 days	**165,100**	153,500
Over 61 days	**3,231,354**	1,985,954
	3,407,154	2,766,576
Total trade receivables	**13,962,837**	3,495,076

Receivables that are neither past due nor impaired :

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

36. Financial instruments (Cont'd)

b) Financial risk management (Cont'd)

i) Credit risk (Cont'd)

Receivables that are past due but not impaired :

As at 31st December 2013, trade receivables of RM3,407,154 (2012 – RM2,766,576) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. All trade receivables, whether current or past due, are reviewed for impairment on a case-by-case basis to identify impairment taking into account the ageing of the debt, the likelihood of recoverability and other external factors.

Receivables that are impaired :

The movement in the allowances for impairment of trade receivables during the financial year were : -

	Group	
	2013	2012
	RM	RM
At beginning of the financial year	**1,926,147**	2,107,649
Impairment losses recognised	**158,852**	128,781
Amount recovered and reversed	**-**	(139,536)
Unrealised foreign exchange difference	**178,575**	(170,747)
At end of the financial year	**2,263,574**	1,926,147

Inter – company loans and advances

Risk management objectives, policies and processes for managing the risk
The Company provides unsecured loans and advances to subsidiary companies. The Company monitors the results of the subsidiary companies regularly.

Exposure to credit risk, credit quality and collateral
As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Loans and advances are only provided to wholly-owned subsidiary companies.

Impairment losses
As at the end of the reporting period, there was no indication that the loans and advances to the subsidiary companies are not recoverable. The Company does not specifically monitor the ageing of current advances to the subsidiaries. However, these advances have been overdue for more than a year and being impaired.

The movement in the allowances for impairment of amount due from subsidiary companies during the financial year were : -

	Company	
	2013	2012
	RM	RM
At beginning of the financial year	**(121,430)**	(121,430)
Impairment losses recognised	**(5,885,445)**	-
At the end of the financial year	**(6,006,875)**	(121,430)

36. Financial instruments (Cont'd)

b) Financial risk management (Cont'd)

i) Credit risk (Cont'd)

Financial guarantees

Risk management objectives, policies and processes for managing the risk
The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

Exposure to credit risk, credit quality and collateral
The maximum exposure to credit risk amounts to Nil (2012 - RM7,502,182) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

ii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

Notes to the Financial Statements

36. Financial instruments (Cont'd)

b) Financial risk management (Cont'd)

i) Liquidity risk (Cont'd)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments : -

Group	Carrying amount RM	Effective interest rate %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
2013							
Non-derivative financial liabilities							
Trade payables	**5,721,715**	**-**	**5,721,715**	**5,721,715**	**-**	**-**	**-**
Other payables and accruals	**3,878,331**	**-**	**3,878,331**	**3,878,331**	**-**	**-**	**-**
Amount due to a director	**5,000**	**-**	**5,000**	**5,000**	**-**	**-**	**-**
Hire purchase creditors	**150,000**	**4.50**	**167,775**	**30,767**	**33,564**	**103,444**	**-**
Total undiscounted financial liabilities	**9,755,046**		**9,772,821**	**9,635,813**	**33,564**	**103,444**	**-**

Group	Carrying amount RM	Effective interest rate %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
2012							
Non-derivative financial liabilities							
Trade payables	1,154,665	-	1,154,665	1,154,665	-	-	-
Other payables and accruals	3,142,706	-	3,142,706	3,142,706	-	-	-
Amount due to a director	2,639,000	-	2,639,000	2,639,000	-	-	-
Bank overdraft	2,075,782	7.60	2,075,782	2,075,782	-	-	-
Term loans	7,065,268	6.85-7.00	7,065,268	4,366,189	1,679,623	458,232	561,224
Hire purchase creditors	30,311	2.43	30,920	26,520	4,400	-	-
Total undiscounted financial liabilities	16,107,732		16,108,341	13,404,862	1,684,023	458,232	561,224

Notes to the Financial Statements

36. Financial instruments (Cont'd)

b) Financial risk management (Cont'd)

i) Liquidity risk (Cont'd)

Company	Carrying amount RM	Effective interest rate %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
2013							
Non-derivative financial liabilities							
Other payables and accruals	**248,699**	-	**248,699**	**248,699**	-	-	-
2012							
Non-derivative financial liabilities							
Other payables and accruals	477,087	-	477,087	477,087	-	-	-
Amount due to a subsidiary company	6,670	-	6,670	6,670			
Amount due to a director	250,000	-	250,000	250,000	-	-	-
Bank overdraft	383,038	7.60	383,038	383,038	-	-	-
Term loan	1,286,141	6.85	1,286,141	133,598	133,087	458,232	561,224
Total undiscounted financial liabilities	2,402,936		2,402,936	1,250,393	133,087	458,232	561,224

36. Financial instruments (Cont'd)

b) Financial risk management (Cont'd)

iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that will affect the Group's financial position or cash flows.

