ExcelForce
MSC Berhad
www.excelforce.com.my

MSC MALAYSIA
Spearheading Transformation

TECHNOLOGY
that moves you

2016
ANNUAL REPORT

CONTENTS

OUR MISSION

To optimise our resources to focus on expansion and growth.
To be in the forefront of promoting the latest technology.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifteenth Annual General Meeting of the Company will be held at TA-13-1, Level 13, Tower A, Plaza 33, No. 1, Jalan Kemajuan, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan on Friday, 19 May 2017 at 2:30 p.m. for the following purposes:

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2016 and the Reports of the Directors and the Auditors thereon. **(Please refer to Note 1)**

2. To approve the payment of Directors' fees for the financial year ended 31 December 2016. **(ORDINARY RESOLUTION 1)**

3. To approve the payment of Directors' fees and benefits up to RM624,000.00 from 1 January 2017 until next Annual General Meeting of the Company. **(ORDINARY RESOLUTION 2)**

4. To re-elect the following Directors retiring in accordance with the Company's Articles of Association:-

a)	Ng Kim Huat	- Article 103	**(ORDINARY RESOLUTION 3)**
b)	Lok Choon Hong	- Article 103	**(ORDINARY RESOLUTION 4)**
c)	Wong Kok Chau	- Article 110	**(ORDINARY RESOLUTION 5)**
d)	Dato' Dr. Norraesah Binti Haji Mohamad	- Article 110	**(ORDINARY RESOLUTION 6)**

5. To appoint Messrs. UHY as Auditors of the Company in place of the retiring Auditors, Messrs. BDO and to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to fix the Auditors' remuneration. **(ORDINARY RESOLUTION 7)**

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary Resolutions:-

6. **AUTHORITY TO ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016**

"THAT, subject always to the Companies Act, 2016, the Articles of Association of the Company and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered, pursuant to Sections 75 and 76 of the Companies Act, 2016, to allot shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares allotted pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company at the time of submission.

AND THAT the Directors be and are also hereby empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so allotted.

AND THAT such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." **(ORDINARY RESOLUTION 8)**

NOTICE OF ANNUAL GENERAL MEETING
(cont'd)

7. **RETENTION OF MR. NG KIM HUAT AS INDEPENDENT DIRECTOR**

"THAT subject to the passing of Ordinary Resolution 3, Mr. Ng Kim Huat be and is hereby retained as Independent Non-Executive Director pursuant to the Malaysian Code on Corporate Governance 2012." **(ORDINARY RESOLUTION 9)**

8. **RETENTION OF MR. AARON SIM KWEE LEIN AS INDEPENDENT DIRECTOR**

"THAT Mr. Aaron Sim Kwee Lein be and is hereby retained as Independent Non- Executive Director pursuant to the Malaysian Code on Corporate Governance 2012." **(ORDINARY RESOLUTION 10)**

9. To transact any other business which may properly be transacted at an Annual General Meeting for which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 2016.

By Order of the Board,

LIM SECK WAH (MAICSA 0799845)
M. CHANDRASEGARAN A/L S. MURUGASU (MAICSA 0781031)
Company Secretaries

Dated this 28 April 2017
Kuala Lumpur

Notes:

1. The Audited Financial Statements is meant for discussion only as the Company's Articles of Association does not require a formal approval of shareholders for the Audited Financial Statements.

2. For the purpose of determining a member who shall be entitled to attend, speak and vote at the Annual General Meeting, the Company shall be requesting the Record of Depositors as at 12 May 2017. Only a depositor whose name appears on the Record of Depositors as at 12 May 2017 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote on his/her stead.

3. A member entitled to attend and vote at the meeting is entitled to appoint up to two (2) proxies to attend and vote in his/her stead. All voting will be conducted by way of poll.

4. Where a member appoints two (2) proxies to attend at the same meeting, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.

5. (i) Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

   (ii) Where a member is an exempt authorized 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 authorized nominee may appoint in respect of each omnibus account it holds.

6. If the appointer is a corporation, this form must be executed under its Common Seal or under the hand of its attorney duly authorised.

7. The Form of Proxy must be deposited at the Company's Share Registrar Office at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.

NOTICE OF ANNUAL GENERAL MEETING
(cont'd)

8. Explanatory note on Special Business

8.1 The proposed Ordinary Resolution 8 is primarily to give flexibility to the Board of Directors to allot shares at any time in their absolute discretion and for such purposes as they consider would be in the interest of the Company without convening a general meeting. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

The Company continues to consider opportunities to broaden its earnings potential. If any of the expansion/ diversification proposals involves the allotment of new shares, the Directors, under certain circumstance when the opportunity arises, would have to convene a general meeting to approve the allotment of new shares even though the number involved may be less than 10% of the total number of issue shares.

In order to avoid any delay and costs involved in convening a general meeting to approve such allotment of shares, it is thus considered appropriate that the Directors be empowered to allot shares in the Company, up to any amount not exceeding in total 10% of the total number of issued shares of the Company at the time of submission, for such purposes. The renewed authority for allotment of shares will provide flexibility to the Company for the allotment of shares for the purpose of funding future investment, working capital and/or acquisitions.

No shares have been issued and allotted by the Company since obtaining the said authority from its shareholders at the last Annual General Meeting held on 24 May 2016.

8.2 The proposed Ordinary Resolutions 9 and 10, if passed, will allow the Directors namely Mr. Ng Kim Huat and Mr. Aaron Sim Kwee Lein who have served the Company for a cumulative period of more than 9 years, to continue to act as Independent Non-Executive Directors of the Company for:-

i) They fulfilled the criteria under the definition of an Independent Director as stated in the Main Market Listing Requirement of Bursa Malaysia Securities Berhad, and thus, they are able to function as check and balance, provide a broader view and brings an element of objectivity to the Board.

ii) They understand the business nature and office culture.

iii) They provide the Board valuable advice and insight.

iv) They actively participate in Board deliberations and decision making in an objective manner.

v) They uphold independent decision and challenge the management objectively.

FIVE-YEAR FINANCIAL HIGHLIGHTS

	YEAR ENDED 31 DECEMBER				
	2012	2013	2014	2015	**2016**
FINANCIAL PERFORMANCE (RM'000)					
Turnover	18,361	20,626	21,874	25,280	**22,473**
Profit before Tax	5,927	9,289	10,325	9,653	**6,975**
Profit for the Year	5,190	6,957	8,844	7,568	**5,394**
PATANCI	5,260	7,001	8,628	7,552	**5,630**
KEY BALANCE SHEET DATA (RM'000)					
Cash and Bank Balances	26,331	24,044	20,547	19,702	**23,329**
Total Assets	47,455	43,567	54,533	55,008	**53,057**
Total Liabilities	7,117	4,423	11,452	10,561	**7,636**
Total Net Tangible Assets	33,990	31,708	34 007	33,882	**35,669**
Share Capital	20,677	20,677	20,677	20,677	**20,687**
Equity Attributable to owners of the Company	40,402	39,132	42,591	43,940	**45,501**
SHARE INFORMATION					
Basic Earnings Per Share (sen) [1]	2.54	3.39	4.17	3.65	**2.72**
Diluted Earnings Per Share (sen) [2]	-	3.39	4.17	3.65	**2.72**
Dividend Per Share (sen)	2.00	4.00	2.50	3.00	**2.00**
FINANCIAL RATIOS					
Current Ratio (times)	5.75	8.26	5.63	5.26	**8.20**
Net Assets Per Share (RM)	0.20	0.19	0.21	0.21	**0.22**
Return on Equity (ROE) [3]	13%	18%	20%	17%	**12%**
Dividend Payout Ratio	79%	118%	60%	82%	**74%**

Notes:

1. *Earnings per share ("EPS") is computed by dividing the PATANCI by the weighted average number of ordinary shares in issue during the financial year.*

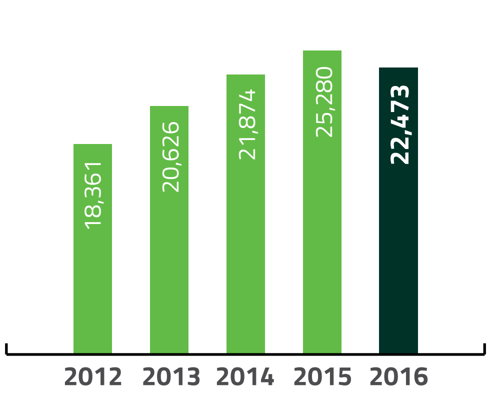
   PATANCI represent Profit after Tax and Non-Controlling Interest, being profit attributable to shareholders or equity holders.

2. *The diluted earnings per ordinary share is same as the basic earnings per share because the effect of the assumed conversion of warrants outstanding will be anti-dilutive and the Company has no other dilutive potential ordinary share in issue as at the end of the reporting period.*

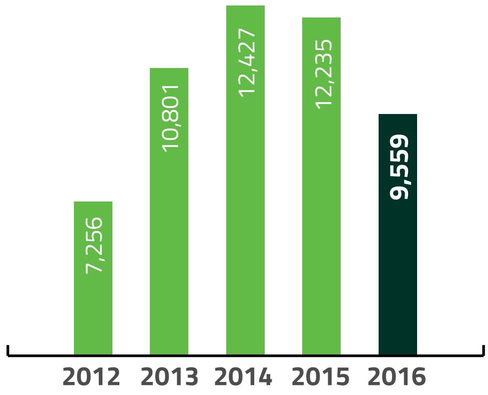
3. *ROE is calculated by dividing the PATANCI by the equity attributable to equity holders of the Company.*

FIVE-YEAR FINANCIAL HIGHLIGHTS
(cont'd)

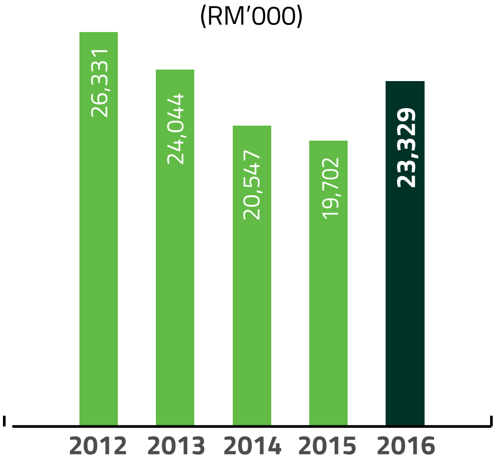
TURNOVER
(RM'000)



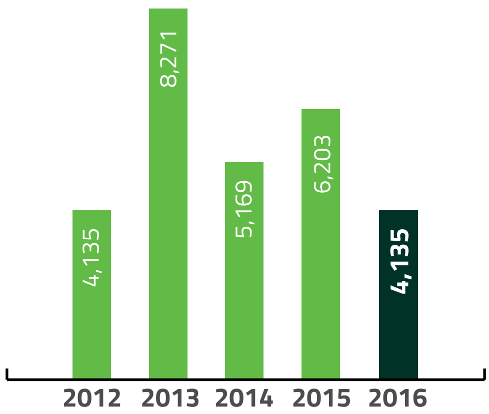
EBITDA
(RM'000)



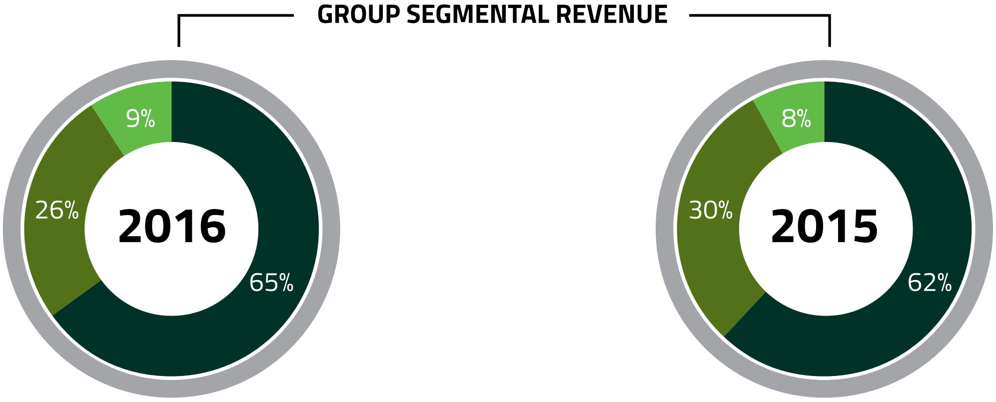
CASH AND BANK BALANCES
(RM'000)



DIVIDEND PAID AND PROPOSED
(RM'000)



GROUP SEGMENTAL REVENUE



- Application Services Provider - 65%
- Application Solution - 26%
- Maintenance Services - 9%

- Application Services Provider - 62%
- Application Solution - 30%
- Maintenance Services - 8%

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Dr. Norraesah Binti Haji Mohamad
Executive Chairman
(Appointed on 10 February 2017)

