# Annual Report 2014

greenpacket

**Green Packet Berhad** (534942-H)

# CONTENTS

# OUR VISION & MISSION

To be a visionary global leader in delivering best connectivity to enrich lives.

We set out to be an inspiring brand and Company offering high value and beneficial products, solutions and services. To fulfill our mission, we will continuously:

- Innovate to meet the current and future needs of our customers; and commit to the culture of service excellence
- Deliver our value proposition to the international marketplace
- Develop, engage and appreciate our people
- Adopt organizational best practices
- Generate sustained growth and fair shareholder returns
- Be a responsible and active corporate citizen

# ABOUT GREEN PACKET

Green Packet Berhad **(Green Packet)** is an international information technology and communications company founded in the Silicon Valley, California.

Over the years, Green Packet has evolved to be recognized as a leading player in Next Generation mobile broadband and networking solutions with an exceptional range of revolutionary communications products and services. Its business is anchored on three key pillars:

> **"SOLUTIONS, COMMUNICATIONS AND BROADBAND SERVICES"**

Today, **Green Packet** is headquartered near Malaysia's robust capital city, Kuala Lumpur, and has operations in the US, Taiwan, Shanghai, Bahrain, Australia, Singapore and Malaysia. It is also listed on the Main Market of Bursa Malaysia Securities Berhad.

# OUR CORE BUSINESS

Green Packet presents a compelling business case to the entire wireless value chain - device manufacturers, telecommunications companies (Telcos) and end - consumers - for the implementation of pervasive wireless access to fulfill the customer's needs and expectations for connectivity, mobility, security and lifestyle requirements.

Green Packet fully harnesses the powerful synergy of its core business pillars of 'Solutions' ,'Communications' and 'Broadband' services to deliver unique benefits to our wide-ranging customers.

## PILLAR 1: SOLUTIONS

Provision of leading carrier-grade solutions and award-winning consumer devices to Telcos.

Green Packet has expertise in providing a seamless and unified platform to deliver multimedia communications and services regardless of the nature of backbone infrastructures. Its range of products opens up new avenues for telecommunication operator to gain a competitive advantage by enabling the seamless integration of fixed, mobile, voice and data networks: and their provision of anytime, anywhere access and relevant content to the end-user.

## PILLAR 2: COMMUNICATIONS

Provision of origination and termination voice services to international and local carriers.

We hold a Service Based Operator license (SBO) from IDA of Singapore and an Application Service Provider (ASP) license issued by the Malaysia Communication and Multimedia Commission (MCMC) with multiple interconnects for international voice services. We also provide retail calling card services to make IDD calls to any countries in Asia.

## PILLAR 3: BROADBAND

Provision of 4G wireless broadband converged services spanning connectivity, communications and content services.

Green Packet's affiliate, Packet One Networks (Malaysia) Sdn Bhd better known as P1, is Malaysia's first and leading 4G Telco offering broadband and voice services at superior value for all consumers and businesses in Malaysia.

## INDOOR I OUTDOOR I MODEM

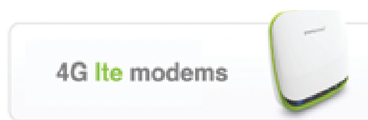
# SOLUTIONS

Greenpacket Solutions provides a comprehensive portfolio of award winning, field-tested 4G Network Access Devices in a combination that meets a broad range of operator and consumer needs – from personal broadband to residential access and enterprise networking.

Greenpacket Solutions' comprehensive portfolio covers the two major 4G technology standards of WiMAX and LTE, with form factors ranging from Pocket Modems, USB Dongles, Indoor Modems, Outdoor Routers and complimentary Extenders.

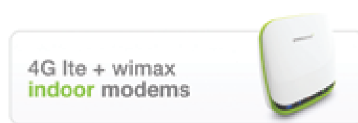
### 4G LITE MODEMS

The all-new LTE Indoor and Outdoor Modem LiTE series retains Greenpacket's award-winning functional design concepts and combines the simplicity of LTE features in creating a high quality product for the mass market.



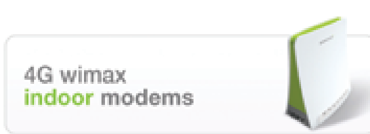

### 4G LTE + WiMAX MULTI-MODE MODEMS

Greenpacket Solutions' LTE & WiMAX Indoor and Outdoor Modem Duo series is designed to provide residential and enterprise users with smooth uninterrupted 4G experience and the joy of broadband networking.

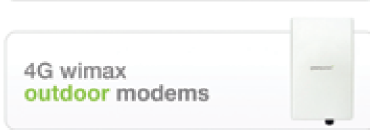


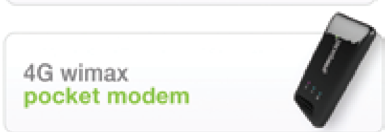

### 4G WiMAX SINGLE-MODE MODEMS

Designed to deliver residential, enterprise and personal users with fast and uninterrupted 4G WiMAX connectivity, Greenpacket Solutions offers a complete portfolio of field-tested and award-winning 4G WiMAX customer premise equipments (CPEs) for indoor, outdoor and on-the-go networking.



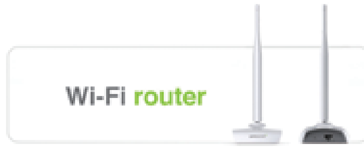





### Wi-Fi ROUTERS

Greenpacket Solutions' Wi-Fi Router is the perfect networking companion, allowing users to extend their network coverage and conveniently create an instant hotspot, giving them the freedom to get connected anywhere.



# COMMUNICATIONS

Our Communication services consist of wholesales which offer termination services in bulks, whereas for the retail, services are offered in small denomination to consumer market.

### Wholesale services

The services offer A-Z voice origination and termination services to international and local carriers from our datacentres located in Singapore and Hong Kong. We provide our customers, the Tier 1 carriers, a one stop centre to source for good quality voice termination to all call destinations. Our services includes high quality or low cost termination to suit our customer's requirement.

### Retail services

We focus on various migrant workers calling cards market in Singapore, Malaysia and Hong Kong with our local distributors in each market.  Our calling card services provide high quality calls to countries like Bangladesh, India, Myanmar, Indonesia and Philippines.

# BROADBAND

Packet One Networks (Malaysia) Sdn Bhd (P1), affiliation of Green Packet with Telecom Malaysia as the main shareholder and South Korea leading operator, SK Telecom, is Malaysia's first and leading 4G telecommunications company. P1 represents the first large-scale commercial 4G WiMAX deployment in Southeast Asia, and the first large-scale deployment of an 802.16e 2.3GHz WiMAX network outside Korea. Although LTE is still in its infancy in Malaysia, P1 is laying the foundation for its eventual 4G LTE transition through strong strategic partnerships with the world's largest LTE proponents namely Qualcomm International, China Mobile Limited and the elite Global TD-LTE Initiative (GTI). P1's goal is to bridge the digital divide by making access to the internet universal, ubiquitous and affordable for every Malaysian. P1 hopes to play a major role in realizing the nation's broadband goals with its 'Broadband for All' mission. P1 offers a wide variety of plans to meet every individual's broadband and voice needs. Leveraging on the latest technology, P1's products and services aim to cater to the full spectrum of communication needs be it at home, on-the-go or for businesses.

# OUR PRODUCT 2013/2014

**May 2013 – Unlimited Quota Promo**

P1 launched a promotion that targeted on the consumer market that wants more of the internet. Products that were promoted were ForHome, OnePlan and ToGo. Up to 480GB free internet quota and 300 call minutes were offered in this promo.

**September 2013– Soft Launch of P1 Business Voice**

The soft launch of BizVoice™ Hosted, a voice plan that comes ready with an advanced IP Phone big on features. Coinciding collaboration with Netregy to bring market IP voice solutions in both technology and products to SME market.

**November 2013– P1 Business Website Launching**

The launch of a new P1 Business website. With the tagline 'built for more™ business', P1 is embarking to connect businesses in Malaysia with customisable, extremely relevant solutions for SoHo, SMEs and Enterprises.

**February 2014 – Green Packet New Product Launching**

Green Packet launched its new LTE LiTE portfolio that is simple and yet compact in design, offers high-speed connectivity, reliable and durable that supports LTE technology standard, including FDD Band 2, 3, 4, or 7 and TDD Band 38 or 40. Subsequently, Green Packet participated in MobileWorldCongress 2014 (MWC 2014) introducing our new LTE LiTE portfolio in the event.

**April 2014 – P1 e-Social Relaunch**

P1 unveiled it a revamped blog "P1 e-Social" to the public. P1 e-Social is a platform for like-minded, tech savvy and digitally-concious types to engage and interact with P1. This refresh includes fresh design and content to include more topics that are important: from the latest technology news to entertainment.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Tan Sri Datuk Dr. Haji Omar Bin Abdul Rahman
*Chairman / Independent Non-Executive Director*

Puan Chan Cheong
*Non-Independent Non-Executive Director*

Tan Kay Yen
*Chief Executive Officer and Executive Director*

Tan Sri Dato' Kok Onn
*Non-Independent Non-Executive Director*

Boey Tak Kong
*Independent Non-Executive Director*

A. Shukor Bin S.A. Karim
*Independent Non-Executive Director*

Yee Chee Wai
*Non-Independent Non Director*

Ong Yee Min
*(Alternate Director to Yee Chee Wai)*

**Audit Committee**
Boey Tak Kong
*(Chairman)*
Tan Sri Datuk Dr. Haji Omar Bin Abdul Rahman
A. Shukor Bin S.A. Karim

**Nomination Committee**
Tan Sri Datuk Dr. Haji Omar Bin Abdul Rahman
*(Chairman)*
Boey Tak Kong
A. Shukor Bin S.A. Karim

**Remuneration Committee**
Tan Sri Datuk Dr. Haji Omar Bin Abdul Rahman
*(Chairman)*
A. Shukor Bin S.A. Karim
Tan Kay Yen

**Company Secretary**
Tai Siew May
*(MAICSA 7015823)*

**Registered Office / Head Office**
Packet Hub
159, Jalan Templer
46050 Petaling Jaya
Selangor Darul Ehsan
Tel No. : 603.7450 8000
Fax No.: 603.7450 8890

**Share Registrar**
Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel No. : 603.7841 8000
Fax No.: 603.7841 8151/8152

**Principal Bankers**
HSBC Bank Malaysia Berhad
2 Leboh Ampang
50100 Kuala Lumpur

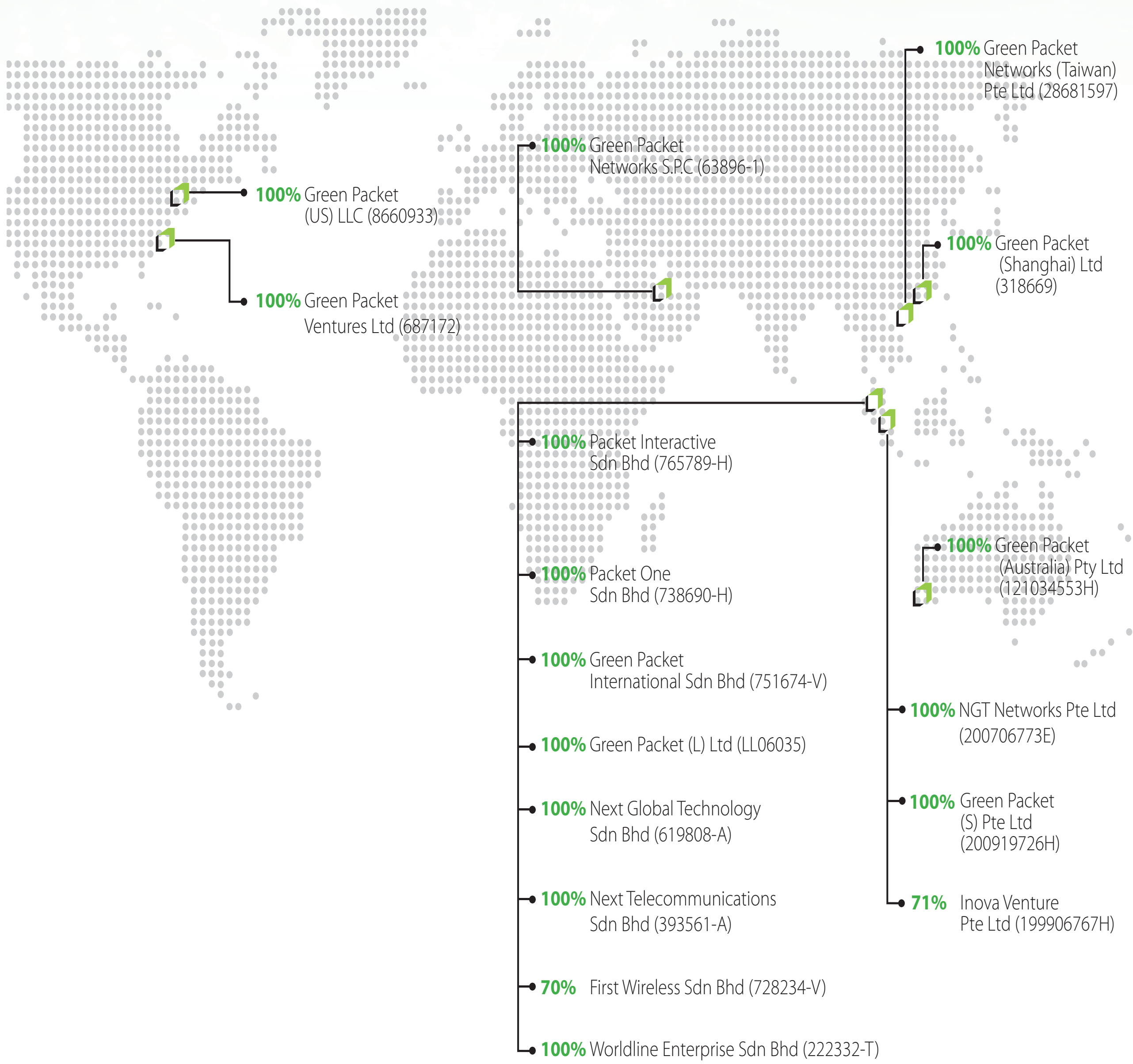
Industrial and Commercial Bank of China (Malaysia) Berhad
E-G-27, E-1-27, E-2-27,
IOI Boulevard
Jalan Kenari 5, Bandar
Puchong Jaya
47170 Puchong, Selangor
Darul Ehsan

**Auditors**
Messrs Crowe Horwath
Chartered Accountants
Level 16 Tower C
Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur
Tel No.: 603.2788 9999
Fax No.: 603.2788 9998

**Stock Exchange Listing**
Main Market of Bursa Malaysia Securities Berhad
Stock Name: GPACKET
Stock Code: 0082

**Website**
www.greenpacket.com

# CORPORATE STRUCTURE



# 5-YEAR FINANCIAL HIGHLIGHTS

| | 2009 MYR '000 | 2010 MYR '000 | 2011 MYR '000 | 2012 MYR '000 | 2014* MYR '000 |
|---|---|---|---|---|---|
| **Profitability** | | | | | |
| Revenue | 217,815 | 393,968 | 538,526 | 565,999 | 874,231 |
| Loss for the Financial Year / Period | (187,410) | (255,563) | (176,473) | (118,365) | (224,870) |
| **Key Balance Sheet Items** | | | | | |
| Total Assets | 970,316 | 952,109 | 1,012,490 | 1,042,884 | 907,339 |
| Total Liabilities | 569,490 | 633,606 | 761,433 | 828,274 | 885,850 |
| Total Equity | 400,826 | 318,503 | 251,057 | 214,610 | 21,489 |
| No. of Shares in Issue | 657,304 | 657,753 | 657,753 | 690,405 | 690,409 |
| **Segmental Information** | | | | | |
| Revenue | | | | | |
| - Solutions | 61,039 | 154,132 | 221,874 | 146,415 | 200,068 |
| - Broadband Services | 107,865 | 208,281 | 292,865 | 337,437 | 444,060 |
| - Communication/Voice Services | 95,480 | 78,315 | 75,828 | 128,663 | 256,982 |
| - Elimination | (46,569) | (46,760) | (52,041) | (46,516) | (26,879) |
| | 217,815 | 393,968 | 538,526 | 565,999 | 874,231 |
| **Loss Before Taxation by Pillar** | | | | | |
| - Solutions | (34,751)[1] | (15,419)[1] | 12,583 | 16,883 | 14,915 |
| - Broadband Services | (140,230) | (173,692) | (163,312) | (100,755) | (123,156) |
| - Communication/Voice Services | 124 | 1,881 | 1,510 | 2,527 | 8,149 |
| - Finance Cost | (10,050)[2] | (16,020)[2] | (27,339)[2] | (36,667)[2] | (101,891)[2] |
| - Share of Results of Associated Companies | (669) | (17,907)[3] | - | - | - |
| - Unallocated expenses | 614 | (4,714) | - | - | - |
| | (184,962) | (225,871) | (176,558) | (118,012) | (201,983) |

* 18 months financial period ended 30 June 2014

**Notes:**

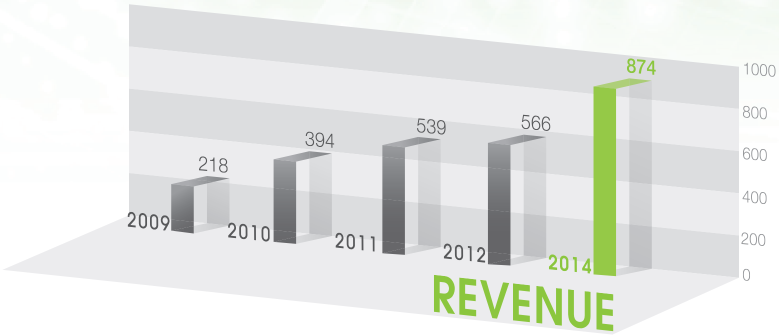
1. With the divestment of non-core businesses, impairment is made on certain non-core investments, i.e. First Wireless Sdn Bhd, GMO Global Limited and IWICS Inc.

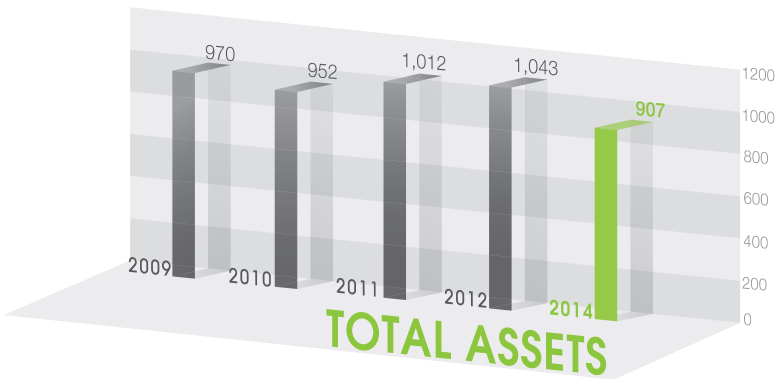
2. Notional finance costs due to interests costs imputed on Irredeemable Convertible Preference Shares – deferred Liabilities Component.

3. The associated companies' losses arose mainly due to impairment of investments in China.

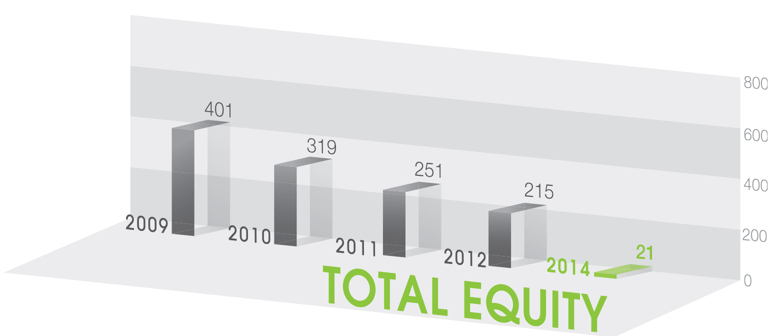
# 5-YEAR FINANCIAL HIGHLIGHTS

*continued*







# BOARD OF DIRECTORS PROFILE

**Tan Sri Datuk Dr. Haji Omar Bin Abdul Rahman,**
*Chairman / Independent Non-Executive Director*

Tan Sri Datuk Dr. Haji Omar Bin Abdul Rahman, a Malaysian, aged 82, was appointed the Chairman and Independent Non-Executive Director of Green Packet ("the Company") on 25 June 2004. He is also the Chairman of the Remuneration Committee, Nomination Committee and a member of the Audit Committee.

Tan Sri Omar started his professional career in 1960 in veterinary research after graduating in veterinary science from the University of Sydney and obtaining a Ph.D from the University of Cambridge. In 1972, he was appointed the Founding Dean of the Faculty of Veterinary Medicine and Animal Sciences and the first professor at the newly established Universiti Pertanian Malaysia (UPM), now University Putra Malaysia. He played a major role in the establishment phase of the university. His last position was as Deputy Vice Chancellor Academic Affairs. He is now Professor Emiratus of the University.

In 1984, Tan Sri Omar was appointed to the new position of Science Advisor in the Prime Minister's Department. As Science Advisor, he served on a number of national committees and initiated many programmes for enhancing technology management, increasing funding for Research & Development ("R&D") and for commercialization of the results of research. He was the founder chairman of Technology Park Malaysia Corporation ("TPM"), the Malaysian Industry-Government Group for High Technology (MIGHT), Composite Technology (Research) Malaysia Sdn Bhd (CTRM) and Malaysian Technology Development Corporation (MTDC).

Tan Sri Omar is the founding and current chairman of the London-based Commonwealth Partnership for Technology Management Ltd (CPTM), Founding Fellow of the Islamic World Academy of Sciences, a Fellow of the Academy of Sciences for The Developing World (TWAS), an Honorary Fellow of the Academy of Science of Kyrgyzstan and the Founding President of the Academy of Sciences Malaysia. He was a member of the United Nations Advisory Committee on Science and Technology for Development, the Executive Committee for OIC Ministerial Standing Committee on Scientific and Technological Cooperation and of the UNESCO's International Scientific Council for Science and Technology Policy Development. He is also the immediate past President of the Federation of Asian Scientific Academies and Societies (FASAS) and a former member of UNESCO Committee on Ethics of Science and Technology (COMEST).

His directorships in other public companies include BCT Technology Berhad and GW Plastics Holdings Berhad.

Tan Sri does not have any family relationship with any other directors or major shareholders of the Company, has no conflict of interest with the Company and has not been convicted of any offences within the past ten (10) years, other than traffic offences, if any.

Tan Sri attended all eleven (11) Board Meetings of the Company held during the financial period under review.

# **BOARD OF** DIRECTORS PROFILE
*continued*

**Puan Chan Cheong**
*Non-Independent Non-Executive Director*

Puan Chan Cheong, a Malaysian aged 46 was appointed to the Board of Directors of the Company on 1 November 2003 as Group Managing Director / Chief Executive Officer ("Group MD"). On 7 October 2014, Mr Puan was re-designated as a Non-Independent Non-Executive Director of Green Packet after he relinquished his active positions with Green Packet to lead Packet One Networks (Malaysia) Sdn Bhd ("P1") as the Company's Chief Executive Officer ("CEO").

Mr Puan is the founder of Green Packet, a technology developer of 4G LTE and WiMAX software solutions and devices for global telecommunications companies. In August 2008, Green Packet established P1, a 4G Telecommunications company ("Telco") in Malaysia. P1 as at September 2014 attracted the investment of Malaysia's leading broadband provider, Telekom Malaysia Berhad ("TM") which subsequently became its holding company. Green Packet is now a major shareholder and strategic partner in a tripartite collaboration together with TM and SK Telecom, South Korea's largest mobile carrier to jointly invest in and collaborate on P1's LTE network deployment to create a viable mobile player.

Mr Puan which pursued the strategic collaboration to pave way for P1's LTE transition and future growth, will lead the P1 organization as its CEO to fully capitalize on partnership synergies and maximize P1's potential.

Previously, as Green Packet's Group MD for 14 years, Mr Puan led the growth and development of its two main business pillars. Under his stewardship, Green Packet Solutions is today the world's third largest vendor for WiMAX devices with a growing portfolio and customer base for LTE devices. At the end of his tenure, Green Packet Solutions has 122 clients in 66 countries. The green-field 4G Telco, P1, became Malaysia's first and leading 4G wireless broadband service provider with the largest network and subscriber base.

A visionary and astutely entrepreneurial, Mr Puan co-founded and sits on the board of Green Packet Inc incorporated in the USA, Green Packet International Inc and Green Packet Holdings Ltd. He also successfully steered Green Packet to its listing on Bursa Malaysia Securities Berhad's MESDAQ Market on 25 May 2005, which was subsequently transferred to the Main Market on 18 July 2007.

Mr Puan has more than 20 years of diversified business experience with a strong success track-record in consulting, and the development and management of large-scale telecommunications, infrastructure and property projects internationally. His personal accolades include the coveted PIKOM Technopreneur of the Year award.

He holds a Bachelor of Science in Business Administration and Double major in Management Information Systems & Finance from University of Nebraska-Lincoln, USA.

Mr Puan is an indirect major shareholder of the Company. He has no conflict of interest except for certain recurrent related party transactions of revenue or trading nature which are necessary for the day-to-day operations of the Group. He has not been convicted of any offences within the past ten (10) years other than traffic offences, if any.

Mr Puan attended all eleven (11) Board Meetings of the Company held during the financial period under review.

# BOARD OF DIRECTORS PROFILE
*continued*

**Tan Kay Yen**
*Chief Executive Officer and Executive Director*

Mr Tan Kay Yen, a Malaysian, aged 42, was appointed as a Chief Executive Office and Executive Director on 7 October 2014. Prior to this appointment, he was the Group Chief Operating Officer since 2006 and as the acting Group Chief Financial Officer from 25 April 2013 until 31 October 2014. He has been with the Company managing its transfer from MESDAQ Market to the Main Market in 2007; leading the various fund raising initiatives of more than RM1 billion for the Group; spearheading the entry of the Company into its communications business pillar in 2006 and start-up of new business initiatives including the broadband business pillar in 2008.

Mr Kay Tan started his career with the Arab Malaysian Group in the financial sector. He later joined the IBI group of companies, a diverse IT firm in 1996 to hold a range of leadership positions.

He graduated from the University of Nebraska-Lincoln, USA with a Bachelor of Science degree in Business Administration, with a double major in Finance and Management Information System.

He sits on the Remuneration Committee.

He does not have any directorship of public companies. He also holds several directorships in private companies in Malaysia and abroad for the Group.

Mr Kay Tan does not have any family relationship with any other directors or major shareholders of the Company, has no conflict of interest with the Company and has not been convicted of any offences within the past ten (10) years, other than traffic offences, if any.

---

**Tan Sri Dato' Kok** Onn
*Non-Non-Independent Non-Executive Director*

Tan Sri Dato' Kok Onn, a Malaysian, aged 63, was appointed as the Non-Independent Non-Executive Director of the Company on 15 December 2000.

Tan Sri Dato' Kok Onn is the Managing Director cum Chief Executive Officer of Gadang Holdings Berhad ("Gadang") a company listed on the Second Board of Bursa Malaysia Securities Berhad ("Bursa Securities") which was subsequently transferred to the Main Board of Bursa Securities on 24 December 2007. He has extensive experience and knowledge of the construction industry, having been involved with the industry for over 40 years in civil and engineering projects in Malaysia, China, Indonesia and the Middle East.

Prior to joining Gadang, he was the Group Chief Executive Officer of Bridgecon Holding Berhad ("Bridgecon"). Tan Sri Dato' Kok Onn was the person who transformed Bridgecon from a construction company to a group with activities involving property and resort development, toll expressway operations, manufacturing of ready-mixed concrete and quarrying.

Tan Sri Dato' Kok Onn is an indirect major shareholder of the Company. He has no conflict of interest except for certain recurrent related party transactions of revenue or trading nature which are necessary for the day-to-day operations of the Group. He has not been convicted of any offences within the past ten (10) years, other than traffic offences, if any.

Tan Sri Dato' Kok Onn attended all eleven (11) Board Meetings of the Company held during the financial period under review.

# BOARD OF DIRECTORS PROFILE
*continued*

**BOEY TAK KONG**
*Independent Non-Executive Director*

Boey Tak Kong, a Malaysian, aged 60, was appointed as the Independent Non-Executive Director of the Company on 11 March 2005. He is the Chairman of the Audit Committee and a member of the Nomination Committee of the Company.

He is a Fellow member of the Association of Chartered Certified Accountants, United Kingdom, Associate member of the Institute of Chartered Secretaries & Administrators, United Kingdom, Chartered Accountant of the Malaysian Institute of Accountants, Member of the Malaysian Institute of Management and Associate member of the Institute of Marketing Malaysia.

He has over 23 years of senior financial management, internal audit and overseas business development experience with six (6) major listed groups with listing in Malaysia, United Kingdom, Singapore, Australia and New Zealand. He has extensive professional expertise in developing and managing infrastructure projects in China, Vietnam, Cambodia, Indonesia and the Philippines.

He is currently the Managing Director of Terus Mesra Sdn Bhd, a governance and leadership development company.

His directorships in listed public companies include Dutch Lady Milk Industries Berhad, Gadang Holdings Berhad, Censof Holdings Berhad and Permaju Industries Berhad.

Mr Boey does not have any family relationship with any other directors or major shareholders of the Company, has no conflict of interest with the Company and has not been convicted of any offences within the past ten (10) years, other than traffic offences, if any.

He attended ten (10) out of the eleven (11) Board Meetings of the Company that were held during the financial period under review.

---

**A. SHUKOR BIN S.A KARIM**
*Independent Non-Executive Director*

A. Shukor Bin S.A Karim, a Malaysian, aged 58, was appointed as the Independent Non-Executive Director of the Company on 21 May 2008. He is also a member of the Audit, Nomination and Remuneration Committees.

Encik A. Shukor began his career with the Government of Malaysia, Statistics Department in 1979. He left to join Sapura Group in 1982 where he was one of the founder member of Sapura Information Technology (IT) and developed Sapura's IT business to be one of Malaysia's biggest IT company with 20 subsidiaries involved in various aspects of the IT industry, from sales and distribution, systems integration to software development and IT education. He was also directly involved in the setting up of the Asia Pacific Institute of Information Technology (APIT).

Encik A Shukor served as Chairman of Persatuan Industri Komputer Dan Multimedia, Malaysia ('PIKOM') from 1993 to 1995.

He graduated with a B Sc (Hons) in Computation from the University of Manchaster, Institute of Science and Technology.

He is currently the Chief Executive Officer and Group Managing Director of Theta Edge Berhad which is on the Main Board of Bursa Malaysia Securities Berhad.

Encik A. Shukor does not have any family relationship with any other directors or major shareholders of the Company, has no conflict of interest with the Company and has not been convicted of any offences within the past ten (10) years, other than traffic offences, if any.

Encik A. Shukor attended all eleven (11) Board Meetings of the Company held during the financial year under review.

# BOARD OF DIRECTORS PROFILE
*continued*

**YEE CHEE WAI**
*Non-Independent Non-Exevcutive Director*

Yee Chee Wai, a Malaysian, aged 49, was appointed as the Non-Independent Non-Executive Director of the Company on 25 April 2013. Prior to this current position, Mr Yee was formerly an Alternate Director to Mr Ong Ju Yan up to 26 March 2013.

He is a member of both the Malaysian Institute of Accountants as a Chartered Accountant and the Malaysian Institute of Certified Public Accountant as a Certified Public Accountant. He has been an investment banker with various investment banks in Malaysia from June 1991 to year 2007.

Upon graduation in 1984, he worked as an auditor with an international accounting firm based in Malaysia. He began his career in the investment banking industry with Affin Investment Bank Berhad and his last posting in the industry prior to joining OSK Venture Equities Sdn Bhd in August 2007 was with Public Investment Bank Berhad, where he worked for more than six (6) years as General Manager. He is the Executive Director/Chief Operating Officer of OSK Venture Equities Sdn Bhd since March 2008.

He is a director of OSK Ventures International Berhad and mTouche Technology Berhad, both of which are listed on the ACE Market of Bursa Malaysia.

Mr Yee does not have any conflict of interest with the Company and has not been convicted of any offences within the past ten (10) years, other than traffic offences, if any.

Mr Yee attended (9) out of (11) Board Meetings of the Company held during the financial period under review

---

**ONG YEE MIN**
*Alternate Director to Mr Yee Chee Wai*

Ms Ong Yee Min, a Malaysian, aged 31, was appointed as the Alternate Director to Mr Yee Chee Wai on 25 April 2013.

Ms Ong's work background is rooted in banking. She has 9 years of experience in the financial services industry, the first 7 years spent in various positions with Citibank Malaysia and Hong Kong covering a portfolio focused on cash management, trade solution consultancy, treasury and capital market products, amongst others.

She holds a B.A. in Business (Banking and Finance) and a B.A. in Computing both awarded by Monash University, Australia. Currently, she is a director of OSK Ventures International Berhad.

Ms Ong is the daughter of Tan Sri Ong Leong Huat @ Wong Joo Hwa who is an indirect major shareholder of the Company via OSK Technology Ventures Sdn Bhd.

She does not have any conflict of interest with the Company and has not been convicted of any offences within the past ten (10) years, other than traffic offences, if any.

Since from the date of her appointment to the board, Ms Ong has attended (8) out of (9) Board Meetings of the Company held during the financial period under review.