Currency risk

The Group is exposed to foreign currency risk on sales that are denominated in a currency other than the respective functional currency of Group entities. The currency giving rise to this risk was primarily U.S. Dollar ("USD").

Exposure to foreign currency risk
The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was : -

	2013	2012
	Denominated in	*Denominted in*
Group	**USD**	USD
Balance recognised in the statement of financial position :		
Trade receivables (In RM)	**-**	1,772,866

Currency risk sensitivity analysis
A 5% strengthening of RM against the following currency at the end of the reporting period would have increased / (decreased) equity and post-tax profit or loss by the amount shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonable possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remained constant.

	2013		2012	
	Equity RM	**Loss for the year RM**	Equity RM	Loss for the year RM
USD				
Increase /(Decrease)	**-**	**-**	(88,643)	88,643

A 5% of weakened of RM against the above foreign currency at the end of the reporting period would have had equal but opposite effect on the above currency to the amount shown above, on the basis that all other variables remained constant.

Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rate. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes interest rates. Short term investment such as deposits with licensed bank are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk
The Group's policy is to borrow principally on the floating rate basis but to retain a proportion of fixed rate debt. The objectives for the mix between fixed and floating rate borrowings are set to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall.

36. Financial instruments (Cont'd)

b) Financial risk management (Cont'd)

iii) Market risk (Cont'd)

Exposure to interest rate risk

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

Group	**2013 RM**	**Effective Interest rate %**	2012 RM	Effective Interest rate %
Fixed rate instruments				
Deposits with licensed banks	**21,067,295**	**2.80-3.60**	2,095,535	1.90-3.10
Hire purchase creditors	**(150,000)**	**4.50**	(30,311)	2.43
Floating rate instruments				
Bank overdraft	**-**	**-**	(2,075,782)	7.60
Term loans	**-**	**-**	(7,065,268)	6.85-7.00
Company				
Fixed rate instruments				
Deposits with a licensed bank	**20,000,000**	**3.60**	-	-
Floating rate instruments				
Bank overdraft	**-**	**-**	(383,038)	7.60
Term loan	**-**	**-**	(1,286,141)	6.85

Interest rate risk sensitivity analysis : -

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change on interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

At the reporting date, if interest rates had been 100 basis points lower/higher, with all other variables held constant, the Group's loss net of tax would have been RM4,116 higher/lower, arising mainly as a result of lower/higher interest expense on floating rate borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

iv) Operational risk

The operational risk arises from the daily activities of the Group which includes legal, credit reputation and financing risk and other risks associated to daily running of its business operations.

Such risks are mitigated through proper authority levels of approval limits, clear reporting structure, segregation of duties, policies and procedures implemented and periodic management meetings.

In dealing with its stewardship, the directors recognise that effective risk management is an integral part of good business practice.

The directors will pursue an ongoing process of identifying, assessing and managing key business areas, overall operational and financial risks faced by the business units as well as regularly reviewing and enhancing risk mitigating strategies with its appointed and key management personnel.

c) Fair value information

The carrying amounts of cash and cash equivalents, shot term receivables and payables and borrowings reasonably approximate their fair values due to the relatively short term nature or that they are floating rate instruments that are re-priced to market interest rates on or near to the reporting date. As the financial assets and liabilities of the Group and the Company are not carried at fair value by any valuation method, the fair value hierarchy is not presented.

37. Capital management

The primary objective of capital management is to ensure that an entity maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group and the Company manage its capital structure to safeguard its ability to continue as a going concern in order to maintain investor, creditor and market confidence and to sustain future business development.

The Group and the Company monitor capital using a gearing ratio, which is derived by dividing the amount of borrowings over equity. The Group's and the Company's policy is to keep the gearing ratio within manageable ratio.

The gearing ratio of the Group and the Company at the end of the reporting period is as follows : -

	Group		Company	
	2013 RM	2012 RM	**2013 RM**	2012 RM
Total interest bearing borrowings	**150,000**	9,171,361	**-**	1,669,179
Total equity attributable to owners of the Company	**45,582,113**	9,800,380	**50,123,692**	23,840,741
Gearing ratio	**-**	0.94	**-**	0.07

There were no changes in the Group's and the Company's approach to capital management during the financial year.

The capital managed at Group level is the shareholder' funds as shown in the statement of financial position.