Wang Kuen-Chung @ Jeff Wang
Managing Director

Gan Teck Ban
Executive Director

Eng Shao Hon
Executive Director

Ng Kim Huat
Independent Non-Executive Director

Aaron Sim Kwee Lein
Independent Non-Executive Director

Lok Choon Hong
Independent Non-Executive Director

Wong Kok Chau
Executive Director
(Appointed on 24 November 2016)

Terry Lim Yew Meng
Executive Director
(Appointed on 1 June 2016 and Resigned on 24 November 2016)

AUDIT COMMITTEE

Aaron Sim Kwee Lein (Chairman)
Ng Kim Huat
Lok Choon Hong

NOMINATION COMMITTEE

Ng Kim Huat (Chairman)
Aaron Sim Kwee Lein
Lok Choon Hong

REMUNERATION COMMITTEE

Ng Kim Huat (Chairman)
Aaron Sim Kwee Lein
Wang Kuen-Chung @ Jeff Wang

COMPANY SECRETARIES

Lim Seck Wah (MAICSA 0799845)
M. Chandrasegaran a/l S. Murugasu (MAICSA 0781031)

BUSINESS OFFICE

Unit TA-13-1, Level 13, Tower A, Plaza 33,
No. 1, Jalan Kemajuan, Seksyen 13,
46200 Petaling Jaya, Selangor Darul Ehsan.
Tel : 03-7941 2088 (Hunting line)
Fax : 03-7941 2089

REGISTERED OFFICE

Level 15-2, Bangunan Faber Imperial Court,
Jalan Sultan Ismail,
50250 Kuala Lumpur.
Tel: 03-2692 4271
Fax: 03-2732 5388

SOLICITORS

Cheong Wai Meng & Van Buerle
No. 30, 2nd Floor, Jalan USJ 10/1,
47620 Subang Jaya, Selangor Darul Ehsan.
Tel: 03-5638 7621
Fax: 03-5638 2313

PRINCIPAL BANKER

Hong Leong Bank Berhad

AUDITORS

BDO (AF 0206)
Level 8,
BDO @ Menara CenTARa,
360 Jalan Tuanku Abdul Rahman,
50100 Kuala Lumpur.
Tel: 03-2616 2888
Fax: 03-2616 2970

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: 03-7840 8000
Fax: 03-7841 8151

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Stock Name: EFORCE
Stock Code : 0065
Sector: Technology

WEBSITE

www.excelforce.com.my

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Business and Operations

Excel Force MSC Berhad ("EForce" or "the Group") is a leading information technology solution provider involved in the design, development, deployment and maintenance of application and system solutions for the financial services industry, specifically the stockbroking and investment banks.

EForce organise its' business activities into three (3) segments. They are:

(a) Application Solutions ("AS")
- Sales of software applications and product on an outright purchase basis.

(b) Maintenance Services ("MS")
- Provision of maintenance services.

(c) Application Services Provider ("ASP")
- Provision of application services on monthly recurring fixed and variable charges

The Group's products include CyberBroker Front Office, CyberBroker Middle Office, CyberBroker Back Office and others, such as StockBanking and Message Based Middleware.

The Group's revenue has grown from strength to strength since its inception 23 years ago. The recurring nature for revenue stream from MS and ASP provides a stable income source and will remain as our main earning for coming years.

Business Objectives

EForce's mission is to optimise our resources to focus on expansion and growth, and to be in the forefront in promoting technology.

We provide reliable and stable solutions to meet the mission critical environment that our customers operate in. Over the years, we earned the trust of our customers by consistently fulfilling our obligations to them. We have a good understanding of our customers' business needs and strive to response quickly and always with good quality performance.

FINANCIAL PERFORMANCE REVIEW

For the financial year ended 31 Dec 2016 ("FY 2016"), the Group registered turnover of RM22.5 million, a decrease of 11% or RM2.8 million compared to RM25.3 million in the previous financial year ("FY 2015"). The decrease in revenue was mainly attributed to lower sales recorded in our AS and ASP business segments.

In FY 2016, profit before tax was RM6.97 million, lowered by 28% or RM2.68 million compared to RM9.65 million in FY 2015. The decrease was mainly due to lower sales, losses incurred by subsidiaries and higher amortisation charged. Profit after tax recorded at RM5.4 million, decrease of RM2.2 million or 28% compared to RM7.6 million in FY 2015.

The gross profit margin, net profit margin and return on equity was 62%, 24% and 12% respectively in FY 2016.

Amortisations of Product Development Costs

Prudent measures initiated by the management to revise the estimated useful life of product development costs had resulted in higher amortisation charges to profit and loss for the financial year under review.

Disposal of Subsidiaries

In FY 2016, the Group conducted a business performance review and decided to dispose their loss making subsidiaries which were Winvest Global Sdn. Bhd. ("Winvest") and Capital Market Risk Advisor Sdn. Bhd. ("CMRA"). The financial impact of the disposal has been reflected in Note 33 to the consolidated financial statements for FY 2016 and the impact was immaterial to the Group's net profit.

Assets, Liabilities and Liquidity

Inventories decreased by 67% from RM79,497 in FY 2015 compared to RM26,349 in FY 2016. Inventories mainly consist of computer spare parts and accessories.

Trade receivables decreased by 54% from RM7.2 million in FY 2015 compared to RM3.3 million in FY 2016, mainly due to more effective debts management and tighten credit control.

MANAGEMENT DISCUSSION AND ANALYSIS
(cont'd)

FINANCIAL PERFORMANCE REVIEW (CONT'D)

Assets, Liabilities and Liquidity (cont'd)

Cash and bank balances increased by 18% from RM19.7 million in FY 2015 compared to RM23.3 million in FY 2016 which is in line with the higher collection from trade receivables.

Trade and other payables decreased by 36% from RM3.6 million in FY 2015 compared to RM2.3 million in FY 2016, mainly due to reduction in advance billing and accruals.

Borrowings

The Group recorded borrowings of RM5.2 million at the end of FY 2016, compared with borrowings of RM6.2 million at the end of FY 2015. The borrowings of the Group mainly consist of secured term loan with fixed interest rates. The decrease in borrowings by 19% was mainly due to repayments in FY 2016.

Gearing ratio lowered to 0.11 from 0.14 compared to previous correspondence year.

Capital Expenditures

The Group's capital expenditure is invested in product development. It is an on-going investment policy and the Group does not expect significant changes to this policy in the coming years.

OPERATIONAL PERFORMANCE REVIEW

This has been a challenging year for our customer's business and it was reflected in our lower revenue performance. Customer's budget allocation for system upgrade and enhancement was constrained in FY 2016.

Our customers face increasing cost pressure, to meet the multi-faceted demands of their internal and external customers, as well as keeping abreast with the changing regulatory and market landscape.

Strategies and Initiatives for the Year

To support our customers, we are continuously investing in our products to improve our offering. We aim to increase the efficiency of our application solutions to help customers achieve cost efficiency. One example is the development of a solution to unite the front end trading platform, middle risk management module and back office processing system into one seamless integrated process flow.

Mobile trading application is gaining popularity among younger investors and our customers are looking for applications that will deliver unique user experience to this group of users. We have enhanced on our existing version of mobile apps by incorporating advance features to suit their needs. This is a growth area and will invest further for product enhancement.

Amidst this tough business environment, the Group has initiated actions to review cost base for margin improvement. We started to identify areas of inefficiencies in our process flow for elimination of redundancies and wastages. The objective is to increase the speed of work flowing through our software development life cycle process steps and improve throughput. We expect to see positive results from our effort in the next financial year.

Collaboration with Ullink

The Group announced a collaboration with Ullink, a global provider of electronic trading and connectivity solutions to the financial community. This strategic partnership will allow our customers to leverage on Ullink's NYFIX global connectivity platform to widen their trading connections with international exchanges and global community.

RISK MANAGEMENT

The Group is vigilant in identifying, assessing and responding to various risk factors that may impact our business and operation performance. With the assistance of external service providers, we maintain a risk register and risk management handbook, and conduct yearly assessment to identify principal business risk and update on-going changes in the risk profile.

The risk management activities are carried out annually as discussed in the Statement of Risk Management and Internal Control on pages 32 to 34. The framework enables the Boards to continuous identify, assess and manage the risk that affects the respective business segments within the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

(cont'd)

RISK MANAGEMENT (CONT'D)

Key Financial Risk Factors

(i) Credit Risk

The Group's primary exposure to credit risk arises through its trade receivables and through the amount owning by a subsidiary. Credit risk is managed through strict control over the outstanding receivables. Overdue balances are reviewed regularly by senior management.

(ii) Liquidity and Cash Flow Risk

Liquidity risk is the risk that the funds of the Group will not be able to meet its financial obligations.

The Group actively manages its debts maturity profile, operating cash flows and the availability of funding so to ensure that all operating, investing and financing needs are met. As at FY 2016, the Group's available cash and bank balances were RM23.3 million.

(iii) Interest Rate Risk

Interest rate risk is the risk that future cash flows are affected by changes in market interest rates. Adverse interest rate movement may affect financial performance.

The Group's exposure to changes in interest rates relates primarily to the Group's deposit with bank and interest bearing debt obligations. The Group does not use derivative financial instrument to hedge its risk but regularly reviews it debt portfolio to enable it to source low interest funding. The Group's deposit is placed at fixed rates and management endeavours to obtain the best rate available in the market .

PROSPECT AND OUTLOOK FOR 2017

The challenging economic environment is not expected to improve much in 2017. Despite this situation, we strive to improve our performance by focusing on our strength in core business segment. We will renew our effort to keep close to our customers, listen to their needs and concerns, and be proactive in responding to them.

We are also looking out for collaboration opportunities with partners in Malaysia and overseas to create new revenue stream. We will still be providing technology solution to the financial services industry but into expanded and new market segments.

With the completion of disposal of non-performing subsidiaries which were Winvest and CMRA in 2016 and the acquisition of remaining 40% stake in subsidiary, Insage MSC Sdn Bhd ("Insage") on 31 March 2017, coupled with several contracts secured end of 2016, the Group is optimistic that we will achieve a reasonable growth in 2017.

People

Human resource is the backbone of our company and we intend to increase our investment in them in the coming years. Our purpose is to ensure they keep up with the rapidly changing technology and able to deliver the latest and highest quality solution to our customers.

CONCLUSION

As an appreciation to our valued shareholders for their continuous support, the Group has declared and paid 2 sen dividend per share for financial year ended 31 December 2016, that means Group has allocated 74% of its consolidated net profit as dividend to shareholders.

There is no dividend distribution policy as management is of the view that adequate resources must be maintained within the Group for potential future expansion plan. Dividend payout is mainly determined by the Group's profitability and availability of cash balances and reserves.

We would like to express our heartfelt appreciation to the Board of Director for their steady guidance and counsel, and to our employees for their effort and performance.

Lastly, we would like to thank our business partners and cherished customers for their unwavering trust, confidence and support.

DIRECTORS' PROFILE

Dato' Dr. Norraesah Binti Haji Mohamad
Executive Chairman
Female, Aged 68

Dato' Dr. Norraesah Binti Haji Mohamad, a Malaysian, was appointed to the Board on 10 February 2017. She is a graduate with a Bachelor of Arts (Hons) Economics from University of Malaya, a Masters in International Economics Relations from International Institute of Public Administration, France and Masters in International Economics and Finance from University of Paris I, Pantheon-Sorbonne, France. She further obtained a PhD (Economics Science) International Economics and International Finance from University of Paris I, Pantheon-Sorbonne, France. She has over forty-three (43) years of working experience in the field of banking, consultancy, telecommunication, international trade and commerce.

She served the Government of Malaysia from 1972 to 1988 for a total of 16 years before leaving the public sector to join the private sector.

In the private sector, she assumed diverse roles between 1989- 2003. She was a Managing Director with a consulting firm which provides financial and consulting services appointed as the Chief Representative of Credit Lyonnais Bank in Malaysia and later was appointed as the Chairman of Bank Kerjasama Rakyat Malaysia.

She was appointed as a Senator from October 2005 to February 2008. She is a recipient of several state awards and was conferred the Chevalier de la Legion d'Honneur from French Government in 2004.

She sits on the Board of Directors of Adventa Berhad, Malaysian Genomics Resource Centre Berhad, Pecca Group Berhad and MY E.G. Services Berhad all of which are public companies. She also sits on the Board of Directors of several private limited companies.

She is currently the Chairman of the World Islamic Businesswomen Network of the World Islamic Economic Forum ("WIEF") and sits on its Board of Trustees and is a member of the International Advisory Panel.

Wang Kuen-Chung @ Jeff Wang
Founder, Managing Director
Male, Aged 60

Wang Kuen-Chung @ Jeff Wang, a Taiwanese, was graduated from Dan Jiang University, Taiwan, with a Bachelor of Commerce Degree majoring in International Trade.