# MESSAGE FROM THE CHAIRMAN

## DEAR SHAREHOLDERS,

On behalf of the Board of Directors, the management team and the Green Packet Group ("the Group") employees, I am pleased to present the Annual Report and Audited Financial Statements of the Group and Green Packet ("the Company") for the financial period ending 30 June 2014.

### FINANCIAL PERFORMANCE

For the 18 months period ending 30 June 2014, the Group recorded an 88% increase in its continuing operations' revenue (Solutions and Communication services) to RM430.2 million from RM228.6 million recorded in the last financial year. On the other hand, its discontinued operation (Broadband services) registered a revenue of RM444.1 million for the 18 months period ending 30 June 2014, which was 32% higher than that of the last financial year of RM337.4 million.

The Group recorded an EBITDA of RM60.2 million for the 18 months period ending 30 June 2014, 76% higher than that of the last financial year of RM34.2 million.

The Group recorded a net loss of RM224.9 million for the 18 months period ending 30 June 2014, an increase of 90% over the loss of previous financial year of RM118.4 million. This arose largely from the Company's investment in the business of Packet One Networks (Malaysia) Sdn Bhd's ("P1") customer retention and network optimization; and settlement of a one off tax dispute for Green Packet.

On the other hand, the Group's Solutions pillar saw a 37% increase in revenue (RM200.1 million) for the 18 months period ending 30 June 2014 from RM146.4 million recorded in the last financial year. In spite of the Worldwide Interoperability for Microwave Access ("WiMAX") market levelling of and the start of the industry transition to Long Term Evolution ("LTE") in selected markets, the Solutions pillar still recorded 669,790 units of WIMAX devices shipped while LTE devices started bringing in revenue.

# MESSAGE FROM THE CHAIRMAN
*continued*

The Communications pillar, has performed exceptionally well by achieving a 100% growth in revenue since its inception year. With the exceptional sales performance, the division did even better on profit after tax mainly from higher sales and improvements on gross margin for some major destinations.

Additionally the Group's Broadband pillar has also registered 490,000 subscribers with 1,909 operational base stations covering all the states in West Malaysia and Sabah.

**INDUSTRY OVERVIEW**

Reviewing 2013 global economic activities, four years after the onset of the global financial crisis, the world economy continues to struggle. Developing economies are still the main driver of global growth, but their output has slowed compared with the pre-crisis period.

Coming to the current year, it was reported that global economic activity expanded at a moderate pace in the first quarter of 2014 mainly due to unusually adverse weather conditions in the United States, financial market turbulence and the conflict in the Ukraine. As a result, global growth projections for 2014 as a whole have been marked down from 3.2 percent in January to 2.8 percent in June. Despite the early weakness, growth is expected to pick up speed as the year progresses and world GDP is projected to expand by 3.4 percent in 2015 and 3.5 percent in 2016.

In the euro area, the recovery was supported by modest improvements in exports, while domestic demand remained sluggish due to structural constraints. Growth in several Asian economies expanded at a slower pace as domestic demand was affected by country-specific developments.

The Malaysian economy registered a strong growth of 6.2% in the first quarter of 2014 (fourth quarter ("4Q") 2013: 5.1%), driven by a stronger expansion in domestic demand and a turnaround in net exports. On the supply side, the major economic sectors grew further, supported by both domestic and trade activities. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 0.8% (4Q 2013: 1.9%).

In the Broadband market segment, it continued to expand 6.9% to 6.2 million subscriptions with a penetration rate of 66.8% as at end-June 2013 (end-June 2012: 8.2%; 5.8 million; 63.7%). This was largely due to offerings of bundled services with attractive pricing plans and improved network coverage. Growth in this segment is anticipated to remain buoyant supported by the Government's various measures to intensify broadband penetration across the country. These include the 1Malaysia Affordable Broadband Package initiative focusing on rural communities with low-broadband penetration rates. In addition, as at end-August 2013, the high-speed broadband project has connected 640 government offices, 81 public and private universities and 27 internet centres in urban and suburban areas.

The trend towards LTE market has been inching towards VoLTE (Voice over LTE), which is a standards-based technology that supports voice calls over LTE network as opposed to traditional voice calls today in use over 2G and 3G networks. While commercial deployments are still limited, analysts expect the VoLTE market to begin gaining steam. Infonetics Research recently predicted that the number of VoLTE subscribers would grow at a 145% compound annual growth rate from 2012 to 2017, and that there could be up to eight million VoLTE subscribers worldwide by the end of this year. This give light to the Group's product innovation as most of its LTE modems are capable of being enhanced with VoLTE capabilities anticipating and serving its existing clients and potential market demands.

# MESSAGE FROM THE CHAIRMAN
*continued*

## CORPORATE DEVELOPMENTS

On 27 March 2014, the Company entered into an investment agreement with Telekom Malaysia Berhad ("TM") and SK Telecom Co., Ltd ("SK Telecom") to share the ownership and collaborate on developing a next-generation LTE infrastructure to offer customers a full-suite of converged communications services. This exercise will see TM emerging as a 55.3% shareholder in Packet One Networks (Malaysia) Sdn Bhd ("P1"). The shareholdings of the Group in P1 will be diluted to 31.1% and 13.6% for SK Telecom.

The investment agreement was completed on 30 September 2014. The partnership drives strong synergies from the three (3) complementary partners to work together to capitalise on the viable mobile opportunity and deliver the next generation of converged communication services. It essentially enables P1 to crossover to LTE and offer full mobility while providing TM with an LTE-ready platform to accelerate and more efficiently make wireless broadband products available to its customers.

After the completion of the exercise, our Group will continue to operate in our Solutions and Communication pillar segments. Our Solutions pillar undertakes research and development activities as well as the marketing and distribution of wireless networking and telecommunications products and solutions such as indoor and outdoor Fourth Generation ("4G") modems, universal serial bus dongles and pocket modems (particularly for WiMAX and LTE), whilst our Communications pillar focuses on the provision of total communication services and products such as wholesale of international voice air time. Both segments offer our services to domestic and international telecommunications operators. The Group will continue to participate in the future business of P1 via our remaining equity interest in P1 and benefit from potential synergies as well as the strengths and expertise brought in by the TM Group and SKT into P1 through the partnership.

## SOLUTIONS

On the research and development front, the Solutions pillar focused on producing high quality and simplicity features in, product for the mass market. This latest product of the LiTE portfolio is a simple and yet compact design, offers high-speed connectivity, reliability and durability that supports the LTE technology standard, including FDD Band 2, 3, 4, or 7 and TDD Band 38 or 40. Moreover, LiTE is a single-band modem that allows operators to choose a specific band that they need instead of the conventional multiple bands. This modular approach drastically reduces cost allowing flexibility and low cost of ownership to operators and subsequently to their subscribers while offering uninterrupted services.

## COMMUNICATIONS

Sales performance from the Communications pillar for the 18 months period ending 30 June 2014 have been doubled over the last financial year and this was due to the improvement in South East Asia's migrant voice traffic. Additionally, the sales performance for Sri Lanka route have been gaining momentum which have successfully positioned itself as one of Communications pillar's top ten route destination. The future outlook for the following financial year remains positive though the growth may not match the performance of this period under review.

## BROADBAND

The Broadband pillar continues to focus on the provision of 4G wireless broadband converged services spanning connectivity, communications and services.

# MESSAGE FROM THE CHAIRMAN
*continued*

**BROADBAND (cont'd)**

With the 27 March 2014 investment agreement taking place between Green Packet, TM and SK Telecom, P1 is now an affiliate and will focus on offering full mobility with an LTE-ready platform to accelerate wireless broadband products available to its customers.

**FORWARD GROWTH**

We have seen the progression of broadband technology trend evolving from 2G, 3G, and WiMAX that have driven telecommunication operators to be as competitive if not even better than its' rival to provide uninterrupted broadband service to their ever growing demanding subscribers. With this market sentiment, the Group realised that the way forward is to capitalise on the LTE market as the trend on WiMAX has started to show market movement in favour to LTE.

The Company has swiftly aligned its approach and started the calendar year 2014 with an 80% WiMAX and 20% of LTE device revenue contribution benchmark. Based on the geographical segmentation of LTE sales, market dominance for the Company is largely from the Asia Pacific region as few of the Company's Tier-1 existing customers are migrating from WiMAX to LTE and confidently engaging the Company as their preferred vendor and advisor. Three other promising regions namely Europe, North America and MEA (Middle East Africa) are also fast catching up in implementing LTE.

To accommodate the potential demands of LTE devices, Green Packet is hard at work in our research and development efforts in developing more bands for both FDD and TDD.

**CORPORATE SOCIAL RESPONSIBILITY**

During the financial period, the Group continued with its corporate social responsibility agenda by contributing to a shelter home for children both monetarily and in-kind.

**APPRECIATION**

I wish to take this opportunity to record my appreciation to the Management and Packeteers for their sustained efforts over the past financial year to bring the Group closer to its long-term goals. In spite of an intensely competitive and dynamic landscape, the team was able to achieve results that have longer term positive implications on the Group's business.

I would also like to thank our large network of business partners for their continuous support, without whom, we will not be able to make progress. Our success will be theirs as well.

On behalf of the Board and Management, I would like to convey our appreciation to Encik Nik Mat bin Ismail, who had resigned from the Board on 31 October 2014 as Executive Director. Thank you for your significant contributions towards the Group's business growth. We wish you every success with all of your future undertakings. And a special word of appreciation goes out to Mr. CC Puan, founder and outgoing CEO as he moves to lead our Broadband Pillar as it CEO.

We welcome Mr. Kay Tan as the new CEO of Green Packet and look forward to working with him to take the Company forward.

Finally, I would like to thank my fellow directors for their strong contribution in steering the Group business in the right direction and towards the Group's vision.

Tan Sri Datuk Dr. Haji Omar Bin Abdul Rahman
Chairman
7 November 2014

# CORPORATE GOVERNANCE STATEMENT

The Board of Directors ("the Board") of Green Packet Berhad ("Green Packet" or "the Company") recognizes and subscribes to the importance of the principles and recommendations set out in the Malaysian Code on Corporate Governance 2012 ("the MCCG 2012") as a key factor towards achieving an optimal governance framework and process in managing the business and operational activities of the Company and its subsidiaries ("the Group").

The Board believes that good corporate governance practices are pivotal towards enhancing business prosperity and corporate accountability with the ultimate objective of realizing long-term shareholder value, whilst taking into account the interests of other stakeholders. Hence, the Board is fully dedicated to continuously appraise the Group's corporate governance practices and procedures to ensure that the principles and recommendations in corporate governance are applied and adhered to in the best interests of the stakeholders.

The Statement below sets out the manner in which the Group has applied the principles of the Code and the extent of compliance with recommendations advocated therein.

## 1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

### Board's Roles and Responsibilities

The Board acknowledges its key responsibilities in directing the strategic plans, monitoring its performance targets and developing the long-term goals of the business of the Group. To facilitate the Board to discharge its stewardship responsibilities and risk management controls, the Company has established a Board Charter to delineate a clear distinction between Board and Management, together with a description of the Board's roles and responsibilities.

The Board has established three (3) Board Committees to which it has delegated certain of its responsibilities. They are Audit Committee, Nomination Committee and Remuneration Committee. All Board Committees have their roles/functions, written terms of reference, operating procedures and authorities clearly defined. The Board reviews the Board Committees' authority and terms of reference from time to time and the Board appoints the Chairman and members of each Board Committees.

These Committees assist the Board in making informed decisions through in-depth discussions on issues pertaining to the respective Board Committees' terms of reference and responsibilities. Subsequently, the Board Committees report the deliberations to the Board and the ultimate responsibility for the final decision on all matters lies with the Board.

For day-to-day operations, the Board has delegated authorities and powers to key Management, including the Managing Director and Chief Executive, now the Chief Executive and Executive Director within the prescribed limits of authority pursuant to the Company's Articles of Association.

### Ethical Standards through the Code of Conducts

The Company's Code of Ethics for Directors and Code of Conduct and Discipline for employees continue to govern the standards of ethics and good conduct expected from Directors and employees.

# CORPORATE GOVERNANCE STATEMENT

*continued*

## 1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (cont'd)

**Group's Strategies for Sustainability**

The Group is committed to become significant contributor in the business segments that it operates on a global basis. It believes that for sustainability, it needs to balance business growth with corporate responsibility, conserving resources for future generations by minimizing activities that may have a negative impact on the environment and driving efficiency and productivity in its daily business operations.

The Group's commitment to health, safety and environment is shared by all employees and it has been incorporated into their work environment.

**Board Members' Supply and Access to Information**

The Board members are supplied with and granted access to timely information which allows them to discharge their responsibilities effectively and efficiently.

Directors may obtain independent professional advice at the Company's expense in furtherance of their duties, where this is deemed necessary, after consultation with the Chairman and other Board members.

**Company Secretaries**

The key roles of the Company Secretaries are to provide unhindered advice and services for the Directors, as and when the need arises, to enhance the effective functioning of the Board and to ensure regulatory compliance. They are suitably qualified, competent and capable of carrying out the duties required of the position.

**Board Charter**

The Board Charter sets out the roles and responsibilities of the Board and Board Committees, and the right procedures and processes of the Board. The Board has formally adopted the Board Charter in 2012, which is subject to periodic review and is available on the Company's website **www.greenpacket.com.**

## 2. STRENGTHENING COMPOSITION

**Nomination Committee**

The Nomination Committee comprises three (3) members, the majority of whom are independent. The Nomination Committee is headed by the Senior Independent Director, Tan Sri Datuk Dr. Haji Omar Bin Abdul Rahman. The Committee members are set out in the Corporate Information section of this Annual Report.

Among others, the Committee's responsibility includes assessing and recommending to the Board the new nominees to the Board and appointment of directors to the board committees. In assessing suitability of candidates, considerations are given to the competencies, commitment, contribution, performance and board balance.

This Board Committee met twice during the financial year to review its required mix of skills, experience and other qualities Non-Executive Directors should bring to the Board. The duties and responsibilities are spelt out in the Terms of Reference of the Nomination Committee.

# CORPORATE GOVERNANCE STATEMENT

*continued*

**2. STRENGTHENING COMPOSITION (cont'd)**

**Nomination Committee (cont'd)**

All directors undertake an assessment evaluation including annual assessment of their independence for independent directors. The Nomination Committee is responsible for assessing the effectiveness of the Board as a whole and the Board Committees. The Nomination Committee's recommendations are subject to the Board's approval.

The Company's Articles of Association provides that directors who are appointed during the year shall retire from office and subject to re-election by shareholders at the annual general meeting. At every annual general meeting, at least one-third (1/3) of the directors are subject to retirement and re-election by rotation at least once in every three (3) years. In addition, a director who attains the age over 70 retires at every annual general meeting pursuant to Section 129 of the Companies Act, 1965.

**Remuneration Committee**

This Board Committee review and recommend the general remuneration policy of the Group and reflects the experience and level of responsibilities undertaken by the Directors and key Management.

The Committee benchmark and recommend suitable short and long-term incentive plans including the setting of appropriate performance targets as well as a programme for management development.

The Company has adopted a formal and transparent policy and procedure to attract and retain directors. The remuneration package is reflective of the Board's responsibilities, expertise and complexity of the Company's activities. In addition, the remuneration for Executive Directors is structured to link rewards to corporate and individual performance. Remuneration package for Executive Directors is subject to the approval of the Board while remuneration of the Non-Executive Directors is subject to the approval of the shareholders. The composition of this Committee is set out in the Corporate Information section of this Annual Report.

This committee met twice during the financial year to review the remuneration of Executive Directors. The duties and responsibilities are spelt out in the Terms of Reference of the Remuneration Committee.

# CORPORATE GOVERNANCE STATEMENT

*continued*

**2. STRENGTHENING COMPOSITION (cont'd)**

**Nomination Committee (cont'd)**

The aggregate Directors' remuneration received from the Group and Company for the financial period is as follows:-

| | Salaries (RM) | Other Emoluments (RM) | Total (RM) |
|---|---|---|---|
| **Executive Directors** | | | |
| Puan Chan Cheong | 952,560.00 | 136,355.00 | 1,088,915.00 |
| Nik Mat Bin Ismail | 443,576.00 | 151,989.00 | 595,565.00 |
| **Total:** | **1,396,136.00** | **288,344.00** | **1,684,480.00** |

| | Directors' Fee (RM) | Other Emoluments (RM) | Total (RM) |
|---|---|---|---|
| **Non-Executive Directors** | | | |
| Tan Sri Datuk Dr. Haji Omar Bin Abdul Rahman | 115,764.00 | 11,000.00 | 126,764.00 |
| Tan Sri Dato' Kok Onn | 41,343.00 | 5,000.00 | 46,343.00 |
| Boey Tak Kong | 90,957.00 | 9,500.00 | 100,457.00 |
| A. Shukor Bin S. A. Karim | 68,343.00* | 10,500.00 | 78,843.00 |
| Yee Chee Wai | 41,343.00 | 3,500.00 | 44,843.00 |
| **Total** | **357,750.00** | **39,500.00** | **397,250.00** |

* includes director's fee of RM27,000/- received from a subsidiary

The number of Directors whose total remuneration falls within the following bands:-

| Range of Remuneration | Executive | Non-Executive | Total |
|---|---|---|---|
| Below RM50,000 | - | 2 | 2 |
| RM50,001-RM100,000 | - | 1 | 1 |
| RM100,001-RM150,000 | - | 2 | 2 |
| RM550,001-RM600,000 | 1 | - | 1 |
| RM1,050,001- RM1,100,000 | 1 | - | 1 |
| **Total** | **2** | **5** | **7** |

# CORPORATE GOVERNANCE STATEMENT

*continued*

3. **REINFORCE INDEPENDENCE**

**Annual Assessment of Independent Directors**

The Independent Directors play a key role in corporate accountability and provide unbiased views and impartiality to the Board's deliberations and decision-making process. The Nomination Committee will review and recommend to the Board a policy on the tenure of Directors of the Company and the Group. The Board is of the view that the independence of directors cannot be assessed only based on the quantitative aspects as stated in the Main Market Listing Requirements, but that the true independence emanates from intellectual honesty, manifested through a genuine commitment to serve in the best interests of the Company.

Following an assessment conducted through the Nomination Committee and recommended to the Board, the Board is of the opinion that the Independent Directors continue to remain objective and independent in expressing their respective views and in participating in deliberations and decision-making of the Board and the Board Committees. The Board is of the view that the length of service of the Independent Directors on the Board do not in any way interfere with their independent judgement and ability to act in the best interest of the Group. Accordingly, based on the recommendation by the Nomination Committee, the Board recommends that the Independent Directors continue in their present positions.

**Approval for Independent Directors Serving Over Nine Years**

Tan Sri Datuk Dr. Haji Omar Bin Abdul Rahman was appointed as Independent Non-Executive Chairman on 25 June 2004 and Mr. Boey Tak Kong was appointed as Independent Non-Executive Director on 11 March 2005. Pursuant to Recommendation 3.2 of the MCCG 2012, both Tan Sri Datuk Dr. Haji Omar Bin Abdul Rahman and Mr. Boey Tak Kong would have served as Independent Non-Executive Chairman and Independent Non-Executive Director respectively for more than 9 years by this Annual General Meeting.

Notwithstanding their long tenure in office and based on the review and recommendations of the Nomination Committee, the Board is unanimous in its opinion that both Tan Sri Datuk Dr. Haji Omar Bin Abdul Rahman and Mr. Boey Tak Kong independence have not been impaired or compromised in any way as observed below:-

- Both continues to fulfil the criteria and definition of an Independent Director as set out under Paragraph 1.01 of the Listing Requirements;
- During their tenure in office, both have not transacted or entered into any transactions with, nor provided any services to the Group within the scope and meaning set forth in Paragraph 5 of Practice Note 13 of the Listing Requirements; both have also provided sufficient time and have discharged their duties and responsibilities without fear or favour, often providing independent judgement and challenging the conduct of the Group's business and financial performance.

In view of the above, the Board resolves to seek the shareholders' approval to continue the services of both Tan Sri Datuk Dr. Haji Omar Bin Abdul Rahman and Mr. Boey Tak Kong to serve on the Board as Independent Non-Executive Chairman and Independent Non-Executive Director respectively.

# CORPORATE GOVERNANCE STATEMENT
*continued*

## 3. REINFORCE INDEPENDENCE (cont'd)

**Separation of Positions of Chairman and the Chief Executive Officer**

The Chairman is an Independent Non-Executive Director. There is a clear separation of responsibilities between the Chairman and Chief Executive Officer to ensure a balance of power and authority.

On 7 October 2014, Mr. Tan Kay Yen was appointed as the Chief Executive Officer and Executive Director of the Company following to Mr. Puan Chan Cheong relinquishing his active positions with Green Packet to lead Packet One Networks (Malaysia) Sdn Bhd ("P1") as Chief Executive Officer.

Encik Nik Mat bin Ismail, an Executive Director resigned from the Company with effect from 31 October 2014.

**Board Composition and Balance**

The Company is led by an experienced Board consisting of individuals with appropriate knowledge and skills to provide entrepreneurial leadership to achieve the Group's objectives and performance targets with good corporate governance.

There are seven (7) members on the Board, comprising mainly Non-Executive Directors. There are three (3) Independent Non-Executive Directors, three (3) Non-Independent Non-Executive Directors and one (1) Chief Executive Officer and Executive Director.

The presences of the Independent Non-Executive Directors fulfill a pivotal role in corporate accountability as they provide independent opinions, advice and judgment. This Board composition is in compliance with the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements.

The Board has identified Tan Sri Datuk Dr. Haji Omar Bin Abdul Rahman as its Senior Independent Director and Non-Executive Chairman, to whom concerns of shareholders and others may be conveyed. The profiles of the Directors are set out in the Board of Directors Profile section of this Annual Report.

The Company is supportive of gender diversity to comprise 30% women directors as recommended by the MCCG 2012. The ICT industry is dominated mainly by male, the prospect to source for suitable women directors is challenging.

## 4. FOSTER COMMITMENT

**Board Meetings**

The Board meets at least four (4) times a year on a quarterly basis, with additional meetings to be convened when necessary. Agenda and Board papers are circulated to the Board prior to the Board meetings so as to give the Directors time to consider and deliberate on the issues to be raised at the meetings in relation to the Group's financial performance, corporate development, strategic issues and business plan.

The Company changed its financial year end from 31 December to 30 June. Eleven (11) Board Meetings were held during the financial period from 1 January 2013 to 30 June 2014.

# CORPORATE GOVERNANCE STATEMENT
*continued*

4. **FOSTER COMMITMENT (cont'd)**

**Board Meetings (cont'd)**

The following are the details of attendance of each director:-

| Name of Director | No. of meeting attended |
|---|---|
| Tan Sri Datuk Dr. Haji Omar Bin Abdul Rahman | 11/11 |
| Puan Chan Cheong | 11/11 |
| Tan Sri Dato' Kok Onn | 11/11 |
| Boey Tak Kong | 10/11 |
| A. Shukor Bin S.A Karim | 11/11 |
| Yee Chee Wai | 9/11 |
| Ong Yee Min | 8/9 |
| Nik Mat Bin Ismail (resigned on 31 October 2014) | 11/11 |

**Directors' Training**

All Directors have completed the Mandatory Accreditation Programme as prescribed by Bursa Securities except for Mr. Tan Kay Yen who is appointed on 7 October 2014.

The Company acknowledges that continuous education programmes are imperative for the Board to update and enhance their knowledge and skills.

Directors are regularly updated on the Group business and the competitive and regulatory environment in which they operate as well as the market outlook and industry trends in the ICT industry. Besides that, all Directors were well-informed of the latest development on relevant rules and regulation, in order to discharge their duties more effectively.

During the financial period, the Directors attended the following training programmes / seminars:-

| Name of Director | Details of Programme |
|---|---|
| Tan Sri Datuk Dr. Haji Omar Bin Abdul Rahman | • Bursa Malaysia Board Chairmen Session organized by Bursa Malaysia Securities Berhad in collaboration with CPA Australia<br>• Bursa Malaysia Nomination Committee Programme organized by Bursa Malaysia Securities Berhad and ICLIF<br>• The Role of the Board Chairman organized by Bursa Malaysia Securities Berhad and ICLIF |
| Puan Chan Cheong | • Forum Moderator Development by Manju Melwani organized by Young President Organisation-World President Organisation Chapter Malaysia ("YPO-WPO") |

# CORPORATE GOVERNANCE STATEMENT

*continued*

**4. FOSTER COMMITMENT (cont'd)**

**Directors' Training (cont'd)**

| Name of Director | Details of Programme |
|---|---|
| Puan Chan Cheong (cont'd) | • Coaching for Improved Performance (CIP) Group 2 (in-house training)<br>• Winning Through Authentic Leadership organized by Priority Sky<br>• Lighthouse to the Future by Yoram Yahav organized by YPO-WPO<br>• Mastering Rockerfeller Habits by YPO-WPO<br>• OZ Principle Self Track Accountability Training by by YPO-WPO |
| Tan Sri Dato' Kok Onn | • Stepping Up On Strategic Planning For Sustainable Performance, organized by Gadang Berhad |
| Boey Tak Kong | • Fueling the Economy: The Business of Palm Oil organized by Economic Transformation Programme and BFM<br>• CFO & Beyond organized by The Association of Chartered Certified Accountants ("ACCA")<br>• Securing Mobile Access in the Enterprise organized by Oracle Corporation Malaysia Sdn Bhd<br>• CFOs & Finance Leaders Conference 2013 organized by Malaysian Institute of Accountants ("MIA")<br>• ASEAN CG Scorecard 2013 organized by Minority Shareholder Watchdog Group<br>• Future of Corporate Reporting organized by ACCA- Bursa Malaysia Securities Berhad<br>• Advocacy Sessions on Corporate Disclosure organized by Bursa Malaysia Securities Berhad<br>• The Value of Quality Audit organized by MIA and ACCA<br>• Optimizing Work-Life Conference organized by Ministry of Women, Family & Community Development<br>• 100 Drivers of Change For The Global Accountancy Profession organized by ACCA<br>• Security Inside Out – The Impact & Roadmap to Compliance organized by Oracle Corporation Malaysia Sdn Bhd<br>• Security Operations Center Roundtable organized by IBM Malaysia Sdn Bhd<br>• Drive Better Business Outcomes with Big Data and Analytics organized by Oracle Corporation Malaysia Sdn Bhd |

# CORPORATE GOVERNANCE STATEMENT
*continued*

4. **FOSTER COMMITMENT (cont'd)**

**Directors' Training (cont'd)**

| Name of Director | Details of Programme |
| --- | --- |
| Boey Tak Kong (cont'd) | • Directors' Continuing Education Programme:<br>- The Importance of Government Relations to the Bottom Line<br>- The Importance of the Wider Stakeholder Environment – Civil Society & the Community<br>- Practical Application of Government Relations Design & Strategy, Lessons & Best Practices<br>- Managing Asia's New Competitive Games, (organized by Dutch Lady Milk Industries Berhad)<br>• Audit Committee Conference 2014 – Stepping Up For Better Governance organized by MIA & Institute of Internal Auditors<br>• Corporate Governance Guide: Towards Boardroom Excellence – An Update organized by Bursa Malaysia Securities Berhad<br>• Risk Management & Internal Control; Workshops For Audit Committee organized by Bursa Malaysia Securities Berhad<br>• Iclif: Board Chairman Series - The Role of the Chairman organized by Bursa Securities |
| A. Shukor Bin S.A. Karim | • Bengkel Perbincangan Bajet & Plan Perniagaan organized by Tabung Haji<br>• Seminar Wakil Pengarah Korporate organized by Tabung Haji<br>• Past Achievements and Present Challenges in the Muslim World organized by The Prime Minister's Office |
| Yee Chee Wai | • Launch of Statement on Risk Management and Internal Control - Guidelines for Directors of Listed Issuers organized by Bursa Malaysia Securities Berhad<br>• Sustainability Trainings for Directors and Practitioners organized by Bursa Malaysia Securities Berhad<br>• Advocacy Sessions on Corporate Disclosure organized by Bursa Malaysia Securities Berhad<br>• Bursa Malaysia Securities Berhad - Breakfast session with Board Chairman Session organized by Bursa Malaysia Securities Berhad<br>• Advocacy Sessions on Corporate Disclosure for Directors organized by Bursa Malaysia Securities Berhad<br>• Affin Investment Conference Series 2014 organized by Affin Investment Bank<br>• Scenario Planning organized by OSK Group<br>• Southeast Asia VC & Pe Conference 2014 organized by MVCA |

# CORPORATE GOVERNANCE STATEMENT
*continued*

4. **FOSTER COMMITMENT (cont'd)**

**Directors' Training (cont'd)**

| Name of Director | Details of Programme |
|---|---|
| Ong Yee Min | • Executing Effective Transformation Process-Getting It Right organized by Bursatra<br>• Mira – Boardroom Conference on Governance & Enterprise Risk Management organized by MIRA and Boardroom<br>• Detecting Financial Statement Fraud - What Every Manager Needs to Know organized by MIA<br>• Nominating Committee Program organized by ICLIF<br>• MSWG – Appreciation & Application of ASEAN Corporate Governance Scorecard organized by Bursa Malaysia Securities Berhad |

5. **UPHOLD INTEGRITY IN FINANCIAL REPORTING**

The Board endeavors to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects to shareholders, primarily through the annual reports, quarterly announcements of the Group's results and other price-sensitive public reports. The Board is assisted by the Audit Committee in overseeing the Group's financial reporting processes and the accuracy, consistency and appropriateness of the use and application of accounting policies and standards, as well as the reasonableness and prudence in making estimates, statements and explanations.

**Audit Committee**

The Board's obligation to establish formal and transparent arrangements in considering how it should apply financial reporting and internal control principles, and maintaining an appropriate relationship with the Company's external auditors, Crowe Horwath is met through the Audit Committee ("AC").

All members of the AC are Non-Executive Directors and Mr. Boey Tak Kong fulfills the financial expertise requisite of the Listing Requirements.

The members of the AC are as follows:

Boey Tak Kong - Chairman/Independent Non-Executive Director
Tan Sri Datuk Dr. Haji Omar Bin Abdul Rahman – Independent Non-Executive Director
A. Shukor Bin S.A Karim - Independent Non-Executive Director

A full Audit Committee report detailing its composition, terms of reference and summary of activities during the financial period is set out in this Annual Report.

# CORPORATE GOVERNANCE STATEMENT
*continued*

5. **UPHOLD INTEGRITY IN FINANCIAL REPORTING (cont'd)**

**Compliance with Applicable Financial Reporting Standards**

The Board is responsible to ensure that the financial statements of the Group are drawn up in accordance with the provisions of the Companies Act 1965 and applicable approved accounting standards in Malaysia. The Board also ensures that the Group has used appropriate accounting policies for the preparation of its financial statements, are consistently applied and supported by reasonable and prudent judgement and estimates.

In presenting the annual financial statements and quarterly announcement of results, the Directors make every effort to present a balanced and understandable assessment of the Company's financial position and prospects. All financial statements and reports are subjected to detailed analysis and scrutiny by the Audit Committee before they are presented to the Board for approval and release.

**Assessment of External Auditors**

The Audit Committee is responsible to review the competency and independence of the External Auditors. Having assessed their performance, the Audit Committee will recommend their re-appointment to the Board, upon which the shareholders' approval will be sought at the Annual General Meeting.

The Board has established a formal and transparent arrangement for maintaining appropriate relationships with the Group's auditor both external and internal. The Audit Committee meets the external auditors without the presence of Executive Directors or the Management whenever necessary, but no less than twice a year.

6. **RECOGNISE AND MANAGE RISKS**

The Company has established policies and framework for the oversight and management of material business risks and has adopted a formal Risk Management Policy.

Management is charged with monitoring the effectiveness of risk management systems and is required to report to the Board on a quarterly basis.

**Standard Operating Procedure**s

The Board understands that in order to strengthen the accountability aspects of financial reporting, the Company needs to maintain a sound system of internal controls to safeguard shareholders' investment and the Company's assets. A comprehensive Standard Operating Procedures has been drawn up for the Group.

**Whistle Blowing Policy & Procedure**

In addition to the Risk Management Policy, the Company has also formalized a Whistle-Blowing Policy & Procedure within the Group. It sets out the responsibility of all employees to identify and report suspected fraud, corruption, dishonest practices and other irregularities before it causes potential damage to the Company's reputation or its stakeholders. It is an effective system that encourages employees to communicate and listen to each other making up part of an effective risk management framework.

**Internal Audit Function**

The effectiveness of the system of internal controls is reviewed by the Internal Auditors who operate independently from the activities of the Company under the purview of the Audit Committee. Details of the internal audit function are outlined on page 40 of the Audit Committee Report.

# CORPORATE GOVERNANCE STATEMENT

*continued*

**6. RECOGNISE AND MANAGE RISKS**

**Internal Control**

The Statement on Risk Management and Internal Control of the Group is set out on pages 33 to 35 of this Annual Report. This Statement provides an overview of the Group's approach in maintaining a sound system of risk management and internal control to safeguard shareholders' investment and the Group's assets.

**7. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE**

The Company is fully committed in maintaining a high standard for the dissemination of relevant and material information on the development of the Group. The Company also places strong emphasis on the importance of timely and equitable dissemination of information to shareholders.