38. Operating leases

Non-cancellable operating lease rentals are payable as follows : -

	Group and Company	
	2013 RM	2012 RM
Not later than one year	**215,220**	245,174
Later than one year and not later than two years	**-**	215,220
	215,220	460,394

The Group leases an office lot under operating leases. The lease typically run for a period of 3 years, with option to renew the lease after that date.

Lease rental recognised as an expense during the financial year are amounted to RM287,110 (2012 – RM183,570).

39. Contingent liabilities

	Group		Company	
	2013	2012	**2013**	2012
	RM	RM	**RM**	RM
Unsecured				
Corporate guarantees issued to banks for bank facilities granted to : -				
- subsidiary companies	**-**	-	**-**	10,500,000
Corporate guarantees issued to financial institution for credit facilities granted to : -				
- subsidiary companies	**-**	-	**-**	28,000,000
	-	-	**-**	38,500,000
Secured				
Bank guarantees issued in favour of third parties by a licensed bank secured by the deposits pledged to the licensed bank	**857,500**	-	**-**	-
Investment property pledged to a bank for bank facilities granted to : -				
- a subsidiary company	**-**	-	**-**	8,000,000
	857,500	-	**-**	8,000,000

Amounts utilised are as follows :

	Group		Company	
	2013	2012	**2013**	2012
	RM	RM	**RM**	RM
Unsecured				
Corporate guarantees issued to banks for bank facilities granted to : -				
- subsidiary companies	**-**	-	**-**	3,914,862
Corporate guarantees issued to financial institution for credit facilities granted to : -				
- a subsidiary company	**-**	-	**-**	3,557,008
	-	-	**-**	7,471,870
Secured				
Bank guarantees issued in favour of third parties by a licensed bank secured by the deposits pledged to the licensed bank	**629,500**	-	**-**	-

40. Related parties

Identity of related parties

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

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

The Company has related party relationship with its subsidiary companies, Directors and key management personnel.

Significant related party transactions

Related party transactions have been entered into the normal course of business under normal trade terms. The significant related party transactions of the Company are show below. The related party balances are shown in Note 12, 13 and 25.

a) Transaction with subsidiary companies : -

		Company	
		2013	2012
		RM	RM
i)	Rental of premise charged to : -		
	- Key Alliance Sdn. Bhd.	**140,874**	183,804
	- DVM Innovate Sdn. Bhd.	**73,152**	73,152
ii)	Management fee charged to : -		
	- Key Alliance Sdn. Bhd.	**-**	180,000
	- DVM Innovate Sdn. Bhd.	**-**	240,000

b) Compensation of key management personnel

The remuneration paid by the Company to key management personnel during the year are as follows : -

	2013	2012
	RM	RM
Directors		
Short-term employee benefits	**382,258**	314,000
Post-employment benefits :		
- Defined contribution plan - EPF	**19,920**	11,520
	402,178	325,520

41. Significant events

a) On 29th March 2013, the issued and fully paid up share capital of the Company was increased from RM19,360,000 to RM58,080,000 by way of rights issue of 387,200,000 new ordinary shares of RM0.10 each together with 290,400,000 new free detachable warrants at an issue price of RM0.10 per Rights Share on the basis of four (4) Rights Shares together with three (3) Warrants for every two (2) existing ordinary shares of RM0.10 each held in the Company.

b) On 2nd December 2013, the Company signed a Memorandum of Understanding with Digital Paper Sdn. Bhd. ("DP") exressing its intention to acquire Digital Paper Solutions Sdn. Bhd. ("DPS") from DP.

c) On 3rd December 2013, the Company subscribed for 1 ordinary share of RM1.00 each in Design Dept Sdn. Bhd. ("DDSB") representing 50% equity interest in DDSB.

42. Subsequent events

a) On 15th January 2014, the Company acquired the remaining 1 ordinary share of RM1.00 each in Design Dept Sdn. Bhd. ("DDSB"), representing 50% equity interest in DDSB, from third parties, with a total cash consideration of RM1.00. The acquisition does not have any significant impact to the financial statements of the Group.