In 1980, he started his career as a Marketing Engineer in a manufacturing firm in Taiwan. In 1984, he joined Acer Computer Group of Taiwan and managed the distributorship of computer products of AT & T. In 1987, he invested and co-founded a software business that developed and marketed manufacturing resource planning solutions. In 1989, he became a Director cum Personal Assistant to the Chairman of Telework Corporation. He was responsible for the management of the overseas operations of Telework Corporation in China, Hong Kong, Malaysia and Thailand.

In 1994, he and his wife, Sharon Sun founded Excel Force Sdn. Bhd., a company incorporated in Malaysia to venture into the development and marketing of stock market information systems and application software. In December 2004, Jeff Wang restructured the business and assets of Excel Force Sdn Bhd into Excel Force MSC Bhd ("EForce") and successfully listed the latter on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

Presently, Jeff Wang is responsible for the overall planning and management of the business and operations of the Company. He is a member of the Remuneration Committee.

DIRECTORS' PROFILE

(cont'd)

Wong Kok Chau
Executive Director
Male, Aged 48

Wong Kok Chau, a Malaysian, was appointed to the Board on 24 November 2016. He is an Associate member of the Chartered Institute of Management Accountants (CIMA) and a member of the Malaysian Institute of Accountants (MIA).

He started his career with Ernst & Young providing corporate advisory services to investors starting up businesses in Malaysia. He subsequently joined a French based fast moving consumer goods, BIC as their Regional Controller for Asia. Kok Chau was a member of the regional team to execute the Asian growth strategy.

He was recruited by Kepner-Tregoe (KT), a US based training and consulting company as their Financial Controller for Asia Pacific. His responsibility included financial reporting, treasury, costing, logistic and administration, and managed a team of back office resources across 6 countries.

Midway in his KT career, he was developed into a full time Consultant to better support the new business direction. He was a key resource in margin improvement and strategy formulation consulting projects, assuming the role of analyst and process consultant. He also managed a regional inside sale team, responsible for selling training services and spotting consulting opportunities.

He left KT to found his own consulting company with a partner in Singapore. A Davids & Company (ADC) is a productivity improvement company, focus on increasing the thinking capability of people to solve problems and get the right things done right first time. The vision was to assist organizations to increase the value of their assets. Amongst the projects he was involved in were setting the growth direction of a facilities management company and improving the cross functional communication and coordination of a telco to resolve customer issues.

In EForce, he is responsible for increasing operational efficiency and improve quality of service delivery to customers. He is also responsible to formulate and execute strategic projects for business growth, in close consultation with the Managing Director.

Gan Teck Ban
Executive Director
Male, Aged 51

Gan Teck Ban, a Malaysian, was appointed to the Board on 2 January 2013. He graduated with a Diploma in Computer Studies from Informatics Computer Centre in 1990. He obtained the MCSD certification from Microsoft Corporation in 2003.

He began his career with Wise Industries Sdn. Bhd., a rubber glove manufacturer as an Information Technology ("IT") Supervisor where he was responsible for the maintenance of the office computer hardware.

Thereafter, he joined Rapid Computer Centre Sdn. Bhd., a company involved in development of educational software, as Software Specialist, and was later promoted as Technical Specialist. His responsibilities entailed software team management and project planning and management.

In 1997, he joined Excel Force Sdn. Bhd. as Senior Programmer where he was involved in a number of software and system developments. Thereafter, he was transferred to EForce.

In 2005, he was promoted as Customer Service Manager, supervised a team of support personnel, liaised with various departments for resource planning and project implementation in EForce.

Currently, he is the Director of Sales and Marketing responsible for formulation of marketing plan, product presentation and proposal, tender for potential business and maintain good relationship with existing clients and potential clients.

DIRECTORS' PROFILE

(cont'd)

Eng Shao Hon
Executive Director
Male, Aged 42

Eng Shao Hon, a Malaysian, was appointed to the Board on 2 January 2013. He graduated with a Bachelor Degree in Electrical and Electronic Engineering from Universiti Teknologi Malaysia in 1999. He is a Microsoft Certified Solutions Developer, holding a MCSD certification from Microsoft Corporation in 2003.

In 1999, his career commenced with Motorola Malaysia as a R&D Software Engineer. He was responsible for the design and development of software for new telecommunication products.

Two years later, he joined Excel Force Sdn. Bhd. as a Senior Software Engineer and subsequently, he was transferred to EForce where he assisted in the development of the CyberBroker suite of solutions.

In 2005, he has been actively involved in project management and the area of works for the StockBanking System where his knowledge and expertise in Share Margin Financing System are applied.

Presently, he is responsible for project management in EForce.

Ng Kim Huat
Independent Non-Executive Director
Male, Aged 59

Ng Kim Huat, a Malaysian, was appointed to the Board on 1 September 2004. He obtained a Bachelor of Science (Honours) degree majoring in Computer Science from Universiti Sains Malaysia and subsequently obtained a Master of Business Administration degree from University of Bath (UK).

He has years of working experience in the IT industry. He started his career in IT sector in 1983 and has assumed various positions in banking, stock-broking and the insurance industry. He was involved in many application system development, maintenance and support projects, which include the retail banking system, corporate banking system, shared ATM network under the Malaysia Electronic Payment System (MEPS), Credit Card Administration System, Stock Broking Back Office System, Share Margin Financing System, Online Stock Trading System, General Insurance and Life Insurance Systems.

Presently, he is the Chairman of the Remuneration Committee, Nomination Committee and a member of the Audit Committee.

DIRECTORS' PROFILE
(cont'd)

Aaron Sim Kwee Lein
Independent Non-Executive Director
Male, Aged 51

Aaron Sim Kwee Lein, a Malaysian, was appointed to the Board on 22 November 2006. He is a Fellow Member of the Association of Chartered Certified Accountants (ACCA), a member of Certified Practicing Accountants (CPA) Australia, a Chartered Accountant of the Malaysian Institute of Accountants and a Chartered Member of the Institute of Internal Auditors Malaysia.

He started his career with an international accounting firm and had gained professional exposure over the years in stock-broking, trading, manufacturing and construction companies. Thereafter, he joined a company, which is listed on the Main Board (now known as Main Market) of Bursa Securities, as an Internal Auditor where he was engaged in the audit of stock-broking, manufacturing, retail and distribution companies. In addition, he was also involved in due diligence, operational rationalisation and strategic planning for corporate acquisition exercises. Before he became the Deputy General Manager of Corporate Strategies of a glove manufacturing company, he was the Finance & Administrative Manager in a food retail franchise chain company. He is currently involved in offering business and financial advisory services. He is also an Independent Non-Executive Director of Freight Management Holdings Bhd and Frontken Corporation Berhad.

Presently, he is the Chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee.

Lok Choon Hong
Independent Non-Executive Director
Male, Aged 47

Lok Choon Hong, a Malaysian, was appointed to the Board on 2 June 2015. He holds a Bachelor of Law Degree from Universiti Malaya and Master of Laws Degree from University of Cambridge, United Kingdom specializing in intellectual property law. He also holds an executive MBA (EMBA) degree from INSEAD, France/Singapore and EMBA from Tsinghua University, Beijing, China.

He is a qualified lawyer (non- practicing) for Malaysia and Singapore and registered patent, trademark and industrial design agents. He specializes in all aspects of intellectual property registration, transfer, licensing, commercialization, enforcement and advisory work and has been actively involved in intellectual property (IP) consultancy for clients in the ASEAN and China regions for the past twelve (12) years. He is the founder director of Pintas IP Group, an IP rights consultancy firm with offices based in Malaysia, Singapore, Philippines, Brunei, China and USA. Apart from IP consultancy works, he is also actively involved in venture capital investment in IP based companies. Currently, he is also the Chairman of Association of Intellectual Property Entrepreneurs and Organisations (AIPO) and the Treasurer of Malaysia Business Angels Network (MBAN).

Presently, he is a member of the Audit Committee and Nomination Committee.

Conflict of Interest
None of the Directors has any conflict of interest with the Company.

Conviction of Offences
None of the Directors has been convicted of any offences (other than ordinary traffic offences, if any) within the past five (5) years.

Family Relationship
None of the Directors has family relationship with any Directors or major shareholders of the Company.

KEY SENIOR MANAGEMENT PROFILE

Shum Shi Ming
Head of Engineering
Male, Aged 43

Shum Shi Ming, a Malaysian, joined EForce on 1 November 2016 as the Head of Engineering.

He graduated with a Bachelor of Science (Computer Science) degree from Michigan Technological University, Houghton where he specialized in parallel supercomputing and Artificial Intelligence. He is also certified in areas pertaining to network security and business continuity planning (Disaster Recovery).

He started his IT career in 1996 at Extol Corporation as a software developer and later moved into cryptographic software development where he created the first Malaysian developed cryptographic library which was used by Asia Travel Network for their extensive tour agency branches throughout Malaysia. He also went on to develop the first Malaysia Secure Communique software which allows for digital signing of documents in real-time and was showcased to the former Prime Minister, Tun Dr. Mahathir at Cyberview Lodge. It was then approved to be used in the APEC Business Summit 1998. He has a wide range of experience from banking sector (UOB Bhd) to Oil & Gas (Shell IT International) and was appointed as the Malaysian Country Manager for Logicalis Group of Companies based out of UK.

He is responsible for product research and development in EForce.

He has no family relationship with any Directors or major shareholders of the Company and did not hold any directorship in any public companies and listed issuers.

Wong Guan Boon
Head of Customer Service
Male, Aged 42

Wong Guan Boon, a Malaysian, joined EForce in 1999. He holds an Advance Diploma in Computer Engineering from Informatics College in 1998.

In 1999, he started his career as a Hardware Engineer with Excel Force Sdn Bhd. From 1999 to 2017, he progressed from a technical support role to marketing role to the position of Deputy Head of Department of Marketing.

He was also involved in a number of sales and implementation in Internet stock trading system, Equities Back Office System, Trader Information System, Professional Trading Platform - BTX and Stockbanking systems to customers in Malaysia, Vietnam, Singapore, Indonesia and Thailand.

Currently, he is the Head of Customer Service responsible to oversee the customer service and support team. His responsibility is to improve customer support service level and monitor functionalities of hardware and software.

He has no family relationship with any Directors or major shareholders of the Company and did not hold any directorship in any public companies and listed issuers.

KEY SENIOR MANAGEMENT PROFILE
(cont'd)

Liew Kean Fatt
Head of Finance
Male, Aged 49

Liew Kean Fatt, a Malaysian, joined EForce on 15 May 2013 as the Head of Finance.

He has completed his Chartered Accountants qualification with the Association of Charted Certified Accountants (ACCA) and subsequently admitted as member of ACCA in 2000. He is a member of the Malaysian Institute of Accountants (MIA) and member of Chartered Taxation Institute of Malaysia (CTIM).

Prior to joining EForce, he has worked in various industries, including manufacturing, brokerage firms, travel agency and multinational company. He joined MBP Malaysia Sdn. Bhd. (MBP) in 1995, a wholly-owned subsidiary of Sime Darby Berhad (SDB) involved in manufacturing of road construction product. Thereafter, he worked in another subsidiary of SDB, Sime Darby Travel Sdn. Bhd. as Accounts Executive, where his responsibility was to ensure smooth operation of finance department and prepare monthly financial report and variance analysis report. He was also involved in preparationof consolidated financial statements.

In EForce, he responsibilities are to oversee the finance division function, review monthly management accounts, prepare quarterly financial reports, 5-year management plan, group consolidated financial statements and annual report.

He has no family relationship with any Directors or major shareholders of the Company and did not hold any directorship in any public companies and listed issuers.

Alicia Chan Sau Hsia
Manager, Human Resources & Administration
Female, Aged 43

Alicia Chan Sau Hsia, a Malaysian, was appointed as the Manager of Human Resources & Administration since 2012.

She graduated with a Bachelor of Management (Marketing) from the University of South Australia, Australia. She obtained professional certificate in Human Resources Management.

Prior to joining EForce, she was attached to several large corporations with operational roles in retail, service and human resources management. She has more than 15 years of experience in human resources and administration with over 10 years of experience at managerial level. She is experienced in recruitment, compensation and benefits, training and development, payroll management and in initiating corporate social responsibility programmes.

In EForce, she is responsible in formulating and implementing both human resources strategy and productivity aligning it to the organisation's aspirations and objectives. She also aids in many aspects such as balance between people, work climate and performances.

She has no family relationship with any Directors or major shareholders of the Company and did not hold any directorship in any public companies and listed issuers.

Conflict of Interest
None of the key senior management has any conflict of interest with the Company.

Conviction of Offences
None of the key senior management has been convicted of any offences (other than ordinary traffic offences, if any) within the past five (5) years.

STATEMENT OF CORPORATE GOVERNANCE

The Board of Director's ("Board") affirms its overall responsibility in ensuring that the highest standard of Corporate Governance is practiced throughout the Group with the objective of protecting and enhancing shareholders' value, and the financial position of the Group.