**8. STRENGTHENING RELATIONSHIP BETWEEN THE COMPANY AND ITS SHAREHOLDERS**

**Investors Relations and Shareholders' Communication**

The Board recognizes the need for shareholders to be informed of all material business matters affecting the Group. In addition to various announcements made during the year, the timely release of financial results on a quarterly basis, press releases and annual report provides shareholders with an overview of the Group's performance and operations. The Company had always leveraged on its information technology for effective dissemination of information to its shareholders and stakeholders. The official website is **www.greenpacket.com**.

**Annual General Meeting ("AGM")**

The AGM is the principal forum for dialogue and communication with shareholders and stakeholders. Shareholders are encouraged to attend and participate during the AGM in the question and answer session on the prospects, performance of the Group and other matters of concern. Members of the Board, Heads of Departments and the auditors are present to answer questions raised at the meeting. Suggestions and comments raised by shareholders are also noted for consideration. Shareholders who are unable to attend are allowed to appoint proxy/proxies to attend and vote on their behalf. The Company encourages shareholder participation at general meetings and voting by poll for substantive resolutions.

**Investors Service**

The Company's website **www.greenpacket.com** has a section dedicated to investor relations and provides up-to-date information on the Group's business and operations. Further enquiries may be directed to the following person on all investor related matters:-

| | |
|---|---|
| Person-in-charge | : Stephen Chong Chee Kian |
| Position | : Global Marketing Manager |
| Telephone | : +6037450 8360 |
| E-mail | : stephen.chong@greenpacket.com |

This Corporate Governance Statement has been approved by the Board of Directors on 31 October 2014.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

1. **Introduction**

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of risk management and internal control to safeguard shareholders' investments and the Group's assets. The Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") require Directors of listed companies to include a statement in annual reports on the state of their risk management and internal control of the Group.

The Board of Directors of Green Packet ("Board") is pleased to present the Statement on Risk Management and Internal Control, which has been prepared largely in accordance with the Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers. The Board believes the practice of good corporate governance is an important continuous process and not just a matter to be covered as compliance in its Annual Report.

The Board has received assurance from the Chief Executive Officer and the Chief Financial Officer that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects. Accordingly, the Board has put in place an organization with formal lines of responsibility and delegation of authority that is designed to manage, rather than eliminate risk, and to improve the governance process of the Group.

2. **Board Responsibility**

The Board acknowledges its overall responsibility for the internal control system to cover the financial, compliance and operational controls of the Group. The Board also recognizes its responsibility for reviewing the adequacy and integrity of the system of internal control and risk management system to safeguard shareholders' investment and the Group's assets. However, in view of inherent limitations in any system of risk management and internal control, it should be noted that such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

3. **Risk Management Policy**

The Group maintains a Risk Management Policy to continually update and identify the various risk factors that could have a potentially significant impact on the Group's mid to long term business objectives.

The Board also, throughout the current financial period, has identified, evaluated and managed the significant risks faced by the Group through monitoring of the Group's operational efficiency and profitability.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

*continued*

4. **Internal Audit Function**

KPMG Management & Risk Consulting Sdn Bhd ("KPMG"), an independent professional firm, was appointed to support the Audit Committee, and by extension, the Board, by providing independent assurance on the effectiveness of the Group's system of internal control.

In particular, KPMG appraises and contributes towards improving the Group's risk management and control systems and reports to the Audit Committee. In assessing the adequacy and effectiveness of the system of internal control and financial control procedures of the Group, the Audit Committee reports to the Board on its activities, significant audit findings and the necessary recommendations or actions needed to be taken by Management to rectify those issues.

The internal audit work plan, which reflects the risk profile of the Group's major business sectors is routinely reviewed and approved by the Audit Committee. The scope of KPMG's function covered the audit and review of Packet One Networks (Malaysia) Sdn Bhd's processes such as network rollout and sales & customer service across all business units.

The costs incurred for the aforesaid internal audit function in respect of the financial period ended 30 June 2014 was RM60,000.00.

5. **Key Process**

The Group's key internal control processes based on COSO principles benchmarking are as follows:

**Control Environment**

- Management provides strategic leadership with proper delegation, aligned to business and operations requirements in order to achieve the Group's missions.
- A clear and detailed organisation structure has been established to focus on the related reporting responsibilities and accountabilities to ensure and clarify task ownership.
- The Board had delegated authority levels with limits for various business transactions to the senior management team duly documented, to facilitate effective internal control over expenditure commitment.
- The Group has in place a Whistle Blowing Policy, which forms part of the Code of Ethics, to provide an avenue for employees to report any breach or suspected breach of any law or regulation, including business principles and the Group's policies and guidelines in a safe and confidential environment.
- A Code of Ethics & Conduct is established for all employees which define the ethical values and conduct of work required at the Company and Group levels. New employees undergo a structured orientation program organized by the Human Capital Department, where they are briefed on the Group's culture, organization structure, codes of ethics & conducts and employees' benefits.

# **STATEMENT ON RISK MANAGEMENT** AND INTERNAL CONTROL

*continued*

5. **Key Process (cont'd)**

**Risk Assessment**

- Quarterly risk management meetings were conducted and attended by the senior management team at subsidiaries' levels to discuss, identify and manage key enterprise risks.

**Control Activities**

- The Group constantly reviews and updates its standing operating procedures to ensure consistency, clarity and accountability in the Group's daily operations.
- The Group has in place a dedicated billing and customer care service to manage the billing and collection functions efficiently for the Group.

**Information and Communication**

- Employees are briefed on their job descriptions, responsibilities and key performance index expectations upon joining the Group by their immediate supervisors and a documented copy of the same is filed in their respective personnel files.
- Issues and matters arising from departments and functions are discussed and resolved in monthly management meetings with minutes of meetings taken.
- The communication channels widely used are email, teleconferencing with emphasis placed on effective and "free-flow" or open communication within the organisation.

**Monitoring**

- Dashboards of individual functions are utilized to monitor and track progress of all projects and initiatives undertaken.
- Management constantly monitored financial performances, business plan achievement and the progress of corrective actions implemented.

6. **Conclusion**

The Board continues to take measures and maintains an ongoing commitment to strengthen the Group's control environment and processes. During the financial period, there were no material losses caused by breakdown in internal controls.

The External Auditors have reviewed this Statement on Risk Management and Internal Control for the inclusion in the annual report for the financial period ended 30 June 2014 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal control of the Group.

These statements were made in accordance with a resolution of the Board dated 31 October 2014.

# AUDIT COMMITTEE REPORT

The Audit Committee ("the Committee") was established on 11 March 2005. During the financial period under review, the Committee met seven (7) times and the details of the attendance of the Committee members were set out as follows:

**COMPOSITION OF THE AUDIT COMMITTEE**

| Name | Attendance |
|---|---|
| Boey Tak Kong (Chairman)<br>Independent Non-Executive Director | 7/7 |
| Tan Sri Datuk Dr. Haji Omar Bin Abdul Rahman<br>Independent Non-Executive Director | 7/7 |
| A. Shukor Bin S.A Karim<br>Independent Non-Executive Director | 6/7 |

Details of the members of the Committee are contained in the "Board of Directors Profile" as set out on pages 12 to 16 of this Annual Report.

**TERMS OF REFERENCE**

The Committee is governed by the following terms of reference:

1. **Composition**

   The Committee shall be appointed from amongst the Board and shall comprise no fewer than three (3) members. All the audit committee members must be non-executive directors, a majority of whom shall be independent directors and at least one (1) member must be a member of the Malaysian Institute of Accountants or possess such other qualifications and/or experience as approved by Bursa Malaysia Securities Berhad ("Bursa Securities"). No alternate director of the Board shall be appointed as a member of the Audit Committee.

   In the event of any vacancy with the result that the number of members is reduced to below three (3), the vacancy shall be filled within two (2) months but in any case not later than three (3) months. Therefore a member of the Committee who wishes to retire or resign should provide sufficient written notice to the Company so that a replacement may be appointed before he leaves.

2. **Chairman**

   The Chairman, who shall be elected by the Committee, shall be an independent director. The Audit Committee Chairman, Mr. Boey Tak Kong is a Chartered Accountant of the Malaysian Institute of Accountants.

# AUDIT COMMITTEE REPORT
*continued*

3. **Secretary**

The Company Secretary shall be the Secretary of the Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it prior to each meeting.

The Secretary shall also be responsible for keeping the minutes of meetings of the Committee and circulating them to the Committee Members. The Committee Members may inspect the minutes of the Committee at the Registered Office or such other place as may be determined by the Committee.

4. **Meetings**

The Committee shall meet at least four (4) times in each financial year. The quorum for a meeting shall be two (2) members, provided that the majority of members present at the meeting shall be independent.

The Committee may call for a meeting as and when required with reasonable notice as the Committee Members deem fit. The Committee Members may participate in a meeting by means of conference telephone, conference videophone or any similar or other communications equipment by means of which all persons participating in the meeting can hear each other. Such participation in a meeting shall constitute presence in person at such meeting.

All decisions at such meetings shall be decided on a majority of votes by a show of hands.

The Internal Auditors and External Auditors may attend any meeting at the invitation of the Committee and shall appear before the Committee when required to do so by the Committee. The internal auditors and external auditors may also request a meeting if they consider it necessary.

5. **Rights**

The Committee shall:

(a) have authority to investigate any matter within its terms of reference;
(b) have the resources which are required to perform its duties;
(c) have full and unrestricted access to any information pertaining to the Group;
(d) have direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity;
(e) have the right to obtain independent professional or other advice at the Company's expense;
(f) have the right to convene meetings with the Internal Auditors and External Auditors, excluding the attendance of other directors or employees of the Group, whenever deemed necessary;
(g) promptly report to the Bursa Securities, or such other name(s) as may be adopted by Bursa Securities, matters which have not been satisfactorily resolved by the Board of Directors resulting in a breach of the Listing Requirements;
(h) have the right to pass resolutions by a simple majority vote by the Committee and that the Chairman shall have the casting vote should a tie arise;
(i) meet as and when required on a reasonable notice;
(j) the Chairman shall call for a meeting upon the request of the Internal Auditors and External Auditors.

# AUDIT COMMITTEE REPORT
*continued*

**6. Duties**

(a) To review with the External Auditors on:
- the audit plan, its scope and nature;
- the audit report;
- the results of their evaluation of the accounting policies and systems of internal accounting controls within the Group; and
- the assistance given by the officers of the Company to External Auditors, including any difficulties or disputes with Management encountered during the audit.

(b) To review the adequacy of the scope, functions, competency, resources and set the standards of the internal audit function.

(c) Responsible to the Board for oversight and assurance on the effectiveness of the system of internal control and risk management practices of the Group.

(d) To review the internal audit programme, ascertain the results of the internal audit programme, determine the investigation undertaken and whether or not appropriate action is taken on the recommendations of the Internal Auditors.

(e) To review with management:
- audit reports and management letter issued by the External Auditors and the implementation of audit recommendations;
- interim financial information; and
- the assistance given by the officers of the Company to External Auditors.

(f) To monitor related party transactions entered into by the Company or the Group and to determine if such transactions are undertaken;
- at arm's length basis
- on normal commercial terms
- on terms not more favourable to the related parties than those generally available to the public
- to ensure that the Directors report such transactions annually to shareholders via the annual report
- to review conflicts of interest that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity.

(g) To review the quarterly reports on consolidated results and annual financial statements prior to submission to the Board of Directors, focusing particularly on:
- any changes in or implementation of major accounting policy and practices;
- compliance with accounting standards and other legal requirements;
- significant adjustments resulting from the audit; and
- the going concern assumption.

# AUDIT COMMITTEE REPORT
*continued*

**6. Duties (cont'd)**

(h) To consider the appointment and / or re-appointment of Internal Auditors and External Auditors, the audit fee and any questions of resignation or dismissal including recommending the nomination of person or persons as auditors.

(i) To verify any allocation of options in accordance with the employees' share option scheme of the Company, at the end of the financial year / period.

## SUMMARY OF ACTIVITIES OF THE COMMITTEE

During the financial period under review, the activities undertaken by the Committee includes:-

(a) Reviewed the unaudited quarterly financial statements and the audited accounts of the Company and the Group including the announcements pertaining thereto, before recommending to the Board of Directors for their approval and release to Bursa Securities;
(b) Reviewed with External Auditors on their audit planning memorandum of the Group for the financial period ended 30 June 2014;
(c) Reviewed with External Auditors on the results and issues arising from their audit of the previous financial year end statements and their resolutions of such issues highlighted in their report to the Committee;
(d) Reviewed related party transactions to ensure that they are fair and reasonable, and not detrimental to minority shareholders;
(e) Reviewed with the Internal Auditors on the internal audit findings and issues arising from their internal audit review and the management recommendations;
(f) Overseeing the development and assessing the effectiveness of risk management policies, reviewing risk exposure, and ensuring that resources and systems are put in place for effective risk management and internal control activities.
(g) Met the External Auditors on two private sessions without the presence of executive directors and management; and
(h) Verified the allocation of Employees' Share Option Scheme ("ESOS") options were in compliance with the established and approved ESOS By-Laws.

## STATEMENT ON EMPLOYEES' SHARE OPTION SCHEME ("ESOS") BY THE COMMITTEE

During the financial period ended 30 June 2014, the Company had granted 8.0 million new share options pursuant to the ESOS to eligible employees and directors of the Company and its subsidiaries at an exercise price of RM0.30 per share.

The Committee has verified and is satisfied that the options granted were in accordance with the ESOS By-Laws, the criteria and basis of allocation set by the Option Committee.

During the financial period, the Company has granted share options to every Non-Executive Director. Details of their share options are disclosed in the Directors' Report.

# AUDIT COMMITTEE REPORT
*continued*

## INTERNAL AUDIT FUNCTION

The Group's internal audit function is outsourced to an independent professional firm, KPMG Management & Risk Consultancy Sdn Bhd ("KPMG") which reports to the Committee in monitoring risks and reviewing the soundness of the internal control framework. The internal audit function cost for the year is RM60,000.00.

The scope of KPMG's function covered the audit and review of Packet One Networks (Malaysia) Sdn Bhd's processes such as network rollout and sales and customer service across all business units. This scope is in accordance to the International Professional Practices Framework of The Institute of Internal Auditors.

The approach adopted by the Group is of a risk-based approach to assess and review the implementation and monitoring of control of its Group.

The audit encompasses the following activities:

- Review and assess the risk management and governance structure of the Group.
- Review and appraise the soundness, adequacy and application of accounting, financial and other key internal controls are effective.
- Ascertain the extent to which the Group's assets are safeguarded.
- Ascertain the level of compliance to the Group' policy and procedures.
- Recommend improvements to the existing system of risk management, internal control and governance.

## FINANCIAL REPORTING

Review the quarterly and year-end financial statements of the Company, focusing particularly on:

- Any changes in accounting policies and practices.
- Significant adjustments arising from the audit.
- The going concern assumption.
- Compliance with accounting standards and other legal requirements.

### Related Party Transactions

Review any related party transactions that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of Management integrity.

# STATEMENT ON DIRECTORS' RESPONSIBILITY

The Directors are responsible for ensuring that the financial statements of the Group and the Company are drawn up in accordance with applicable approved accounting standards in Malaysia, the provisions of the Companies Act, 1965 and the Listing Requirements of Bursa Malaysia Securities Berhad so as to give a true and fair view of the state of affairs of the Group and the Company as at 30 June 2014.

In preparing the financial statements for the financial period ended 30 June 2014, the Directors have:-

- Adopted suitable accounting policies and applied them consistently;
- Made judgments and estimates that are reasonable and prudent;
- Ensured adoption of applicable accounting standards; and
- Prepared the financial statements on a going concern basis.

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

The Directors are also responsible for safeguarding the assets of the Group and the Company and, hence, for taking reasonable steps in the prevention and detection of fraud and other irregularities.

# ADDITIONAL COMPLIANCE INFORMATION

As at 31 October 2014

**1. Utilization of Proceeds raised from Corporate Proposals**

As at to-date and during the financial period ended 30 June 2014, the Company did not implement any fund raising exercise from corporate proposals.

**2. Share Buy-back**

The Company did not issue any shareholder mandate to purchase its own shares during the financial period under review. To-date, the Company has 4,707,700 treasury shares.

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

**Warrants 2009/2014 ("Warrants")**

The Company had on 28 September 2009 issued 197,613,775 Warrants. Each Warrant entitled the Warrant holder to subscribe for one new ordinary share of RM0.20 each in the Company at an exercise price of RM0.95 per ordinary share. The duration of the Warrants was 5 years from the date of issuance and the last exercise date was 27 September 2014. As the expiry date fell on a non-Market Day, the last date for the exercise of the Warrants pursuant to Section 54(1)(b) of the Interpretation Acts 1948 and 1967 was effective on the next Market Day, 29 September 2014.

None of the Warrants were exercised during the financial period. On 11 September 2014, 10,100 Warrants were exercised into 10,100 new ordinary shares of RM0.20 per share. Such new ordinary shares rank pari passu in all respects with the existing shares of the Company.

All unexercised Warrants of 197,603,675 as at 29 September 2014 were delisted and removed from official list of Bursa Malaysia Securities Berhad on 30 September 2014.

**Employees' Share Option Scheme ("ESOS")**

The Company had on 8 August 2006 established and implemented an ESOS. It was a 5-year scheme with an option to extend the duration for a further five years but not exceeding an aggregate of ten years. The Board of Directors approved the extension of the scheme on 17 February 2011, for a further period of five years up to 8 August 2016.

During the financial period, the Company granted 8.0 million new share options to eligible employees and directors of the Company and Group at the exercise price of RM0.30 per new share. During the financial period ended 30 June 2014, 3,250 new ordinary shares of RM0.20 each were issued pursuant to the exercise of share options at RM0.30 per new ordinary share. The new shares rank pari passu in all respects with the existing shares of the Company.

# ADDITIONAL COMPLIANCE INFORMATION

As at 31 October 2014 *continued*

3. **Options, Warrants or Convertible Securities (cont'd)**

**Employees' Share Option Scheme ("ESOS") (cont'd)**

The details of the option over the ordinary shares of RM0.20 each and the exercise price of each offer granted under the scheme are as follows:

| Date of Offer | Exercise Price | Adjusted Exercise Price after Rights Issue | As at 1.1. 2013 '000 | Granted '000 | Lapsed Due to Staff Resignations '000 | Exercised during the financial period '000 | As at 30.6. 2014 '000 |
|---|---|---|---|---|---|---|---|
| 8.8.2006 | RM4.48 | RM4.22 | 6,138 | - | 1,960 | - | 4,178 |
| 28.3.2008 | RM2.09 | RM1.97 | 5,265 | - | 2,162 | - | 3,103 |
| 29.1.2009 | RM0.85 | RM0.80 | 5,405 | - | 1,397 | - | 4,008 |
| 1.3.2010 | RM1.10 | - | 6,993 | - | 2,457 | - | 4,536 |
| 5.5.2011 | RM0.60 | - | 7,393 | - | 2,528 | - | 4,865 |
| 27.3.2012 | RM0.56 | - | 8,428 | - | 2,611 | - | 5,817 |
| 13.5.2013 | RM0.30 | - | 8,000 | - | 1,050 | 3.25 | 6,946 |

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

During the financial period, the Company did not sponsor any ADR or GDR.

5. **Imposition of Sanctions/Penalties**

During the financial period, there were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by any regulatory bodies.

6. **Non-Audit Fee**

Non-audit fee amounting RM114,810.00 was paid to external auditors of the Group during the year.

7. **Variation in results**

There was no significant variance in the Company's audited financial results for the financial period ended 30 June 2014 and the unaudited results previously announced for the same period.

8. **Profit Guarantee**

The Company did not give any profit guarantee during the financial period under review.

9. **Material Contracts**

There were no material contracts entered into by the Company and its subsidiary companies involving Directors and major shareholders' interests, either still subsisting at the end of the financial period under review or entered into since end of the previous financial year end.

# ADDITIONAL COMPLIANCE INFORMATION

As at 31 October 2014 *continued*

**10. Recurrent Related Party Transaction of a Revenue Nature**

There was no recurrent related party transaction of a revenue nature which requires shareholders' mandate during the financial period under review.

**11. Major Corporate Proposal**

On 27 March 2014, the Company entered into a conditional investment agreement ("Investment Agreement") with Mobikom Sdn Bhd ("Mobikom"), a wholly-owned subsidiary of Telekom Malaysia Berhad ("TM"), SK Telecom Co. Ltd. ("SKT"), Packet One Sdn Bhd ("POSB"), TM and Packet One Networks (Malaysia) Sdn Bhd ("PONSB"), for, amongst others, the subscription by Mobikom of new ordinary shares of RM1.00 in PONSB ("PON Shares") for a total subscription consideration of RM350.0 million.

On 27 March 2014, POSB had entered into a conditional Share Sale Agreement with the minority shareholders of PONSB for the acquisition of an aggregate of 450,000 ordinary shares of RM1.00 in PONSB for a total cash consideration of RM30.0 million.

In addition, in accordance with the Investment Agreement, the following will be undertaken:-

(a) Internal restructuring of Packet One Networks (Malaysia) Sdn Bhd ("PONSB") involving the following:-

(i) Conversion of PONSB's Class A Islamic Irredeemable Convertible Preference Shares of RM0.10 each ("ICPS"), Class B ICPS and Class C Islamic ICPS into new PON Shares;

(ii) Capitalization of PONSB's capital reserve account for new PON Shares to be credited as issued and fully paid-up to the Company and SKT; and

(iii) Capitalization of a portion of PONSB's share premium account for new PON Shares to be credited as issued and fully paid-up to POSB and Mobikom.

(b) Issuance by the Company of up to RM210.0 million of nominal value of eight (8)-year redeemable exchangeable medium term notes (MTNs) to Mobikom in tranches. To-date, the Company has issued 1st tranche of the MTNs of RM119.33 million.

(c) Issuance of up to 1.65 billion of nominal value of convertible MTNs ("C-MTNs") by PONSB to Mobikom, SKT, POSB and/or their respective affiliates in tranches, of which POSB and/or its affiliates will be entitled to subscribe for up to RM247.5 million of nominal value of the convertible MTNs. (As of the date thereof, none of the C-MTNs has been issued).

On 7 August 2014, the shareholders of the Company at an Extraordinary General Meeting approved the abovementioned corporate proposal.

On 30 September 2014, all the precedent conditions laid out in the Investment Agreement had been fulfilled. The Company's shareholding in PONSB was diluted from 55% to 31.1 %.

# FINANCIAL STATEMENTS

# **DIRECTORS'** REPORT

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial period from 1 January 2013 to 30 June 2014.

## CHANGE OF FINANCIAL YEAR END

The Company's financial year end has been changed from 31 December to 30 June on 28 November 2013.

## PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding, research, development, manufacturing, marketing and distribution of wireless networking and telecommunication products, networking solutions and other high technology products and services. The principal activities of the subsidiaries 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 period except for the discontinuance of the provision of last mile broadband network infrastructure facilities and services as disclosed in Note 17 to the financial statements.

## RESULTS

| | The Group RM'000 | The Company RM'000 |
|---|---|---|
| Loss after taxation for the financial period | (224,870) | (66,753) |
| Attributable to:- | | |
| Owners of the Company | (118,409) | (66,753) |
| Non-controlling interests | (106,461) | - |
| | (224,870) | (66,753) |

## DIVIDENDS

No dividend was paid since the end of the previous financial year and the directors do not recommend the payment of any dividend for the current financial period.

## RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial period are disclosed in the financial statements.

# **DIRECTORS'** REPORT
*continued*

## ISSUES OF SHARES AND DEBENTURES

During the financial period:-

(a) there were no changes in the authorised share capital of the Company;

(b) the Company increased its issued and paid-up share capital from RM138,081,114 to RM138,081,764 by the issuance of 3,250 new ordinary shares of RM0.20 each pursuant to the Company's employee share option scheme at an exercise price of RM0.30 per ordinary share. All the new ordinary shares issued rank pari passu in all respects with the existing shares of the Company; and

(c) there were no issues of debentures by the Company.

## TREASURY SHARES

There were no purchases of any ordinary shares from the open market during the financial period. As at 30 June 2014, the Company held as treasury shares a total of 4,707,700 of its 690,408,819 issued and fully paid-up ordinary shares. The treasury shares are held at a carrying amount of RM11,388,802. Relevant details on the treasury shares are disclosed in Note 19 to the financial statements.

## OPTIONS GRANTED OVER UNISSUED SHARES

During the financial period, no options were granted by the Company to any person to take up any unissued shares in the Company except for the options granted pursuant to the Employees' Share Option Scheme.

## WARRANTS 2009/2014

1. The Company had on 28 September 2009 issued 197,613,775 Warrants in conjunction with the Rights Issue. The Warrants are constituted by a Deed Poll dated 17 August 2009 ("Deed Poll").

2. The salient features of the Warrants 2009/2014 are as follows:-

   (a) The issue date of the Warrants was 28 September 2009 and the expiry date is 27 September 2014. Any Warrant not exercised at the expiry date will lapse and cease to be valid for any purpose;

   (b) Each Warrant entitles the registered holder to subscribe for one (1) new ordinary share of RM0.20 each in the Company at an exercise price of RM0.95 per ordinary share;

   (c) The exercise price and the number of unexercised Warrants are subject to adjustments in the event of alteration to the share capital of the Company, capital distribution or issue of shares or any other events in accordance with the provisions of the Deed Poll;

# DIRECTORS' REPORT
*continued*

**WARRANTS 2009/2014 (cont'd)**

2. The salient features of the Warrants 2009/2014 are as follows (cont'd):-

   (d) The Warrant holders are not entitled to vote in any general meeting of the Company or to participate in any distribution and/or offer of further securities in the Company unless and until the Warrant holders exercise their Warrants for new shares; and

   (e) The new ordinary shares to be issued upon exercise of the Warrants, shall, upon allotment and issue, rank pari passu with the then existing ordinary shares except that they will not be entitled to dividends, rights, allotments and/or other distributions declared by the Company prior to the relevant allotment date of the new ordinary shares allotted pursuant to the exercise of the Warrants.

   The movement of the Warrants during the financial period is as follows:-

| | Entitlement Of Ordinary Shares Of RM0.20 Each | | | |
|---|---|---|---|---|
| | At 1.1.2013 | Issued | Exercised | At 30.6.2014 |
| Number of unexercised warrants | 197,613,775 | - | - | 197,613,775 |

3. On 11 September 2014, 10,100 warrants were exercised into 10,100 new ordinary shares of RM0.20 per share at the exercise price of RM0.95 per ordinary share. All the new ordinary shares issued rank pari passu in all respects with the existing shares of the Company.

4. All unexercised warrants of 197,603,675 as at 29 September 2014 ("expiry date") were delisted and removed from official list of Bursa Malaysia Securities Berhad on 30 September 2014.

**EMPLOYEES' SHARE OPTION SCHEME ("ESOS")**

The ESOS is governed by the By-Laws approved by shareholders on 30 March 2006 and was implemented on 8 August 2006. It was a 5-year scheme with an option to extend the duration of the scheme for a further (5) years but not exceeding an aggregate of (10) years. The Board of Directors approved the extension of the scheme on 17 February 2011, for a further period of five (5) years to 8 August 2016.

# **DIRECTORS'** REPORT
*continued*

**EMPLOYEES' SHARE OPTION SCHEME ("ESOS") (cont'd)**

During the financial period, the Company granted 8,000,000 new share options to eligible employees and directors of the Company and Group at the exercise price of RM0.30 per new share. The outstanding options are as follows:-

| Date | Adjusted exercise price after rights issue | Exercise price |
|---|---|---|
| Issued on 8 August 2006 | RM4.22 | - |
| Issued on 28 March 2008 | RM1.97 | - |
| Issued on 29 January 2009 | RM0.80 | - |
| Issued on 1 March 2010 | - | RM1.10 |
| Issued on 5 May 2011 | - | RM0.60 |
| Issued on 27 March 2012 | - | RM0.56 |
| Issued on 13 May 2013 | - | RM0.30 |

The movement in the options to subscribe for the new ordinary shares of RM0.20 each at the respective exercise price is as follows:-

| | Number Of Options Over Ordinary Shares Of RM0.20 Each At The Exercise Price Of | | | | | | |
|---|---|---|---|---|---|---|---|
| | **RM4.22 Each '000** | **RM1.97 Each '000** | **RM0.80 Each '000** | **RM1.10 Each '000** | **RM0.60 Each '000** | **RM0.56 Each '000** | **RM0.30 Each '000** |
| As at 1 January 2013 | 6,138 | 5,265 | 5,405 | 6,993 | 7,393 | 8,428 | - |
| Granted during the financial period | - | - | - | - | - | - | 8,000 |
| Cancellation due to staff resignations | (1,960) | (2,162) | (1,397) | (2,457) | (2,528) | (2,611) | (1,050) |
| Exercised during the financial period | - | - | - | - | - | - | (4) |
| As at 30 June 2014 | 4,178 | 3,103 | 4,008 | 4,536 | 4,865 | 5,817 | 6,946 |

# **DIRECTORS'** REPORT
*continued*

**EMPLOYEES' SHARE OPTION SCHEME ("ESOS") (cont'd)**

The Companies Commission of Malaysia granted its approval for the Company to disclose the names of eligible employees holding at least 812,938 share options pursuant to the ESOS of the Company during the financial period.

Employees who are holding 812,938 and above share options are as follows:-

| | Number Of Options Over Ordinary Shares of RM0.20 each | | | |
|---|---|---|---|---|
| | **At 1.1.2013** | **Granted** | **Exercised** | **At 30.6.2014** |
| Puan Chan Cheong | 4,686,550 | - | - | 4,686,550 |
| Tan Kay Yen | 2,829,296 | 550,000 | - | 3,379,296 |
| Kelvin Lee Tsuan Chin | 1,642,530 | 400,000 | - | 2,042,530 |
| Ti Lian Seng | 1,351,890 | 506,900 | - | 1,858,790 |
| Wang Chang-Hsien | 1,230,506 | 400,000 | - | 1,630,506 |
| Nik Mat Bin Ismail | 906,475 | - | - | 906,475 |
| Kan Tze Chun | 874,258 | 100,000 | - | 974,258 |
| Huang Dan Dan | 866,553 | - | - | 866,553 |
| Tan Taik Guan | 774,725 | 138,900 | - | 913,625 |
| Tan Ley Cheong | 616,438 | 196,500 | - | 812,938 |

The salient terms and conditions of the scheme are as follows:-

(i) any employee of the Group or director of the Company who is at least 18 years old, and has been confirmed in service for regular full time employment of any company within the Group shall be eligible to participate in the Scheme;

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

(iii) not more than 50% of the new ordinary shares of the Company available under the scheme should be allocated, in aggregate, to the directors and senior management of the Group;

(iv) not more than 10% of the new ordinary shares of the Company available under the scheme should be allocated to any individual eligible employee who holds 20% or more of the issued and paid-up share capital of the Company;

(v) the price at which the option holder is entitled to subscribe for each new ordinary share of the Company may be at a discount of not more than 10% from the 5 day weighted average market price of ordinary shares as at the offer date provided that the subscription price shall in no event be less than the par value of the ordinary shares;

# DIRECTORS' REPORT
*continued*

**EMPLOYEES' SHARE OPTION SCHEME ("ESOS") (cont'd)**

The salient terms and conditions of the scheme are as follows (cont'd):-

(vi) the options shall be vested annually on each anniversary date commencing 12 months from the date of offer. Options that are vested and therefore exercisable may be carried forward to subsequent years within the duration of the scheme. Any vested options that remain unexercised at the expiry of the duration of the scheme shall be automatically terminated without any claims against the Company; and

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

**BAD AND DOUBTFUL DEBTS**

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for impairment losses on receivables.

At the date of this report, the directors are not aware of any circumstances that would require the further writing off of bad debts, or the additional allowance for impairment losses on receivables in the financial statements of the Group and of the Company.

**CURRENT ASSETS**

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that any current assets other than debts, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Group and of the Company, have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements misleading.

**VALUATION METHODS**

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

# **DIRECTORS'** REPORT
*continued*

## CONTINGENT AND OTHER LIABILITIES

The contingent liabilities are disclosed in Note 41 to the financial statements. At the date of this report, there does not exist:-

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

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

No contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial period 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 when they fall due.

## CHANGE OF CIRCUMSTANCES

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

## ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company during the financial period were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial period.