Subsequently, on 16th January 2014, the Company invested an additional 199,998 ordinary shares of RM1.00 each in DDSB, to the enlarged issued and fully paid up share capital of DDSB with a total cash consideration of RM199,998. DDSB is now a wholly-owned subsidiary.

b) On 3rd April 2014, the Company entered into a Shares Sale Agreement with a third party to acquire 2 ordinary shares of RM1.00 each in Precious Essence Sdn. Bhd. ("PESB"), representing 100% equity interest in PESB, with a total cash consideration of RM2.00. The acquisition does not have significant impact to the financial statements of the Group.

c) On 20th March 2014, the Bursa Malaysia Securities Berhad approved the listing of and quotation up to 87,120,000 Placement Shares of RM0.10 each, representing up to 10% of the enlarged issued and fully paid up share capital of the Company of RM87,120,000 pursuant to the proposed private placement and subject to the full exercise of the 290,400,000 outstanding Warrants 2013/2018.

d) On 14th April 2014, the Company entered into a Shares Sale Agreement to acquire 100,000 ordinary shares of RM1.00 each in Modern Falcon Sdn. Bhd. ("MFSB"), representing 10% equity interest in MFSB, with a total cash consideration of RM100,000. The acquisition does not have significant impact to the financial statements of the Group.

Notes to the Financial Statements

43. Comparative figures

a) The following comparative figures have been reclassified to conform with the current year's presentation : -

Group	As reclassified RM	As previously report RM
Consolidated Statement of Financial Position : -		
Non-current Liabilities		
- Borrowings	2,703,434	2,699,079
- Hire purchase payables	-	4,355
Current Liabilities		
- Borrowings	6,467,927	6,441,971
- Hire purchase payables	-	25,956
Consolidated Statement of Cash Flows : -		
- Changes in working capital		
- Payables	-	(523,350)
- Decrease in trade payables	(981,181)	-
- Increase in other payables and accruals	457,831	-
Consolidated Statement of Profit or Loss and Other Comprehensive Income : -		
Administrative expenses	(4,148,867)	(2,985,681)
Other expenses	(4,770,546)	(5,933,732)

Company		
Statement of Financial Position : -		
Non-current Assets		
- Investment in subsidiary companies	13,752,982	13,752,983
Non-current Liabilities		
- Other payables and accruals	477,087	477,088
Statement of Profit or Loss and Other Comprehensive Income : -		
Administrative expenses	(1,241,285)	(378,783)
Other expenses	(155,490)	(1,017,992)

b) The financial statements for the financial year ended 31st December 2012 were audited by a firm of auditors other than Kreston John & Gan.

44. Supplementary information on the breakdown of realised and unrealised profits or losses

The breakdown of the accumulated losses of the Group and of the Company at 31st December, into realised and unrealised losses, pursuant to Rules 2.07 and 2.23 of Bursa Malaysia Securities Berhad ACE Market Listing Requirements, are as follows : -

Group	**2013 RM**	2012 RM
Total accumulated losses of the Company and its subsidiaries:		
- realised	**(43,571,986)**	(25,021,832)
- unrealised	**(1,327,528)**	2,405,189
	(44,899,514)	(22,616,643)
Total share of accumulated losses of an associate	**(115,111)**	(64,800)
Less : Consolidation adjustments	**18,476,886**	2,405,158
Total accumulated losses	**(26,537,739)**	(20,276,285)

Company	**2013 RM**	2012 RM
Total accumulated losses of the Company		
- realised	**(21,250,100)**	(9,211,871)
- unrealised	**(756,770)**	2,975,947
Total accumulated losses	**(22,006,870)**	(6,235,924)

The determination of realised and unrealised profits is based on the Guidance of 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, issued by Malaysian Institute of Accountants on 20th December 2010.

List of Properties

Location	Description/ Existing Use	Area	Tenure	Approximate Age of Property (years)	Fair Value as at 31.12.2012 (RM)	Year of Acquisition (A) and date of Valuation (V)
Parcel No. CS/3A/7, Storey No. Level 7, Building No. 3A, Plaza Sentral, Jalan Stesen Sentral 5, 50470 Kuala Lumpur	Office	8,060 sq. ft.	Freehold	9	8,000,000	2004 (A) 31.12.2012 (V)

Analysis of Shareholdings

Authorised Capital	RM100,000,000
Issued and fully paid Capital	RM58,080,000
Class of Shares	Ordinary shares of RM0.10 each
Voting Right	One vote per ordinary share
Number of Shareholders	3,685

Distribution of Shareholdings

Size of shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
1 - 99	6	0.16	300	0.00
100 - 1,000	375	10.18	331,200	0.06
1,001 - 10,000	1,006	27.30	5,948,667	1.02
10,001 - 100,000	1,575	42.74	77,297,233	13.31
100,001 – 29,039,999 (less than 5% of the shares)	721	19.57	372,560,100	64.15
Above 29,040,000 (5% and above of issued shares)	2	0.05	124,662,500	21.46
Total	**3,685**	**100.00**	**580,800,000**	**100.00**