The Board recognizes the importance of good corporate governance and strives to adopt the principles and recommendations of corporate governance throughout the Group in the manner prescribed by the Malaysian Code on Corporate Governance 2012 ("Code" or "MCCG 2012") and Bursa Malaysia Securities Berhad ("Bursa Securities")'s Main Market Listing Requirements ("MMLR").

PRINCIPLE 1 – ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

The Company is led and controlled by an effective Board. All Board members participate in the key issues involving the Group and give independent judgment in the interest of the Group. The Managing Director has primary responsibilities for managing the Group's day-to-day operations and together with the Non-Executives Directors to ensure that the strategies proposed by the management are fully discussed and critically examined, taking into account the long term interests of the various stakeholders including shareholders, employees, clients, suppliers and various communities in which the Group conducts its business.

The Board is assured of a balanced and independent view at all Board deliberations largely due to the presence of its Non-Executive Directors who are independent from the Management. The Independent Directors are also free from any business or other relationships that could materially interfere with the exercise of their independent judgment. The Board is constituted of individuals who are committed to business integrity and professionalism in all its activities.

In addition to the role and function of Non-Executive Directors as stated above each Director exercises independent judgment on decision making and issues of strategy, performance, resources and standard of conduct.

The Board has assumed the following to ensure the effectiveness of the Board and to discharge its duties and responsibilities:-

- Direction of the operational strategies of the Group;
- Overseeing and evaluating the conduct of the succession planning for the Group;
- Identify principal risks and ensure the implementation of appropriate systems to manage these risks;
- Stewardship and directions on management and business development of the Group;
- Monitoring the performance of the management;
- Ensuring a prudent and effective internal control system; and
- Review of the financial performance and results of the Company.

SCHEDULE OF MATTERS RESERVED FOR THE BOARD

The following matters (including changes to any such matters) require Board approval, except where they are expressly delegated to a Committee of the Board:-

(A) Strategy and Management

- Responsibility for the overall strategic direction and strategic plans for, and the overall management of the Group.
- Approval of the Group's long term objectives and sustainability strategy.
- Approval of the annual operating and capital expenditure budgets and any material changes thereto.
- Review of performance in the light of the Group's strategy, objectives, business plans and budgets and ensuring that any necessary corrective action is taken.
- Oversight of the Group's operations ensuring:-
  (a) competent and prudent management
  (b) sound planning
  (c) adequate system of internal control
  (d) adequate accounting and other records
  (e) compliance with statutory and regulatory obligations
  (f) Expansion of the Group's activities into new business or geographic areas.
- Decision to cease to operate all or any material part of the Group's business or to cease to operate in any country that would result in the Group no longer having a presence in that country.
- Any matters materially affecting the Group's overall reputation, including its brand and values.
- Acquisition/ diversification/ disposal of business.

STATEMENT OF CORPORATE GOVERNANCE
(cont'd)

(B) Structure and Capital

- Changes relating to Group's capital structure including:-
  - (a) reduction of share capital/increase in working capital
  - (b) new share issues (except pursuant to approved option scheme)
  - (c) share buy-back (including the disposal/use of treasury shares)
  - (d) establishment of employees' share and/or performance option scheme(s)
- Changes to the Group's corporate structure or creation or liquidation of subsidiary/business unit/joint venture.
- Any changes to EForce's listing status or matters affecting EForce's listing status.

(C) Financial Reporting and Controls

- Approval of the announcements of the interim and final results.
- Approval of EForce's audited financial statement and annual report.
- Approval of any significant changes in accounting policies or practices.
- Approval of significant treasury policies, including foreign currency exposure and use of financial derivatives.
- Approval of dividend policy, declaration of interim dividend and recommendation of final dividend.

(D) Contracts

- Approval of investment proposal.
- Approval of projects (not in the ordinary course of business), acquisitions, disposals, capital expenditure and other contractual commitments entered into by the Group.
- Approval of expenditure and commitment that is anticipated to exceed or has exceeded its authorised amount by 10% or RM1 million (or its equivalent in other currencies), whichever is lower.
- Approval of bank borrowings and pledging of any asset in excess of the thresholds, and corporate guarantees of any amount granted by EForce in favour of financial institutions or third parties.

(E) Communication

- Approval of resolutions and corresponding documentation to be put forward to shareholders at a general meeting.
- Approval of all circulars, prospectuses and listing particulars.
- Approval of announcements before release to the public.

(F) Board Membership and Other Appointments

- Following recommendations from the Nomination Committee, changes to the structure, size and composition of the Board (including appointment, re-designation, resignation and removal).
- Establish of Board Committees and their terms of reference.
- Continuation in office of directors at the end of their term of office, when they are due to be re- elected by shareholders at the Annual General Meeting ("AGM") and otherwise as appropriate on recommendation of the Nomination Committee.
- Appointment or removal of EForce's Company Secretary.
- Appointment, reappointment or removal of EForce's external auditors and determination of their remuneration, following the recommendation of the Audit Committee.

(G) Remuneration

- Approval of the remuneration policy for the Chairman, Group Executive Directors and Senior Management, following recommendations from the Remuneration Committee.
- Approval of the Directors' fees of the Non-Executive Directors, subject to the Company's Articles of Association and shareholders' approval as appropriate.

(H) Internal Controls and Governance

- Review of the Group's internal controls and risk management, including the effectiveness of the system of internal controls, and consider significant risk issues referred to it.
- Review of the Group's compliance with the Code on Corporate Governance.
- Approve prosecution, defence and settlement of major litigation involving more than 10% of the Group's latest audited net profit or otherwise material to the interests of the Group.
- Review of the performance of the Board, its Committees and individual Directors.
- Development of sustainability terms of reference for the Board.

STATEMENT OF CORPORATE GOVERNANCE

(cont'd)

Board Charter

The Board has established a Board Charter to ensure that all Board members acting on behalf of the Company are aware of their duties and responsibilities as Board members and the various legislations and regulations affecting their conduct and that the principles and practices of good Corporate Governance are applied in all their dealings in respect and on behalf of the Company. The Board Charter is reviewed periodically to ensure its relevance and compliance.

The Board Charter addresses, among others, the following matters:-

- Objectives
- The Board
- Executive Chairman and Managing Director
- Board Committees
- General Meetings
- Investors Relations and Shareholder Communication
- Relationship with other Stakeholders
- Company Secretary

The Board Charter can be viewed at the Company's website: www.excelforce.com.my. The Board Charter was reviewed on 24 February 2017.

Code of Conduct

The Board recognizes the importance of formalizing a Code of Conduct, setting out the standards of conduct expected from Directors and employees, to engender good corporate behavior. The Board will formalize its Code of Conduct in due course.

Whistle Blowing Policy

The Board believes in open and transparency in management. All complaints or grievance can be channeled to the Management or any of the Independent Directors.

Supply of, and Access to, Information

Information supplied to the Board is relevant and timely. This information not only of historical, bottom line and financially oriented in nature, but is also broader in nature and with intrinsic value to enable the Board to review matters, deliberate and to participate in the discussions during meetings.

Information is provided to the Board in the form of quarterly financial results, progress reports of core business, products developments, regulatory updates, business development, audit report as well as risk management reports.

The Board convenes scheduled meetings quarterly to deliberate and approve the release of the Group's quarterly results. Additional meetings will be convened as and when needed. The agenda and Board papers for each item as well as minutes of previous meetings are circulated prior to the Board meetings to give the Directors sufficient time to deliberate on the issues to be raised at the Board meetings.

Upon recommendation by the Management or committee members, the Board will deliberate and discuss on all matters before any decision to be made. All proceedings of the Board meetings are properly minuted and signed by the Chairman of the meeting.

All Directors have direct and unrestricted access to the advice and services of the Company Secretaries who are qualified and competent. This will ensure that they have unrestricted access of information within the Group. The Directors are also able to receive advice and services from the external auditors and other independent professionals upon their request.

The Board is kept updated on the Company's activities and its operations on a regular basis. The Directors also have access to all reports on the Company's activities, both financial and operational.

Company Secretaries

The Board is regularly updated and apprised by the Company Secretaries on new regulation or change in the Companies Act, issued by the regulatory authorities. The Company Secretaries are MAICSA members, experienced and competent on statutory and regulatory requirements.

STATEMENT OF CORPORATE GOVERNANCE

(cont'd)

The Company Secretaries attend all the Board and Board Committee meetings and ensure that all meetings are properly convened, accurate and proper records of the proceedings and resolutions passed are taken and maintained in the statutory register of the Company.

The Company Secretaries work closely with the Management to ensure that there are timely and appropriate information flows within and to the Board and Board Committees.

The appointment and removal of Company Secretaries are at the purview of the Board.

PRINCIPLE 2 – STRENGTHEN COMPOSITION

Board Balance

Currently, the Company is led by an experienced Board, which is made up of eight (8) members; comprising five (5) Executive Directors inclusive of an Executive Chairman and a Managing Director, and three (3) Independent Non-Executive Directors. The current composition of the Board complies with MMLR.

The Executive Directors oversee the management of the business and affairs of the Group. They are responsible for evaluating business opportunities and carrying through approved strategic business proposals, implementing appropriate systems of internal accounting and other controls, adopting suitably competitive human resources practices and compensation policies, and ensuring the Group operates within the approved budgets and business direction.

The Independent Non-Executive Directors are independent of management and are free from any businesses or other relationships that could materially interfere with the exercise of independent judgement. They scrutinize the decision taken by the Board and provide objective challenge to the Management.

The Board is made up of Directors with a wide range of skills, experience and qualifications and they contribute their expertise and knowledge in areas such as accounting, finance, business management, specific industry knowledge which are relevant to the Group's business.

In the opinion of the Board, the appointment of a Senior Independent Non-Executive Director to whom any concerns should be conveyed is not necessary. The Board operates in an open environment in which opinions and information are freely exchanged. Hence, any concerns need not be focused on a single Director as all members of the Board fulfill this role individually and collectively.

The Board collectively views that its current size complies with the Code and is effective. The Board will review, from time to time, the need to revise its size and composition of the Group's business and determine the impact of the effectiveness of any proposed change of its current size.

Board Committees

The Board has established the following committees:-

The Audit Committee

The Audit Committee's principal duties include the supervision of the truthfulness and completeness of the Company's financial statements, the effectiveness and completeness of the Company's internal control as well as risk management system.

The terms of reference and other information on the Audit Committee can be viewed at the Company's website: www.excelforce.com.my in line with Paragraph 15.11 of MMLR.

The Nomination Committee

The Company has established the Nomination Committee on 27 February 2007 comprises three (3) Independent Non-Executive Directors.

The Nomination Committee shall meet at least once a year to carry out the activities as enshrined in its terms of reference, or more frequently as the need arises, at the discretion of the Chairman of the Nomination Committee.

The Nomination Committee has access to any form of independent professional advice, information and the advice and services of the Company Secretary, if and when required, in carrying out its functions.

STATEMENT OF CORPORATE GOVERNANCE

(cont'd)

The Company Secretary shall record, prepare and circulate the minutes of the meetings of the Nomination Committee and ensure that the minutes are properly kept and produced for inspection if required.

The Nomination Committee is authorised by the Board to act as follows:-

- To review nominations of new directors based on selection criteria such as the incumbent's credentials and their skills and contributions required by the Company.
- To ensure that the Board of Directors has an appropriate balance of skills, expertise, attributes and core competencies from its member.
- To recommend to the Board of Directors the potential directors to fill the seats of the Board Committees.
- To assess annually the effectiveness of the Board, its Committees and the contribution of each Director.
- To review succession plans for members of the Board.
- To recommend training needs to the Directors.

The Nomination Committee will evaluate the effectiveness of the Board as a whole, including Board Committees and the contribution of each Director annually and properly documented. The performance evaluation process established shall include clear evaluation criteria and communicated to each individual Director. All report shall be gathered and assessed by the Nomination Committee for the Board's review and approval. The evaluation will be done at least once a year to gauge the effectiveness of the Board's performance, the adequacy of the blend of skill sets and experience of the Board. During the year, the performance evaluation indicated that the Board continues to function effectively.

Criteria for assessments:-

a) Contribution to Interaction, Quality of Input, Understanding of Role, Board Chairman's Role (for individual director assessment)
b) Board Structure, Board Operations, Board Roles and Responsibilities, Board Chairman's Role and Responsibilities (for Board assessment)
c) Is the committee providing useful recommendations? Do the members have sufficient and relevant expertise in fulfiling their roles? Are committee chairs properly and providing appropriate reporting and recommendations to the Board? (for Board Committee assessment)

Appointments to the Board and Re-election

The appointment of any additional Director is made as and when it is deemed necessary by the existing Board upon recommendation from the Nomination Committee with due consideration given to the mix of expertise and experience required for an effective Board.

The Nomination Committee reviews and assesses the Board composition yearly to ensure that it has balance mixed skills and business experience to contribute to the success of the Group. The assessment is on merit based. Currently, the Company does not have a policy on boardroom diversity but believes in providing equial opportunity to all candidates.