## DIRECTORS

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

Tan Sri Datuk Dr. Haji Omar Bin Abdul Rahman
Tan Sri Dato' Kok Onn
Puan Chan Cheong
Nik Mat Bin Ismail
Boey Tak Kong
A. Shukor Bin S.A. Karim
Yee Chee Wai
Ong Yee Min (Alternate Director of Yee Chee Wai)
Tan Kay Yen (Appointed on 7 October 2014)
Rami Bazzi (Resigned on 8 May 2013)

# **DIRECTORS'** REPORT
*continued*

**DIRECTORS' INTERESTS**

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares, warrants and options in the Company and its related corporations during the financial period are as follows:-

| | Number Of Ordinary Shares Of RM0.20 Each | | | |
|---|---|---|---|---|
| | **At 1.1.2013** | **Bought** | **Sold** | **At 30.6.2014** |
| *Direct Interests In The Company* | | | | |
| Puan Chan Cheong | 425,295 | - | - | 425,295 |
| Nik Mat Bin Ismail | 825,049 | - | (600,000) | 225,049 |
| Boey Tak Kong | 750,000 | - | - | 750,000 |
| *Indirect Interests In The Company* | | | | |
| Puan Chan Cheong # | 223,878,339 | 84,600 | (82,962,939) | 141,000,000 |
| Tan Sri Dato' Kok Onn # | 223,878,339 | 84,600 | (82,962,939) | 141,000,000 |

\# *Deemed interested by virtue of their direct substantial shareholdings in Green Packet Holdings Ltd.*

| | Number Of Warrants 2009/2014 | | | |
|---|---|---|---|---|
| | **At 1.1.2013** | **Bought** | **Sold** | **At 30.6.2014** |
| *Number of Warrants Of The Company* | | | | |
| Direct Interests | | | | |
| Puan Chan Cheong | 1,241,765 | - | - | 1,241,765 |
| Nik Mat Bin Ismail | 86,474 | - | - | 86,474 |

| | ← Number Of Options Over Ordinary Shares Of RM0.20 Each → | | | |
|---|---|---|---|---|
| | **At 1.1.2013** | **Granted** | **Exercised** | **At 30.6.2014** |
| *Share Options Of The Company* | | | | |
| Puan Chan Cheong | 4,686,550 | - | - | 4,686,550 |
| Nik Mat Bin Ismail | 906,475 | - | - | 906,475 |
| Tan Sri Dato' Kok Onn | 247,875 | 30,000 | - | 277,875 |
| Tan Sri Datuk Dr. Haji Omar Bin Abdul Rahman | 222,041 | 30,000 | - | 252,041 |
| Boey Tak Kong | 196,207 | 30,000 | - | 226,207 |
| A. Shukor Bin S.A. Karim | 90,000 | 30,000 | - | 120,000 |

# **DIRECTORS'** REPORT
*continued*

## DIRECTORS' INTERESTS (cont'd)

By virtue of their interests in shares in the Company, Puan Chan Cheong and Tan Sri Dato' Kok Onn are deemed to have interests in the shares in the subsidiaries during the financial period to the extent of the Company's interest, in accordance with Section 6A of the Companies Act 1965.

The other directors holding office at the end of the financial period had no interest in shares in the Company or its related corporations during the financial period other than the options granted to directors pursuant to the Employees' Share Option Scheme of the Company.

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in the financial statements, or the fixed salary of a full-time employee of the Company) 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 be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 37 to the financial statements.

Neither during nor at the end of the financial period was the Group or the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate other than the share options granted to certain directors pursuant to the ESOS of the Company.

## SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

The significant events during the financial period are disclosed in Note 43 to the financial statements.

## SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

The significant events occurring after the reporting period are disclosed in Note 44 to the financial statements.

# **DIRECTORS'** REPORT
*continued*

**AUDITORS**

The auditors, Messrs. Crowe Horwath, have expressed their willingness to continue in office.

Signed in accordance with a resolution of the directors dated 14 October 2014.

**Puan Chan Cheong**

**Nik Mat Bin Ismail**

# **STATEMENT BY** DIRECTORS

We, Puan Chan Cheong and Nik Mat Bin Ismail, being two of the directors of Green Packet Berhad, state that, in the opinion of the directors, the financial statements set out on pages 59 to 158 are drawn up in accordance with 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 at 30 June 2014 and of their financial performance and cash flows for the financial period ended on that date.

The supplementary information set out in Note 46, which is not part of the financial statements, is prepared in all material respects, 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 and the directive of Bursa Malaysia Securities Berhad.

Signed in accordance with a resolution of the directors dated 14 October 2014.

**Puan Chan Cheong** **Nik Mat Bin Ismail**

# **STATUTORY** DECLARATION

I, Tan Kay Yen, I/C No. 711121-10-5847, being the director primarily responsible for the financial management of Green Packet Berhad, do solemnly and sincerely declare that the financial statements set out on pages 59 to 158 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by
Tan Kay Yen, I/C No. 711121-10-5847,
at Petaling Jaya in the State of Selangor
on this 14 October 2014.

**Tan Kay Yen**

Before me

Pesuruhjaya Sumpah
S.Arokiadass A.M.N (No. B - 390)

# INDEPENDENT AUDITORS' REPORT
## TO THE MEMBERS OF GREEN PACKET BERHAD
(Incorporated in Malaysia) Company No: 534942 - H

**Report on the Financial Statements**

We have audited the financial statements of Green Packet Berhad, which comprise the statements of financial position as at 30 June 2014 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial period then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 59 to 158.

*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 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 conduct 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 judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation 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 entity'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 give a true and fair view of the financial position of the Group and of the Company as of 30 June 2014 and of their financial performance and cash flows of the financial period then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

# INDEPENDENT AUDITORS' REPORT
## TO THE MEMBERS OF GREEN PACKET BERHAD
(Incorporated in Malaysia) Company No: 534942 - H

*continued*

**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 of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 5 to the financial statements.

(c) 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.

(d) 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 other than the emphasis of matter on the going concern of certain subsidiaries as indicated in Note 5 to the financial statements.

**Other Reporting Responsibilities**

The supplementary information set out in Note 46 on page 158 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**

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.

**Crowe Horwath**
Firm No: AF 1018
Chartered Accountants

**Chong Tuck Wai**
Approval No: 3023/03/15 (J)
Chartered Accountant

14 October 2014

Kuala Lumpur

# **STATEMENTS OF** FINANCIAL POSITION

AT 30 JUNE 2014

| | | The Group | | The Company | |
|---|---|---|---|---|---|
| | | 30.6.2014 | 31.12.2012 | 30.6.2014 | 31.12.2012 |
| | Note | RM'000 | RM'000 | RM'000 | RM'000 |
| **ASSETS** | | | | | |
| **NON-CURRENT ASSETS** | | | | | |
| Investments in subsidiaries | 5 | - | - | 39,728 | 69,050 |
| Property, plant and equipment | 6 | 3,715 | 705,323 | 719 | 2,025 |
| Other investments | 7 | 135 | 135 | 135 | 635,614 |
| Goodwill | 8 | 5,799 | 13,004 | - | - |
| Development costs | 9 | 14,219 | 24,916 | 7,173 | 11,734 |
| Intangible assets | 10 | 3,894 | 50,518 | 3,894 | 2,660 |
| Amount owing by subsidiaries | 14 | - | - | - | 31,582 |
| | | 27,762 | 793,896 | 51,649 | 752,665 |
| **CURRENT ASSETS** | | | | | |
| Inventories | 11 | 3,211 | 46,049 | 3,211 | 9,296 |
| Trade receivables | 12 | 52,688 | 82,019 | 20,786 | 28,532 |
| Other receivables, deposits and prepayments | 13 | 23,204 | 64,717 | 22,406 | 3,578 |
| Amount owing by subsidiaries | 14 | - | - | 24,257 | 19,876 |
| Tax refundable | | - | - | - | 93 |
| Fixed deposits with licensed banks | 15 | 3,681 | 4,434 | 3,681 | 1,224 |
| Cash and bank balances | 16 | 36,093 | 51,769 | 24,810 | 35,698 |
| | | 118,877 | 248,988 | 99,151 | 98,297 |
| Assets of disposal group classified as held for sale | 17 | 760,700 | - | 635,479 | - |
| **TOTAL ASSETS** | | 907,339 | 1,042,884 | 786,279 | 850,962 |

The annexed notes form an integral part of these financial statements.

# **STATEMENTS OF** FINANCIAL POSITION
AT 30 JUNE 2014
*continued*

| | | The Group | | The Company | |
|---|---|---|---|---|---|
| | | 30.6.2014 | 31.12.2012 | 30.6.2014 | 31.12.2012 |
| | Note | RM'000 | RM'000 | RM'000 | RM'000 |
| **EQUITY AND LIABILITIES** | | | | | |
| **EQUITY** | | | | | |
| Share capital | 18 | 138,082 | 138,081 | 138,082 | 138,081 |
| Treasury shares | 19 | (11,389) | (11,389) | (11,389) | (11,389) |
| Reserves | 20 | (103,935) | 13,104 | 556,728 | 623,166 |
| **EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY** | | 22,758 | 139,796 | 683,421 | 749,858 |
| **NON-CONTROLLING INTERESTS** | | (1,269) | 74,814 | - | - |
| **TOTAL EQUITY** | | 21,489 | 214,610 | 683,421 | 749,858 |
| **NON-CURRENT LIABILITIES** | | | | | |
| Hire purchase payables | 21 | 113 | 452 | 112 | 133 |
| Borrowings | 22 | - | 371,395 | - | 5,025 |
| Other payables and accruals | 25 | - | 52,506 | - | - |
| Deferred tax liabilities | 23 | 2,595 | 2,396 | 2,559 | 12 |
| | | 2,708 | 426,749 | 2,671 | 5,170 |

The annexed notes form an integral part of these financial statements.

# **STATEMENTS OF** FINANCIAL POSITION

AT 30 JUNE 2014

*continued*

| | | The Group | | The Company | |
|---|---|---|---|---|---|
| | | 30.6.2014 | 31.12.2012 | 30.6.2014 | 31.12.2012 |
| | Note | RM'000 | RM'000 | RM'000 | RM'000 |
| **CURRENT LIABILITIES** | | | | | |
| Trade payables | 24 | 22,050 | 58,338 | 6,663 | 14,808 |
| Other payables and accruals | 25 | 43,850 | 282,807 | 28,329 | 13,636 |
| Amount owing to subsidiaries | 14 | - | - | 41,066 | 59,730 |
| Amount owing to related parties | 26 | 2,967 | 2,157 | 2,967 | 2,157 |
| Provision for taxation | | 20,458 | - | 20,458 | - |
| Hire purchase payables | 21 | 51 | 381 | 50 | 130 |
| Borrowings | 22 | 654 | 57,842 | 654 | 5,473 |
| | | 90,030 | 401,525 | 100,187 | 95,934 |
| Liabilities of disposal group classified as held for sale | 17 | 793,112 | - | - | - |
| **TOTAL LIABILITIES** | | 885,850 | 828,274 | 102,858 | 101,104 |
| **TOTAL EQUITY AND LIABILITIES** | | 907,339 | 1,042,884 | 786,279 | 850,962 |
| **NET ASSETS PER SHARE (SEN)** | 27 | 3 | 20 | | |

The annexed notes form an integral part of these financial statements.

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

| | | The Group | | The Company | |
|---|---|---|---|---|---|
| | Note | 1.1.2013 to 30.6.2014 RM'000 | 1.1.2012 to 31.12.2012 RM'000 | 1.1.2013 to 30.6.2014 RM'000 | 1.1.2012 to 31.12.2012 RM'000 |
| **CONTINUING OPERATIONS** | | | | | |
| REVENUE | 28 | 430,171 | 228,562 | 180,037 | 128,048 |
| COST OF SALES | | (360,733) | (192,122) | (146,945) | (106,897) |
| GROSS PROFIT | | 69,438 | 36,440 | 33,092 | 21,151 |
| OTHER INCOME | | 18,151 | 10,342 | 12,062 | 32,613 |
| | | 87,589 | 46,782 | 45,154 | 53,764 |
| ADMINISTRATIVE EXPENSES | | (40,337) | (24,701) | (28,022) | (30,560) |
| SELLING AND DISTRIBUTION EXPENSES | | (13,303) | (7,121) | - | (2,305) |
| OTHER EXPENSES | | (10,885) | (5,289) | (38,895) | (19,380) |
| FINANCE COSTS | | (20,809) | (8,046) | (20,559) | (6,243) |
| PROFIT/(LOSS) BEFORE TAXATION | 29 | 2,255 | 1,625 | (42,322) | (4,724) |
| INCOME TAX EXPENSE | 30 | (22,887) | (353) | (24,431) | (248) |
| (LOSS)/PROFIT AFTER TAXATION FROM CONTINUING OPERATIONS | | (20,632) | 1,272 | (66,753) | (4,972) |
| **DISCONTINUED OPERATIONS** | | | | | |
| LOSS AFTER TAXATION FROM DISCONTINUED OPERATIONS | | | | | |
| - Discontinued operations | 31 | (204,238) | (119,637) | - | - |
| LOSS AFTER TAXATION | | (224,870) | (118,365) | (66,753) | (4,972) |
| OTHER COMPREHENSIVE INCOME/ (EXPENSES), NET OF TAX | | | | | |
| Item that may be reclassified subsequently to profit or loss: | | | | | |
| - Foreign currency translation | | 1,001 | (1,539) | (54) | 54 |
| | | 1,001 | (1,539) | (54) | 54 |
| TOTAL COMPREHENSIVE EXPENSES FOR THE FINANCIAL PERIOD/YEAR | | (223,869) | (119,904) | (66,807) | (4,918) |

The annexed notes form an integral part of these financial statements.

# **STATEMENTS OF** PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

| | Note | The Group 1.1.2013 to 30.6.2014 RM'000 | The Group 1.1.2012 to 31.12.2012 RM'000 | The Company 1.1.2013 to 30.6.2014 RM'000 | The Company 1.1.2012 to 31.12.2012 RM'000 |
|---|---|---|---|---|---|
| **LOSS AFTER TAXATION ATTRIBUTABLE TO:-** | | | | | |
| Owners of the Company | | (118,409) | (62,114) | (66,753) | (4,972) |
| Non-controlling interests | | (106,461) | (56,251) | - | - |
| | | (224,870) | (118,365) | (66,753) | (4,972) |
| **TOTAL COMPREHENSIVE EXPENSES ATTRIBUTABLE TO:-** | | | | | |
| Owners of the Company | | (117,408) | (63,653) | (66,807) | (4,918) |
| Non-controlling interests | | (106,461) | (56,251) | - | - |
| | | (223,869) | (119,904) | (66,807) | (4,918) |
| **LOSS PER SHARE (SEN)** | 32 | | | | |
| Basic: | | | | | |
| - continuing operations | | (3) | # | | |
| - discontinued operations | | (14) | (9) | | |
| Diluted | 32 | | | | |
| - continuing operations | | Not applicable | Not applicable | | |
| - discontinued operations | | Not applicable | Not applicable | | |

# *represented amount less than RM0.01*

The annexed notes form an integral part of these financial statements.

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

| The Group | Share Capital RM'000 | Treasury Shares RM'000 | Share Premium RM'000 | Translation Reserve RM'000 | Employees' Share Option Reserve RM'000 | Warrants Reserve RM'000 | Accumulated Losses RM'000 | Attributable To Owners Of The Company RM'000 | Non-Controlling Interests RM'000 | Total Equity RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| | ← Non-distributable | | | | | → | Distributable | | | |
| Balance at 1.1.2012 | 131,551 | (11,389) | 345,372 | 378 | 18,078 | 57,714 | (353,868) | 187,836 | 63,221 | 251,057 |
| Loss after taxation for the financial year | - | - | - | - | - | - | (62,114) | (62,114) | (56,251) | (118,365) |
| Other comprehensive expenses for the financial year | | | | | | | | | | |
| - foreign currency translation | - | - | - | (1,539) | - | - | - | (1,539) | - | (1,539) |
| Total comprehensive expenses | - | - | - | (1,539) | - | - | (62,114) | (63,653) | (56,251) | (119,904) |
| Transactions with owners of the Company: | | | | | | | | | | |
| - Issuance of ordinary shares | 6,530 | - | 9,796 | - | - | - | - | 16,326 | - | 16,326 |
| - Issuance of preference share ("ICPS") –Class C & B | - | - | - | - | - | - | - | - | 31,664 | 31,664 |
| - Capital contribution from holder of ICPS C | - | - | - | - | - | - | - | - | 35,971 | 35,971 |
| - Disposal of a subsidiary | - | - | - | - | - | - | - | - | 209 | 209 |
| - Expenses incurred on issuance of ordinary shares | - | - | (101) | - | - | - | - | (101) | - | (101) |
| - Share options granted under ESOS | - | - | - | - | (612) | - | - | (612) | - | (612) |
| | 6,530 | - | 9,695 | - | (612) | - | - | 15,613 | 67,844 | 83,457 |
| Balance at 31.12.2012 | 138,081 | (11,389) | 355,067 | (1,161) | 17,466 | 57,714 | (415,982) | 139,796 | 74,814 | 214,610 |

The annexed notes form an integral part of these financial statements.

# **STATEMENTS OF** CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

| | Non-distributable | | | | | | Distributable | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **The Group** | **Share Capital RM'000** | **Treasury Shares RM'000** | **Share Premium RM'000** | **Translation Reserve RM'000** | **Employees' Share Option Reserve RM'000** | **Warrants Reserve RM'000** | **Accumulated Losses RM'000** | **Attributable To Owners Of The Company RM'000** | **Non-Controlling Interests RM'000** | **Total Equity RM'000** |
| Balance at 31.12.2012/1.1.2013 | 138,081 | (11,389) | 355,067 | (1,161) | 17,466 | 57,714 | (415,982) | 139,796 | 74,814 | 214,610 |
| Loss after taxation for the financial period | - | - | - | - | - | - | (118,409) | (118,409) | (106,461) | (224,870) |
| Other comprehensive income for the financial period: | | | | | | | | | | |
| - foreign currency translation | - | - | - | 1,001 | - | - | - | 1,001 | - | 1,001 |
| Total comprehensive expenses | - | - | - | 1,001 | - | - | (118,409) | (117,408) | (106,461) | (223,869) |
| Transactions with owners of the Company: | | | | | | | | | | |
| - Issuance of ordinary shares | 1 | - | * | - | - | - | - | 1 | - | 1 |
| - Issuance of preference share by a subsidiary | - | - | - | - | - | - | - | - | 47 | 47 |
| - Capital contribution from holder of ICPS C | - | - | - | - | - | - | - | - | 30,331 | 30,331 |
| - Share options granted under ESOS | - | - | - | - | 369 | - | - | 369 | - | 369 |
| | 1 | - | * | - | 369 | - | - | 370 | 30,378 | 30,748 |
| Balance carried forward | 138,082 | (11,389) | 355,067 | (160) | 17,835 | 57,714 | (534,391) | 22,758 | (1,269) | 21,489 |

The annexed notes form an integral part of these financial statements.

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

| | ← Non-distributable | | | | | → | Distributable | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **The Group** | **Share Capital RM'000** | **Treasury Shares RM'000** | **Share Premium RM'000** | **Translation Reserve RM'000** | **Employees' Share Option Reserve RM'000** | **Warrants Reserve RM'000** | **Accumulated Losses RM'000** | **Attributable To Owners Of The Company RM'000** | **Non-Controlling Interests RM'000** | **Total Equity RM'000** |
| Balance brought forward | 138,082 | (11,389) | 355,067 | (160) | 17,835 | 57,714 | (534,391) | 22,758 | (1,269) | 21,489 |
| - Transfer of share premium for ESOS | - | - | * | - | (*) | - | - | - | - | - |
| Balance at 30.6.2014 | 138,082 | (11,389) | 355,067 | (160) | 17,835 | 57,714 | (534,391) | 22,758 | (1,269) | 21,489 |

* *Represented amount less than RM1,000.*

The annexed notes form an integral part of these financial statements.

# **STATEMENTS OF** CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

| | Non-distributable | | | | | | | Distributable | |
|---|---|---|---|---|---|---|---|---|---|
| **The Company** | **Share Capital RM'000** | **Treasury Shares RM'000** | **Share Premium RM'000** | **Translation Reserve RM'000** | **Employees' Share Option Reserve RM'000** | **Fair Value Reserve RM'000** | **Warrants Reserve RM'000** | **Retained profits/ (Accumulated losses) RM'000** | **Total Equity RM'000** |
| Balance at 1.1.2012 | 131,551 | (11,389) | 345,372 | 7 | 17,338 | 183,255 | 57,714 | 14,575 | 738,423 |
| Loss after taxation for the financial year | - | - | - | - | - | - | - | (4,972) | (4,972) |
| Other comprehensive income for the financial year | | | | | | | | | |
| - foreign currency translation | - | - | - | 54 | - | - | - | - | 54 |
| Total comprehensive income | - | - | - | 54 | - | - | - | (4,972) | (4,918) |
| Transactions with owners of the Company: | | | | | | | | | |
| - Issuance of ordinary shares | 6,530 | - | 9,796 | - | - | - | - | - | 16,326 |
| - Expenses incurred on issuance of ordinary shares | - | - | (101) | - | - | - | - | - | (101) |
| - Share options granted under ESOS | - | - | - | - | 128 | - | - | - | 128 |
| | 6,530 | - | 9,695 | - | 128 | - | - | - | 16,353 |
| Balance at 31.12.2012 | 138,081 | (11,389) | 355,067 | 61 | 17,466 | 183,255 | 57,714 | 9,603 | 749,858 |

The annexed notes form an integral part of these financial statements.

# **STATEMENTS OF** CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

| | Non-distributable | | | | | | | Distributable | |
|---|---|---|---|---|---|---|---|---|---|
| **The Company** | **Share Capital RM'000** | **Treasury Shares RM'000** | **Share Premium RM'000** | **Translation Reserve RM'000** | **Employees' Share Option Reserve RM'000** | **Fair Value Reserve RM'000** | **Warrants Reserve RM'000** | **Retained profits/ (Accumulated losses) RM'000** | **Total Equity RM'000** |
| Balance at 31.12.2012/1.1.2013 | 138,081 | (11,389) | 355,067 | 61 | 17,466 | 183,255 | 57,714 | 9,603 | 749,858 |
| Loss after taxation for the financial period | - | - | - | - | - | - | - | (66,753) | (66,753) |
| Other comprehensive income for the financial period | | | | | | | | | |
| - foreign currency translation | - | - | - | (54) | - | - | - | - | (54) |
| Total comprehensive income | - | - | - | (54) | - | - | - | (66,753) | (66,807) |
| Transactions with owners of the Company: | | | | | | | | | |
| - Issuance of ordinary shares | 1 | - | * | - | - | - | - | - | 1 |
| - Share options granted under ESOS | - | - | - | - | 369 | - | - | - | 369 |
| | 1 | - | * | - | 369 | - | - | - | 370 |
| Transfer to share premium for ESOS exercised | - | - | * | - | (*) | - | - | - | - |
| Balance at 30.6.2014 | 138,082 | (11,389) | 355,067 | 7 | 17,835 | 183,255 | 57,714 | (57,150) | 683,421 |

* *Represented amount less than RM1,000*

The annexed notes form an integral part of these financial statements

# **STATEMENTS OF** CASH FLOWS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

| | Note | The Group 1.1.2013 to 30.6.2014 RM'000 | The Group 1.1.2012 to 31.12.2012 RM'000 (Restated) | The Company 1.1.2013 to 30.6.2014 RM'000 | The Company 1.1.2012 to 31.12.2012 RM'000 (Restated) |
|---|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| Profit/(Loss) before taxation: | | | | | |
| - continuing operations | | 2,255 | 1,625 | (42,322) | (4,724) |
| - discontinued operations | | (204,238) | (119,637) | - | - |
| | | (201,983) | (118,012) | (42,322) | (4,724) |
| Adjustments for:- | | | | | |
| Amortisation of: | | | | | |
| - development costs | | 7,289 | 8,335 | 3,561 | 3,518 |
| - intellectual property | | 2,771 | 2,280 | 2,771 | 2,280 |
| - intangible assets | | 33,496 | 26,897 | - | - |
| Bad debts written off | | 152 | - | 152 | - |
| Depreciation of property, plant and equipment | | 135,342 | 83,857 | 1,589 | 1,455 |
| Development costs written off | | 6,648 | 9,770 | 5,945 | 4,282 |
| Equipment written off | | 779 | 1 | 4 | 1 |
| Impairment loss on: | | | | | |
| - trade receivables | | 2,092 | 14,570 | - | - |
| - amount owing by subsidiaries | | - | - | - | 14,531 |
| - investments in subsidiaries | | - | - | 32,347 | - |
| - goodwill | | 346 | - | - | - |
| Interest expense | | 101,891 | 36,667 | 20,559 | 6,240 |
| Inventories written down | | 597 | - | 597 | - |
| Share options granted under ESOS | | 369 | (612) | 369 | 128 |
| (Gain)/Loss on disposal of property, plant and equipment | | (13,282) | 24 | - | - |
| (Gain)/Loss on disposal of a subsidiary/business | | - | (767) | - | 1,679 |
| Bad debts recovered | | (10,544) | (4,543) | - | - |
| Unrealised loss/(gain) on foreign exchange | | 14,886 | (501) | (2,003) | (7,794) |
| Interest income | | (2,778) | (277) | (2,493) | (4,980) |
| Operating profit before working capital changes | | 78,071 | 57,689 | 21,076 | 16,616 |
| (Increase)/Decrease in inventories held for resale | | (6,755) | (14,517) | 5,488 | (1,549) |
| (Increase)/Decrease in trade and other receivables | | (44,880) | (25,339) | (15,239) | 4,623 |
| Increase/(Decrease) in trade and other payables | | 97,219 | 21,622 | (11,953) | (30,951) |
| Decrease in amount owing by subsidiaries | | - | - | 5,346 | 20,867 |
| **CASH FROM OPERATIONS** | | 123,655 | 39,455 | 4,718 | 9,606 |

# **STATEMENTS OF** CASH FLOWS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

| | Note | The Group 1.1.2013 to 30.6.2014 RM'000 | The Group 1.1.2012 to 31.12.2012 RM'000 (Restated) | The Company 1.1.2013 to 30.6.2014 RM'000 | The Company 1.1.2012 to 31.12.2012 RM'000 (Restated) |
|---|---|---|---|---|---|
| **CASH FROM OPERATIONS** | | 123,655 | 39,455 | 4,718 | 9,606 |
| Interest paid | | (83,390) | (36,667) | (2,058) | (6,240) |
| Tax (paid)/refunded | | (2,230) | (384) | (1,333) | (341) |
| **NET CASH FROM OPERATING ACTIVITIES** | | 38,035 | 2,404 | 1,327 | 3,025 |
| **CASH FLOWS FROM/(FOR) INVESTING ACTIVITIES** | | | | | |
| Additional investment in subsidiaries | | - | - | (3,025) | (4,123) |
| Net cash (outflows)/inflows on the disposal of a subsidiary/business | 33 | - | (29) | - | - |
| Purchase of property, plant and equipment | 34 | (25,296) | (139,966) | (282) | (278) |
| Proceeds from disposal of property, plant and equipment | | 50,696 | 153 | - | 17 |
| Development costs incurred | | (6,496) | (7,455) | (4,859) | (4,310) |
| Modem costs incurred | | - | (14,687) | - | - |
| Repayment from subsidiaries | | - | - | 23,301 | - |
| Interest received | | 2,778 | 277 | 2,493 | 4,980 |
| Placement of fixed deposits pledged with a licensed bank | | (8,776) | (1,224) | - | - |
| **NET CASH FROM/(FOR) INVESTING ACTIVITIES** | | 12,906 | (162,931) | 17,628 | (3,714) |

The annexed notes form an integral part of these financial statements.

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

| | | The Group | | The Company | |
|---|---|---|---|---|---|
| | Note | 1.1.2013 to 30.6.2014 RM'000 | 1.1.2012 to 31.12.2012 RM'000 (Restated) | 1.1.2013 to 30.6.2014 RM'000 | 1.1.2012 to 31.12.2012 RM'000 (Restated) |
| **CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES** | | | | | |
| Repayment to a subsidiary | | - | - | (18,664) | (25,764) |
| Issuance of Preference Shares to non controlling interests by subsidiary | | 47 | 422 | - | - |
| Proceeds from issuance of ordinary shares | | 1 | 16,225 | 1 | 16,225 |
| Net (repayment)/drawdown of borrowings | | (63,960) | 118,050 | (9,844) | (22,518) |
| Advances from/(Repayment to) related parties | | 810 | (421) | 810 | (421) |
| Repayment of hire purchase obligations | | (297) | (2,507) | (192) | (97) |
| **NET CASH (FOR)/FROM FINANCING ACTIVITIES** | | (63,399) | 131,769 | (27,889) | (32,575) |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | | (12,458) | (28,758) | (8,934) | (33,264) |
| Foreign exchange translation differences | | 1,735 | (1,539) | 503 | (2,538) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD/YEAR** | | 54,979 | 85,276 | 36,922 | 72,724 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD/YEAR** | 35 | 44,256 | 54,979 | 28,491 | 36,922 |

The annexed notes form an integral part of these financial statements.

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

## 1. GENERAL INFORMATION

The Company is a public company limited by shares and is incorporated under the Companies Act 1965 in Malaysia. The domicile of the Company is Malaysia. The registered office, which is also the principal place of business, is at Packet Hub, 159 Jalan Templer, 46050 Petaling Jaya, Selangor Darul Ehsan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 14 October 2014.

## 2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding, research, development, manufacturing, marketing and distribution of wireless networking and telecommunication products, networking solutions and other high technology products and services. The principal activities of the subsidiaries 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 period except for the discontinuance of the provision of last mile broadband network infrastructure facilities and services as disclosed in Note 17 to the financial statements.

## 3. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

3.1 During the current financial period, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments, if any):-

**MFRSs and IC Interpretations (Including The Consequential Amendments)**

MFRS 10 Consolidated Financial Statements

MFRS 11 Joint Arrangements

MFRS 12 Disclosure of Interests in Other Entities

MFRS 13 Fair Value Measurement

MFRS 119 (2011) Employee Benefits

MFRS 127 (2011) Separate Financial Statements

MFRS 128 (2011) Investments in Associates and Joint Ventures

Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities

Amendments to MFRS 10, MFRS 11 and MFRS 12: Transition Guidance

Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income

IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine

Annual Improvements to MFRSs 2009 – 2011 Cycle

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

**3. BASIS OF PREPARATION (cont'd)**

3.1 The adoption of the above accounting standards and interpretations (including the consequential amendments) did not have any material impact on the Group's financial statements except as follows:-

MFRS 10 replaces the consolidation guidance in MFRS 127 and IC Interpretation 112. Under MFRS 10, there is only one basis for consolidation, which is control. Extensive guidance has been provided in the standard to assist in the determination of control. There is no financial impact on the financial statements of the Group upon its initial application.

MFRS 13 defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. The scope of MFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other MFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. MFRS 13 has been applied prospectively as of the beginning of the current financial period and there is no financial impact on the financial statements of the Group upon its initial application.

The amendments to MFRS 7 (Disclosures – Offsetting Financial Assets and Financial Liabilities) require disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. There is no financial impact on the financial statements of the Group upon its initial application.

The amendments to MFRS 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. In addition, items presented in other comprehensive income section are to be grouped based on whether they are potentially re-classifiable to profit or loss subsequently i.e. those that might be reclassified and those that will not be reclassified. Income tax on items of other comprehensive income is required to be allocated on the same basis. There is no financial impact on the financial statements of the Company upon its initial application other than the presentation format of the statement of profit or loss and other comprehensive income.

The Annual Improvements to MFRSs 2009 – 2011 Cycle contain amendments to MFRS 1, MFRS 101, MFRS 116, MFRS 132 and MFRS 134. These amendments have no material impact on the financial statements of the Group upon their initial application.

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

**3. BASIS OF PREPARATION (cont'd)**

3.2 The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial period:-

| **MFRSs and IC Interpretations (Including The Consequential Amendments)** | **Effective Date** |
|---|---|
| MFRS 9 (2009) Financial Instruments | ) |
| MFRS 9 (2010) Financial Instruments | ) To be |
| MFRS 9 Financial Instruments (Hedge Accounting and Amendments to MFRS 7, MFRS 9 and MFRS 139) | ) announced<br>) by MASB |
| Amendments to MFRS 9 and MFRS 7: Mandatory Effective Date of MFRS 9 and Transition Disclosures | )<br>) |
| MFRS 14 Regulatory Deferral Accounts | 1 January 2016 |
| MFRS 15 Revenue from Contracts with Customers | 1 January 2017 |
| Amendments to MFRS 10, MFRS 12 and MFRS 127 (2011): Investment Entities | 1 January 2014 |
| Amendments to MFRS 11 : Accounting for Acquisitions of Interests in Joint Operations | 1 January 2016 |
| Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation | 1 January 2016 |
| Amendments to MFRS 116 and MFRS 141: Agriculture – Bearer Plants | 1 January 2016 |
| Amendments to MFRS 119: Defined Benefit Plans – Employee Contributions | 1 July 2014 |
| Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities | 1 January 2014 |
| Amendments to MFRS 136: Recoverable Amount Disclosures for Non-financial Assets | 1 January 2014 |
| Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting | 1 January 2014 |
| IC Interpretation 21 Levies | 1 January 2014 |
| Annual Improvements to MFRSs 2010 – 2012 Cycle | 1 July 2014 |
| Annual Improvements to MFRSs 2011 – 2013 Cycle | 1 July 2014 |

# **NOTES TO THE** FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014
*continued*

**3. BASIS OF PREPARATION (cont'd)**

3.2 The above accounting standards and interpretations (including the consequential amendments) are not relevant to the Group's operations except as follows:-

MFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Subsequently, this MFRS 9 was amended in year 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition (known as MFRS 9 (2010)). Generally, MFRS 9 replaces the parts of MFRS 139 that relate to the classification and measurement of financial instruments. MFRS 9 divides all financial assets into 2 categories – those measured at amortised cost and those measured at fair value, based on the entity's business model for managing its financial assets and the contractual cash flow characteristics of the instruments. For financial liabilities, the standard retains most of the MFRS 139 requirement. An entity choosing to measure a financial liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income rather than within profit or loss. There is no possible impact on the financial statements of the Group upon initial application but may impact its future disclosures.

MFRS 15 establishes a single comprehensive model for revenue recognition and will supersede the current revenue recognition guidance and other related interpretations when it becomes effective. Under MFRS 15, an entity shall recognise revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customers. In addition, extensive disclosures are required by MFRS 15. The Group anticipates that the application of MFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the financial statements. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 15 until the Group performs a detailed review.