Substantial Shareholders' Shareholdings

Name	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
JF Apex Nominees (Tempatan) Sdn Bhd *PLEDGED SECURITIES ACCOUNT FOR GOH KIAN SENG (MARGIN)*			89,912,500	15.48
Cartaban Nominees (Asing) Sdn Bhd *EXEMPT AN FOR KGI ASIA LTD*	34,750,000	5.98		

Directors' Shareholdings

Name	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Dato' Goh Kian Seng	-	-	93,912,500	16.17
Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid	-	-	-	-
Kamarudin Bin Ngah	-	-	-	-
Yee Yit Yang	-	-	-	-
Roy Ho Yew Kee	-	-	-	-

Analysis of Shareholdings

List of Top 30 Shareholder as at 05 May 2014

	Names	Shares	%
1	JF Apex Nominees (Tempatan) Sdn Bhd *PLEDGED SECURITIES ACCOUNT FOR GOH KIAN SENG (MARGIN)*	89,912,500	15.48
2	Cartaban Nominees (Asing) Sdn Bhd *EXEMPT AN FOR KGI ASIA LTD*	34,750,000	5.98
3	Ng Khai Yan	27,000,000	4.65
4	Malacca Equity Nominees (Tempatan) Sdn Bhd *PLEDGED SECURITIES ACCOUNT FOR QUEK YONG WAH*	11,000,000	1.89
5	UOBM Nominees (Asing) Sdn Bhd *EXEMPT AN FOR AVESTRA ASSET MANAGEMENT LTD*	10,655,200	1.83
6	Citigroup Nominees (Asing) Sdn Bhd *EXEMPT AN FOR UBS AG HONG KONG (FOREIGN)*	10,000,000	1.72
7	Cartaban Nominees (Asing) Sdn Bhd *STANDARD CHARTERED BANK SINGAPORE FOR AVESTRA ASSET MANAGEMENT LIMITED (WORBERG GBL FD)*	6,050,000	1.04
8	Malacca Equity Nominees (Tempatan) Sdn Bhd *PLEDGED SECURITIES ACCOUNT FOR QUEK SOON TIANG*	4,698,000	0.81
9	Citigroup Nominees (Tempatan) Sdn Bhd *PLEDGED SECURITIES ACCOUNT FOR LAU CHI CHIANG (472016)*	4,185,000	0.72
10	JF Apex Nominees (Asing) Sdn Bhd *EXEMPT AN FOR SANSTON FINANCIAL GROUP LIMITED (ACCOUNT CLIENT)*	4,000,000	0.69
11	Su an Lee	3,983,000	0.68
12	Ng Ho Fatt	3,978,000	0.68
13	Chung Lea Chun	3,700,000	0.64
14	Teo Ah Seng	3,500,000	0.60
15	Ahmad Komarolaili Bin Abu	3,127,200	0.54
16	Chin Yoke Kook	3,000,000	0.52
17	Ching Mee Nguk	3,000,000	0.52
18	Lim Yau Tong	2,957,200	0.51
19	Cartaban Nominees (Asing) Sdn Bhd *STANDARD CHARTERED BANK SINGAPORE FOR AVESTRA ASSET MANAGEMENT LTD ACCELERATOR FUND (MY011777700027)*	2,895,000	0.50
20	M & A Nominee (Asing) Sdn Bhd *SANSTON FINANCIAL GROUP LIMITED FOR AVESTRA ASSET MANAGEMENT LIMITED*	2,841,600	0.49
21	UOB Kay Hian Nominees (Tempatan) Sdn Bhd *PLEDGED SECURITIES ACCOUNT FOR ANGKASA AMAN SDN BHD*	2,824,500	0.49
22	Zazilawati Binti Mohd Zain	2,750,000	0.47
23	Maybank Nominees (Tempatan) Sdn Bhd *WONG FOCK WAH*	2,500,000	0.43
24	Chai Kim Leong	2,400,000	0.41
25	Lim Tze Win	2,400,000	0.41
26	Malacca Equity Nominees (Tempatan) Sdn Bhd *PLEDGED SECURITIES ACCOUNT FOR LAI TZE JIN*	2,200,000	0.38
27	Soh Oon Hai	2,060,000	0.35
28	Amsec Nominees (Tempatan) Sdn Bhd *PT AMCAPITAL INDONESIA FOR CHAN CHUAN PIN*	2,000,000	0.34
29	Wong Kok Sin	2,000,000	0.34
30	Wong Kar Chuan	2,000,000	0.34
	Total shares	**258,367,200**	**44.48**