In accordance with the Company's Articles of Association, all Directors shall retire from office at least once every three (3) years, but shall be eligible for re-election. At the forthcoming AGM, Mr. Ng Kim Huat and Mr. Lok Choon Hong are standing for re-election pursuant to Article 103 whilst Dato' Dr. Norraesah Binti Haji Mohamad and Mr. Wong Kok Chau shall retire from office and eligible for re-election pursuant to Article 110. Their profiles are set out in the section on Directors' Profile of this Annual Report.

The terms of reference of the Nomination Committee can be viewed at the Company's website: www.excelforce.cm.my in line with Paragraph 15.08A(2) of MMLR.

The Remuneration Committee

The Company has established the Remuneration Committee on 27 February 2007, consisting of two (2) Independent Non-Executive Directors and the Managing Director.

STATEMENT OF CORPORATE GOVERNANCE

(cont'd)

The Remuneration Committee's primary responsibility is to review and recommend the remuneration of Directors to the Board. The Board, as a whole, determines the remuneration of the Directors and the individual Director is required to abstain from discussing his own remuneration. The Remuneration Committee meets as and when necessary.

In the case of Executive Directors, the remuneration scheme is structured based on corporate and individual performance. On the other hand, Non-Executive Directors are remunerated based on their experiences and the level of responsibilities undertaken by the respective Non-Executive Directors concerned.

The Remuneration Committee will make its recommendations to the Board regarding the Company's policy on the staff remuneration by taking into consideration the salary and employment conditions within the industry and benchmarks from comparable companies. The Remuneration Committee strives to be competitive, linking staff rewards with their performance and responsibilities.

The Remuneration Committee aims to directly align the interests of Directors, senior management and key executives with the interests of shareholders, to improve performance and achieve sustainable growth for the Company in the changing business environment, and to foster a greater ownership culture amongst its senior management and key executives.

Directors' Remuneration

The Company's remuneration policy for Directors is tailored to provide a remuneration package to recruit, retain and motivate individuals of the necessary caliber and quality that are required to manage the business of the Group.

The Remuneration Committee carries out the annual review of the overall remuneration policy for Directors and key senior management by taking into account their contributions and respective responsibilities. Such fees were benchmarked against the amount paid by other listed companies.

The Remuneration Committee reviews and recommends to the Board the remuneration of the Executive Directors. For the year under review, the aggregate remuneration of Directors paid is categorised into the following table:-

	Fees (RM)	Salary and Bonus (RM)	Other Emoluments (RM)	Total (RM)
Company				
Executive Directors	215,000	939,175	-	1,154,175
Non-executive Directors	144,000	-	-	144,000
Total	359,000	939,175	-	1,298,175
Subsidiaries				
Executive Directors	-	-	-	-
Non-executive Directors	-	-	-	-
Total	-	-	-	-

	No. of Directors	
Range of Remuneration	**Executive**	**Non-Executive**
Below RM50,000	1	3
RM200,000 – RM249,999	1	-
RM250,000 – RM299,999	1	-
RM300,000 – RM349,999	2	-

The fees payable to the Directors for their services on Board are recommended by the Board subject to approval by shareholders of the Company at the AGM.

PRINCIPLE 3 – REINFORCE INDEPENDENCE OF THE BOARD

The Independent Non-Executive Directors play a leading role in the Board Committees. The Management and third parties are co-opted to the Committees as and when required.

On 10 February 2017, the Company has announced the appointment of new Executive Chairman. Hence, the Executive Chairman and the Managing Director are now held by separate Director.

STATEMENT OF CORPORATE GOVERNANCE
(cont'd)

The Executive Chairman is responsible for ensuring the adequacy and effectiveness of the Board's governance process and acts as a facilitator at Board meetings to ensure that contributions from Directors are forthcoming on matters being deliberated and that no Board member dominates discussion. On the other hand, the Managing Director implements the Group's strategies, policies and decision adopted by the Board and oversees the operations and business development of the Group.

In accordance with Recommendation 3.3 of MCCG 2012, the Board must justify and seek shareholders' approval in the event it retains an independent director, a person who has served in that capacity for more than nine (9) years.

The Board holds the view that the ability of an Independent Director to exercise independence is not a function of his length of service as an Independent Director. The suitability and ability of an Independent Director to carry out his roles and responsibilities effectively are very much a function of his caliber, qualifications, experience and personal qualities.

At the forthcoming AGM of the Company, the Board with the recommendation of the Nomination Committee will seek shareholders' approval to retain the designation of Mr. Ng Kim Huat and Mr. Aaron Sim Kwee Lein as the Independent Non-Executive Directors of the Company who have served the Company for more than nine (9) years.

PRINCIPLE 4 – FOSTER COMMITMENT OF DIRECTORS

Time Commitment

The Directors observe the recommendation of the Code that they are required to notify the Chairman before accepting any new directorship and to indicate the time expected to be spent on the new appointment.

To ensure that the Directors are committed and fulfill their roles and responsibilities effectively, they must not hold directorships of more than five public listed companies and must be able to commit sufficient time to the Company. The Company has a schedule date of meeting for the financial year to ensure that all Directors will plan in advance to ensure they are available for the meeting.

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company. This is evidenced by the attendance record of the Directors at Board meetings.

During the financial year ended 31 December 2016, five (5) Board Meetings were held. The summary of attendance at the Board meetings held in the financial year ended 31 December 2016 is as follows:-

	Board of Directors
No. of meetings held	**5**
Name of Director	**Member Attendance**
Executive Directors	
Wang Kuen-Chung @ Jeff Wang	5/5
Wong Kok Chau (Appointed on 24 November 2016)	1/1
Gan Teck Ban	5/5
Eng Shao Hon	5/5
Terry Lim Yew Meng (Appointed on 1 June 2016 and resigned on 24 November 2016)	1/1
Dato' Dr. Norraesah Binti Haji Mohamad (Appointed on 10 February 2017)	N/A
Independent Non-Executive Directors	
Ng Kim Huat	5/5
Aaron Sim Kwee Lein	5/5
Lok Choon Hong	5/5

Directors' Training and Continuing Education Programme

All the Directors of the Company are encouraged to continuously attend relevant training programmes to enhance their knowledge in line with the ever-changing corporate laws, rules and regulations, especially in the areas of corporate governance and regulatory development, to enable them to discharge their responsibilities effectively.

STATEMENT OF CORPORATE GOVERNANCE
(cont'd)

All the Directors have attended the Mandatory Accreditation Programme ("MAP").

In addition to the MAP prescribed by Bursa Securities, Board members are also encouraged to attend training programmes conducted by highly competent professionals that are relevant to the Company's operations and businesses.

Pursuant to Paragraph 15.08(2) and Appendix 9C (Part A, Paragraph 28) of MMLR, the Directors have attended training programme in areas of the update on the listing requirement changes, the new Companies Act, accounting standard and MAP.

The summary of trainings attended by the Directors for the financial year ended 31 December 2016 is as follows:-

Name of Director	**Training Programme**
Wang Kuen-Chung @ Jeff Wang	Amendment to Bursa's listing requirements – How to rise up to meet those challenges.
Gan Teck Ban	Amendment to Bursa's listing requirements – How to rise up to meet those challenges.
Eng Shao Hon	Amendment to Bursa's listing requirements – How to rise up to meet those challenges.
Aaron Sim Kwee Lein	Creative accounting resulting in fraud.
Ng Kim Huat	The New Companies Act 2016.
Lok Choon Hong	Fintech payment conference.

PRINCIPLE 5 – UPHOLD INTEGRITY IN FINANCIAL REPORTING BY COMPANY

Financial Reporting

The Board endeavours to present a set of balanced financial statements that provides a true and fair view of the financial position and performance of the Company and of the Group at the end of each financial year. Before presenting the financial statements, the Directors have taken necessary steps to ensure that the Company and the Group apply accounting policies consistently, and that the policies are supported by reasonable and prudent judgment and estimates.

Directors' Responsibilities in Financial Reporting

The Board is required under Paragraph 15.26(a) of MMLR to issue a statement explaining their responsibilities in the preparation of the annual financial statements.

The Board is responsible to prepare financial statements which reflect a true and fair view of the state of affairs of the Company and the Group and the financial results of the Company and the Group for each financial year. The financial statements are prepared in accordance with the Malaysian Financial Reporting Standards, the International Financial Reporting Standards and the requirements of the Malaysian Companies Act, 1965.

In preparing the financial statements, the Board is required to:-

- Adopt suitable accounting policies consistently;
- Make judgments and estimates that are prudent and reasonable;
- Comply with applicable accounting standards;
- Prepare financial statements on a going concern basis unless otherwise stated; and
- Ensure proper keeping of accounting records with reasonable accuracy.

The Board is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Company and the Group and to ensure that the financial statements comply with the Companies Act, 1965.

STATEMENT OF CORPORATE GOVERNANCE

(cont'd)

The Board is satisfied that in preparing the financial statements of the Company and the Group for the financial year ended 31 December 2016, the Company and the Group have used appropriate accounting policies and applied them consistently and prudently. The Board is of the opinion that the financial statements are prepared in accordance with all relevant approved accounting standards and have been prepared on a going concern basis.

Relationship with Auditors

The appointment of the auditors is subject to approval at the general meeting. In making its recommendations to the shareholders on the appointment and re-appointment of auditors, the Board relies on the review and recommendation of the Audit Committee.

The Board has established a formal and transparent arrangement with its external auditors to meet their professional requirements. The Audit Committee meets with the external auditors to review the rationale of significant judgement, accounting principles and the operating effectiveness of internal controls and business risk management. The auditors have continued to highlight to the Audit Committee and the Board matters that require the Board's attention.

PRINCIPLE 6 – RECOGNISE AND MANAGE RISKS OF THE GROUP

The Group has an Internal Audit Function that is independent of its activities and operations. Further details of the activities of the Internal Audit Function are set out in the Statement on Risk Management and Internal Control of this Annual Report.

The Board emphasizes on the adequate internal control system, and take effective approaches to supervise the implementation of related control measures, whilst enhancing operation efficiency and effectiveness, and improving corporate governance, risk assessment, risk management and internal control so as to protect the shareholders' investment and the safety of the Company's assets.

While continuing to improve the internal control related policies, the Company has also been strengthening its IT internal control capabilities, which has improved the efficiency and effectiveness of internal control, enhancing the safety of the Company's information system so that the integrity, timeliness and reliability of data and information are maintained.

Our internal auditors, reporting to the Audit Committee are responsible for assessing the Group's risk management and internal control systems, formulating an impartial opinion on the effectiveness and efficiency of the systems, and reporting their finding to the Audit Committee. Follow-up audit will be conducted in due course to ensure that the audit recommendations are being properly implemented.

The internal audit function covers all material controls including financial, operational and risk management functions.

The internal audit findings are reported to the Audit Committee every quarter and the corrective actions are taken by the relevant departments.

Based on the assessment for the financial year ended 31 December 2016, the Board and the Audit Committee believe that the system of internal control provide reasonable assurance that the Group's assets are safeguarded and there is no significant area of concerns that may affect the shareholders.

Besides, in order to further establish and continue development of key policies and procedures pertaining to the system of internal control, the Board and the Audit Committee work closely with the internal and external auditors to review and improve the system of internal control from time to time with the objective to safeguard the assets of the Company and the Group and to ensure proper accountability at all levels of operations. The Statement on Risk Management and Internal Control furnished on pages 32 to 34 of this Annual Report provides an overview on the state of internal controls within the Company.

PRINCIPLE 7 – ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

The Company is aware that the key element of good corporate governance is the effective communication and dissemination of clear, relevant and comprehensive information which is timely and readily accessible by the Company's stakeholders.

STATEMENT OF CORPORATE GOVERNANCE
(cont'd)

The Company recognises the importance of timely dissemination of relevant corporate and other information to its shareholders and investors. Therefore, the Company complies strictly with the disclosure requirements of Bursa Securities for the Main Market and the Malaysian Accounting Standards Board in order to maintain the transparency and accountability to its shareholders. The Board ensures that all the Company's shareholders are treated equitably and the rights of all investors, including the minority shareholders are protected.

Besides, the Company acknowledges that all shareholders should be promptly informed of all major developments impacting the Group. The Company engages in communication with shareholders through its Investor Relations link on its official corporate website. Updates on information about the Company and all announcements made via the Bursa Securities website are also posted on its official website.

The Board is committed to provide and present a true and fair view of the Group's financial position and prospects by ensuring quality financial reporting to its stakeholders, in particular, shareholders, investors and the regulatory authorities. The Board is guided by the principles set out in MMLR. The terms of reference on the financial report are set out in the Statement of Directors' Responsibilities.

In order to maintain proactive communications with shareholders, the Company has provided the Annual Report, quarterly financial results, information on its business, financials and key activities to the public on a timely basis.