The amendments to MFRS 132 provide the application guidance for criteria to offset financial assets and financial liabilities. There will be no possible impacts on the financial statements of the Group upon its initial application.

The amendments to MFRS 136 remove the requirement to disclose the recoverable amount when a cash-generating unit (CGU) contains goodwill or intangible assets with indefinite useful lives but there has been no impairment. Therefore, there will be no financial impact on the financial statements of the Group upon its initial application but may impact its future disclosures.

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014
*continued*

## 4. SIGNIFICANT ACCOUNTING POLICIES

### 4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:-

**(a) Depreciation of Property, Plant and Equipment**

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

**(b) Income Taxes**

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group 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 year in which such determination is made.

**(c) Impairment of Non-Financial Assets**

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

**(d) Amortisation of Development Costs**

Changes in the expected level of usage and technological development could impact the economic useful lives and therefore, future amortisation charges could be revised.

**(e) Write-down of Inventories**

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

**4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

**(f) Impairment of Trade and Other Receivables**

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

**(g) Impairment of Available-for-sale Financial Assets**

The Group reviews its available-for-sale financial assets at the end of each reporting period to assess whether they are impaired. The Group also records impairment loss on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

**(h) Classification of Leasehold Land**

The classification of leasehold land as a finance lease or an operating lease requires the use of judgement in determining the extent to which risks and rewards incidental to its ownership lie. Despite the fact that there will be no transfer of ownership by the end of the lease term and that the lease term does not constitute the major part of the indefinite economic life of the land, management considered that the present value of the minimum lease payments approximated to the fair value of the land at the inception of the lease. Accordingly, management judged that the Group has acquired substantially all the risks and rewards incidental to the ownership of the land through a finance lease.

**(i) Impairment of Goodwill**

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires management to estimate the expected future cash flows of the cash-generating unit to which goodwill is allocated and to apply a suitable discount rate in order to determine the present value of those cash flows. The future cash flows are most sensitive to budgeted gross margins, growth rates estimated and discount rate used. If the expectation is different from the estimation, such difference will impact the carrying value of goodwill.

**(j) Fair Value Estimates for Certain Financial Assets and Liabilities**

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

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

**4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

**(k) Share-based Payments**

The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity investments at the date at which they are granted. The estimating of the fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option volatility and dividend yield and making assumptions about them.

4.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

**(a) Business Combinations**

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

**4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

4.2 BASIS OF CONSOLIDATION (cont'd)

**(b) Non-Controlling Interests**

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

At the end of each reporting period, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

**(c) Changes In Ownership Interests In Subsidiaries Without Change of Control**

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

**(d) Loss of Control**

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

**4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

4.3 GOODWILL

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised as a gain in profit or loss.

4.4 FUNCTIONAL AND FOREIGN CURRENCIES

**(a) Functional and Presentation Currency**

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

**(b) Transactions and Balances**

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

**(c) Foreign Operations**

Assets and liabilities of foreign operations are translated to RM at the rates of exchange ruling at the end of the reporting period. Revenues and expenses of foreign operations are translated at exchange rates ruling at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity under translation reserve. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is reclassified from equity to profit or loss.

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

**4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

4.4 FUNCTIONAL AND FOREIGN CURRENCIES (cont'd)

**(c) Foreign Operations (cont'd)**

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period except for those business combinations that occurred before the date of transition (1 January 2012) which are treated as assets and liabilities of the Company and are not retranslated.

4.5 FINANCIAL INSTRUMENTS

Financial instruments are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

**(a) Financial Assets**

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

**4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

4.5 FINANCIAL INSTRUMENTS (cont'd)

**(a) Financial Assets (cont'd)**

(i) Financial Assets at Fair Value Through Profit or Loss

Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

As at the end of the reporting period, there were no financial assets classified under this category.

(ii) Held-to-maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with interest income recognised in profit or loss on an effective yield basis.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current assets.

As at the end of the reporting period, there were no financial assets classified under this category.

(iii) Loans and Receivables Financial Assets

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

**4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

4.5 FINANCIAL INSTRUMENTS (cont'd)

**(a) Financial Assets (cont'd)**

(iii) Loans and Receivables Financial Assets (cont'd)

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

(iv) Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

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

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

**(b) Financial Liabilities**

All financial liabilities are initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprised financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

**4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

4.5 FINANCIAL INSTRUMENTS (cont'd)

**(c) Equity Instruments**

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

(i) Ordinary Shares

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(ii) Treasury Shares

When the Company's own shares recognised as equity are bought back, the amount of the consideration paid, including all costs directly attributable, are recognised as a deduction from equity. Own shares purchased that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity.

Where such shares are subsequently sold or reissued, any consideration received, net of any direct costs, is included in equity.

(iii) Irredeemable Convertible Preference Shares

The irredeemable convertible preference shares are regarded as compound instruments, consisting of a liability component and an equity component. The component of irredeemable convertible preference shares that exhibits characteristics of a liability is recognised as a financial liability in the statements of financial position, net of transaction costs. The dividends on those shares are recognised as interest expense in profit or loss using the effective interest method. On issuance of the irredeemable convertible preference shares, the fair value of the liability component is determined using a market rate for an equivalent non-convertible debt and this amount is carried as a financial liability in accordance with the Group's accounting policy.

The residual amount, after deducting the fair value of the liability component, is the equity component and is included in equity, net of transaction costs. The equity component is not remeasured subsequent to initial recognition.

Transaction costs are apportioned between the liability and equity components of the irredeemable convertible preference shares in proportion to their initial carrying amounts.

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

**4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

4.5 FINANCIAL INSTRUMENTS (cont'd)

**(c) Equity Instruments (cont'd)**

(iv) 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 specific debtor fails to make payment when due.

The Group designates corporate guarantees given to financial institutions for credit facilities granted to subsidiaries and related parties as insurance contracts as defined in MFRS 4 Insurance Contracts. The Group recognises these corporate guarantees as liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

**(d) 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 new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in 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.

4.6 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investments includes transaction costs.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

**4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

4.7 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is charged to profit or loss (unless it is included in the carrying amount of another asset) on the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

| | |
|---|---|
| Leasehold land | Over the lease period of 61 years |
| Long leasehold building | 3% |
| Motor vehicles | 20% |
| Plant and machinery | 25% - 33% |
| Office equipment | 10% - 20% |
| Furniture and fittings | 10% - 20% |
| Computer equipment | 17% - 33% |
| Renovation | 10% - 50% |
| Computer software | 20% - 33% |
| Broadband infrastructure | 10% |

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

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset is recognised in profit or loss. The revaluation reserve included in equity is transferred directly to retained profits on retirement or disposal of the asset.

Capital work-in-progress represents construction of broadband infrastructure which are not ready for commercial use at the end of the reporting period. Capital work-in-progress comprising mainly broadband infrastructure assets and equipment are not depreciated until they are ready for intended use.

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

**4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

4.7 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Broadband infrastructure costs include all expenditure up to and including the last distribution point before customers' premises. These primarily include materials, transmission and related equipment, contractors' charges, engineering, site development, interest, labour and other overheads relating to the construction and development of the infrastructure. Included in broadband infrastructure costs are also systems and software costs which are integral to the broadband infrastructure roll-out.

4.8 MODEMS

Expenditure incurred in providing the customer a free modem, provided the customer signs a non-cancellable contract for a predetermined contractual period, are capitalised as intangible assets and amortised over the contractual period on a straight line method. These expenditure capitalised are assessed at each reporting date whether there is any indication that the modems may be impaired.

4.9 INTANGIBLE ASSETS

An intangible asset shall be recognised if, and only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and that the cost of the asset can be measured reliably. An entity shall assess the probability of the expected future economic benefits using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset. An intangible asset shall be measured initially at cost.

The useful lives of intangible assets are assessed to be either finite or indefinite.

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

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

4.10 INTELLECTUAL PROPERTY

The intellectual property consists of the acquisition cost of the exclusive rights of a suite of software modules, including the trademarks, copyright, source codes and associated documentation. The acquisition cost is capitalised as an intangible asset as it is able to generate future economic benefits to the Group.

The intellectual property is amortised on a straight-line basis over the period of 10 years during which its economic benefits are expected to be consumed.

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

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

### 4.11 RESEARCH AND DEVELOPMENT EXPENDITURE

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

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

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

(b) the product or process is technically and commercially feasible;

(c) its future economic benefits are probable;

(d) its intention to complete and the ability to use or sell the developed asset; and

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

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

The development expenditure is amortised on a straight-line method over period of 3 to 10 years when the products are ready for sale or use. In the event that the expected future economic benefits are no longer probable of being recovered, the development expenditure is written down to its recoverable amount.

### 4.12 IMPAIRMENT

**(a) Impairment of Financial Assets**

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period 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. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets 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 financial asset's original effective interest rate.

# **NOTES TO THE** FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014
*continued*

**4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

4.12 IMPAIRMENT (cont'd)

**(a) Impairment of Financial Assets (cont'd)**

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the fair value reserve. In addition, the cumulative loss recognised in other comprehensive income and accumulated in equity under fair value reserve, is reclassified from equity to profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.

**(b) Impairment of Non-Financial Assets**

The carrying values of assets, other than those to which MFRS 136 Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value in use, which is measured by reference to discounted future cash flow.

An impairment loss is recognised in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset.

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

4.13 ASSETS UNDER HIRE PURCHASE

Assets acquired under hire purchase are capitalised in the financial statements at the lower of the fair value of the leased assets and the leased assets and the present value of the minimum lease payments and, are depreciated in accordance with the policy set out in Note 4.7 above. Each hire purchase payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. Finance charges are recognised in profit or loss over the period of the respective hire purchase agreements.

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

**4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

4.14 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

4.15 INCOME TAXES

Income tax for the period comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the reporting period and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

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

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 when the deferred income taxes relate to the same taxation authority.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from a business combination is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs.

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

**4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

4.16 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdrafts and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less.

During the current financial period, the Group excluded deposits pledged to financial institutions from cash and cash equivalents for the purpose of the statements of cash flows. This change has been applied retrospectively with an adjustment made against the opening balance of the cash and cash equivalents as at 1 January 2012.

4.17 PROVISIONS

Provisions are recognised when the Group has a present obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The unwinding of the discount is recognised as interest expense in profit or loss.

4.18 EMPLOYEE BENEFITS

**(a) Short-term Benefits**

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are recognised in profit or loss and included in the development costs, where appropriate, in the period in which the associated services are rendered by employees of the Group.

**(b) Defined Contribution Plans**

The Group's contributions to defined contribution plans are recognised in profit or loss and included in the development costs, where appropriate, in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

**(c) Shared-based Payment Transactions**

The Group operates an equity-settled share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments of the Company (share options).

At grant date, the fair value of the share options is recognised as an expense on a straight-line method over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding credit to employee's share option reserve in equity. The amount recognised as an expense is adjusted to reflect the actual number of the share options that are expected to vest. Service and non-market performance conditions attached to the transaction are not taken into account in determining the fair value.

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

**4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

4.18 EMPLOYEE BENEFITS (cont'd)

**(c) Shared-based Payment Transactions (cont'd)**

Upon expiry of the share option, the employee's share option reserve is transferred to retained profits.

When the share options are exercised, the employee's share option reserve is transferred to share capital or share premium if new ordinary shares are issued.

4.19 RELATED PARTIES

A party is related to an entity (referred to as the "reporting entity") if:-

(a) A person or a close member of that person's family is related to a reporting entity if that person:-

(i) has control or joint control over the reporting entity;
(ii) has significant influence over the reporting entity; or
(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:-

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
(vi) The entity is controlled or jointly controlled by a person identified in (a) above.
(vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

4.20 CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014
*continued*

**4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

4.21 FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction 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's 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. However, this basis does not apply to share-based payment transactions.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

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

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

4.22 REVENUE AND OTHER INCOME

**(a) Sale of Goods**

Revenue is measured at fair value of the consideration received or receivable and is recognised upon delivery of goods and customers' acceptance and where applicable, net of returns and trade discounts.

**(b) Services**

Revenue is recognised upon the rendering of services and when the outcome of the transaction can be estimated reliably. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

**(c) Interest Income**

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

**(d) Dividend Income**

Dividend income from investment is recognised when the right to receive dividend payment is established.

**(e) Rental Income**

Rental income is recognised on an accrual basis.

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

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

### 4.23 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non current assets (or disposal group comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the non-current assets (or the disposal group) are remeasured in accordance with the Group's accounting policies. Upon classification as held for sale, the non-current assets (the disposal group) are not depreciated and are measured at the lower of their previous carrying amount and fair value less cost to sell. Any differences are recognised in profit or loss.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is restated as if the operation had been discontinued from the start of the comparative period.

### 4.24 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. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

### 4.25 BORROWING COSTS

Borrowing costs, directly attributable to the acquisition and construction or production of a qualifying asset, are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

All other borrowing costs are recognised in profit or loss as expenses in the period in which they incurred.

### 4.26 OPERATING LEASES

Leases in which the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line method over the lease period.

# **NOTES TO THE** FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014
*continued*

## 5. INVESTMENTS IN SUBSIDIARIES

| | The Company | |
|---|---|---|
| | **30.6.2014 RM'000** | **31.12.2012 RM'000** |
| Unquoted shares, at cost | | |
| - in Malaysia | 41,503 | 41,503 |
| - outside Malaysia | 57,607 | 54,582 |
| | 99,110 | 96,085 |
| **Accumulated impairment losses:-** | | |
| At 1.1.2013/1.1.2012 | (27,035) | (27,035) |
| Addition during the financial period/year | (32,347) | - |
| At 30.6.2014/31.12.2012 | (59,382) | (27,035) |
| | 39,728 | 69,050 |

Details of the subsidiaries are as follows:-

| Name of Company | Country of Incorporation | Effective Equity Interest 30.6.2014 | Effective Equity Interest 31.12.2012 | Principal Activities |
|---|---|---|---|---|
| Green Packet (Shanghai) Ltd. * | The People's Republic of China | 100% | 100% | Research, development, marketing and distribution of wireless networking and telecommunications products and solutions. |
| Green Packet Ventures Ltd. | The British Virgin Islands | 100% | 100% | Investment holding. |
| Green Packet Networks (Singapore) Pte. Ltd. ("GPNS") * | The Republic of Singapore | - | 100% | Investment holding. |

# **NOTES TO THE** FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014
*continued*

**5. INVESTMENTS IN SUBSIDIARIES (cont'd)**

| Name of Company | Country of Incorporation | Effective Equity Interest 30.6.2014 | Effective Equity Interest 31.12.2012 | Principal Activities |
|---|---|---|---|---|
| Green Packet (Australia) Pty. Ltd. ("GPA") * © | Australia | 100% | 100% | Marketing of wireless broadband equipment, systems and solutions. |
| Green Packet International Sdn. Bhd. | Malaysia | 100% | 100% | Dormant. |
| Packet One Sdn. Bhd. ("POSB") | Malaysia | 100% | 100% | Investment holding. |
| First Wireless Sdn. Bhd. | Malaysia | 70% | 70% | Development and marketing of wireless broadband equipment, systems and solutions. |
| Next Telecommunications Sdn. Bhd. ("NTSB") | Malaysia | 100% | 100% | Provision of total communication services, solutions and products. |
| Millercom Sdn. Bhd. ("MSB") * @ | Malaysia | 55% | 55% | Sales agent of prepaid cards and call shop sales. |
| Next Global Technology Sdn. Bhd. ("NGTSB") | Malaysia | 100% | 100% | Research and development of total value added data network and communication services. |
| Packet One Networks (Malaysia) Sdn. Bhd ("PONSB") * ^^^ | Malaysia | 55% | 55% | Provision of last mile broadband network infrastructure facilities and services. |
| Packet Interactive Sdn. Bhd. | Malaysia | 100% | 100% | Provision of total contents and value added services. |

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014
*continued*

**5. INVESTMENTS IN SUBSIDIARIES (cont'd)**

| Name of Company | Country of Incorporation | Effective Equity Interest 30.6.2014 | 31.12.2012 | Principal Activities |
|---|---|---|---|---|
| P1. Com Sdn. Bhd. ("P1CSB") * @ | Malaysia | 55% | 55% | A collector of telecommunications revenue for fellow group companies. |
| Green Packet Networks S.P.C ("GPNSPC") * © | Kingdom of Bahrain | 100% | 100% | Supply and management of telecommunications network equipment. |
| Green Packet Networks (Taiwan) Pte. Ltd. ("GPNTPL") * | Taiwan | 100% | 100% | Marketing and distribution of wireless networking and telecommunications products, networking solutions and other high technology products and services. |
| Green Packet (L) Ltd. ("GPLL") * | Malaysia | 100% | 100% | Investment holding and special purpose vehicle for procurement of funds. |
| NGT Networks Pte. Ltd * # | The Republic of Singapore | 100% | 100% | Provision of international voice traffic. |
| RuumzNation Sdn. Bhd. ("RNSB") * @ | Malaysia | 55% | 55% | Provision of social online networking services. |
| Worldline Enterprise Sdn. Bhd. ("WESB") | Malaysia | 100% | 100% | Letting and management of properties and property investment. |
| Green Packet (S) Pte Ltd (Formerly known as Packet One (S) Pte. Ltd) ("P1s") * © | The Republic of Singapore | 100% | 100% | Provision of wireless networking, telecommunication products, networking solutions and activities relating to high technology products and services. |

# **NOTES TO THE** FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014
*continued*

**5. INVESTMENTS IN SUBSIDIARIES (cont'd)**

| Name of Company | Country of Incorporation | Effective Equity Interest 30.6.2014 | Effective Equity Interest 31.12.2012 | Principal Activities |
|---|---|---|---|---|
| Packet One (L) Ltd ("POL") * @ | Malaysia | 55% | 55% | Investment holding and special purpose vehicle for procurement of funds. |
| Inova Venture Pte. Ltd. ("IVPL") * ^ © | The Republic of Singapore | 71% | 71% | Provision of support services to telecommunication industry, general importers and exporters. |
| Green Packet (US) LLC ^^ | United States of America | 100% | 100% | Marketing of wireless broadband equipment, systems and solutions. |

* Not audited by Messrs. Crowe Horwath
© The auditors' report on the financial statements of these subsidiaries contained an emphasis of matter on the preparation of financial statements on a going concern basis
# Held through NTSB
@ Held through PONSB
^ Held through Green Packet Ventures Ltd.(carries 20% direct voting rights and 51% directing voting rights by Green Packet Berhad)
^^ Held through GPA
^^^ Held through POSB

(a) The non-controlling interests at the end of the reporting period comprise the following:-

| | Effective Equity Interest 30.6.2014 % | Effective Equity Interest 31.12.2012 % | The Group 30.6.2014 RM | The Group 31.12.2012 RM |
|---|---|---|---|---|
| PONSB | 45 | 45 | (456) | 75,160 |
| Other individually immaterial subsidiaries | | | (813) | (346) |
| | | | (1,269) | 74,814 |

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

**5. INVESTMENTS IN SUBSIDIARIES (cont'd)**

(b) The summarised financial information (before intra-group elimination) for subsidiaries that have non-controlling interests that are material to the Group is as follows:-

| | PONSB Group | |
|---|---|---|
| | **30.6.2014** | **31.12.2012** |
| | **RM'000** | **RM'000** |
| At 30 June 2014/31 December 2012 | | |
| Non-current assets | 587,353 | 720,157 |
| Current assets | 189,929 | 174,669 |
| Non-current liabilities | (649,591) | (588,251) |
| Current liabilities | (344,823) | (343,899) |
| Net liabilities | (217,132) | (37,324) |
| Financial period/year ended 30 June 2014/31 December 2012 | | |
| Revenue | 444,060 | 337,437 |
| Loss for the financial period/year | (235,543) | (124,456) |
| Total comprehensive expenses | (235,543) | (124,456) |
| Total comprehensive expenses attributable to non-controlling interests | (105,994) | (56,005) |
| Dividends paid to non-controlling interests | - | - |
| Net cash flows from operating activities | 67,607 | 20,600 |
| Net cash flows for investing activities | (34,730) | (205,727) |
| Net cash flows (for)/from financing activities | (39,028) | 185,800 |

The Company assessed the recoverable amount of the investments in subsidiaries and determined that an impairment loss should be recognised as the recoverable amount is lower than the carrying amount. The recoverable amount of the cash-generating unit is determined using the fair value less costs to sell approach, and this is derived from the net assets position of the respective subsidiaries as at the end of the reporting period.

On 7 June 2013, the Company's wholly owned subsidiary, Green Packet Networks (Singapore) Pte. Ltd. was struck off from the Register by the Accounting and Corporate Regulatory Authority, Singapore. The company was registered in Singapore with an issued and paid-up capital of SGD1.00. The company was dormant since October 2012.

# **NOTES TO THE** FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014
*continued*

## 6. PROPERTY, PLANT AND EQUIPMENT

| The Group | As 1.1.2013 RM'000 | Additions RM'000 | Disposals/ Written Off RM'000 | Transfers RM'000 | Depreciation Charge RM'000 | Transfer to Disposal Group Held For Sale | At 30.6.2014 RM'000 |
|---|---|---|---|---|---|---|---|
| Net Book Value | | | | | | | |
| Leasehold land | 16,063 | - | (16,063) | - | - | - | - |
| Long leasehold building | 16,084 | - | (15,952) | - | (132) | - | - |
| Motor vehicles | 453 | - | - | - | (290) | (70) | 93 |
| Plant and machinery | 164 | 274 | - | - | (160) | - | 278 |
| Office equipment | 5,868 | 28 | (3,421) | - | (1,779) | - | 696 |
| Furniture and fittings | 106 | - | - | - | (103) | - | 3 |
| Computer equipment | 7,130 | 901 | (56) | 7 | (2,531) | (5,443) | 8 |
| Renovation | 3,634 | 193 | (195) | (28) | (2,607) | (940) | 57 |
| Computer software | 7,644 | 653 | (678) | (817) | (2,981) | (1,241) | 2,580 |
| Broadband infrastructure | 629,243 | 3,665 | (1,613) | 13,355 | (124,845) | (519,805) | - |
| Capital work-in-progress | 18,934 | 19,673 | (215) | (12,517) | - | (25,875) | - |
| | 705,323 | 25,387 | (38,193) | - | (135,428) | (553,374) | 3,715 |

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

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

| The Group | As 1.1.2012 RM'000 | Prior Year Adjust-ments RM'000 | As Restated At 1.1.2012 RM'000 | Additions RM'000 | Disposals/ Written Off RM'000 | Transfers | Depreciation RM'000 | At 31.12.2012 |
|---|---|---|---|---|---|---|---|---|
| Net Book Value | | | | | | | | |
| Leasehold land | 16,352 | - | 16,352 | - | - | - | (289) | 16,063 |
| Long leasehold building | 16,614 | - | 16,614 | - | - | - | (530) | 16,084 |
| Motor vehicles | 370 | - | 370 | 156 | - | 206 | (279) | 453 |
| Plant and machinery | 10 | - | 10 | 42 | (17) | 349 | (220) | 164 |
| Office equipment | 1,873 | - | 1,873 | 66 | (9) | 5,479 | (1,541) | 5,868 |
| Furniture and fittings | 506 | - | 506 | 2 | (38) | (236) | (128) | 106 |
| Computer equipment | 8,177 | - | 8,177 | 2,053 | (9) | (963) | (2,128) | 7,130 |
| Renovation | 3,445 | - | 3,445 | 841 | (4) | 1,721 | (2,369) | 3,634 |
| Computer software | 12,962 | - | 12,962 | 1,735 | (6) | (4,731) | (2,316) | 7,644 |
| Broadband infrastructure | 542,420 | 5,396 | 547,816 | 10,434 | (95) | 145,510 | (74,422) | 629,243 |
| Capital work-in-progress | 41,632 | - | 41,632 | 124,637 | - | (147,335) | - | 18,934 |
| | 644,361 | 5,396 | 649,757 | 139,966 | (178) | - | (84,222) | 705,323 |

# **NOTES TO THE** FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014
*continued*

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

| The Group | At Cost RM'000 | Accumulated Depreciation RM'000 | Transfer to Disposal Group Held For Sale RM'000 | Net Book Value RM'000 |
|---|---|---|---|---|
| At 30.6.2014 | | | | |
| Motor vehicles | 3,020 | (2,857) | (70) | 93 |
| Plant and machinery | 2,153 | (1,875) | - | 278 |
| Office equipment | 2,287 | (1,591) | - | 696 |
| Furniture and fittings | 643 | (640) | - | 3 |
| Computer equipment | 18,832 | (13,381) | (5,443) | 8 |
| Renovation | 12,266 | (11,269) | (940) | 57 |
| Computer software | 17,211 | (13,390) | (1,241) | 2,580 |
| Broadband infrastructure | 844,399 | (324,594) | (519,805) | - |
| Capital work-in-progress | 25,875 | - | (25,875) | - |
| | 926,686 | (369,597) | (553,374) | 3,715 |

| At 31.12.2012 | At Cost RM'000 | Accumulated Depreciation RM'000 | Net Book Value RM'000 |
|---|---|---|---|
| Leasehold land | 17,657 | (1,594) | 16,063 |
| Long leasehold building | 17,656 | (1,572) | 16,084 |
| Motor vehicles | 3,375 | (2,922) | 453 |
| Plant and machinery | 2,219 | (2,055) | 164 |
| Office equipment | 6,998 | (1,130) | 5,868 |
| Furniture and fittings | 406 | (300) | 106 |
| Computer equipment | 16,969 | (9,839) | 7,130 |
| Renovation | 14,300 | (10,666) | 3,634 |
| Computer software | 19,751 | (12,107) | 7,644 |
| Broadband infrastructure | 826,808 | (197,565) | 629,243 |
| Capital work-in-progress | 18,934 | - | 18,934 |
| | 945,073 | (239,750) | 705,323 |

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

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

| **The Company** | **At 1.1.2013 RM'000** | **Additions RM'000** | **Written Off RM'000** | **Transfers RM'000** | **Depreciation Charge RM'000** | **At 30.6.2014 RM'000** |
|---|---|---|---|---|---|---|
| Net Book Value | | | | | | |
| Motor vehicles | 140 | - | - | - | (47) | 93 |
| Plant and machinery | 59 | 274 | - | 105 | (160) | 278 |
| Office equipment | 24 | 1 | (1) | 123 | (88) | 59 |
| Furniture and fittings | 245 | - | - | (139) | (103) | 3 |
| Computer equipment | 242 | 7 | (3) | (189) | (50) | 7 |
| Renovation | 1,135 | - | - | - | (1,079) | 56 |
| Computer software | 180 | 91 | - | 100 | (148) | 223 |
| | 2,025 | 373 | (4) | - | (1,675) | 719 |

| **The Company** | **At 1.1.2012 RM'000** | **Additions RM'000** | **Written Off RM'000** | **Disposal RM'000** | **Depreciation Charge RM'000** | **At 31.12.2012 RM'000** |
|---|---|---|---|---|---|---|
| Net Book Value | | | | | | |
| Motor vehicles | - | 156 | - | - | (16) | 140 |
| Plant and machinery | 137 | 40 | - | (17) | (101) | 59 |
| Office equipment | 32 | 8 | - | - | (16) | 24 |
| Furniture and fittings | 338 | 13 | - | - | (106) | 245 |
| Computer equipment | 547 | 35 | (1) | - | (339) | 242 |
| Renovation | 2,278 | - | - | - | (1,143) | 1,135 |
| Computer software | 224 | 26 | - | - | (70) | 180 |
| | 3,556 | 278 | (1) | (17) | (1,791) | 2,025 |

# **NOTES TO THE** FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014
*continued*

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

| The Company | At Cost RM'000 | Accumulated Depreciation RM'000 | Net Book Value RM'000 |
|---|---|---|---|
| **At 30.6.2014** | | | |
| Motor vehicles | 1,734 | (1,641) | 93 |
| Plant and machinery | 2,152 | (1,874) | 278 |
| Office equipment | 477 | (418) | 59 |
| Furniture and fittings | 639 | (636) | 3 |
| Computer equipment | 1,453 | (1,446) | 7 |
| Renovation | 5,868 | (5,812) | 56 |
| Computer software | 1,021 | (798) | 223 |
| | 13,344 | (12,625) | 719 |
| **At 31.12.2012** | | | |
| Motor vehicles | 1,734 | (1,594) | 140 |
| Plant and machinery | 2,020 | (1,961) | 59 |
| Office equipment | 336 | (312) | 24 |
| Furniture and fittings | 639 | (394) | 245 |
| Computer equipment | 1,464 | (1,222) | 242 |
| Renovation | 5,868 | (4,733) | 1,135 |
| Computer software | 918 | (738) | 180 |
| | 12,979 | (10,954) | 2,025 |

Included in property, plant and equipment of the Group and of the Company are the following assets held under hire purchase terms:-

| | The Group | | The Company | |
|---|---|---|---|---|
| | 30.6.2014 RM'000 | 31.12.2012 RM'000 | 30.6.2014 RM'000 | 31.12.2012 RM'000 |
| Motor vehicles | 157 | 395 | 93 | 140 |
| Computer equipment | - | 249 | - | 3 |
| Computer software | 107 | 29 | 107 | 29 |
| | 264 | 673 | 200 | 172 |

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

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

The long leasehold land and building in the previous financial year were pledged as security for banking facilities granted to the Company as disclosed in Note 22 to the financial statements.

The depreciation charges of the Group and of the Company are allocated as follows:-

| | The Group | | The Company | |
|---|---|---|---|---|
| | 30.6.2014 RM'000 | 31.12.2012 RM'000 | 30.6.2014 RM'000 | 31.12.2012 RM'000 |
| Profit or loss | 135,342 | 83,857 | 1,589 | 1,455 |
| Development costs (Note 9) | 86 | 365 | 86 | 336 |
| | 135,428 | 84,222 | 1,675 | 1,791 |

**7. OTHER INVESTMENTS**

| | | The Group | | The Company | |
|---|---|---|---|---|---|
| | Note | 30.6.2014 RM'000 | 31.12.2012 RM'000 | 30.6.2014 RM'000 | 31.12.2012 RM'000 |
| Unquoted shares, at cost | (a) | 18,628 | 18,628 | 18,628 | 18,628 |
| Unquoted shares, at fair value | (b) | - | - | 635,479 | 635,479 |
| Club membership | (c) | 135 | 135 | 135 | 135 |
| Transfer to disposal group held for sale | | - | - | (635,479) | - |
| | | 18,763 | 18,763 | 18,763 | 654,242 |
| Impairment loss:- | | | | | |
| At the end of the financial period/year | | (18,628) | (18,628) | (18,628) | (18,628) |
| | | 135 | 135 | 135 | 635,614 |

(a) The unquoted shares, at cost, of the Group relate to investments of 3.0million Series B preferred stock of USD0.67 each, 2.0million Series C preferred stock of USD1.00 each, 200,000 Series D preferred stock of USD1.00 each and 1,815,736 Series E preferred stock of USD1.00 each in IWICS Inc., a company incorporated in the United States of America. The Group has recognised full impairment on these investments as the directors are of the opinion that the expected future return of these investments is uncertain.

(b) The unquoted shares, at fair value, are related to the investment in Islamic Irredeemable Convertible Preference Shares ("IICPS") in an indirect subsidiary, PONSB. This investment was designated as available-for-sale financial assets and measured at fair value.

(c) These investments are designated as available-for-sale financial assets and are stated at cost as their fair values cannot be reliably measured using valuation techniques due to the lack of marketability of these investments.

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

## 8. GOODWILL

| | The Group | |
|---|---|---|
| | **30.6.2014** | **31.12.2012** |
| | **RM'000** | **RM'000** |
| At 1.1.2013/1.1.2012 | 23,141 | 23,141 |
| Transfer to disposal group held for sale | (6,859) | - |
| | 16,282 | 23,141 |
| Impairment loss:- | | |
| At 1.1.2013/1.1.2012 | (10,137) | (10,137) |
| Addition during the period/year | (346) | - |
| Less: Accumulated impairment losses | (10,483) | (10,137) |
| At 30.6.2014/31.12.2012 | 5,799 | 13,004 |

(a) The carrying amounts of goodwill allocated to each cash-generating unit are as follows:-

| | The Group | |
|---|---|---|
| | **30.6.2014** | **31.12.2012** |
| | **RM'000** | **RM'000** |
| Solutions group | 5,799 | 6,145 |
| Broadband services | 6,859 | 6,859 |
| | 12,658 | 13,004 |
| Transfer to disposal group held for sale | (6,859) | - |
| | 5,799 | 13,004 |

(b) The Group has assessed the recoverable amounts of goodwill allocated and provided for impairment where required. The recoverable amounts of the cash-generating units are determined using the value-in-use approach, and this is derived from the present value of the future cash flows from the operating segments computed based on the projections of financial budgets approved by management covering a period of 5 years. The key assumptions used in the determination of the recoverable amounts are as follows:-

| | Gross Margin | | Growth Rate | | Discount Rate | |
|---|---|---|---|---|---|---|
| | **30.6.2014** | **31.12.2012** | **30.6.2014** | **31.12.2012** | **30.6.2014** | **31.12.2012** |
| Solutions group | 36% | 18% | 38% | 15% | 12% | 12% |
| Broadband services | 69% | 74% | 41% | 27% | 12% | 12% |

# **NOTES TO THE** FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014
*continued*

**8. GOODWILL (cont'd)**

(b) The Group has assessed the recoverable amounts of goodwill allocated and provided for impairment where required. The recoverable amounts of the cash-generating units are determined using the value-in-use approach, and this is derived from the present value of the future cash flows from the operating segments computed based on the projections of financial budgets approved by management covering a period of 5 years. The key assumptions used in the determination of the recoverable amounts are as follows (cont'd):-

(a) Budgeted gross margin — The basis used to determine the value assigned to the budgeted gross margin is the average gross margins achieved in the year immediately before the budgeted year increased for expected efficiency improvements and cost saving measures.