Analysis of Warrant Holdings

Number of Warrants issued	290,400,000 Warrants
No. of Warrants Unexercised	290,400,000
Exercise Price	RM0.10
Number of Warrant Holders	1,137

Distribution of Warrant Holdings

Size of warrantholdings	No. of Holders	% of Holders	No. of Warrants Held	% of Warrants Held
1 - 99	7	0.62	374	0.00
100 - 1,000	11	0.97	3,900	0.00
1,001 - 10,000	121	10.64	621,100	0.21
10,001 - 100,000	576	50.65	29,514,425	10.17
100,001 – 14,519,999 (less than 5% of the shares)	421	37.03	234,363,201	80.70
Above 14,520,000 (5% and above of issued shares)	1	0.09	25,897,000	8.92
Total	**1,137**	**100.00**	**290,400,000**	**100.00**

Substantial Warrant Holders' Shareholdings

Name	No. of Warrants Held	%
Lum Yin Mui	25,897,000	8.92

Directors' Shareholdings

Name	No. of Warrants Held	%
Dato' Goh Kian Seng	75	0.00
Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid		
Kamarudin Bin Ngah		
Yee Yit Yang		
Roy Ho Yew Kee		

Analysis of Warrant Holdings

List of Top 30 Warrant Holders as at 05 May 2014

	Names	Warrants Held	%
1	Lum Yin Mui	25,897,000	8.92
2	Teo Ah Seng	9,555,000	3.29
3	Son Kat Pee @ Soin Kat Pee	6,000,000	2.07
4	Maybank Nominees (Tempatan) Sdn Bhd *TAY SOO CHENG*	5,600,000	1.93
5	Ong Keng Seng	4,000,000	1.38
6	Wong Pok Seng	3,639,000	1.25
7	Cimsec Nominees (Tempatan) Sdn Bhd *PLEDGED SECURITIES ACCOUNT FOR SELINA DANG SIEW PING (DESA JAYA-CL)*	3,100,000	1.07
8	Chuan Hooi Chai	3,000,000	1.03
9	Oon Yew Chye	3,000,000	1.03
10	Su An Lee	2,861,500	0.99
11	Tan Kim Yet	2,800,000	0.96
12	MayBank Securities Nominees (Tempatan) Sdn Bhd *PLEDGED SECURITIES ACCOUNT FOR PEK KIAM KEK (MARGIN)*	2,600,000	0.90
13	Yau Yik Lian	2,290,100	0.79
14	Loh Kew @ Law Kon Yew	2,165,000	0.75
15	Pong Lih Ling	2,100,000	0.72
16	Yong Jee Patt	2,008,900	0.69
17	Chap Kar Kar	2,001,400	0.69
18	Tan Ka Lian	2,000,300	0.69
19	Kenanga Nominees (Tempatan) Sdn Bhd *FOONG WAI CHEE (EM1-CF)*	2,000,000	0.69
20	Cheng Siew Fong	2,000,000	0.69
21	Pek Eng Lam	2,000,000	0.69
22	How Bee Lay	1,940,000	0.67
23	Ong Seng Kee	1,919,900	0.66
24	Sinar Maju Enterprise Sdn Bhd	1,904,500	0.66
25	Ng Ho Fatt	1,755,600	0.60
26	Chuah Tiong Pan	1,700,000	0.59
27	Soin Ching Hin	1,700,000	0.59
28	Pek Kiam Kek	1,620,000	0.56
29	Chuan Hooi Chai	1,500,000	0.52
30	Maybank Nominees (Tempatan) Sdn Bhd *CHENG SIEW FONG*	1,500,000	0.52
	Total Warrants	**106,158,200**	**36.56**

Notice Annual General Meeting

NOTICE IS HEREBY GIVEN that the Eleventh Annual General Meeting of DVM TECHNOLOGY BERHAD will be held at Dewan Tan Sri Hamzah, Royal Selangor Club, Kiara Sports Annexe, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Friday, 27 June 2014 at 10.30 a. m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2013 together with the Reports of Directors and Auditors thereon (Please refer to Note A).

2. To approve the payment of Directors' fees for the financial year ended 31 December 2013. **(Ordinary Resolution 1)**

3. To re-elect Mr ROY HO YEW KEE, the Director who retire in accordance with Article 81 of the Articles of Association of the Company. **(Ordinary Resolution 2)**

4. To consider and if thought fit, to pass the following resolution in accordance with Section 129(6) of the Companies Act, 1965:- **(Ordinary Resolution 3)**

   "THAT Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid, retiring pursuant to Section 129(2) of the Companies Act, 1965 be and is hereby re-appointed as Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company."