PRINCIPLE 8 – STRENGTHEN RELATIONSHIP BETWEEN THE COMPANY AND ITS SHAREHOLDERS

The Group believes the importance of maintaining transparency and accountability to its shareholders.

The AGM remains the principal forum for dialogue with shareholders where they are encouraged to meet the Board to have greater insight into the Groups' operations. The shareholders can participate and raise questions regarding the business operations and financial performance and position of the Company. The Board together with the external auditors and the Company Secretary will provide feedback and responses to the shareholders' queries.

The Company sends out the Notice of AGM and Annual Report to shareholders at least twenty-one (21) days before the meeting as required under MMLR in order to facilitate full understanding and evaluation of the issues involved. As for special business items appearing in the Notice of AGM, a full explanation is provided to the shareholders on the effect of the proposed resolution emanating from the special business item.

All resolutions in the general meetings will be voted by poll to reflect the equity rights.

CORPORATE SOCIAL RESPONSIBILITY ("CSR")

The Group views CSR as a continuing diligent commitment for businesses to act ethically and contribute to economic, and social development while improving the quality of the workforce, stakeholders' value and the local community at large.

WORKPLACE

The workplace is undeniably a major focus for most of our working lives. Therefore, the Group continuously endeavors to provide a healthy, safe, secure and environment friendly workplace for every employee. In addition, the Group acknowledges that human capital is the most valuable asset.

We continue to focus on recruiting and developing our talent pool to support the growth of our business. We are continuously upgrading our employees' competency, skills and knowledge by conducting proper training sessions, both internally and externally. The training programmes aim to equip our employees with key skills to support their career goals.

In April 2016, we organized a team building event with participation from all staffs for a period of three days at Langkawi island, the purpose is to enhance team work, greater understanding and corporation among colleagues.

In fulfilling our corporate responsibilities to the employees, the Group ensures that all employees are covered with insurance on life and medical as well as hospitalisation benefits.

COMMUNITY

As part of our commitment towards CSR, the Group had enlarged the contribution and support to various non-profitable and charitable institutions. The number of organization/institution benefited from our CSR programme has been increased from 29 to 32. The core activities of these non-profitable and charitable institutes are as follows:-

Organization	**Core activities**
The Salvation Army	Maintain social assistance programmes and provide support for families, children, elderly folks and refugees.
National Stroke Association of Malaysia (NASAM)	Provide stroke rehab for stroke survivors especially to the poor and those living in the rural areas.
Lovely Disabled Home	Provide trainings and create job opportunities for the children to be independent and self-reliant.
SHELTER Home	Provide children at risk a better childhood and brighter future by protecting, guiding, healing them and by building loving families and strong communities.
Yayasan Sunbeams Home	A non-governmental, self-supporting multi-racial foundation for displaced, abused and neglected children of single parents.
Pertubuhan Jagaan Kanak-Kanak Cacat Setia	Provide care for children (5 to 42 years old) that have been abused, neglected, abandoned, orphaned and at risk.
Persatuan Kebajikan Insan Istimewa Melaka / Joy Workshop	Provide assistance to people with disabilities.
Lung Foundation of Malaysia	Provide assistance to lung diseases patients.
Malaysian Medical Relief Society (MERCY)	Provide medical relief, sustainable health related development and risk reduction activities for vulnerable communities in both crisis and non-crisis situation.
Yayasan Jantung Malaysia	Provide education to the public on heart and circulatory diseases.
Dignity For Children Foundation	Provide assistance to poor children in urban area.
HOSPIS Malaysia	Provide assistance to patients suffering from life-limiting illnesses in Klang Valley.
Persatuan Pendidikan Anak-Anak Yatim Lipis	Provide assistance to disabled children and adults.
Malaysian Association for the Blind	Provide assistance to visually impaired persons.
Yayasan Sin Chew	Provide assistance to disabled, less fortunate, poor students and victims of natural disaster.
United Voice	Provide assistance to persons with learning disabilities (down syndrome, autism, attention deficit disorder, global developmental delay and other specific learning disabilities).
Malaysian Parkinson's Disease Association	Provide assistance to Parkinson's patients.

CORPORATE SOCIAL RESPONSIBILITY (CSR)
(cont'd)

Organization	Core activities
Yayasan Kebajikan SSL Haemodialysis	Dialysis and stroke rehabilitation centre.
Kiwanis Down Syndrome Foundation	Provide education to children with down syndrome.
Persatuan Cerebral Palsy Johor	Provide assistance to children with cerebral palsy.
PT Foundation/Malaysian AIDS Foundation	Provide assistance to drug users, sex workers, transgenders, men who have sex with men (MSM) and people living with HIV/AIDS.
Pertubuhan Pengurusan Rumah Kebajikan Warga Emas Sang Riang	Provide assistance to senior citizens.
National Kidney Foundation of Malaysia	Provide assistance to kidney dialysis patients.
Women's Aid Organisation	Provide assistance to abused women and their children.
Persatuan Kebajikan Hope Worldwide Kuala Lumpur	Provide assistance to underprivileged family and children.
Selangor and Federal Territory Association For the Mentally Handicapped (SAMH)	Provide education and training to mentally handicapped children and adults.
ST. Nicholas Home, Penang	Provide shelter, care, rehabilitation and vocational training to visually impaired residents and trainees.
Pusat Harian Kanak-Kanak Spastik	Provide assistance to spastic children (down syndrome and slow learner).
Rumah Orang-Orang Tua Seri Setia	Provide assistance to senior citizens.
Ampang Welfare Committee	Provide assistance to senior citizens.
Society for the Prevention of Cruelty to Animals (SPCA Selangor)	Animal welfare organization.
Bornean Sun Bear Conservation Centre	A sun bear rescue and rehabilitation facility being developed in Sabah.

AUDIT COMMITTEE REPORT

The principal objective of the Audit Committee is to assist the Board to discharge its statutory duties and responsibilities in relation to financial, accounting and reporting responsibilities and to ensure proper disclosure to the shareholders of the Company.

The Audit Committee will ensure that the Management establishes and maintains an effective internal control system including adequacy of resources, qualifications and experience of staff fulfilling the accounting and financial reporting function of the Company.

The Board is pleased to present the Audit Committee Report for the financial year ended 31 December 2016.

COMPOSITION AND MEETINGS

The Audit Committee held four (4) meetings during the year. The members of the Audit Committee and details of their attendance of the meetings during the financial year ended 31 December 2016 are as follows:-

Name of Director	Designation / Directorship	Number of meetings attended
Aaron Sim Kwee Lein	Chairman of Committee/Independent Non-Executive Director	4/4
Ng Kim Huat	Member of Committee/Independent Non-Executive Director	4/4
Lok Choon Hong	Member of Committee/Independent Non-Executive Director	4/4

THE AUDIT COMMITTEE IS GOVERNED BY THE FOLLOWING TERMS OF REFERENCE:-

1. Membership

   The Board from among its members shall appoint the Audit Committee that fulfils the following requirements:-

   a) The Audit Committee must be composed of no fewer than three (3) members.

   b) All the Audit Committee members must be Non-Executive Directors, of which a majority of them must be Independent Directors.

   c) All members of the Audit Committee should be able to read, analyse and interpret financial statements. At least one (1) of them:-

      (i) must be a member of the Malaysian Institute of Accountants; or

      (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience; and

         (aa) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or

         (bb) he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act, 1967; or

      (iii) fulfils such other requirements as prescribed or approved by the Exchange.

   d) The members of the Audit Committee shall elect a Chairman among their numbers whom shall be an Independent Director.

   e) No Alternate Director is appointed as a member of the Audit Committee.

   f) If a member of the Audit Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced below three (3), the Board shall, within three (3) months of that event, appoint such number of new member as may be required to make up the minimum number of three (3) members.

AUDIT COMMITTEE REPORT
(cont'd)

g) The terms of office and performance of the Audit Committee and each of its members shall be reviewed by the Board at least once every three (3) years to determine whether the Audit Committee and each of its members have carried out their duties in accordance with their terms of reference. However, the appointment terminates when a member ceases to be a Director.

The Company had complied with Paragraph 15.09(1)(b) of MMLR that the Audit Committee comprises exclusively of Non-Executive Directors.

2. Notice of Meeting and Attendance

The Audit Committee shall meet regularly, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.

The agenda for Audit Committee meetings shall be circulated before each meeting to members of the Committee. The Audit Committee may require the external auditors and any official of the Company to attend any of its meetings as determined. The external auditors shall have the right to appear and be heard at any meeting of the Audit Committee and shall appear before the Audit Committee when required to do so by the Audit Committee.

The Company Secretary shall be the secretary of the Committee. The Company Secretary shall attend all the Audit Committee meetings. Minutes of each meeting are to be prepared and sent to the Audit Committee members inclusive of the Company's Directors who are not members of the Audit Committee.

3. Key Functions and Responsibilities

The Audit Committee has the following key functions and responsibilities, namely:-

a) To review and recommend the appointment of external auditors, the audit fee and any questions of resignation or dismissal including the nomination of person or persons as external auditors;

b) To review the audit plan and audit report with the external auditors;

c) To review with the external auditor, his evaluation of the system of internal controls;

d) To review the assistance given by the Company to the external auditor;

e) To review the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;

f) To review the internal audit programme, processes, results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;

g) To review the quarterly results and year end financial statements, prior to the approval by the Board, focusing particularly on:-

(i) changes in or implementation of major accounting policy changes;
(ii) significant and unusual events; and
(iii) compliance with accounting standards and other legal requirements.

h) To review any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity;

i) To review whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment;

j) To verify the allocation of options pursuant to a share scheme for employees at the end of each financial year, if any; and

k) To review the adequancy of the Risk Management framework, policy, process and procedures undertakan and whether or not appropriate Risk Management Control actions are taken on to safeguard the interest of the respective stakeholders.

AUDIT COMMITTEE REPORT
(cont'd)

4. Summary of work of the Audit Committee

During the financial year, the Audit Committee has carried out the work as set out in the terms of reference detailed below:-

a) Reviewed the scope of work of the external auditors and audit plans for the year;
b) Reviewed with the external auditors the results of the audit, the audit report and the management letter, including management's response;
c) reviewed the nomination of the proposed change in auditors;
d) Reviewed the internal auditors' scope of work;
e) Checked with the internal auditors on any findings which require the Committee's attention;
f) Reviewed the internal control policy and internal control system;
g) Reviewed the quarterly unaudited financial results announcements before recommending them for the Board's approval; and
h) Reviewed the annual financial statements before recommending for approval by the Board.

INTERNAL AUDIT FUNCTIONS

The Company has outsourced its internal audit division to an independent professional consulting firm to assist the Audit Committee in discharging their responsibilities and duties. The role of the internal audit functions is to undertake independent regular and systematic reviews of the system of internal controls so as to provide reasonable assurance that such system continue to operate satisfactory and effectively.

The internal audits cover the review of the adequacy of risk management, operational controls, and compliance with established procedures, guidelines and statutory requirements. The details of internal audit functions, are noted in the Statement on Risk Management and Internal Control in this Annual Report.

During the financial year under review, the internal auditors reviewed and audited the following areas:-

(a) Review and update Sales & Marketing Standard Operating Procedure ;
(b) Internal control environment of Project Management;
(c) Internal control environment of Customer Services;
(d) Review of the Risk Register, Risk Matrix and Risk Management Framework.

The fee (inclusive of goods and services tax) paid to the professional firm in respect of internal audit function for the financial year ended 31 December 2016 was RM33,030.00.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors ("the Board") of the Excel Force MSC Berhad ("the Company") is pleased to present the Statement on Risk Management and Internal Control which outlines the nature and scope of risk management and internal control system of the Excel Force MSC Berhad and its subsidiaries ("the Group") for the financial year ended 31 December 2016 pursuant to Paragraph 15.26(b) of the Main Market Listing Requirement of Bursa Malaysia Security Berhad ("MMLR"), Malaysia Code on Corporate Governance 2012 ("MCCG 2012") and "*Statement on Internal Control and Risk Management : Guidelines for Directors of Listed Issuers*".

BOARD RESPONSIBILITY

The Board affirms its overall responsibility for maintaining the Group's systems of internal controls and risk management to safeguard investment, the interest of customers, regulators, employees, and the Group's assets. The Board further recognizes its responsibility in reviewing of the adequacy and integrity of these systems. The Audit Committee is entrusted by the Board to ensure effectiveness of the Group's internal control and risk management system.

Due to the limitations that are inherent in any system of internal control, the systems of internal controls can only provide reasonable and not absolute assurance against material misstatement or loss as it is designated to manage rather than eliminate the risk of failure to achieve the Group's business objectives.

RISK MANAGEMENT

The Board confirms that there is an on-going process of identifying, assessing and responding to risks for achieving the objectives of the Group for the financial year under review. The process is in place for the year under review and up to the date of issuance of the Statement on Risk Management and Internal Control.