(b) Growth rate — The growth rates used are based on the expected projection of the wireless related products and discounted telephony services.

(c) Discount rate — The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

**9. DEVELOPMENT COSTS**

| | **The Group** | | **The Company** | |
|---|---|---|---|---|
| | **30.6.2014** | **31.12.2012** | **30.6.2014** | **31.12.2012** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| At 1.1.2013/1.1.2012 | 36,298 | 53,649 | 17,338 | 24,390 |
| Capitalised during the financial period/year | 6,582 | 7,820 | 4,945 | 4,646 |
| Written off | (11,798) | (25,171) | (6,930) | (11,698) |
| Transfer to disposal group held for sale | (5,673) | - | - | - |
| | 25,409 | 36,298 | 15,353 | 17,338 |
| Government grants | (489) | (489) | (489) | (489) |
| | 24,920 | 35,809 | 14,864 | 16,849 |
| Amortisation of development costs:- | | | | |
| At 1.1.2013/1.1.2012 | (10,893) | (17,959) | (5,115) | (9,013) |
| Amortisation charge | (7,289) | (8,335) | (3,561) | (3,518) |
| Written off | 5,150 | 15,401 | 985 | 7,416 |
| Transfer to disposal group held for sale | 2,331 | - | - | - |
| | (10,701) | (10,893) | (7,691) | (5,115) |
| At 30.6.2014/31.12.2012 | 14,219 | 24,916 | 7,173 | 11,734 |

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

## 9. DEVELOPMENT COSTS (cont'd)

Development costs for the financial year included the following expenses:-

| | The Group | | The Company | |
|---|---|---|---|---|
| | 30.6.2014 RM'000 | 31.12.2012 RM'000 | 30.6.2014 RM'000 | 31.12.2012 RM'000 |
| Depreciation of plant and Equipment (Note 6) | 86 | 365 | 86 | 336 |
| Rental of premises | 178 | 128 | 38 | 128 |
| Staff costs | 2,917 | 6,131 | 2,060 | 2,850 |

## 10. INTANGIBLE ASSETS

| | Intellectual Property RM'000 | Modems RM'000 | Total RM'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1.1.2012 | 22,800 | 109,301 | 132,101 |
| Addition during the financial period/year | - | 14,687 | 14,687 |
| Written off during the financial period/year | - | (24,763) | (24,763) |
| At 31.12.2012/1.1.2013 | 22,800 | 99,225 | 122,025 |
| Addition during the financial period/year | 4,005 | 10,799 | 14,804 |
| Written off during the financial period/year | - | (38,871) | (38,871) |
| Transfer to disposal group held for sale | - | (71,153) | (71,153) |
| At 30.6.2014 | 26,805 | - | 26,805 |
| **Amortisation** | | | |
| At 1.1.2012 | 17,860 | 49,233 | 67,093 |
| Addition during the financial period/year | 2,280 | 26,897 | 29,177 |
| Written off during the financial period/year | - | (24,763) | (24,763) |
| At 31.12.2012/1.1.2013 | 20,140 | 51,367 | 71,507 |
| Additions during the financial period/year | 2,771 | 33,496 | 36,267 |
| Written off during the financial period/year | - | (38,871) | (38,871) |
| Transfer to disposal group held for sale | - | (45,992) | (45,992) |
| At 30.6.2014 | 22,911 | - | 22,911 |

# **NOTES TO THE** FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014
*continued*

## 10. INTANGIBLE ASSETS (cont'd)

| | Intellectual Property RM'000 | Modems RM'000 | Total RM'000 |
|---|---|---|---|
| **Carrying amounts** | | | |
| At 31.12.2012/1.1.2013 | 2,660 | 47,858 | 50,518 |
| At 30.6.2014 | 3,894 | - | 3,894 |

The intellectual property comprises the purchase price of the GP Base Software.

Modems represent costs incurred to provide customers with free modems and are amortised over the contractual period.

## 11. INVENTORIES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 30.6.2014 RM'000 | 31.12.2012 RM'000 | 30.6.2014 RM'000 | 31.12.2012 RM'000 |
| At Cost:- | | | | |
| Inventories held for resale | 40,439 | 45,351 | 2,242 | 8,598 |
| Work-in-progress | 969 | 698 | 969 | 698 |
| Transfer to disposal group held for sale | (38,197) | - | - | - |
| | 3,211 | 46,049 | 3,211 | 9,296 |

| | The Group | | The Company | |
|---|---|---|---|---|
| | 1.1.2013 to 30.6.2014 RM'000 | 1.1.2012 to 31.12.2012 RM'000 | 1.1.2013 to 30.6.2014 RM'000 | 1.1.2012 to 31.12.2012 RM'000 |
| Recognised in profit or loss: | | | | |
| - as cost of sales | 138,028 | 91,767 | 138,028 | 91,767 |
| - written off | 597 | - | 597 | - |

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

## 12. TRADE RECEIVABLES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 30.6.2014 RM'000 | 31.12.2012 RM'000 | 30.6.2014 RM'000 | 31.12.2012 RM'000 |
| Trade receivables | 111,331 | 99,112 | 20,786 | 28,532 |
| Transfer to disposal group held for sale | (58,386) | - | - | - |
| Allowance for impairment loss | (257) | (17,093) | - | - |
| | 52,688 | 82,019 | 20,786 | 28,532 |
| Allowance for impairment loss:- | | | | |
| At 1.1.2013/1.1.2012 | (17,093) | (14,893) | - | - |
| Addition during the financial period/year | (2,092) | (14,570) | - | - |
| Written off during the financial period/year | - | 12,370 | - | - |
| Transfer to disposal group held for sale | 18,928 | - | - | - |
| At 30.6.2014/31.12.2012 | (257) | (17,093) | - | - |

Included in trade receivables of the Group and of the Company in the previous financial year was the following:-

| | | The Group/The Company | |
|---|---|---|---|
| | Note | 30.6.2014 RM'000 | 31.12.2012 RM'000 |
| Green Packet, Inc. | (a) | - | 3,753 |

*(a) A related party in which Tan Sri Dato' Kok Onn and Puan Chan Cheong have substantial financial interests.*

The Group's normal trade credit terms range from 30 to 90 days.

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014
*continued*

## 13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | The Group | | The Company | |
|---|---|---|---|---|
| | 30.6.2014 | 31.12.2012 | 30.6.2014 | 31.12.2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Other receivables | 25,445 | 38,778 | 518 | 231 |
| Deposits | 16,239 | 15,461 | 10 | 29 |
| Prepayments | 61,710 | 10,841 | 21,878 | 3,318 |
| | 103,394 | 65,080 | 22,406 | 3,578 |
| Transfer to disposal group held for sale | (79,827) | - | - | - |
| Allowance for impairment loss | (363) | (363) | - | - |
| | 23,204 | 64,717 | 22,406 | 3,578 |
| Allowance for impairment loss:- | | | | |
| At 30.6.2014/31.12.2012 | (363) | (363) | - | - |

## 14. AMOUNTS OWING BY/(TO) SUBSIDIARIES

The amounts owing by/(to) subsidiaries consist of the following:-

| | The Company | |
|---|---|---|
| | 30.6.2014 | 31.12.2012 |
| | RM'000 | RM'000 |
| **Amount Owing By Subsidiaries** | | |
| *Non-current* | | |
| - non-trade balances | - | 31,582 |
| *Current* | | |
| - trade balances | 2,142 | 6,042 |
| - non-trade balances | 22,115 | 13,834 |
| | 24,257 | 19,876 |
| | 24,257 | 51,458 |
| **Amount Owing to Subsidiaries** | | |
| *Current* | | |
| - non-trade | (41,066) | (59,730) |

The trade amounts are subject to normal credit terms. The non-trade amounts are unsecured, interest-free and repayable/receivable on demand. The amounts owing are to be settled in cash.

# **NOTES TO THE** FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014
*continued*

## 15. FIXED DEPOSITS WITH LICENSED BANKS

The fixed deposits with licensed banks of the Group and the Company at the end of the reporting period bore a weighted average effective interest rate of 3.04% (31.12.2012 - 2.75%) per annum. The fixed deposits have maturity periods ranging from 1 to 12 months (31.12.2012 – 1 month).

## 16. CASH AND BANK BALANCES

Included in the cash at bank of the Group at the end of the reporting period is an amount of approximately RM22,996,585 (31.12.2012 - RM33,857,161) held in the account of a foreign subsidiary.

## 17. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 27 March 2014, the Company entered into a Conditional Investment Agreement ("Investment Agreement") with Mobikom Sdn Bhd ("Mobikom"), a wholly-owned subsidiary of Telekom Malaysia Berhad ("TM"), SK Telecom Co. Ltd. ("SKT"), Packet One Sdn Bhd, TM and Packet One Networks (Malaysia) Sdn Bhd ("PONSB"). The details of the Investment Agreement are further explained in Note 44 to the financial statements. Upon completion of the Investment Agreement, the effective percentage shareholdings of the Company in PONSB will be diluted from 55% to approximately 30% ("Dilution"). Hence, the Company will lose control over PONSB and its subsidiaries which are involved in the broadband services segment.

At the end of the current reporting period, the assets and liabilities of the broadband services segment have been presented in the consolidated statement of financial position as "Assets of disposal group classified as held for sale" and "Liabilities of disposal group classified as held for sale". The disposal is completed on 30 September 2014.

The assets and liabilities of the disposal group, measured at the lower of their carrying amounts and fair values less costs to sell, are as follows:-

| | **The Group 30.6.2014 RM'000** |
|---|---|
| **Assets** | |
| Equipment | 553,374 |
| Goodwill | 6,859 |
| Development costs | 3,342 |
| Intangible assets | 25,161 |
| Inventories | 38,197 |
| Trade receivables | 39,458 |
| Other receivables, deposits and prepayments | 79,827 |
| Fixed deposits with licensed banks* | 10,000 |
| Cash and bank balances | 4,482 |
| Assets of disposal group classified as held for sale | 760,700 |

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

## 17. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (cont'd)

The assets and liabilities of the disposal group, measured at the lower of their carrying amounts and fair values less costs to sell, are as follows (cont'd):-

| | The Group 30.6.2014 RM'000 |
|---|---|
| **Liabilities** | |
| Trade payables | 47,772 |
| Other payables and accruals | 380,254 |
| Hire purchase payables | 463 |
| Borrowings | 364,623 |
| Liabilities of disposal group classified as held for sale | 793,112 |

* Included in the fixed deposits with licensed banks and cash and bank balances of the disposal group at the end of the reporting period was an amount of RM10,000,000 (2012 - RM1,223,795) which has been pledged to a licensed bank as security for banking facilities granted to the Group.

## 18. SHARE CAPITAL

The movements in the authorised share capital of the Company are as follows:-

| | The Company | | | |
|---|---|---|---|---|
| | 30.6.2014 | 31.12.2012 | 30.6.2014 | 31.12.2012 |
| | Number Of Shares | | RM'000 | RM'000 |
| | '000 | '000 | | |
| **Authorised** | | | | |
| Ordinary shares of RM0.20 each | 2,000,000 | 2,000,000 | 400,000 | 400,000 |

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

## 18. SHARE CAPITAL (cont'd)

The movements in the issued and paid-up share capital of the Company are as follows:-

| **Issued And Fully Paid-Up** | | | | |
|---|---|---|---|---|
| Ordinary shares of RM0.20 each | | | | |
| At 1.1.2013/1.1.2012 | 690,405 | 657,753 | 138,081 | 131,551 |
| Issuance of ordinary shares pursuant to Private Placement | - | 32,652 | - | 6,530 |
| New shares issued under the employees' share option scheme | 4 | - | 1 | - |
| At 30.6.2014/31.12.2012 | 690,409 | 690,405 | 138,082 | 138,081 |

## 19. TREASURY SHARES

There were no purchases of any ordinary shares from the open market during the financial period. As at 30 June 2014, the total treasury shares held amounted to 4,707,700 ordinary shares with a total carrying value of RM11,388,802. None of the treasury shares were resold or cancelled during the financial period ended 30 June 2014.

## 20. RESERVES

| | **The Group** | | **The Company** | |
|---|---|---|---|---|
| | **30.6.2014** | **31.12.2012** | **30.6.2014** | **31.12.2012** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Share premium | 355,067 | 355,067 | 355,067 | 355,067 |
| Translation reserve | (160) | (1,161) | 7 | 61 |
| Employees' share option reserve | 17,835 | 17,466 | 17,835 | 17,466 |
| Fair value reserve | - | - | 183,255 | 183,255 |
| Warrants reserve | 57,714 | 57,714 | 57,714 | 57,714 |
| (Accumulated losses)/ Retained profits | (534,391) | (415,982) | (57,150) | 9,603 |
| | (103,935) | 13,104 | 556,728 | 623,166 |

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

**20. RESERVES (cont'd)**

20.1 SHARE PREMIUM

The movements of the share premium of the Group and the Company are as follows:

| | The Group/The Company | |
|---|---|---|
| | **30.6.2014** | **31.12.2012** |
| | **RM'000** | **RM'000** |
| At 1.1.2013/1.1.2012 | 355,067 | 345,372 |
| Expenses incurred for private placement | - | (101) |
| Premium arising from private placement | - | 9,796 |
| New shares issued under the employees' share option scheme | * | - |
| Transfer of share premium for employees' share option scheme | * | - |
| At 30.6.2014/31.12.2012 | 355,067 | 355,067 |

* *represented amount less than RM1,000.*

The share premium is not distributable by way of dividends and may be utilised in the manner set out in Section 60(3) of the Companies Act, 1965.

20.2 TRANSLATION RESERVE

The translation reserve arose from the translation of the financial statements of foreign subsidiaries and is not distributable by way of dividends.

20.3 EMPLOYEES' SHARE OPTION RESERVE

The employees' share option reserve represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

**20. RESERVES (cont'd)**

20.3 EMPLOYEES' SHARE OPTION RESERVE (cont'd)

The movement in the options to subscribe for new ordinary shares of RM0.20 each at the respective exercise price per share is as follows:-

| | Number Of Options Over Ordinary Shares Of RM0.20 Each At The Exercise Price Of:- | | | | | | |
|---|---|---|---|---|---|---|---|
| | **RM4.22 Each '000** | **RM1.97 Each '000** | **RM0.80 Each '000** | **RM1.10 Each '000** | **RM0.60 Each '000** | **RM0.56 Each '000** | **RM0.30 Each '000** |
| As at 1 January 2013 | 6,138 | 5,265 | 5,405 | 6,993 | 7,393 | 8,428 | - |
| Granted during the financial period | - | - | - | - | - | - | 8,000 |
| Cancellation due to staff resignations | (1,960) | (2,162) | (1,397) | (2,457) | (2,528) | (2,611) | (1,050) |
| Exercised during the financial period | - | - | - | - | - | - | (4) |
| As at 30 June 2014 | 4,178 | 3,103 | 4,008 | 4,536 | 4,865 | 5,817 | 6,946 |

The fair values of the share options granted were estimated using a binomial model, taking into account the terms and conditions upon which the options were granted. The fair values of the share options measured at grant date and the assumptions used are as follows:-

| | Batches Of Share Options At The Exercise Price Of:- | | | | | | |
|---|---|---|---|---|---|---|---|
| | **RM4.22 Each** | **RM1.97 Each** | **RM0.80 Each** | **RM1.10 Each** | **RM0.60 Each** | **RM0.56 Each** | **RM0.30 Each** |
| Fair value of share options at the grant date (RM) | 0.91 | 0.73 | 0.37 | 0.30 | 0.30 | 0.15 | 0.14 |
| Share price (RM) | 3.18 | 2.25 | 0.89 | 1.23 | 0.65 | 0.60 | 0.39 |
| Exercise price (RM) | 4.22 | 1.97 | 0.80 | 1.10 | 0.60 | 0.56 | 0.30 |
| Expected volatility (%) | 31.43 | 36.80 | 36.80 | 17.50 | 16.50 | 15.10 | 27.39 |
| Expected life (years) | 5.00 | 3.50 | 2.50 | 5.00 | 4.00 | 4.00 | 3.00 |
| Risk free rate (%) | 3.81 | 3.81 | 3.81 | 3.55 | 3.55 | 3.45 | 2.91 |
| Dividend yield (%) | 1.32 | - | - | - | - | - | - |

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

## 20. RESERVES (cont'd)

### 20.4 FAIR VALUE RESERVE

The fair value reserve represents the cumulative fair value changes (net of tax, where applicable) of available-for-sale financial assets until they are disposed of or impaired.

### 20.5 WARRANTS RESERVE

The warrants reserve arose from the allocation of the proceeds received from the issuance of the Warrants by reference to the fair value of the Warrants net of discount, amounting to RM0.30 per Warrant and net of expenses incurred in relation to the Rights Issue completed on 28 September 2009.

### 20.6 RETAINED PROFITS

Under the single tier tax system, tax on the Company's profits is the final tax and accordingly, any dividends to the shareholders are not subject to tax.

## 21. HIRE PURCHASE PAYABLES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 30.6.2014 RM'000 | 31.12.2012 RM'000 | 30.6.2014 RM'000 | 31.12.2012 RM'000 |
| Minimum hire purchase payments: | | | | |
| - not later than one year | 301 | 477 | 58 | 154 |
| - later than one year and not later than five years | 450 | 450 | 129 | 115 |
| - later than five years | - | 35 | - | 35 |
| | 751 | 962 | 187 | 304 |
| Less: Future finance charges | (124) | (129) | (25) | (41) |
| Transfer to disposal group held for sale | (463) | - | - | - |
| Present value of hire purchase payables | 164 | 833 | 162 | 263 |
| Current:- | | | | |
| Not later than one year | 254 | 381 | 50 | 130 |
| Transfer to disposal group held for sale | (203) | - | - | - |
| | 51 | 381 | 50 | 130 |
| Non-Current:- | | | | |
| Later than one year and not later than five years | 373 | 420 | 112 | 101 |
| Later than five years | - | 32 | - | 32 |
| Transfer to disposal group held for sale | (260) | - | - | - |
| | 113 | 452 | 112 | 133 |
| | 164 | 833 | 162 | 263 |

The hire purchase payables of the Group and of the Company bore a weighted average effective interest rate of 4.28% (31.12.2012 – 4.05%) per annum at the end of the reporting period.

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

## 22. BORROWINGS

| | The Group | | The Company | |
|---|---|---|---|---|
| | **30.6.2014 RM'000** | **31.12.2012 RM'000** | **30.6.2014 RM'000** | **31.12.2012 RM'000** |
| Amanah Term Financing-i ("Amanah Facility") | - | 7,999 | - | 7,999 |
| Structured Commodity Financing-i Term Facility (" i Term Facility") | - | 6,116 | - | - |
| Syndicated Murabahah Facility ("Murabahah Facility") | - | 15,291 | - | - |
| Revolving Credits | - | 4,500 | - | - |
| Amanah Trade Bills | 654 | 2,499 | 654 | 2,499 |
| Murabahah Project Facility ("Project Facillity") | 39,500 | 67,462 | - | - |
| Syndicated Facility | 163,710 | 156,061 | - | - |
| Irredeemable Convertible Preference Shares ("ICPS") | 161,413 | 169,309 | - | - |
| Transfer to disposal group held for sale | (364,623) | - | - | - |
| | 654 | 429,237 | 654 | 10,498 |
| Current: | | | | |
| - repayable within one year | 21,654 | 57,842 | 654 | 5,473 |
| - transfer to disposal group held for sale | (21,000) | - | - | - |
| | 654 | 57,842 | 654 | 5,473 |
| Non-Current: | | | | |
| - repayable between one and two years | 118,010 | 16,627 | - | 3,127 |
| - repayable between two and five years | 64,200 | 185,459 | - | 1,898 |
| - repayable after five years | 161,413 | 169,309 | - | - |
| - transfer to disposal group held for sale | (343,623) | - | - | - |
| | - | 371,395 | - | 5,025 |
| | 654 | 429,237 | 654 | 10,498 |

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

**22. BORROWINGS (cont'd)**

Amanah Facility

The Amanah Facility was repayable in 84 monthly instalments of RM275,611 effective from 4 August 2008.

The Amanah Facility bore an effective interest rate of 5% per annum at the end of the previous reporting period and was secured by:-

(i) a third party first legal charge over a subsidiary's leasehold land and building;
(ii) Al Bai Inah Asset Purchase Agreement; and
(iii) Al Bai Inah Asset Sale Agreement.

The Amanah Facility had been fully repaid during the current financial period.

i Term Facility & Murabahah Facility

The Structured Commodity Financing-i Term Facility was obtained from a local financial institution. The Syndicated Murabahah Facility was obtained from a group of banks and financial institutions arranged by a foreign bank.

The above i Term Facility and Murabahah Facility were granted to a subsidiary and bore effective interest rates ranging from 1.92% to 6.25% per annum and were secured by a corporate guarantee from the Company. It had been fully repaid in the current financial period.

Revolving Credits

The Revolving Credits were granted to a subsidiary and bore an effective interest rate of 5.23% per annum. The Revolving Credits were secured by a corporate guarantee of the Company and were renewable on a quarterly basis. The Revolving Credits had been fully repaid in the current financial period.

Amanah Trade Bills

The Amanah Trade Bills bore an effective interest rate of 4.71% (31.12.2012 - 3.22%) per annum and are repayable over a period of 45 to 120 days.

Project Facility

The Project Facility was granted to a subsidiary and bore effective interest rates ranging from 7.00% to 7.50% (31.12.2012 - 7% to 7.5%) per annum at the end of the reporting period and is secured by a corporate guarantee from the Company. The Project Facility was due in November 2013. The Group has obtained an extension of time from the financial institution to repay the Project Facility in full in October 2014.

Syndicated Facility

The Syndicated Facility was granted to a subsidiary consisting of long-term loan and warrants for a duration of (60) months, which are exercisable into maximum aggregate of 143,820 new ordinary shares of the subsidiary (in the event the subsidiary undertakes an initial public offering). This syndicated facility bore an effective interest rate of 18% (31.12.2012 - 18%) per annum and will be fully repaid in 2017.

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

## 22. BORROWINGS (cont'd)

Irredeemable Convertible Preference Shares

The principal terms of the Class C ICPS shall carry a fixed cumulative dividend amounting to 4.5% per annum, of the Original Acquisition Price (adjusted for share splits, stock dividends, combinations and other similar recapitalisations affecting such shares) for Class C ICPS, payable semi-annually in arrears provided that (a) any such dividends shall only be payable subject to the availability of distributable profits and (b) where any dividend or part thereof is not payable in such circumstances, such dividend or part thereof shall not be regarded as being in arrears for the purpose of the entitlement to exercise any voting rights under the Class C ICPS. Accordingly, the Class C ICPS is classified as compound instruments, of which the liability portion and its dividend are reflected as financial liability.

## 23. DEFERRED TAX LIABILITIES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 30.6.2014<br>RM'000 | 31.12.2012<br>RM'000 | 30.6.2014<br>RM'000 | 31.12.2012<br>RM'000 |
| At 1.1.2013/1.1.2012 | 2,396 | 2,426 | 12 | 12 |
| Transfer to/(from) profit or loss (Note 30) | 199 | (30) | 2,547 | - |
| At 30.6.2014/31.12.2012 | 2,595 | 2,396 | 2,559 | 12 |

The deferred tax liabilities are attributable to the following:-

| | The Group | | The Company | |
|---|---|---|---|---|
| | 30.6.2014<br>RM'000 | 31.12.2012<br>RM'000 | 30.6.2014<br>RM'000 | 31.12.2012<br>RM'000 |
| Accelerated capital allowances | 2,595 | 2,396 | 2,559 | 12 |

## 24. TRADE PAYABLES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 30.6.2014<br>RM'000 | 31.12.2012<br>RM'000 | 30.6.2014<br>RM'000 | 31.12.2012<br>RM'000 |
| Trade payables | 69,822 | 58,338 | 6,663 | 14,808 |
| Transfer to disposal group held for sale | (47,772) | - | - | - |
| | 22,050 | 58,338 | 6,663 | 14,808 |

The normal trade credit terms granted to the Group and the Company range from 30 to 90 (31.12.2012 - 30 to 90) days.

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

## 25. OTHER PAYABLES AND ACCRUALS

| | The Group | | The Company | |
|---|---|---|---|---|
| | 30.6.2014 RM'000 | 31.12.2012 RM'000 | 30.6.2014 RM'000 | 31.12.2012 RM'000 |
| Current :- | | | | |
| Repayable within one year | 287,451 | 282,807 | 28,329 | 13,636 |
| Transfer to disposal group held for sale | (243,601) | - | - | - |
| | 43,850 | 282,807 | 28,329 | 13,636 |
| Non-current:- | | | | |
| Repayable between one and two years | 136,653 | 52,506 | - | - |
| Transfer to disposal group held for sale | (136,653) | - | - | - |
| | - | 52,506 | - | - |
| | 43,850 | 335,313 | 28,329 | 13,636 |

The other payables in the disposal group include an amount of approximately RM199.6 million (31.12.2012 - RM162.7 million) owing to a supplier for the design, survey, supply, installation, testing, commissioning, integrating and optimising of a subsidiary's WiMAX Networks which are payable over a period of 3 years from the time of delivery of the equipment.

## 26. AMOUNT OWING TO RELATED PARTIES

The amount is non-trade in nature, unsecured, interest-fee and repayable on demand. The amount owing is to be settled in cash.

## 27. NET ASSETS PER SHARE

The net assets per share is calculated based on the net assets value at the end of the reporting period of RM22,758,000 (31.12.2012 – RM139,796,000) divided by the number of ordinary shares in issue at the end of the reporting period of 685,701,120 (31.12.2012 – 685,697,870) excluding treasury shares held by the Company.

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014
*continued*

## 28. REVENUE

Revenue of the Group and of the Company represent the invoiced value of goods sold and services rendered less discounts and returns.

| | The Group | | The Company | |
|---|---|---|---|---|
| | 1.1.2013 to 30.6.2014 RM'000 | 1.1.2012 to 31.12.2012 RM'000 | 1.1.2013 to 30.6.2014 RM'000 | 1.1.2012 to 31.12.2012 RM'000 |
| **Continuing Operations** | | | | |
| Solutions group | 173,189 | 99,899 | 180,037 | 128,048 |
| Communication services | 256,982 | 128,663 | - | - |
| | 430,171 | 228,562 | 180,037 | 128,048 |
| **Discontinued Operations** | | | | |
| Broadband services | 444,060 | 337,437 | - | - |
| | 874,231 | 565,999 | 180,037 | 128,048 |

## 29. PROFIT/(LOSS) BEFORE TAXATION

| | The Group | | The Company | |
|---|---|---|---|---|
| | 1.1.2013 to 30.6.2014 RM'000 | 1.1.2012 to 31.12.2012 RM'000 | 1.1.2013 to 30.6.2014 RM'000 | 1.1.2012 to 31.12.2012 RM'000 |
| Profit/(Loss) before taxation is arrived at after charging/ (crediting):- | | | | |
| Amortisation on: | | | | |
| - development costs | 6,576 | 7,859 | 3,561 | 3,518 |
| - intellectual property | 2,771 | 2,280 | 2,771 | 2,280 |
| Bad debts written off | 152 | - | 152 | - |
| Impairment loss on: | | | | |
| - trade receivables | 257 | - | - | - |
| - amount owing by subsidiaries | - | - | - | 14,531 |
| - goodwill | 346 | - | - | - |
| - investments in subsidiaries | - | - | 32,347 | - |

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014
*continued*

**29. PROFIT/(LOSS) BEFORE TAXATION (cont'd)**

| | The Group | | The Company | |
|---|---|---|---|---|
| | 1.1.2013 to 30.6.2014 RM'000 | 1.1.2012 to 31.12.2012 RM'000 | 1.1.2013 to 30.6.2014 RM'000 | 1.1.2012 to 31.12.2012 RM'000 |
| Audit fee: | | | | |
| - current financial period/year | 394 | 261 | 118 | 76 |
| - (over)/underprovision in the previous financial year | (18) | 26 | - | 5 |
| Depreciation of property, plant and equipment | 4,266 | 4,540 | 1,589 | 1,455 |
| Development costs written off | 6,648 | 9,770 | 5,945 | 4,282 |
| Directors' fee | 358 | 266 | 331 | 248 |
| Directors' remuneration | 1,724 | 1,431 | 726 | 1,431 |
| Equipment written off | 4 | 1 | 4 | 1 |
| Interest expense: | | | | |
| - hire purchase | 30 | 232 | 30 | 42 |
| - loans | 1,790 | 5,146 | 1,456 | 4,151 |
| - GCEB | 18,501 | 2,047 | 18,501 | 2,047 |
| - others | 488 | 621 | 572 | - |
| Inventories written off | 597 | - | 597 | - |
| Rental of office | 945 | 1,025 | 942 | 624 |
| Rental of equipment | 51 | 28 | 50 | - |
| Share options granted under ESOS | 369 | (612) | 369 | 128 |
| Staff costs: | | | | |
| - defined contribution plan | 1,247 | 1,967 | 1,132 | 1,429 |
| - salaries and other benefits | 23,936 | 25,459 | 16,065 | 18,499 |
| Gain on disposal of property, plant and equipment | (13,788) | (5) | - | - |
| Loss/(Gain) on foreign exchange: | | | | |
| - realised | 58 | 374 | (36) | 339 |
| - unrealised | (1,927) | 2,597 | (1,961) | (7,794) |
| Interest income | (2,502) | (64) | (2,493) | (4,980) |
| (Gain)/Loss on disposal of subsidiary/business | - | (767) | - | 1,679 |

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

## 30. INCOME TAX EXPENSE

| | The Group | | The Company | |
|---|---|---|---|---|
| | 1.1.2013 to 30.6.2014 | 1.1.2012 to 31.12.2012 | 1.1.2013 to 30.6.2014 | 1.1.2012 to 31.12.2012 |
| **Continuing operations** | RM'000 | RM'000 | RM'000 | RM'000 |
| Income tax: | | | | |
| - for the financial period/year | 10,389 | 731 | 9,693 | 819 |
| - under/(over)provision in the previous financial year | 12,299 | (348) | 12,191 | (571) |
| | 22,688 | 383 | 21,884 | 248 |
| Deferred taxation (Note 23): | | | | |
| - for the financial period/year | (4,363) | (30) | (4,574) | - |
| - underprovision in the previous financial year | 4,562 | - | 7,121 | - |
| | 199 | (30) | 2,547 | - |
| | 22,887 | 353 | 24,431 | 248 |

A reconciliation of income tax expense applicable to the profit/(loss) before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group and of the Company is as follows:-

| | The Group | | The Company | |
|---|---|---|---|---|
| | 1.1.2013 to 30.6.2014 | 1.1.2012 to 31.12.2012 | 1.1.2013 to 30.6.2014 | 1.1.2012 to 31.12.2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit/(Loss) before taxation: | | | | |
| - continuing operations | 2,255 | 1,625 | (42,322) | (4,724) |
| - discontinued operations | (204,238) | (119,637) | - | - |
| | (201,983) | (118,012) | (42,322) | (4,724) |

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

## 30. INCOME TAX EXPENSE (cont'd)

A reconciliation of income tax expense applicable to the profit/(loss) before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group and of the Company is as follows (cont'd):-

| | The Group | | The Company | |
|---|---|---|---|---|
| | 1.1.2013 to 30.6.2014 RM'000 | 1.1.2012 to 31.12.2012 RM'000 | 1.1.2013 to 30.6.2014 RM'000 | 1.1.2012 to 31.12.2012 RM'000 |
| Tax at the statutory tax rate of 25% (31.12.2012 - 25%) | (50,496) | (29,503) | (10,581) | (1,181) |
| Tax effects of:- | | | | |
| Non-taxable income | (33) | (1,540) | - | - |
| Non-deductible expenses | 13,495 | 27,539 | 15,700 | 2,000 |
| Deferred tax assets not recognised in the current financial period/year | 43,863 | 4,632 | - | - |
| Utilisation of deferred tax assets not recognised in the previous financial year | (803) | (427) | - | - |
| Under/(Over)provision in the previous financial year | 16,861 | (348) | 19,312 | (571) |
| | 22,887 | 353 | 24,431 | 248 |

No deferred tax assets are recognised on the following items:-

| | The Group | |
|---|---|---|
| | 30.6.2014 RM'000 | 31.12.2012 RM'000 |
| Unutilised tax losses | 345,825 | 345,984 |
| Unabsorbed capital allowances | 450,441 | 274,877 |
| Others | 2,377 | 5,542 |
| | 798,643 | 626,403 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

## 31. LOSS AFTER TAXATION FROM DISCONTINUED OPERATIONS

An analysis of the results of the discontinued operations as disclosed in Note 17 is as follows:-

| | The Group | |
|---|---|---|
| | **1.1.2013 to 30.6.2014 RM'000** | **1.1.2012 to 31.12.2012 RM'000** |
| Revenue | 444,060 | 337,437 |
| Cost of Sales | (82,110) | (70,816) |
| Gross profit | 361,950 | 266,621 |
| Other income | 276 | 213 |
| | 362,226 | 266,834 |
| Administrative expenses | (103,578) | (108,330) |
| Selling and distribution expenses | (44,166) | (60,041) |
| Other expenses | (337,638) | (189,479) |
| Finance costs | (81,082) | (28,621) |
| Loss before taxation | (204,238) | (119,637) |
| Income tax expense | - | - |
| Loss after taxation from discontinued operations | (204,238) | (119,637) |

# **NOTES TO THE** FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014
*continued*

**31. LOSS AFTER TAXATION FROM DISCONTINUED OPERATIONS (cont'd)**

(a) Included in loss before taxation from the discontinued operations are the following:-

| | The Group | |
|---|---|---|
| | **1.1.2013 to 30.6.2014 RM'000** | **1.1.2012 to 31.12.2012 RM'000** |
| Audit fees | 456 | 255 |
| Amortisation of development costs | 713 | 476 |
| Amortisation of intangible assets | 33,496 | 26,897 |
| Depreciation of plant and equipment | 131,076 | 79,317 |
| Impairment loss on trade receivables | 1,835 | 14,570 |
| Internet protocol lease rental | 3,742 | 6,565 |
| Loss on disposal of plant and equipment | 506 | 29 |
| Loss on foreign exchange: | | |
| - realised | 443 | - |
| - unrealised | 16,813 | - |
| Staff costs: | | |
| - defined contribution plan | 5,697 | 5,322 |
| - salaries and other benefits | 46,363 | 37,772 |
| Equipment written off | 775 | - |
| Rental of equipment | 1,704 | 1,963 |
| Rental of motor vehicles | 133 | 261 |
| Rental of premises | 3,575 | 4,900 |
| Interest expense: | | |
| - hire purchase | 94 | 60 |
| - irredeemable convertible preference shares | 22,407 | 13,596 |
| - term loan | 47,393 | 13,613 |
| - vendor financing | 10,899 | 1,228 |
| - others | 289 | 124 |
| Bad debts recovered | (10,544) | (4,543) |
| Interest income | (276) | (213) |
| Gain on foreign exchange: | | |
| - realised | - | (2,581) |
| - unrealised | - | (3,098) |

# **NOTES TO THE** FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014
*continued*

## 31. LOSS AFTER TAXATION FROM DISCONTINUED OPERATIONS (cont'd)

(b) The cash flows attributable to the discontinued operations are as follows:-

| | The Group | |
|---|---|---|
| | **1.1.2013 to 30.6.2014 RM** | **1.1.2012 to 31.12.2012 RM** |
| Net cash from operating activities | 67,607 | 20,600 |
| Net cash for investing activities | (34,730) | (205,727) |
| Net cash (for)/from financing activities | (39,028) | 185,800 |
| Net cash (for)/from discontinued operations | (6,151) | 673 |

## 32. LOSS PER SHARE

The basic loss per share is arrived at by dividing the Group's loss attributable to shareholders by the following weighted average number of ordinary shares in issue during the financial period excluding treasury shares held by the Company.

| | The Group | |
|---|---|---|
| | **1.1.2013 to 30.6.2014 '000** | **1.1.2012 to 31.12.2012 '000** |
| **Continuing operations** | | |
| Loss attributable to owners of the Company (RM) | (20,632) | 1,272 |
| Weighted average number of ordinary shares:- | | |
| Issued ordinary shares at 1 January | 685,698 | 653,045 |
| Effect of private placement | - | 13,605 |
| Effect of employees' share option scheme | * | - |
| Weighted average number of ordinary shares at 31 December | 685,698 | 666,650 |
| Basic loss per share (Sen) | (3) | # |
| **Discontinued operations** | | |
| Loss attributable to owners of the Company (RM) | (97,777) | (63,386) |
| Weighted average number of ordinary shares at 31 December | 685,698 | 666,650 |
| Basic loss per share (Sen) | (14) | (9) |

* *represented amount less than RM1,000.*
\# *represented amount less than RM0.01.*

The diluted loss per share was not presented as there is an anti-dilutive effect arising from the assumed conversion of employees' share option and warrants.