5. To approve the re-appointment of retiring Auditors, Messrs Kreston John & Gan as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 4)**

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions with or without any modifications as resolutions:-

6. **Authority to Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965** **(Ordinary Resolution 5)**

   "THAT, subject always to the Companies Act, 1965 ("the Act"), the Articles of Association of the Company and approval and requirements of the relevant governmental and/or regulatory authorities (where applicable), the Directors be and are hereby empowered pursuant to Section 132D of the Act to allot and issue new ordinary shares of RM0.10 each in the Company, from time to time and upon such terms and conditions and for such purposes and to such persons whomsoever the Directors may, in their absolute discretion deem fit and expedient in the interest of the Company, provided that the aggregate number of shares to be issued pursuant to this Resolution does not exceed ten (10) percent of the issued and paid-up share capital for the time being of the Company AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

7. **Proposed retention of Independent Director** **(Ordinary Resolution 6)**

   "THAT approval be and is hereby given to Encik Kamarudin Bin Ngah, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance 2012."

8. **Proposed retention of Independent Director** **(Ordinary Resolution 7)**

"THAT approval be and is hereby given to Encik Kamarudin Bin Ngah, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance 2012."

9. To transact any other ordinary business of which due notice shall have been given.

By order of the Board

PANG KAH MAN (MIA 18831)
Company Secretary

Kuala Lumpur
05 June 2014

Notes:

(A) This Agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders and hence, is not put forward for voting.

1. Only members registered in the Record of Depositors as at 20 June 2014 shall be eligible to attend the Eleventh Annual General Meeting or appoint a proxy to attend and vote on his behalf.

2. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and vote on a show of hands or on a poll in his stead. There shall be no restriction as to the qualification of the proxy and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

3. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.

4. To be valid, the proxy form duly completed must be deposited at the Registered Office of the Company at 3-2, 3rd Mile Square, No. 151 Jalan Kelang Lama, Batu 3½, 58100 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting provided that in the event the member(s) duly executes the proxy form but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/their proxy, provided always that the rest of the proxy, other than the particulars of the proxy have been duly completed by the member(s).

5. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting provided that the provisions of Section 149(1)(c) of the Companies Act, 1965 are not complied with.

6. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.

7. If the appointor is a corporation, the proxy form must be executed under its common seal or under the hand of an officer or attorney duly authorised.

Explanatory Notes on Special Business:

8. **Ordinary Resolution no. 5**
Authority to Allot and Issue Shares pursuant to Section 132D of the Companies Act, 1965

(a) The proposed Ordinary Resolution no. 5, if passed, will empower the Directors of the Company, from the date of the forthcoming Annual General Meeting to allot and issue shares in the Company up to an amount not exceeding ten percent (10%) of the issued capital of the Company for the time being for such purposes as they may deem fit and in the interest of the Company. This authority, unless revoked or varied at a general meeting will expire at the conclusion of the next Annual General Meeting of the Company.

(b) The mandate now sought is a renewal from the previous mandate obtained at the last Annual General Meeting held on 28 June 2013 which will expire at the conclusion of the forthcoming Annual General Meeting.

(c) The Company did not issue any new shares based on the previous mandate obtained at the last Annual General Meeting.

(d) The authority will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

9. **Ordinary Resolution no. 6**
Proposed retention of Independent Director

The Directors of the Company have assessed the independence of the Director, Encik Kamarudin Bin Ngah who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, and recommended him to continue to act as Independent Non-Executive Director of the Company based on the following justifications:-

(i) He fulfilled the criteria under the definition of an Independent Director as stated in the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, and thus, he would be able to function as check and balance, provide a broader view and brings an element of objectivity to the Board.

(ii) During his tenure in office, he has not developed, established or maintained any significant relationship which would impair his independence as an Independent Director with the Executive Directors and major shareholders other than normal engagements and interactions on a professional level consistent and expected of them to carry out his duties as Independent Non-Executive Director and Chairman or member of the Board's Committees;

(iii) During his tenure in office, he has never transacted or entered into any transactions with, nor provided any services to the Company and its subsidiaries, within the scope and meaning as set forth under Paragraph 5 of Practice Note 13 of Listing Requirements;

(iv) He is currently not sitting on the board of any other public and/or private companies having the same nature of business as that of the Company and its subsidiaries;

(v) During his tenure in office as Independent Non- Executive Directors in the Company, he has not been offered or granted any options by the Company. Other than Director's fees and allowances paid which has been an industry norm and within acceptable market rates, duly disclosed in the Annual Reports, no other incentives or benefits of whatsoever nature had been paid to him by the Company;

10. **Ordinary Resolution no. 5**
Authority to Allot and Issue Shares pursuant to Section 132D of the Companies Act, 1965

Ordinary Resolution no. 7
Proposed retention of Independent Director

The Directors of the Company have assessed the independence of the Director, Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, and recommended him to continue to act as Independent Non-Executive Director of the Company based on the following justifications:-

(i) He fulfilled the criteria under the definition of an Independent Director as stated in the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, and thus, he would be able to function as check and balance, provide a broader view and brings an element of objectivity to the Board.