The process of risk identification involves in reviewing and identifying the possible risk exposure which arising from both internal and external environment changes and operation conditions. The risk measurement guidelines consist of financial and non-financial qualitative measure of risk consequences based on risk likelihood rating and risk impact rating.

As part of the Risk Management process, a Registry of Risk and the Risk Management Handbook were adopted. The Registry of Risk is maintained to identify principal business risk and updated for on-going changes in the risk profile. The Risk Management Handbook summarises risk management methodology, approach and processes, roles and responsibilities, and various risk management concept. The responsibility of respective risk owners are to identify and ensure the adequate control systems are implemented to minimise and control the risks which faced by the Group.

The management has been embedded the responsibility to manage the risk and internal controls that associated with the operations of the Group and to ensure the compliance with the applicable laws and regulations. Any significant issues and control implemented were discussed at management meetings and quarterly Audit Committee meetings.

INTERNAL AUDIT FUNCTIONS

In accordance with the Malaysian Code on Corporate Governance, the Group in its efforts to provide adequate and effective internal control system had appointed Sterling Business Alignment Consulting Sdn Bhd ("Sterling"), an independent consulting firm to review the adequacy and integrity of its system of internal control. Sterling acts as the internal auditor and reports directly to the Audit Committee on the quarterly basis.

The internal audit reviews and addresses critical business processes, identified risks and internal control gaps, assessed the effectiveness and adequacy of the existing state of internal control of the Group and recommended possible improvements to the internal control process. This is to provide reasonable assurance that such systems continue to operate satisfactorily and effectively within the Group. Quarterly audit reports and status report on follow up actions were tabled to the Audit Committee and Board during its quarterly Audit Committee Meetings.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd)

For the financial year ended 31 December 2016, the following subsidiaries of the Group were audited by Sterling:-

Audit Period	Reporting Month	Name of Entity Audited	Audited Areas
1st Quarter (Jan 2016 – Mar 2016)	May 2016	▪ Excel Force MSC Berhad	▪ Review Sales & Marketing Standard Operating Procedure
		▪ Winvest Global Sdn Bhd ▪ Insage (MSC) Sdn Bhd ▪ Winvest Global Sdn Bhd	Follow-up actions on previously reported audited findings: - ▪ IA reported in November 2015 on Finance & Accounts, Human Resources Management ▪ IA reported in May 2015 on Project Management
2nd Quarter (Apr 2016 – June 2016)	Aug 2016	▪ Excel Force MSC Berhad	▪ Project Management
		▪ Insage (MSC) Sdn Bhd ▪ Winvest Global Sdn Bhd	Follow-up actions on previously reported audited findings: - ▪ IA reported in May 2015 on Project Management
3rd Quarter (July 2016 – Sept 2016)	Nov 2016	▪ Excel Force MSC Berhad	▪ Customer Services
		▪ Excel Forces MSC Berhad ▪ Insage (MSC) Sdn Bhd	Follow-up actions on previously reported audited findings: - ▪ IA reported in August 2016 on Project Management ▪ IA reported in May 2015 on Project Management
4rd Quarter (Oct 2016 – Dec 2016)	February 2016	▪ Excel Force MSC Berhad	▪ Review of the Risk Register, Risk Matrix and Risk Management Framework.
		▪ Excel Forces MSC Berhad ▪ Excel Forces MSC Berhad	Follow-up actions on previously reported audited findings: - ▪ IA reported in November 2016 on Customer Service ▪ IA reported in August 2016 on Project Management

THE KEY ELEMENTS OF THE GROUP'S INTERNAL CONTROL SYSTEM INCLUDE:

1. Organisation structure with defined lines of responsibility, authority and accountability;
2. Policies and procedures for key business processes are formalised and documented for implementation and continuous improvements;
3. Quarterly Board meetings and monthly management meetings are held where information is provided to the Board and management covering financial performances and operations;
4. Training and development is provided as and when required by employees with the objective of enhancing their knowledge and competency;
5. Management accounts and reports are prepared regularly for monitoring of actual performance;
6. Board participation at the macro perspective in the performance monitoring of all subsidiaries under the Group;
7. An internal audit function carries out quarterly internal audit to ascertain the adequacy of and to monitor the effectiveness of operational and financial procedures. The internal audit also reviews and assesses risks faced by the Group and reports directly to the Audit Committee;
8. Regular internal audit visits to monitor compliance with policies and procedures to assess the integrity of both financial and non-financial information provided; and
9. Follow-up visits are then subsequently conducted by the internal auditor to ensure proper implementation of agreed action plans by the respective process owners.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(cont'd)

RISK MANAGEMENT FRAMEWORK

The Board recognises that risk management is an integral part of the Group's business operations and that the identification and management of risks will affect the achievement of the Group's business objectives. To this end, the Board has formalised a Risk Management Framework by implementing an on-going process of identifying, evaluating, monitoring and managing the significant risks affecting the achievement of its business objectives and has taken into account the guidance of the Malaysian Code on Corporate Governance.

The management of risks in the daily business operation is assigned to management team and significant risks are identified and related mitigating responses as well as the corresponding internal control measures were deliberated at the Audit Committee and Board meeting.

ASSURANCE FROM MANAGEMENT

The Board has received assurance from the Executive Director and Group Finance Manager that the Group's risk management and internal control system are operating adequately and effectively in all material aspects, based on the risk management and internal control system of the Group.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by paragraph 15.23 of Bursa Securities Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. As set out in their terms of engagement, the procedures were performed in accordance with Recommended Practice Guide 5 (Revised) issued by Malaysian Institute of Accountants. Based on their procedures performed, the external auditor has reported to the Board that nothing has come to their attention that causes them to believe that this Statement is not prepared in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Guidelines, nor is it factually inaccurate.

CONCLUSION

For the financial year ended 31 December 2016 and up to the date of approval of this statement, the Board is of the opinion that the risk management and internal control system currently in place is adequate and effective to safeguard the Group's interests and assets.

For the coming year, the Board will continually assess the adequacy and effectiveness of the Group's system of internal control and to strengthen it, as and when necessary. This statement is made in accordance with the resolution passed by the Board dated 10 April 2017.

ADDITIONAL COMPLIANCE INFORMATION

MATERIAL CONTRACTS

There was no material contract between the Company and its subsidiaries involving the Directors and major shareholders' interests, either still subsisting at the end of the financial year or entered into since the end of the previous financial year.

AUDIT AND NON-AUDIT FEES

The amount of audit and non-audit fees incurred for the services rendered by the external auditors of the Group for the financial year ended 31 December 2016 are as follows:-

	Group RM	Company RM
Audit fees	53,500	50,500
Non-audit fees	4,500	4,500

RECURRENT RELATED PARTY TRANSACTIONS ("RRPT") OF REVENUE NATURE

There was no RRPT in the Company during the financial year under review.

UTILISATION OF PROCEEDS

No proceeds were raised by the Company from any corporate proposal during the financial year ended 31 December 2016.

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activities of the Company are the development, provision and maintenance of computer software application solutions for the financial services industry. The principal activities of the subsidiaries are set out in Note 11 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
Profit for the financial year	5,393,835	5,851,080
Attributable to:		
Owners of the parent	5,629,762	5,851,080
Non-controlling interests	(235,927)	-
	5,393,835	5,851,080

DIVIDENDS

Dividends paid, declared or proposed since the end of the previous financial year were as follows:

	Company RM
In respect of the financial year ended 31 December 2016:	
First interim tax exempt dividend of 1.0 sen per ordinary share, paid on 25 March 2016	2,067,681
Second interim single-tier dividend of 1.0 sen per ordinary share, paid on 1 July 2016	2,067,681
	4,135,362

The Directors do not recommend the payment of any final dividend in respect of the current financial year.

On 24 February 2017, the Directors declared a first interim single-tier dividend of 1.0 sen per ordinary share of RM0.10 each in respect of the financial year ending 31 December 2017.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and paid up share capital of the Company was increased from RM20,676,810 to RM20,686,597 by way of issuance of 97,875 ordinary shares of RM0.10 each pursuant to the exercise of warrants at an exercise price of RM0.68 per ordinary share for cash.

DIRECTORS' REPORT
(cont'd)

OPTIONS GRANTED OVER UNISSUED SHARES

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

WARRANTS

On 18 July 2014, the Company issued 103,384,031 2014/2019 free Warrants ('the Warrants 2014/2019') on the basis of one (1) free warrant for every two (2) existing ordinary shares held of RM0.10 each. The Warrants are constituted under a Deed Poll dated 1 July 2014 ('Deed Poll'). The Warrants 2014/2019 were listed on Main Market of Bursa Malaysia Securities Berhad on 24 July 2014.

The salient features of the Warrants 2014/2019 are as follows:

(i) the Warrants 2014/2019 entitle its registered holders to subscribe for one (1) new ordinary share of the Company of RM0.10 each at the exercise price during the exercise period;

(ii) the exercise price of each Warrant has been fixed at RM0.68 per Warrant;

(iii) the Warrants 2014/2019 may be exercised at any time during the tenure of the Warrants of five (5) years including and commencing from the issue date of the Warrants dated 18 July 2014 and ending on the expiry date to be dated 17 July 2019 ('exercise period'). Any Warrants which have not been exercised by the expiry of the exercise period will lapse and therefore cease to be valid for any purpose; and

(iv) the new shares will, upon allotment and issue, rank *pari passu* in all respects with the then existing shares save and except that they will not be entitled to any dividends, rights, allotment or other forms of distributions for which the relevant entitlement precedes the date of allotment and issuance of the new shares arising from the exercise of the Warrants.

As at 31 December 2016, unexercised warrants of the Company are as follows:

Date granted	Exercise price	No. of warrants over ordinary shares	Warrant expiry date
18 July 2014	RM 0.68	103,286,156	17 July 2019

During the financial year, 97,875 new ordinary shares of RM0.10 each were issued pursuant to the exercise of warrants for the equivalent numbers by the registered holders.

There were no other warrants exercised into ordinary shares during the financial year ended 31 December 2016.

DIRECTORS

The Directors who held for office since the date of the last report are:

Wang Kuen-Chung @ Jeff Wang
Ng Kim Huat
Aaron Sim Kwee Lein
Gan Teck Ban
Eng Shao Hon
Lok Choon Hong
Wong Kok Chau (Appointed on 24 November 2016)
Dato' Dr Norraesah Binti Haji Mohamad (Appointed on 10 February 2017)
Terry Lim Yew Meng (Appointed on 1 June 2016 and resigned on 24 November 2016)

DIRECTORS' REPORT
(cont'd)

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in the ordinary shares and warrants of the Company and of its related corporations during the financial year ended 31 December 2016 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 in Malaysia were as follows:

	---------- Number of ordinary shares of RM0.10 each ----------			
	Balance as at 1.1.2016	**Addition**	**Sold**	**Balance as at 31.12.2016**
Shares in the Company				
Direct interests:				
Wang Kuen-Chung @ Jeff Wang	10,741,502	208,000	5,000,000	5,949,502
Gan Teck Ban	675,000	-	-	675,000
Lok Choon Hong	20,000	-	-	20,000
Indirect interests:				
Wang Kuen-Chung @ Jeff Wang*	26,675,000	-	-	26,675,000

	------------- Number of Warrants of RM0.10 each -------------			
	Balance as at 1.1.2016	**Bought**	**Sold**	**Balance as at 31.12.2016**
Warrants in the Company				
Direct interests:				
Wang Kuen-Chung @ Jeff Wang	51	-	-	51

* By virtue of his interests in the shares in the substantial shareholder of the Company, Exacta Co. Ltd. ('Exacta'), a company incorporated in British Virgin Islands, Wang Kuen-Chung @ Jeff Wang is deemed to have interests in the Company to the extent of Exacta's interest therein, in accordance with Section 6A of the Companies Act, 1965 in Malaysia.

By virtue of his interests in the ordinary shares of the Company, Wang Kuen-Chung @ Jeff Wang is also deemed to be interested in the ordinary shares of all the subsidiaries to the extent the Company has an interest.

The deemed interests in the ordinary shares of the non-wholly owned subsidiaries, held by Wang Kuen-Chung @ Jeff Wang at year end were as follows:

	----------- Number of ordinary shares of RM1.00 each ----------			
	Balance as at 1.1.2016	**Addition**	**Sold**	**Balance as at 31.12.2016**
Subsidiary, Insage (MSC) Sdn. Bhd.				
Indirect interests:				
Wang Kuen-Chung @ Jeff Wang	120,000	-	-	120,000

The other Directors holding office at the end of the financial year did not have any beneficial interest in the ordinary shares and warrants of the Company and of its related corporations during the financial year.

DIRECTORS' REPORT
(cont'd)

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than those benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than deemed benefits arising from related party transactions as disclosed in Note 29 to the financial statements.