# **NOTES TO THE** FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014
*continued*

**33. DISPOSAL OF A SUBSIDIARY**

In the previous financial year, the Company disposed of the following subsidiary:-

(a) Mobiliti One International Pte Ltd (formerly known as Packet One International Pte Ltd).

The fair values of the identifiable assets and liabilities of the subsidiary as at the date of disposal were:-

| | The Group | |
|---|---|---|
| | 30.6.2014 RM'000 | 31.12.2012 RM'000 |
| Current assets | - | 1,182 |
| Current liabilities | - | (2,158) |
| Fair value of net liabilities disposed | - | (976) |
| Non-controlling interests | - | 209 |
| Share of group's liabilities | - | (767) |
| Gain on disposal | - | 767 |
| Total disposal consideration | - | * |
| Cash and cash equivalent of subsidiary disposed | - | (29) |
| Net cash outflow on disposal of a subsidiary | - | (29) |

* *represented amount less than RM1,000.*

The effects of the disposal of the subsidiary on the financial results of the Group at the end of the previous financial year were as follows:-

| | The Group | |
|---|---|---|
| | 1.1.2013 to 30.6.2014 RM'000 | 1.1.2012 to 31.12.2012 RM'000 |
| Revenue | - | 248 |
| Loss after taxation | - | (349) |

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

## 34. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

| | The Group | | The Company | |
|---|---|---|---|---|
| | 30.6.2014 RM'000 | 31.12.2012 RM'000 | 30.6.2014 RM'000 | 31.12.2012 RM'000 |
| Cost of property, plant and equipment purchased | 25,387 | 139,966 | 373 | 278 |
| Amount financed through hire purchase | (91) | - | (91) | - |
| Cash disbursed for purchase of property, plant and equipment | 25,296 | 139,966 | 282 | 278 |

## 35. CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following:-

| | The Group | | The Company | |
|---|---|---|---|---|
| | 30.6.2014 RM'000 | 31.12.2012 RM'000 | 30.6.2014 RM'000 | 31.12.2012 RM'000 |
| Fixed deposits with licensed banks | | | | |
| - continuing operations | 3,681 | 4,434 | 3,681 | 1,224 |
| - discontinued operations | 10,000 | - | - | - |
| Cash and bank balances | | | | |
| - continuing operations | 36,093 | 51,769 | 24,810 | 35,698 |
| - discontinued operations | 4,482 | - | - | - |
| | 54,256 | 56,203 | 28,491 | 36,922 |
| Less: fixed deposits pledged with licensed bank | (10,000) | (1,224) | - | - |
| | 44,256 | 54,979 | 28,491 | 36,922 |

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

## 36. DIRECTORS' REMUNERATION

The aggregate amount of emoluments received and receivable by Directors of the Group and of the Company during the financial period/year are as follows:-

| | The Group | | The Company | |
|---|---|---|---|---|
| | 1.1.2013 to 30.6.2014 RM'000 | 1.1.2012 to 31.12.2012 RM'000 | 1.1.2013 to 30.6.2014 RM'000 | 1.1.2012 to 31.12.2012 RM'000 |
| **Directors Of The Company** | | | | |
| Executive directors: | | | | |
| - non-fee emoluments | 1,684 | 1,389 | 686 | 1,389 |
| Non-executive directors: | | | | |
| - fee | 358 | 266 | 331 | 248 |
| - allowances | 40 | 42 | 40 | 42 |
| | 2,082 | 1,697 | 1,057 | 1,679 |

Details of emoluments for the directors of the Group and of the Company received/receivable for the financial period/year in bands of RM50,000 are as follows:-

| | The Group | | The Company | |
|---|---|---|---|---|
| | 1.1.2013 to 30.6.2014 | 1.1.2012 to 31.12.2012 | 1.1.2013 to 30.6.2014 | 1.1.2012 to 31.12.2012 |
| Executive directors: | | | | |
| RM1,050,001 – RM1,100,000 | 1 | - | - | - |
| RM750,001 – RM800,000 | - | 1 | - | 1 |
| RM550,001 – RM600,000 | 1 | 1 | - | 1 |
| RM450,001 – RM500,000 | - | - | 1 | - |
| RM150,001 – RM200,000 | - | - | 1 | - |
| Non-executive directors: | | | | |
| Above RM50,000 | 3 | 3 | 3 | 2 |
| Below RM50,000 | 2 | 3 | 2 | 4 |
| | 7 | 8 | 7 | 8 |

No emoluments were paid to the alternate director holding office during the financial period/year.

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014
*continued*

## 37. SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Identities of related parties.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, key management personnel and entities within the same group of companies.

(b) Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following significant transactions with the related parties during the financial period/year:-

| | The Company | |
|---|---|---|
| | 1.1.2013 to 30.6.2014 RM'000 | 1.1.2012 to 31.12.2012 RM'000 |
| Sales to subsidiaries: | | |
| - GPNSPC | - | 2,269 |
| - PONSB | 7,310 | 6,579 |
| - GPA | 4,572 | 875 |
| - GPUS | 41 | 1,910 |
| Interest received/receivable from subsidiaries: | | |
| - PONSB | 217 | 2,854 |
| - NGT | - | 78 |
| - WESB | 1,801 | 2,060 |
| - Inova | 62 | (76) |
| Management fees received/receivable from subsidiaries | 7,332 | 9,836 |

| | The Group | | The Company | |
|---|---|---|---|---|
| | 1.1.2013 to 30.6.2014 RM'000 | 1.1.2012 to 31.12.2012 RM'000 | 1.1.2013 to 30.6.2014 RM'000 | 1.1.2012 to 31.12.2012 RM'000 |
| Key management personnel compensation: | | | | |
| - short-term employee benefits | 2,572 | 2,491 | 1,612 | 1,797 |
| - share-based payment | 468 | 77 | 468 | 62 |

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

## 38. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the management as its chief operating decision maker in order to allocate resources to segments and to assess their performance. For management purposes, the Group is organised into business units based on their products and services provided.

The Group is organised into 3 main business segments as follows:-

(i) Solutions group - Research, development, marketing and distribution of wireless networking and telecommunication products and solutions.

(ii) Broadband services - Provision of broadband network infrastructure, facilities and services.

(iii) Communications services - Provision of total communication services, solutions and products.

The management assesses the performance of the operating segments based on operating profit or loss which is measured differently from those disclosed in the consolidated financial statements.

Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Assets, liabilities and expenses which are common and cannot be meaningfully allocated to the operating segments are presented under unallocated items. Unallocated items comprise mainly investments and related income, loans and borrowings and related expenses, corporate assets (primarily the Company's headquarters) and head office expenses.

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

## 38. OPERATING SEGMENTS (cont'd)

BUSINESS SEGMENTS

| | Continuing operations | | Discontinued operations | |
|---|---|---|---|---|
| | Solutions Group RM'000 | Communication Services RM'000 | Broadband Services RM'000 | Group RM'000 |
| **30.6.2014** | | | | |
| **Revenue** | | | | |
| External revenue | 173,189 | 256,982 | 444,060 | 874,231 |
| Inter-segment revenue | 26,879 | - | - | 26,879 |
| | 200,068 | 256,982 | 444,060 | 901,110 |
| Consolidation adjustments and eliminations | | | | (26,879) |
| Consolidated revenue | | | | 874,231 |
| **Results** | | | | |
| Segment results | 17,721 | 9,112 | 61,782 | 88,615 |
| Interest income | 2,458 | 44 | 276 | 2,778 |
| Depreciation of property, plant and equipment | (3,259) | (1,007) | (131,076) | (135,342) |
| Other non-cash expenses (Note a) | (2,005) | - | (54,138) | (56,143) |
| | 14,915 | 8,149 | (123,156) | (100,092) |
| Finance costs | | | | (101,891) |
| Income tax expense | | | | (22,887) |
| Consolidated loss after taxation | | | | (224,870) |
| **Assets** | | | | |
| Segment assets | 104,594 | 42,045 | 760,700 | 907,339 |
| **Liabilities** | | | | |
| Segment liabilities | (38,170) | (31,515) | (793,112) | (862,797) |
| Deferred tax liabilities | | | | (2,595) |
| Provision for taxation | | | | (20,458) |
| Consolidated total liabilities | | | | (885,850) |

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014
*continued*

## 38. OPERATING SEGMENTS (cont'd)

BUSINESS SEGMENTS (cont'd)

| | Continuing operations | | Discontinued operations | |
|---|---|---|---|---|
| | Solutions Group RM'000 | Communication Services RM'000 | Broadband Services RM'000 | Group RM'000 |
| **31.12.2012** | | | | |
| **Revenue** | | | | |
| External revenue | 99,899 | 128,663 | 337,437 | 565,999 |
| Inter-segment revenue | 46,516 | - | - | 46,516 |
| | 146,415 | 128,663 | 337,437 | 612,515 |
| Consolidation adjustments and eliminations | | | | (46,516) |
| Consolidated revenue | | | | 565,999 |
| **Results** | | | | |
| Segment results | 27,938 | 3,157 | 31,904 | 62,999 |
| Interest income | 64 | - | 213 | 277 |
| Depreciation of property, plant and equipment | (3,910) | (630) | (79,317) | (83,857) |
| Other non-cash expenses (Note a) | (16,948) | - | (43,816) | (60,764) |
| | 7,144 | 2,527 | (91,016) | (81,345) |
| Finance costs | | | | (36,667) |
| Income tax expense | | | | (353) |
| Consolidated loss after taxation | | | | (118,365) |
| **Assets** | | | | |
| Segment assets/Consolidated total assets | 127,859 | 33,039 | 881,986 | 1,042,884 |
| **Liabilities** | | | | |
| Segment liabilities | (38,888) | (27,896) | (759,094) | (825,878) |
| Deferred tax liabilities | | | | (2,396) |
| Consolidated total liabilities | | | | (828,274) |

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014
*continued*

**38. OPERATING SEGMENTS (cont'd)**

BUSINESS SEGMENTS (cont'd)

(a) Other non-cash expenses consist of the following:-

| | The Group | |
|---|---|---|
| | 1.1.2013 to 30.6.2014 RM'000 | 1.1.2012 to 31.12.2012 RM'000 |
| Amortisation of:- | | |
| - Development costs | 7,289 | 8,335 |
| - Intellectual property | 2,771 | 2,280 |
| - Modems | 33,496 | 26,897 |
| Bad debts written off | 152 | - |
| Development costs written off | 6,648 | 9,770 |
| Impairment loss on goodwill | 346 | - |
| Impairment loss on trade receivables | 2,092 | 14,570 |
| Inventories written off | 597 | - |
| Share options to employees | 369 | (612) |
| (Gain)/loss on disposal of property, plant and equipment | (13,282) | 24 |
| Unrealised loss/(gain) on foreign exchange | 14,886 | (501) |
| Equipment written off | 779 | 1 |
| | 56,143 | 60,764 |

GEOGRAPHICAL INFORMATION

| | Revenue | | Non-current Assets | |
|---|---|---|---|---|
| | 1.1.2013 to 30.6.2014 RM'000 | 1.1.2012 to 31.12.2012 RM'000 | 30.6.2014 RM'000 | 31.12.2012 RM'000 |
| Continuing operations: | | | | |
| - Malaysia | 1,559 | 2,891 | 17,010 | 778,971 |
| - Outside Malaysia | 428,612 | 225,671 | 10,752 | 14,925 |
| | 430,171 | 228,562 | 27,762 | 793,896 |
| Discontinued operations: | | | | |
| - Malaysia | 444,060 | 337,437 | 588,736 | - |
| | 874,231 | 565,999 | 616,498 | 793,896 |

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

## 38. OPERATING SEGMENTS (cont'd)

MAJOR CUSTOMERS

The following are major external customers with revenue equal to or more than 10% of Group revenue:-

| | Revenue | | |
|---|---|---|---|
| | **1.1.2013 to 30.6.2014 %** | **1.1.2012 to 31.12.2012 %** | **Segment** |
| Top 5 external customers | 56% | 39% | Solutions group |
| Top 5 external customers | 57% | 59% | Communication services |

For broadband services, its customers are retail in nature, hence its customers profile is voluminous and each of them is small compared to the segment revenue.

## 39. CAPITAL COMMITMENTS

| | The Group | | The Company | |
|---|---|---|---|---|
| | **30.6.2014 RM'000** | **31.12.2012 RM'000** | **30.6.2014 RM'000** | **31.12.2012 RM'000** |
| Approved And Contracted For: | | | | |
| - Plant and equipment | 19,000 | 159,200 | - | 14 |
| - Inventories | 13,191 | 7,486 | 13,191 | 7,486 |
| Approved But Not Contracted For: | | | | |
| - Plant and equipment | 9,000 | 58,931 | - | - |

## 40. OPERATING LEASE COMMITMENTS

The future minimum lease payments under the non-cancellable operating leases are as follows:-

| | The Group | | The Company | |
|---|---|---|---|---|
| | **30.6.2014 RM'000** | **31.12.2012 RM'000** | **30.6.2014 RM'000** | **31.12.2012 RM'000** |
| Not more than one year | 17,291 | 19,307 | - | - |
| Later than one year and not later than five years | 27,388 | 34,470 | - | 4 |
| | 44,679 | 53,777 | - | 4 |

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

## 41. CONTINGENT LIABILITIES

(a) Corporate Guarantees

| | The Company | |
|---|---|---|
| | **30.6.2014** | **31.12.2012** |
| | **RM'000** | **RM'000** |
| Given to secure banking facilities granted to a wholly-owned subsidiary, GPLL | - | 119,700 |
| Given to ZTE Corporation on payment under the Supply Contract by a 55% owned subsidiary, PONSB | 199,634 | 131,000 |
| Given to IBM (Malaysia) Sdn Bhd for Leasing Facility granted to PONSB | - | 14,000 |
| Given to Malaysian Debt Ventures Berhad under the Murabahah Project Facility by a 55% owned subsidiary, PONSB | 100,000 | 100,000 |
| Given to Konsortium Jaringan Selangor Sdn Bhd under a payment settlement by PONSB | 1,562 | - |
| Given to Orix Rentec (Malaysia) Sdn Bhd under a master rental agreement by PONSB | 790 | - |
| Given to HP Facilities Services (Malaysia) Sdn Bhd under a master rental agreement by PONSB | 906 | - |

(b) PONSB, a 55% owned subsidiary of the Company has provided guarantees amounting to RM10,000,000 to the Malaysian Communications and Multimedia Commission ("MCMC") for the due performance of a "2.6GHz Broadband Wireless Access Spectrum Tender" by PONSB for all the terms and conditions of the apparatus assignment issued by MCMC.

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

## 42. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

### 42.1 FINANCIAL RISK MANAGEMENT POLICIES

The Group's policies in respect of the major areas of treasury activity are as follows:-

**(a) Market Risk**

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Ringgit Malaysia. The currencies giving rise to this risk are primarily United States Dollar ("USD") and Chinese Renminbi ("RMB"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

*Foreign currency exposure*

| **The Group** | **United States Dollar RM'000** | **Ringgit Malaysia RM'000** | **Chinese Renminbi RM'000** | **Others RM'000** | **Total RM'000** |
|---|---|---|---|---|---|
| **30.6.2014** | | | | | |
| **Financial Assets** | | | | | |
| Other investments | - | 135 | - | - | 135 |
| Trade receivables | 61,733 | 26,656 | - | 3,757 | 92,146 |
| Other receivables and deposits | 681 | 40,384 | 42 | 214 | 41,321 |
| Fixed deposits with licensed banks | - | 13,681 | - | - | 13,681 |
| Cash and bank balances | 11,742 | 4,393 | 23,073 | 1,367 | 40,575 |
| | 74,156 | 85,249 | 23,115 | 5,338 | 187,858 |

# **NOTES TO THE** FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014
*continued*

**42. FINANCIAL INSTRUMENTS (cont'd)**

42.1 FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

**(a) Market Risk (cont'd)**

(i) Foreign Currency Risk (cont'd)

*Foreign currency exposure (cont'd)*

| The Group | United States Dollar RM'000 | Ringgit Malaysia RM'000 | Chinese Renminbi RM'000 | Others RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **30.6.2014** | | | | | |
| **Financial Liabilities** | | | | | |
| Hire purchase payables | - | 627 | - | - | 627 |
| Borrowings | 163,710 | 201,567 | - | - | 365,277 |
| Trade payables | 1,024 | 47,772 | 230 | 20,796 | 69,822 |
| Other payables and accruals | 228,248 | 195,367 | 218 | 271 | 424,104 |
| Amount owing to related parties | - | 2,967 | - | - | 2,967 |
| | 392,982 | 448,300 | 448 | 21,067 | 862,797 |
| Net financial (liabilities)/assets | (318,826) | (363,051) | 22,667 | (15,729) | (674,939) |
| Less: Net financial liabilities denominated in the respective entities' functional currencies | - | 363,051 | - | - | 363,051 |
| Currency Exposure | (318,826) | - | 22,667 | (15,729) | (311,888) |

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014
*continued*

**42. FINANCIAL INSTRUMENTS (cont'd)**

42.1 FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

**(a) Market Risk (cont'd)**

(i) Foreign Currency Risk (cont'd)

*Foreign currency exposure (cont'd)*

| The Group | United States Dollar RM'000 | Ringgit Malaysia RM'000 | Chinese Renminbi RM'000 | Others RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **31.12.2012** | | | | | |
| **Financial Assets** | | | | | |
| Other investments | - | 135 | - | - | 135 |
| Trade receivables | 36,055 | 44,551 | 27 | 1,386 | 82,019 |
| Other receivables and deposits | 3,843 | 47,730 | 80 | 2,223 | 53,876 |
| Fixed deposits with licensed banks | - | 4,434 | - | - | 4,434 |
| Cash and bank balances | 8,755 | 4,559 | 33,857 | 4,598 | 51,769 |
| | 48,653 | 101,409 | 33,964 | 8,207 | 192,233 |
| **Financial Liabilities** | | | | | |
| Hire purchase payables | - | 833 | - | - | 833 |
| Borrowings | 177,469 | 251,768 | - | - | 429,237 |
| Trade payables | 9,415 | 36,928 | 218 | 11,777 | 58,338 |
| Other payables and accruals | 162,132 | 161,998 | 197 | 10,986 | 335,313 |
| Amount owing to related parties | - | 2,157 | - | - | 2,157 |
| | 349,016 | 453,684 | 415 | 22,763 | 825,878 |
| Net financial (liabilities)/assets | (300,363) | (352,275) | 33,549 | (14,556) | (633,645) |
| Less: Net financial liabilities denominated in the respective entities' functional currencies | - | 352,275 | - | - | 352,275 |
| Currency Exposure | (300,363) | - | 33,549 | (14,556) | (281,370) |

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014
*continued*

## 42. FINANCIAL INSTRUMENTS (cont'd)

42.1 FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

**(a) Market Risk (cont'd)**

(i) Foreign Currency Risk (cont'd)

*Foreign currency exposure (cont'd)*

| The Company | United States Dollar RM'000 | Ringgit Malaysia RM'000 | Chinese Renminbi RM'000 | Others RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **30.6.2014** | | | | | |
| **Financial Assets** | | | | | |
| Other investments | - | 135 | - | - | 135 |
| Trade receivables | 15,187 | 5,599 | - | - | 20,786 |
| Other receivables and deposits | - | 528 | - | - | 528 |
| Fixed deposits with licensed banks | - | 3,681 | - | - | 3,681 |
| Amount owing by subsidiaries | 858 | 18,904 | 353 | 4,142 | 24,257 |
| Cash and bank balances | 660 | 1,153 | 22,997 | - | 24,810 |
| | 16,705 | 30,000 | 23,350 | 4,142 | 74,197 |
| **Financial Liabilities** | | | | | |
| Hire purchase payables | - | 162 | - | - | 162 |
| Borrowings | - | 654 | - | - | 654 |
| Other payables and accruals | 4,567 | 23,762 | - | - | 28,329 |
| Trade payables | 6,663 | - | - | - | 6,663 |
| Amount owing by subsidiaries | - | 16,578 | - | 24,488 | 41,066 |
| Amount owing to related parties | - | 2,967 | - | - | 2,967 |
| | 11,230 | 44,123 | - | 24,488 | 79,841 |
| Net financial (liabilities)/assets | 5,475 | (14,123) | 23,350 | (20,346) | (5,644) |
| Less: Net financial liabilities denominated in the entity's functional currency | - | 14,123 | - | - | 14,123 |
| Currency Exposure | 5,475 | - | 23,350 | (20,346) | 8,479 |

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

**42. FINANCIAL INSTRUMENTS (cont'd)**

42.1 FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

**(a) Market Risk (cont'd)**

(i) Foreign Currency Risk (cont'd)

*Foreign currency exposure (cont'd)*

| The Company | United States Dollar RM'000 | Ringgit Malaysia RM'000 | Chinese Renminbi RM'000 | Others RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **31.12.2012** | | | | | |
| **Financial Assets** | | | | | |
| Other investments | - | 635,614 | - | - | 635,614 |
| Trade receivables | 16,712 | 11,820 | - | - | 28,532 |
| Other receivables and deposits | - | 260 | - | - | 260 |
| Fixed deposits with licensed banks | - | 1,224 | - | - | 1,224 |
| Amount owing by subsidiaries | 8,585 | 42,873 | - | - | 51,458 |
| Cash and bank balances | 1,117 | 351 | 33,857 | 373 | 35,698 |
| | 26,414 | 692,142 | 33,857 | 373 | 752,786 |
| **Financial Liabilities** | | | | | |
| Hire purchase payables | - | 263 | - | - | 263 |
| Borrowings | - | 10,498 | - | - | 10,498 |
| Other payables and accruals | - | 13,636 | - | - | 13,636 |
| Trade payables | 14,703 | 105 | - | - | 14,808 |
| Amount owing to subsidiaries | 26,729 | 33,001 | - | - | 59,730 |
| Amount owing to related parties | - | 2,157 | - | - | 2,157 |
| | 41,432 | 59,660 | - | - | 101,092 |
| Net financial (liabilities)/assets | (15,018) | 632,482 | 33,857 | 373 | 651,694 |
| Less: Net financial assets denominated in the entity's functional currency | - | (632,482) | - | - | (632,482) |
| Currency Exposure | (15,018) | - | 33,857 | 373 | 19,212 |

# **NOTES TO THE** FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014
*continued*

**42. FINANCIAL INSTRUMENTS (cont'd)**

42.1 FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

**(a) Market Risk (cont'd)**

(i) Foreign Currency Risk (cont'd)

*Foreign currency risk sensitivity analysis*

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:-

| | **The Group** | | **The Company** | |
|---|---|---|---|---|
| | **30.6.2014 RM'000** | **31.12.2012 RM'000** | **30.6.2014 RM'000** | **31.12.2012 RM'000** |
| **Effects On Loss After Taxation/ Equity** | | | | |
| USD/RM: | | | | |
| - strengthened by 5% | (11,956) | (11,264) | 205 | (563) |
| - weakened by 5% | 11,956 | 11,264 | (205) | 563 |
| RMB/RM: | | | | |
| - strengthened by 5% | 850 | 1,258 | 876 | 1,270 |
| - weakened by 5% | (850) | (1,258) | (876) | (1,270) |
| Others:- | | | | |
| - strengthened by 5% | (590) | (546) | (763) | 14 |
| - weakened by 5% | 590 | 546 | 763 | (14) |

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities. The Group's policy is to obtain the most favourable interest rates available. Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income.

Information relating to the Group's exposure to the interest rate risk of the financial liabilities is disclosed in Note 42.1(c) to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014
*continued*

**42. FINANCIAL INSTRUMENTS (cont'd)**

42.1 FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

**(a) Market Risk (cont'd)**

(ii) Interest Rate Risk

*Interest rate risk sensitivity analysis*

The following table details the sensitivity analysis to a reasonably possible change in the interest rates as at the end of the reporting period, with all other variables held constant:-

| | The Group | | The Company | |
|---|---|---|---|---|
| | 30.6.2014 RM'000 | 31.12.2012 RM'000 | 30.6.2014 RM'000 | 31.12.2012 RM'000 |
| **Effects On Profit After Taxation/ Equity** | | | | |
| Increase of 1 basis point | (5,920) | (5,734) | (5) | (79) |
| Decrease of 1 basis point | 5,920 | 5,734 | 5 | 79 |

(iii) Equity Price Risk

The Group does not have any quoted investments and hence is not exposed to equity price risk.

**(b) Credit Risk**

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including unquoted investments and cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

(i) Credit risk concentration profile

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

(ii) Exposure to credit risk

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the reporting period.

# **NOTES TO THE** FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014
*continued*

**42. FINANCIAL INSTRUMENTS (cont'd)**

42.1 FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

**(b) Credit Risk (cont'd)**

(ii) Exposure to credit risk (cont'd)

The exposure of credit risk for trade receivables (include amount owing by related parties and discontinued operations) by geographical region is as follows:-

| | The Group | | The Company | |
|---|---|---|---|---|
| | 30.6.2014 RM'000 | 31.12.2012 RM'000 | 30.6.2014 RM'000 | 31.12.2012 RM'000 |
| Malaysia | 45,139 | 36,860 | 5,599 | 11,820 |
| Outside Malaysia | 47,007 | 45,159 | 15,187 | 16,712 |
| | 92,146 | 82,019 | 20,786 | 28,532 |

(iii) Ageing analysis

The ageing analysis of the Group's trade receivables (include amount owing by related parties and discontinued operations) at the end of the reporting period is as follows:-

| The Group | Gross Amount RM'000 | Individual Impairment RM'000 | Collective Impairment RM'000 | Carrying Value RM'000 |
|---|---|---|---|---|
| **30.6.2014** | | | | |
| Not past due | 28,321 | - | - | 28,321 |
| Past due: | | | | |
| - less than 3 months | 13,207 | - | - | 13,207 |
| - 3 to 6 months | 26,843 | - | - | 26,843 |
| - over 6 months | 42,960 | - | (19,185) | 23,775 |
| | 111,331 | - | (19,185) | 92,146 |

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014
*continued*

**42. FINANCIAL INSTRUMENTS (cont'd)**

42.1 FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

**(b) Credit Risk (cont'd)**

(iii) Ageing analysis (cont'd)

The ageing analysis of the Group's trade receivables (include amount owing by related parties and discontinued operations) at the end of the reporting period is as follows (cont'd):-

| The Group | Gross Amount RM'000 | Individual Impairment RM'000 | Collective Impairment RM'000 | Carrying Value RM'000 |
|---|---|---|---|---|
| **31.12.2012** | | | | |
| Not past due | 34,669 | - | - | 34,669 |
| Past due: | | | | |
| - less than 3 months | 44,585 | - | - | 44,585 |
| - 3 to 6 months | 6,216 | - | (3,451) | 2,765 |
| - over 6 months | 13,642 | - | (13,642) | - |
| | 99,112 | - | (17,093) | 82,019 |

# **NOTES TO THE** FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014
*continued*

**42. FINANCIAL INSTRUMENTS (cont'd)**

42.1 FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

**(b) Credit Risk (cont'd)**

(iii) Ageing analysis (cont'd)

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

The collective impairment allowance is determined based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

*Trade receivables that are past due but not impaired*

The Group believes that no impairment allowance is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of default.

*Trade receivables that are neither past due nor impaired*

A significant portion of trade receivables that are neither past due nor impaired are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 60 days, which are deemed to have higher credit risk, are monitored individually.

**(c) Liquidity Risk**

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

**42. FINANCIAL INSTRUMENTS (cont'd)**

42.1 FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

**(c) Liquidity Risk (cont'd)**

The following table sets out the maturity profile of the financial liabilities (include discontinued operations) as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

| The Group | Weighted Average Effective Rate % | Carrying Amount RM'000 | Contractual Undiscounted Cash Flows RM'000 | Within 1 Year RM'000 | 1 – 5 Years RM'000 | Over 5 Years RM'000 |
|---|---|---|---|---|---|---|
| **30.6.2014** | | | | | | |
| Hire purchase payables | 6.12 | 627 | 751 | 301 | 450 | - |
| Borrowings | 1.92-18.00 | 365,277 | 636,342 | 30,526 | 26,436 | 579,380 |
| Trade payables | - | 69,822 | 69,822 | 69,822 | - | - |
| Other payables and accruals | 3.50 | 424,104 | 443,161 | 297,815 | 145,346 | - |
| Amount owing to related parties | - | 2,967 | 2,967 | 2,967 | - | - |
| | | 862,797 | 1,153,043 | 401,431 | 172,232 | 579,380 |
| **31.12.2012** | | | | | | |
| Hire purchase payables | 3.65 | 833 | 962 | 477 | 450 | 35 |
| Borrowings | 1.92-18.00 | 429,237 | 565,463 | 70,297 | 323,927 | 171,239 |
| Trade payables | - | 58,338 | 58,338 | 58,338 | - | - |
| Other payables and accruals | 3.50 | 335,313 | 371,204 | 317,099 | 54,105 | - |
| Amount owing to related parties | - | 2,157 | 2,157 | 2,157 | - | - |
| | | 825,878 | 998,124 | 448,368 | 378,482 | 171,274 |

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

**42. FINANCIAL INSTRUMENTS (cont'd)**

42.1 FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

**(c) Liquidity Risk (cont'd)**

The following table sets out the maturity profile of the financial liabilities (include discontinued operations) as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period)(cont'd):-

| The Company | Weighted Average Effective Rate % | Carrying Amount RM'000 | Contractual Undiscounted Cash Flows RM'000 | Within 1 Year RM'000 | 1 – 5 Years RM'000 | Over 5 Years RM'000 |
|---|---|---|---|---|---|---|
| **30.6.2014** | | | | | | |
| Hire purchase payables | 6.12 | 162 | 187 | 58 | 129 | - |
| Borrowings | 4.71 | 654 | 654 | 654 | - | - |
| Trade payables | - | 6,663 | 6,663 | 6,663 | - | - |
| Other payables | - | 28,329 | 28,329 | 28,329 | - | - |
| Amount owing to subsidiaries | - | 41,066 | 41,066 | 41,066 | - | - |
| Amount owing to related parties | - | 2,967 | 2,967 | 2,967 | - | - |
| | | 79,841 | 79,866 | 79,737 | 129 | - |
| **31.12.2012** | | | | | | |
| Hire purchase payables | 3.65 | 263 | 304 | 154 | 115 | 35 |
| Borrowings | 5.00 | 10,498 | 11,042 | 5,805 | 3,307 | 1,930 |
| Trade payables | - | 14,808 | 14,808 | 14,808 | - | - |
| Other payables | - | 13,636 | 13,636 | 13,636 | - | - |
| Amount owing to subsidiaries | - | 59,730 | 59,730 | 59,730 | - | - |
| Amount owing to related parties | - | 2,157 | 2,157 | 2,157 | - | - |
| | | 101,092 | 101,677 | 96,290 | 3,422 | 1,965 |

# **NOTES TO THE** FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014
*continued*

**42. FINANCIAL INSTRUMENTS (cont'd)**

42.2 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as total net borrowings from financial institutions divided by total equity.