(ii) During his tenure in office, he has not developed, established or maintained any significant relationship which would impair his independence as an Independent Director with the Executive Directors and major shareholders other than normal engagements and interactions on a professional level consistent and expected of them to carry out his duties as Independent Non-Executive Director and Chairman or member of the Board's Committees;

(iii) During his tenure in office, he has never transacted or entered into any transactions with, nor provided any services to the Company and its subsidiaries, within the scope and meaning as set forth under Paragraph 5 of Practice Note 13 of Listing Requirements;

(iv) He is currently not sitting on the board of any other public and/or private companies having the same nature of business as that of the Company and its subsidiaries;

(v) During his tenure in office as Independent Non- Executive Directors in the Company, he has not been offered or granted any options by the Company. Other than Director's fees and allowances paid which has been an industry norm and within acceptable market rates, duly disclosed in the Annual Reports, no other incentives or benefits of whatsoever nature had been paid to him by the Company;

Statement Accompanying Notice of Annual General Meeting

(Pursuant to Rule 8.29(2) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad)

DETAILS OF INDIVIDUAL WHO IS STANDING FOR ELECTION AS DIRECTOR

No individual is seeking election as a Director at the Eleventh Annual General Meeting of the Company.

DVM TECHNOLOGY BERHAD (609953-K)
(Incorporated in Malaysia under the Companies Act, 1965)

PROXY FORM

I/We ____

of ____
(Full Address)

being (a) member(s) of DVM Technology Berhad hereby appoint(s)____

____

of ____

or failing him/ her, ____

of ____

as my/our proxy to vote for me/us and on my/our behalf at the Eleventh Annual General Meeting of the Company to be held at Dewan Tan Sri Hamzah, Royal Selangor Club, Kiara Sports Annexe, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Friday, 27 June 2014 at 10.30 a. m. and at any adjournment thereof.

No	Ordinary Resolutions	For	Against
1	Approval of Directors' fees for the financial year ended 31 December 2013.		
2	Re-election of Mr Roy Ho Yew Kee as Director.		
3	Re-appointment of Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid as Director to hold the office until the conclusion of the next Annual General Meeting.		
4	Re-appointment of Messrs Kreston John & Gan as Auditors and to authorise the Directors to fix their remuneration.		
5	Renewal of authority for Directors to issue shares pursuant to Section 132D of the Companies Act, 1965.		
6	Proposed Retention of Encik Kamarudin Bin Ngah as Independent Director.		
7	Proposed Retention of Encik Gen (R) Tan Sri Abdul Rahman Bin Abdul Hamid as Independent Director.		

Please indicate with an "X" in the appropriate box against each Resolution how you wish your proxy to vote. If no instruction is given, this form will be taken to authorise the proxy to vote at his/ her discretion.

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

	No. of Percentage	Percentage
Proxy 1		
Proxy 2		
Total		100%

Number of Shares Held

____
Signature/Common Seal of Shareholder(s)

Dated this__________day of_____________ 2014

Notes:-

1. Only depositors whose names appear in the Record of Depositors as at 20 June 2014 shall be regarded as members and be entitled to attend, speak and vote at the Meeting.

2. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and vote on a show of hands or on a poll in his stead. There shall be no restriction as to the qualification of the proxy and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

3. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.

4. To be valid, the proxy form duly completed must be deposited at the Registered Office of the Company at 3-2, 3rd Mile Square, No. 151 Jalan Kelang Lama, Batu 3½, 58100 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting provided that in the event the member(s) duly executes the proxy form but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/their proxy, provided always that the rest of the proxy, other than the particulars of the proxy have been duly completed by the member(s).

5. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting provided that the provisions of Section 149(1)(c) of the Companies Act, 1965 are not complied with.

6. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.

7 If the appointor is a corporation, the proxy form must be executed under its common seal or under the hand of an officer or attorney duly authorised.

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STAMP

Company Secretary
DVM TECHNOLOGY BERHAD (Company No.609953-K)
3-2, 3rd Mile Square
No. 151 Jalan Kelang Lama
Batu 3½, 58100 Kuala Lumpur
Malaysia

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