There was a change in the net debt components to compute the debt-to-equity ratio during the financial period. In the previous financial year, net debt constituted total interest-bearing borrowings plus trade and other payables less cash and cash equivalents. In the current financial period, net debt constituted total interest-bearing borrowings less cash and cash equivalents.

The debt-to-equity ratio of the Group (include discontinued operations) as at the end of the reporting period was as follows:-

| | The Group | |
|---|---|---|
| | **30.6.2014** | **31.12.2012** |
| | **RM'000** | **RM'000** |
| Hire purchase payables | 627 | 833 |
| Borrowings | 365,277 | 429,237 |
| | 365,904 | 430,070 |
| Less: Fixed deposits with licensed banks | (13,681) | (4,434) |
| Less: Cash and bank balances | (40,575) | (51,769) |
| Net debt | 311,648 | 373,867 |
| Total equity | 21,489 | 214,610 |
| Debt-to-equity ratio | 14.50 | 1.74 |

Under the requirement of Bursa Malaysia Practice Note No. 17/2005 ("PN17"), the Company is required to maintain a consolidated shareholders' equity (total equity attributable to owners of the Company) equal to or not less than the 25% of the issued and paid-up share capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million.

The Company is also required by the external lenders to maintain financial covenant ratios. These financial covenant ratios have been fully complied with by the Company.

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

## 42. FINANCIAL INSTRUMENTS (cont'd)

### 42.2 CAPITAL RISK MANAGEMENT (cont'd)

As at the end of the reporting period, the consolidated shareholders' equity amounted to RM22.758 million, which is approximately 18% of the issued and paid-up share capital (excluding treasury shares). This has triggered paragraph 2.1(a) of the prescribed criteria of PN17. However, the Company has received a conditional deferment letter from Bursa Malaysia Berhad to assess paragraph 2.1(a) and 2.1(e) of the prescribed criteria of PN17 until the release of the Company's annual audited accounts for the 18-month financial period ended ("FPE") 30 June 2014 and the unaudited financial results for FPE 30 September 2014. Currently, the Company has complied with these listing requirements.

### 42.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

| | The Group | | The Company | |
|---|---|---|---|---|
| | 30.6.2014 RM'000 | 31.12.2012 RM'000 | 30.6.2014 RM'000 | 31.12.2012 RM'000 |
| **Financial Assets (include discontinued operations)** | | | | |
| Available-for-sale financial assets | | | | |
| Unquoted investments | 135 | 135 | 635,614 | 635,614 |
| Loans and receivables financial assets | | | | |
| Trade receivables | 92,146 | 82,019 | 20,786 | 28,532 |
| Other receivables and deposits | 41,321 | 53,876 | 528 | 260 |
| Amount owing by subsidiaries | - | - | 24,257 | 51,458 |
| Fixed deposits with licensed banks | 13,681 | 4,434 | 3,681 | 1,224 |
| Cash and bank balances | 40,575 | 51,769 | 24,810 | 35,698 |
| | 187,723 | 192,098 | 74,062 | 117,172 |
| **Financial Liabilities (include discontinued operations)** | | | | |
| Other financial liabilities | | | | |
| Hire purchase payables | 627 | 833 | 162 | 263 |
| Borrowings | 365,277 | 429,237 | 654 | 10,498 |
| Trade payables | 69,822 | 58,338 | 6,663 | 14,808 |
| Other payables and accruals | 424,104 | 335,313 | 28,329 | 13,636 |
| Amount owing to subsidiaries | - | - | 41,066 | 59,730 |
| Amount owing to related parties | 2,967 | 2,157 | 2,967 | 2,157 |
| | 862,797 | 825,878 | 79,841 | 101,092 |

# **NOTES TO THE** FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014
*continued*

**42. FINANCIAL INSTRUMENTS (cont'd)**

42.4 FAIR VALUE INFORMATION

Other than those disclosed below, the fair values of the financial assets and financial liabilities maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments.

| | Fair Value Of Financial Instruments Carried At Fair Value | | | Fair Value Of Financial Instruments Not Carried At Fair Value | | | Total Fair Value | Carrying Amount |
|---|---|---|---|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Level 1** | **Level 2** | **Level 3** | | |
| **The Group** | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **30.6.2014** | | | | | | | | |
| Financial Liabilities | | | | | | | | |
| Other payables | - | - | - | - | - | - | # | 424,104 |
| Hire purchase payables | - | - | - | - | 627 | - | 627 | 627 |
| Borrowings | - | - | - | - | 365,277 | - | 365,277 | 365,277 |

| | Fair Value Of Financial Instruments Carried At Fair Value | | | Fair Value Of Financial Instruments Not Carried At Fair Value | Total Fair Value | Carrying Amount |
|---|---|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Level *** | | |
| **The Group** | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **31.12.2012** | | | | | | |
| Financial Liabilities | | | | | | |
| Other payables | - | - | - | - | # | 335,313 |
| Hire purchase payables | - | - | - | 833 | 833 | 833 |
| Borrowings | - | - | - | 429,237 | 429,237 | 429,237 |

* Comparative fair value information is not presented by levels, by virtue of the exemption given in MFRS 13.

# The fair value cannot be reliably measured using valuation technique due to lack of marketability of the unquoted shares.

# **NOTES TO THE** FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014

*continued*

**42. FINANCIAL INSTRUMENTS (cont'd)**

42.4 FAIR VALUE INFORMATION (cont'd)

Other than those disclosed below, the fair values of the financial assets and financial liabilities maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments.

| | Fair Value Of Financial Instruments Carried At Fair Value | | | Fair Value Of Financial Instruments Not Carried At Fair Value | | | Total Fair Value | Carrying Amount |
|---|---|---|---|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Level 1** | **Level 2** | **Level 3** | | |
| **The Company** | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **30.6.2014** | | | | | | | | |
| Financial Asset | | | | | | | | |
| Unquoted investments | - | - | - | - | - | - | # | 635,614 |
| Financial Liability | | | | | | | | |
| Hire purchase payables | - | - | - | - | 162 | - | 162 | 162 |

| | Fair Value Of Financial Instruments Carried At Fair Value | | | Fair Value Of Financial Instruments Not Carried At Fair Value | Total Fair Value | Carrying Amount |
|---|---|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Level *** | | |
| **The Company** | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **31.12.2012** | | | | | | |
| Financial Asset | | | | | | |
| Unquoted investments | - | - | - | - | # | 635,614 |
| Financial Liabilities | | | | | | |
| Hire purchase payables | - | - | - | 263 | 263 | 263 |
| Borrowings | - | - | - | 10,498 | 10,498 | 10,498 |

* Comparative fair value information is not presented by levels, by virtue of the exemption given in MFRS 13.

# The fair value cannot be reliably measured using valuation technique due to lack of marketability of the unquoted shares.

# **NOTES TO THE** FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014
*continued*

## 42. FINANCIAL INSTRUMENTS (cont'd)

42.4 FAIR VALUE INFORMATION (cont'd)

(a) The fair values above are for disclosure purposes and have been determined using the following basis:-

(i) The fair values hire purchase payable and borrowings are determined by discounting the relevant cash flows using interest rates for similar instruments at the end of the reporting period. The interest rates used to discount the estimated cash flows are as follows:-

| | The Group | | The Company | |
|---|---|---|---|---|
| | 30.6.2014 | 31.12.2012 | 30.6.2014 | 31.12.2012 |
| | % | % | % | % |
| Hire purchase payables | 4.28 | 4.05 | 6.12 | 4.95 |
| Borrowings | 1.92 - 18.00 | 1.92 - 18.00 | 4.71 | 3.22 - 5.00 |

## 43. SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

Significant events during the financial period are as follows:-

(a) The Company granted 8.0 million new share options at the offer price of RM0.30 each to eligible employees and directors of the Company and its subsidiaries under its Employees' Share Option Scheme ("ESOS").

(b) WESB disposed of a parcel of leasehold land together with a 12 ½ storey office building ("Property") for a total cash consideration of RM49.0 million. The transaction was completed on 28 January 2014 in accordance with the terms of the Sale and Purchase Agreement.

(c) The Company entered into a software agreement with Green Packet Inc ("GPI") on 30 June 2014 to obtain all its rights, interests, legal and/or beneficial copyright ownership of the GP Base Software and all intellectual property related therein for a total cash consideration of approximately RM4.0 million.

(d) PONSB allotted and issued up to 228 new Class C Irredeemable Convertible Preference Shares of RM0.10 each at an issue price of RM329.68 per new share to SK Telecom Co. Ltd as payment for the consultancy services provided by SKT Telekom Co. Ltd amounting to USD23,560.

(e) During the financial period, Company is required to acquire all of PONSB Class B Irredeemable Convertible Preference Shares of RM0.10 each ("Class B ICPS"), as Intel Capital Corporation ("Intel") has exercised its right to exchange the RM50 million Guaranteed Redeemable Convertible Exchangeable Bonds ("GCEB") into Class B ICPS, for a total cash consideration of RM60 million ("Purchase Consideration").

Intel was duly registered as a shareholder of PONSB on 26 November 2012. Thereafter, Intel exercised its right under the Put Option and Tag-Along Right Agreement ("POTA") requiring payment of the Purchase Consideration from the Company on 26 November 2012.

# **NOTES TO THE** FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014
*continued*

## 43. SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD (cont'd)

Significant events during the financial period are as follows (cont'd):-

(e) Intel has extracted the Writ on 31 July 2013, which was only served on the Company on 27 September 2013 claiming that under the POTA, the Company is committed to purchase all of its 200,000 units of Class B ICPS.

On 1 April 2014, the Court delivered it's judgement and ordered the Company to pay Intel, the Option Exercise Price of RM60.0 million together with the interest of 1.5% per month compounded monthly from 28 November 2012 until the date of full settlement less RM3,291,500.00 which was paid on 21 August 2013, (90) days from the date of the Court's decision. Upon receipt of the full amount, 200,000 Class B Irredeemable Convertible Preference Shares of RM0.10 ("Option Shares") are to be transferred to the Company.

As at the end of the reporting period, the liability was fully provided for by the Company.

On 30 September 2014, the judgement obtained by Intel has been satisfied in full.

## 44. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 27 March 2014, the Company entered into a conditional investment agreement ("Investment Agreement") with Mobikom Sdn Bhd ("Mobikom"), a wholly-owned subsidiary of Telekom Malaysia Berhad ("TM"), SK Telecom Co. Ltd. ("SKT"), Packet One Sdn Bhd ("POSB"), TM and Packet One Networks (Malaysia) Sdn Bhd ("PONSB"), for, amongst others, the subscription by Mobikom of new ordinary shares of RM1.00 in PONSB ("PON Shares") for a total subscription consideration of RM350.0 million.

On 27 March 2014, POSB had entered into a Conditional Share Sale Agreement with the minority shareholders of PONSB for the acquisition of an aggregate of 450,000 ordinary shares of RM1.00 in PONSB for a total cash consideration of RM30.0 million.

In addition, in accordance with the Investment Agreement, the following will be undertaken:-

(a) Internal restructuring of PONSB involving the following:-

    (i) Conversion of PONSB's Class A Islamic Irredeemable Convertible Preference Shares of RM0.10 each ("ICPS"), Class B ICPS and Class C Islamic ICPS into new PON Shares;

    (ii) Capitalisation of PONSB's capital reserve account for new PON Shares to be credited as issued and fully paid-up to the Company and SKT; and

    (iii) Capitalisation of a portion of PONSB's share premium account for new PON Shares to be credited as issued and fully paid-up to POSB and Mobikom.

(b) Issuance by the Company up to RM210.0 million of nominal value of eight (8)-year redeemable exchangeable medium term notes (MTNs) to Mobikom Sdn Bhd in tranches.

# **NOTES TO THE** FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014
*continued*

**44. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD (cont'd)**

In addition, in accordance with the Investment Agreement, the following will be undertaken (cont'd):-

(c) Issuance of up to 1.65 billion of nominal value of convertible MTNs by PONSB to Mobikom, SKT, POSB and/or their respective affiliates in tranches, of which POSB and/or its affiliates will be entitled to subscribe for up to RM247.5 million of nominal value of the convertible MTNs.

Subsequently, on 7 August 2014, the shareholders of the Company at an Extraordinary General Meeting approved the abovementioned corporate exercise.

On 30 September 2014, all the precedent conditions laid out in the Investment Agreement had been fulfilled.

If the dilution had taken place at the end of the current financial period, the summarised consolidated statement of financial position of the Group would be as follows:-

| | **The Group 30.6.2014 RM'000** |
|---|---|
| **ASSETS** | |
| Non-Current Assets | 212,843 |
| Current Assets | 144,196 |
| Total Assets | 357,039 |
| **EQUITY AND LIABILITIES** | |
| **EQUITY** | |
| Share Capital | 138,082 |
| Treasury Shares | (11,389) |
| Reserves | 44,758 |
| Equity attributable to owner of the Company | 171,451 |
| Non-Controlling Interest | (813) |
| Total Equity | 170,638 |
| **LIABILITIES** | |
| Non-current Liabilities | 122,708 |
| Current Liabilities | 63,693 |
| Total Liabilities | 186,401 |
| Total Equity and Liabilities | 357,039 |

# **NOTES TO THE** FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2014
*continued*

## 45. COMPARATIVE FIGURES

The Company and its subsidiaries have changed their financial year end from 31 December to 30 June. Accordingly, the financial statements of the Group and the Company for the financial period ended 30 June 2014 cover a 18 month period from 1 January 2013 to 30 June 2014 as compared to 12 month period from 1 January 2012 to 31 December 2012.

## 46. SUPPLEMENTARY INFORMATION – DISCLOSURE OF REALISED AND UNREALISED PROFITS/LOSSES

The breakdown of the retained profits/(accumulated losses) of the Group and of the Company as at the end of the reporting period into realised and unrealised profits/(losses) are presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, as follows:-

| | The Group | | The Company | |
|---|---|---|---|---|
| | 30.6.2014 RM'000 | 31.12.2012 RM'000 | 30.6.2014 RM'000 | 31.12.2012 RM'000 |
| Total (accumulated losses)/ retained profits of the Company and its subsidiaries: | | | | |
| - realised | (907,410) | (617,175) | (56,594) | 1,821 |
| - unrealised | (17,447) | (1,895) | (556) | 7,782 |
| | (924,857) | (619,070) | (57,150) | 9,603 |
| Less: Consolidation adjustments | 390,466 | 203,088 | - | - |
| At 30.6.2014/31.12.2012 | (534,391) | (415,982) | (57,150) | 9,603 |

# **ANALYSIS OF** SHAREHOLDINGS

AS AT 15 OCTOBER 2014

| | | |
|---|---|---|
| Authorised Share Capital | : | RM400,000,000 of 2,000,000,000 ordinary shares of RM0.20 each |
| Issued and Paid-up Share Capital | : | RM138,089,343.80 comprising of 690,446,719 ordinary shares of RM0.20 each |
| Voting Rights | : | Every member of the Company, present in person or by proxy or attorney or authorised representative, shall have on a show of hands, one vote or on a poll, one vote for each share held |

## DISTRIBUTION OF SHAREHOLDINGS

| Range of shareholdings | No. of shareholders | % of shareholders | Total shareholdings | % of shareholdings# |
|---|---|---|---|---|
| 1- 99 | 192 | 2.13 | 8,198 | 0.00˜ |
| 100-1,000 | 690 | 7.67 | 531,396 | 0.08 |
| 1,001-10,000 | 4,082 | 45.37 | 24,193,923 | 3.53 |
| 10,001-100,000 | 3,460 | 38.45 | 122,711,013 | 17.89 |
| 100,001-34,286,949 | 572 | 6.36 | 298,532,514 | 43.54 |
| 34,286,950* and above | 2 | 0.02 | 239,761,975 | 34.96 |
| Total | 8,998 | 100.00 | 685,739,019 | 100.00 |

Notes:

˜ *Negligible*

* *5% of the issued share capital*

\# *Excludes 4,707,700 ordinary shares held as treasury shares*

## LIST OF THIRTY LARGEST REGISTERED SHAREHOLDINGS

| | Name | No. of shares | % of shareholdings# |
|---|---|---|---|
| 1. | Affin Hwang Nominees (Asing) Sdn Bhd<br>HDM Capital Sdn Bhd for Green Packet Holdings Ltd | 131,000,000 | 19.10 |
| 2. | OSK Technology Ventures Sdn Bhd | 108,761,975 | 15.86 |
| 3. | Gemtek Technology Co., Ltd | 26,273,280 | 3.83 |
| 4. | Lembaga Tabung Haji | 12,708,050 | 1.85 |
| 5. | Green Packet Holdings Ltd. | 10,000,000 | 1.46 |
| 6. | Citigroup Nominees (Asing) Sdn Bhd<br>Exempt an for UBS AG Hong Kong (Foreign) | 7,491,300 | 1.09 |

# **ANALYSIS OF** SHAREHOLDINGS
AS AT 15 OCTOBER 2014
*continued*

## LIST OF THIRTY LARGEST REGISTERED SHAREHOLDINGS

| | Name | No. of shares | % of shareholdings# |
|---|---|---|---|
| 7. | Norlita Binti Mohd Tahir | 6,500,000 | 0.95 |
| 8. | Chang, Jin-yi | 6,379,000 | 0.93 |
| 9. | Tang Kok Heng | 4,684,700 | 0.68 |
| 10. | Daniel Tang Chi Kuan | 4,323,700 | 0.63 |
| 11. | Ng Ying Loong | 3,990,000 | 0.58 |
| 12. | Tang Jo Ying | 3,927,000 | 0.57 |
| 13. | Citigroup Nominees (Asing) Sdn Bhd<br>CBNY for DFA Emerging Markets Small Cap Series | 3,430,800 | 0.50 |
| 14. | HSBC Nominees (Tempatan) Sdn Bhd<br>HSBC (M) Trustee Bhd for Manulife Investment Progress Fund (4082) | 3,363,200 | 0.49 |
| 15. | Tang Chi Hoong Darren | 3,297,700 | 0.48 |
| 16. | RHB Capital Nominees (Tempatan) Sdn Bhd<br>Pledge securities account for Fong Loong Tuck (CEB) | 3,215,000 | 0.47 |
| 17. | Tang Jo Ying | 2,940,300 | 0.43 |
| 18. | Citigroup Nominees (Asing) Sdn Bhd<br>CBNY for emerging market core equity portfolio DFA Investment Dimensions Group Inc | 2,607,500 | 0.38 |
| 19. | Hong Kea Choon | 2,550,000 | 0.37 |
| 20. | RHB Nominees (Tempatan) Sdn Bhd<br>Pledged securities account for Lee Ngee Moi | 2,471,400 | 0.36 |
| 21. | Nora Ee Siong Chee | 2,437,300 | 0.36 |
| 22. | Yap Choi Nga | 2,165,000 | 0.32 |
| 23. | Public Nominees (Asing) Sdn Bhd<br>Pledged securities account for Tan Chee Wee (E-JBU) | 2,120,000 | 0.31 |
| 24. | Alliancegroup Nominees (Tempatan) Sdn Bhd<br>Pledged securities account for Ong Hock Keng | 2,039,000 | 0.30 |
| 25. | Kenanga Nominees (Tempatan) Sdn Bhd<br>Pledged securities account for Ang Piang Kok (001) | 2,003,100 | 0.29 |
| 26. | Citigroup Nominees (Tempatan) Sdn Bhd<br>Pledged securities account for Kok Onn (474131) | 2,000,000 | 0.29 |
| 27. | Kenanga Nominees (Tempatan) Sdn Bhd<br>Pledged securities account for Leong Kam Chee (002) | 2,000,000 | 0.29 |
| 28. | RHB Nominees (Tempatan) Sdn Bhd<br>Pledged securities account for Lee Thiam Loy | 1,800,000 | 0.26 |
| 29. | Ng Pei-Theng, Caryn | 1,775,000 | 0.26 |
| 30. | Public Nominees (Tempatan) Sdn Bhd<br>Pledged securities account for Ong Yew Beng (E-SJA) | 1,729,800 | 0.25 |

# **ANALYSIS OF** SHAREHOLDINGS
AS AT 15 OCTOBER 2014
*continued*

According to the Register of Substantial Shareholders required to be kept under Section 69L of the Companies Act, 1965, the substantial shareholders of the Company are as follows:

| | Direct | | Indirect | | | |
|---|---|---|---|---|---|---|
| **Shareholders** | **No. of shares** | **%#** | **No. of shares** | **%#** | **Total interest** | **%#** |
| Green Packet Holdings Ltd | 141,000,000 | 20.56 | - | - | - | - |
| OSK Technology Ventures Sdn Bhd | 108,761,975 | 15.86 | - | - | - | - |
| Puan Chan Cheong | 425,295 | 0.06 | 141,000,000 | 20.56[1] | 141,425,295 | 20.62 |
| Tan Sri Dato' Kok Onn | 2,000,000 | 0.29 | 141,000,000 | 20.56[1] | 143,000,000 | 20.85 |
| OSK Ventures International Berhad | - | - | 108,761,975 | 15.86[2] | - | - |
| OSK Equity Holdings Sdn Bhd | - | - | 108,761,975 | 15.86[3] | - | - |
| Tan Sri Ong Leong Huat@ Wong Joo Hwa | - | - | 108,761,975 | 15.86[4] | - | - |

According to the register required to be kept under Section 134 of the Companies Act, 1965, the Directors' Interest in the shares and share options of the Company and its related companies are as follows:

| | Direct | | Indirect | |
|---|---|---|---|---|
| **Directors** | **No. of shares** | **%#** | **No. of shares** | **%#** |
| Puan Chan Cheong | 425,295 | 0.06 | 141,000,000[1] | 20.56 |
| Tan Sri Dato' Kok Onn | 2,000,000 | 0.29 | 141,000,000[1] | 20.56 |
| Boey Tak Kong | 750,000 | 0.11 | - | - |

| **Directors** | **Number of share options over ordinary shares of RM0.20 each** |
|---|---|
| Tan Sri Datuk Dr. Haji Omar bin Abdul Rahman | 252,041 |
| Puan Chan Cheong | 4,686,550 |
| Tan Kay Yen | 3,379,296 |
| Tan Sri Dato' Kok Onn | 277,875 |
| Boey Tak Kong | 226,207 |
| A. Shukor Bin S.A. Karim | 120,000 |

Other than disclosed above, none of the other Directors hold any shares and share options in the Company or its related companies.

Notes:
1 Deemed interested by virtue of their substantial shareholdings in Green Packet Holdings Ltd.
2 Deemed interested through its wholly owned subsidiary, OSK Technology Ventures Sdn Bhd.
3 Deemed interested by virtue of its substantial shareholdings in OSK Ventures International Berhad, the holding company of OSK Technology Ventures Sdn Bhd.
4 Deemed interested by virtue of his substantial shareholdings in OSK Ventures International Berhad, the holding company of OSK Technology Ventures Sdn Bhd.

# **NOTICE OF** ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Thirteenth Annual General Meeting of the Company will be held at The Auditorium, Level 11, Packet Hub, 159, Jalan Templer, 46050 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 10 December 2014 at 10:00 a.m. for the purposes:

**AGENDA**

**Ordinary Business**

1. To receive the Audited Financial Statements for the financial period from 1 January 2013 to 30 June 2014, together with the Reports of the Directors and the Auditors thereon. **(Refer to Explanatory Note A)**

2. To approve payment of Directors' fee of RM330,750/- for the financial period ended 30 June 2014. **(Resolution 1)**

3. To re-elect Mr. Puan Chan Cheong who retires in accordance with the Company's Articles of Association. **(Resolution 2)**

4. To re-elect Mr. Boey Tak Kong who retires in accordance with the Company's Articles of Association and has served as an Independent Non-Executive Director for a cumulative term of more than nine (9) years, to continue to serve as an Independent Non-Executive Director of the Company. **(Resolution 3)**

5. To re-appoint Tan Sri Datuk Dr. Haji Omar Bin Abdul Rahman who retires in accordance with Section 129 of the Companies Act, 1965 and has served as an Independent Non-Executive Director for a cumulative term of more than nine (9) years, to continue to serve as an Independent Non-Executive Director of the Company. **(Resolution 4)**

6. To elect Mr. Tan Kay Yen who retires in accordance to Article 92 of the Company's Articles of Association. **(Resolution 5)**

7. To appoint Auditors and to authorize the Directors to fix their remuneration. **(Resolution 6)**

**Special Business**

To consider and if thought fit, pass the following Ordinary Resolutions:

8. **Proposed authority to grant options to the Chief Executive Officer and Executive Director, Mr. Tan Kay Yen**

   "THAT the Directors of the Company be and are hereby authorized at any time, and from time to time, to offer and grant to Mr. Tan Kay Yen, the Chief Executive Officer and Executive Director of the Company, options to subscribe for new shares of RM0.20 each in the Company (Green Packet Shares) under the Employees' Share Options Scheme (ESOS or the Scheme) at an option price to be determined on the Offer Date;

   PROVIDED THAT:

   (i) the aggregate allocation to the Eligible Directors of the Company and senior management of the Green Packet Group, save for companies which are dormant, shall not exceed fifty percent (50%) of the new Green Packet Shares available under the Scheme; and

# **NOTICE OF** ANNUAL GENERAL MEETING
*continued*

8. PROVIDED THAT:

   (ii) the allocation to any Eligible Person who, either singly or collectively, through persons connected to him (as defined in Paragraph 1.01 of the Listing Requirements of Bursa Malaysia Securities Berhad), holds twenty percent (20%) or more of the issued and paid-up share capital of the Company, shall not exceed ten percent (10%) of the new Green Packet Shares available under the Scheme.

   Subject always to such terms and conditions and/or any adjustments which may be made in accordance with the provisions of the By-Laws of the Scheme." **(Resolution 7)**

9. **Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965**

   "THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorized to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed 10% of the issued and paid-up share capital (excluding treasury shares) of the Company at the time of issue and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued, subject to the Companies Act, 1965, the Articles of Association of the Company and approval from the Bursa Malaysia Securities Berhad and other relevant regulatory authorities where such approval is necessary." **(Resolution 8)**

BY ORDER OF THE BOARD
Tai Siew May (MAICSA 7015823)
Company Secretary

Petaling Jaya, Selangor
18 November 2014

**Notes :**

1. *A member entitled to attend and vote at this meeting is entitled to appoint proxy/proxies to attend and vote in his stead but his attendance shall automatically revoke the proxy's authority. A proxy may but need not be a member of the Company. If the proxy is not a member of the Company, he need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.*

2. *A member shall be entitled to appoint up to three (3) proxies to vote at the same meeting. 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.*

3. *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint at least one (1) proxy but limited to three (3) proxies in respect of each Securities Account it holds with Securities of the Company standing to the credit of the said Securities Account.*

4. *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. An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of the SICDA.*

# **NOTICE OF** ANNUAL GENERAL MEETING
*continued*

**Notes (cont'd) :**

5. *The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing and if the appointer is a corporation/company, either under its common seal or the hands of its attorney.*

6. *The instrument appointing a proxy must be deposited at the Registered Office of the Company at Packet Hub, 159, Jalan Templer, 46050 Petaling Jaya, Selangor not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.*

7. *For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn Bhd in accordance to Article 53 of the Articles of Association of the Company and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, a Record of Depositors as at 2 December 2014. Only a Depositor whose name appears on the Record of Depositors as at 2 December 2014 shall be entitled to attend this meeting or appoint proxies to attend, speak and vote on his / her behalf.*

## EXPLANATORY NOTE A

The Audited Financial Statements 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 for the Audited Financial Statements. Hence, this item is not put forward for voting.

## EXPLANATORY NOTES ON SPECIAL BUSINESS:

1. The Resolution 7, if passed will allow the aforesaid Director to participate in the Company's ESOS in accordance with the provisions of the By-Laws of the Scheme. For further information of the Scheme, please refer to the Directors' Report.

2. The Resolution 8, if passed, will empower the Directors of the Company to issue shares up to 10% of the total issued share capital (excluding treasury shares) of the Company at the time of such issuance of shares and for such purposes as they consider would be in the best interest of the Company without having to convene separate general meetings.

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

   This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company. As at the date of this Notice, no new ordinary shares were issued under this mandate granted to the Directors at the Twelfth Annual General Meeting.

## STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

Further details of individuals standing for election and re-appointment as Directors are set out in the Board of Directors Profile and Analysis of Shareholdings on page 12 to 16 and 161 respectively of this Annual Report.

All Independent Non-Executive Directors have completed their annual assessment. The review result by the Nomination Committee was submitted to the Board for approval. The Board was satisfied with the annual assessment of all the Independent Non-Executive Directors conducted by the Nomination Committee.

# **Form of** Proxy

**GREEN PACKET BERHAD**
(534942-H)
(Incorporated in Malaysia under
the Companies Act, 1965)

greenpacket
always best connected

I/We ______________________________ NRIC/Passport/Company No. ________________ Tel: _______________

of ______________________________________________________________________________________________

being a Shareholder of the Company, hereby appoint *THE CHAIRMAN OF THE MEETING or failing him:

| Name | Address | NRIC/ Passport No. | Proportion of Shareholdings (%) |
|---|---|---|---|
| 1. | | | |
| * And/or (delete as appropriate) | | | |
| 2. | | | |
| * And/or (delete as appropriate) | | | |
| 3. | | | |

as my/our proxy/proxies, to vote for me/us on my/our behalf at the Thirteenth Annual General Meeting of the Company to be held at The Auditorium, Level 11, Packet Hub, 159, Jalan Templer, 46050 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 10 December 2014 at 10.00 a.m. or at any adjournment thereof.

* *If you wish to appoint other person/persons to be your proxy/proxies, kindly delete the words "The Chairman of the Meeting or failing him" and insert the name/names of the person/persons desired.*

My/our proxy/proxies is/are to vote as indicated below:

| NO. | ORDINARY RESOLUTIONS | FOR | AGAINST |
|---|---|---|---|
| 1. | To approve the payment of Directors' fee. | | |
| 2. | To re-elect Mr. Puan Chan Cheong as Director. | | |
| 3. | To re-elect Mr. Boey Tak Kong as Director. | | |
| 4. | To re-appoint Tan Sri Datuk Dr. Haji Omar Bin Abdul Rahman as Director. | | |
| 5. | To elect Mr. Tan Kay Yen as Director. | | |
| 6. | To appoint Auditors of the Company and authorise the Directors to fix their remuneration. | | |
| 7. | Proposed Authority to Grant Options to Mr. Tan Kay Yen | | |
| 8. | Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965. | | |

(Please indicate with a cross (X) in the space provided, how you wish your vote to be cast in respect of the above resolutions. If you do not do so, the proxy may vote or abstain at his/her discretion.)

Dated this __________ day of __________ 2014.

| | |
|---|---|
| Number of share held: | |
| CDS Account No.: | |

______________________________
Signature/Common Seal of Shareholder

**Notes:**

1. A member entitled to attend and vote at this meeting is entitled to appoint proxy/proxies to attend and vote in his stead but his attendance shall automatically revoke the proxy's authority. A proxy may but need not be a member of the Company. If the proxy is not a member of the Company, he need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.
2. A member shall be entitled to appoint up to three (3) proxies to vote at the same meeting. 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.
3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint at least one (1) proxy but limited to three (3) proxies in respect of each Securities Account it holds with Securities of the Company standing to the credit of the said Securities Account.
4. 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. An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of the SICDA.
5. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing and if the appointer is a corporation/ company, either under its common seal or the hands of its attorney.
6. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Packet Hub, 159, Jalan Templer, 46050 Petaling Jaya, Selangor not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.
7. For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn Bhd in accordance to Article 53 of the Articles of Association of the Company and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, a Record of Depositors as at 2 December 2014. Only a Depositor whose name appears on the Record of Depositors as at 2 December 2014, shall be entitled to attend this meeting or appoint proxies to attend, speak and vote on his / her behalf.

Fold here

Stamp

The Company Secretary

**GREEN PACKET BERHAD**
(534942-H)

PACKET HUB
159, JALAN TEMPLER
46050 PETALING JAYA
SELANGOR DARUL EHSAN

Fold here

www.greenpacket.com