There were no arrangements during and at the end of the financial year, to which the Company is a party, which had the object of enabling the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate except for the warrants issued as disclosed in Note 15 to the financial statements.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

(a) Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there are no known bad debts and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

(b) In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

(c) The Directors are not aware of any circumstances:

(i) which would necessitate the writing off of bad debts or render the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent;

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

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

(d) In the opinion of the Directors:

(i) there has not arisen any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and

(ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

DIRECTORS' REPORT
(cont'd)

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (CONT'D)

(III) AS AT THE DATE OF THIS REPORT

(e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.

(f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.

(g) The Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Event subsequent to the end of the reporting period is disclosed in Note 34 to the financial statements.

AUDITORS

The auditors, BDO, have expressed their willingness to continue in office.

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

…………………………………………………	…………………………………………………
Wang Kuen-Chung @ Jeff Wang	**Wong Kok Chau**
Director	Director

Petaling Jaya, Selangor
10 April 2017

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 46 to 112 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

In the opinion of the Directors, the information set out in Note 36 to the financial statements on page 113 has been compiled in accordance with the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

On behalf of the Board,

....
Wang Kuen-Chung @ Jeff Wang
Director

....
Wong Kok Chau
Director

Petaling Jaya, Selangor
10 April 2017

STATUTORY DECLARATION

I, Liew Kean Fatt, being the officer primarily responsible for the financial management of Excel Force MSC Berhad, do solemnly and sincerely declare that the financial statements set out on pages 46 to 113 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly)
declared by the abovenamed at)
Kuala Lumpur this)
10 April 2017)

....
Liew Kean Fatt

Before me:

INDEPENDENT AUDITORS' REPORT

to the Members of Excel Force MSC Berhad

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Excel Force MSC Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements as set out on pages 46 to 112.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Assessment for the impairment of product development costs

The Group had product development costs of RM9,832,069 as at 31 December 2016 and had disclosed their assessment for impairment of product development costs in Note 8 to the financial statements.

Significant judgement is involved in the estimation of the present value of future cash flows generated by product development costs, which involves uncertainties and is significantly affected by assumptions used and judgement made regarding estimates of future cash flows including forecast revenue growth, profit margin of the products and discount rates.

Audit response

Our audit responses to address risk on assessment for the impairment of product development costs were as follows:

(a) Evaluated management's assessment of whether there were any indicators of impairment on product development costs.

(b) Tested management's assumptions used in their impairment assessment of the product development costs of the Group. Our procedures included:

  (i) assessing the reasonableness of cash flow forecast and projections by comparison to historical performance and future outlook and through discussion with management;

  (ii) verifying the discount rate by comparison to third party information, the Group's cost of capital and relevant risk factors; and

  (iii) performed sensitivity analysis taking into account the historical forecasting accuracy of the Group to stress test the key assumptions in the impairment model.

INDEPENDENT AUDITORS' REPORT

to the Members of Excel Force MSC Berhad
(cont'd)

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 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 of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT

to the Members of Excel Force MSC Berhad
(cont'd)

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

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

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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 accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 11 to the financial statements, being accounts that have been included in the consolidated financial statements.

(c) We are satisfied that the accounts 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 accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

The supplementary information set out in Note 36 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securitites 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.

INDEPENDENT AUDITORS' REPORT

to the Members of Excel Force MSC Berhad
(cont'd)

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.

BDO
AF: 0206
Chartered Accountants

Law Kian Huat
2855/06/18 (J)
Chartered Accountant

Kuala Lumpur
10 April 2017

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2016

		Group		Company	
		2016	**2015**	**2016**	**2015**
	Note	**RM**	**RM**	**RM**	**RM**
ASSETS					
Non-current assets					
Property, plant and equipment	7	15,907,287	17,256,525	15,870,925	17,029,506
Product development costs	8	9,832,069	10,025,948	7,921,396	7,250,479
Goodwill on consolidation	9	-	32,528	-	-
Other intangible assets	10	-	-	-	-
Investments in subsidiaries	11	-	-	-	436,000
Trade and other receivables	12	-	-	1,312,680	1,798,436
Total non-current assets		25,739,356	27,315,001	25,105,001	26,514,421
Current assets					
Inventories	13	26,349	79,497	26,349	79,497
Trade and other receivables	12	3,961,860	7,911,580	4,449,944	8,053,756
Cash and bank balances and short term funds	14	23,328,962	19,701,826	23,215,348	18,583,193
Total current assets		27,317,171	27,692,903	27,691,641	26,716,446
TOTAL ASSETS		53,056,527	55,007,904	52,796,642	53,230,867
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	15	20,686,597	20,676,810	20,686,597	20,676,810
Reserves	16	24,814,501	23,263,333	25,128,697	23,356,211
		45,501,098	43,940,143	45,815,294	44,033,021
Non-controlling interests	11(c)	(80,744)	506,347	-	-
TOTAL EQUITY		45,420,354	44,446,490	45,815,294	44,033,021

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2016
(cont'd)

		Group		Company	
		2016	2015	2016	2015
	Note	RM	RM	RM	RM
EQUITY AND LIABILITIES (cont'd)					
Non-current liabilities					
Borrowings	17	4,240,002	5,221,110	4,240,002	5,221,110
Deferred tax liabilities	20	63,013	76,671	63,013	76,671
Total non-current liabilities		4,303,015	5,297,781	4,303,015	5,297,781
Current liabilities					
Trade and other payables	19	2,291,183	3,577,383	1,636,358	2,213,815
Borrowings	17	981,108	981,108	981,108	981,108
Current tax liabilities		60,867	705,142	60,867	705,142
Total current liabilities		3,333,158	5,263,633	2,678,333	3,900,065
TOTAL LIABILITIES		7,636,173	10,561,414	6,981,348	9,197,846
TOTAL EQUITY AND LIABILITIES		53,056,527	55,007,904	52,796,642	53,230,867

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the Financial Year Ended 31 December 2016

		Group		Company	
		2016	**2015**	**2016**	**2015**
	Note	**RM**	**RM**	**RM**	**RM**
Revenue	21	22,472,628	25,279,995	20,086,958	21,790,623
Cost of sales	22	(8,629,986)	(8,431,429)	(7,071,491)	(6,683,051)
Gross profit		13,842,642	16,848,566	13,015,467	15,107,572
Other income		706,543	541,273	970,979	698,505
Other operating expenses		(1,898,982)	(2,013,058)	(1,782,415)	(1,825,015)
Marketing expenses		(105,604)	(130,282)	(30,039)	(41,997)
Administrative expenses		(5,570,092)	(5,592,977)	(4,747,805)	(4,287,917)
Finance costs	23	-	(597)	-	(597)
Profit before tax	24	6,974,507	9,652,925	7,426,187	9,650,551
Tax expense	25	(1,580,672)	(2,085,120)	(1,575,107)	(2,123,463)
Profit for the financial year		5,393,835	7,567,805	5,851,080	7,527,088
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		5,393,835	7,567,805	5,851,080	7,527,088
Profit attributable to:					
Owners of the parent		5,629,762	7,552,104	5,851,080	7,527,088
Non-controlling interests		(235,927)	15,701	-	-
		5,393,835	7,567,805	5,851,080	7,527,088
Total comprehensive income attributable to:					
Owners of the parent		5,629,762	7,552,104	5,851,080	7,527,088
Non-controlling interests		(235,927)	15,701	-	-
		5,393,835	7,567,805	5,851,080	7,527,088

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the Financial Year Ended 31 December 2016
(cont'd)

		Group		Company	
		2016	**2015**	**2016**	**2015**
	Note	**RM**	**RM**	**RM**	**RM**
Earnings per ordinary share attributable to equity holders of the Company (sen)					
Basic (sen)	26	2.72	3.65		
Diluted (sen)	26	2.72	3.65		
Dividend per ordinary share in respect of the financial year (sen)	27				
- first interim		1.00	1.00	1.00	1.00
- second interim		1.00	1.00	1.00	1.00
- third interim		-	1.00	-	1.00

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

STATEMENTS OF CHANGES IN EQUITY

for the Financial Year Ended 31 December 2016

Group	Note	Share capital RM	Share premium RM	Distributable Retained earnings RM	Total attributable to the owners of the parent RM	Non-controlling interests RM	Total equity RM
Balance as at 1 January 2015		20,676,810	-	21,914,272	42,591,082	490,646	43,081,728
Profit for the financial year		-	-	7,552,104	7,552,104	15,701	7,567,805
Other comprehensive income, net of tax		-	-	-	-	-	-
Total comprehensive income		-	-	7,552,104	7,552,104	15,701	7,567,805
Transactions with owners							
Dividends paid	27	-	-	(6,203,043)	(6,203,043)	-	(6,203,043)
Total transactions with owners		-	-	(6,203,043)	(6,203,043)	-	(6,203,043)
Balance as at 31 December 2015		20,676,810	-	23,263,333	43,940,143	506,347	44,446,490
Profit for the financial year		-	-	5,629,762	5,629,762	(235,927)	5,393,835
Other comprehensive income, net of tax		-	-	-	-	-	-
Total comprehensive income		-	-	5,629,762	5,629,762	(235,927)	5,393,835
Transactions with owners							
Issuance of ordinary shares pursuant to exercise of warrants	15	9,787	56,768	-	66,555	-	66,555
Disposal of subsidiaries	33	-	-	-	-	(351,164)	(351,164)
Dividends paid	27	-	-	(4,135,362)	(4,135,362)	-	(4,135,362)
Total transactions with owners		9,787	56,768	(4,135,362)	(4,068,807)	(351,164)	(4,419,971)
Balance as at 31 December 2016		20,686,597	56,768	24,757,733	45,501,098	(80,744)	45,420,354

STATEMENTS OF CHANGES IN EQUITY

for the Financial Year Ended 31 December 2016
(cont'd)

Company	**Note**	**Share capital RM**	**Share premium RM**	**Distributable Retained earnings RM**	**Total equity RM**
Balance as at 1 January 2015		20,676,810	-	22,032,166	42,708,976
Profit for the financial year		-	-	7,527,088	7,527,088
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		-	-	7,527,088	7,527,088
Transactions with owners					
Dividends paid	27	-	-	(6,203,043)	(6,203,043)
Balance as at 31 December 2015		20,676,810	-	23,356,211	44,033,021
Profit for the financial year		-	-	5,851,080	5,851,080
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		-	-	5,851,080	5,851,080
Transactions with owners					
Issuance of ordinary shares pursuant to exercise of warrants	15	9,787	56,768	-	66,555
Dividends paid	27	-	-	(4,135,362)	(4,135,362)
		9,787	56,768	(4,135,362)	(4,068,807)
Balance as at 31 December 2016		20,686,597	56,768	25,071,929	45,815,294

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

STATEMENTS OF CASH FLOWS
for the Financial Year Ended 31 December 2016

		Group		Company	
		2016	2015	2016	2015
	Note	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		6,974,507	9,652,925	7,426,187	9,650,551
Adjustments for:					
Amortisation of product development costs	8	1,773,670	1,429,000	1,352,853	1,055,332
Depreciation of property, plant and equipment	7	1,280,898	1,503,938	1,214,076	1,414,515
Gain on disposal of subsidiaries	33	(68,938)	-	(46,738)	-
Impairment loss on trade receivables	12(e)	16,117	-	-	-
Interest expense on hire purchase and finance lease liabilities	23	-	597	-	597
Interest income from:					
- deposits with licensed banks		(1,453)	(4,156)	(1,453)	(1,036)
- short term funds		(468,573)	(347,427)	(455,944)	(338,794)
- amount owing by a subsidiary		-	-	(102,391)	(105,744)
Net gain on disposal of property, plant and equipment		(22,669)	(21,676)	(22,669)	(22,098)
Property, plant and equipment written off	7	96,282	1,468	96,282	70
Unrealised gain on foreign exchange		(34,204)	(64,783)	(34,204)	(64,783)
Operating profit before changes in working capital		9,545,637	12,149,886	9,425,999	11,588,610
Decrease/(Increase) in inventories		53,148	(14,910)	53,148	(14,910)
Decrease/(Increase) in trade and other receivables		3,510,101	(968,078)	4,001,326	(943,628)
(Decrease)/Increase in trade and other payables		(308,302)	174,799	(577,451)	(367,331)
Cash generated from operations		12,800,584	11,341,697	12,903,022	10,262,741
Tax paid		(2,238,605)	(2,117,543)	(2,233,040)	(2,094,952)
Net cash from operating activities		10,561,979	9,224,154	10,669,982	8,167,789

STATEMENTS OF CASH FLOWS

for the Financial Year Ended 31 December 2016
(cont'd)

		Group		Company	
		2016	2015	2016	2015
	Note	RM	RM	RM	RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Additions of product development costs	8	(2,475,843)	(2,903,104)	(2,023,770)	(2,194,248)
Proceeds from disposal of subsidiaries, net of cash and bank balances	33	242,179	-	482,738	-
Repayment from subsidiary		-	-	200,000	200,000
Interest received from:					
- deposits with licensed banks		1,453	4,156	1,453	1,036
- short term funds		468,573	347,427	455,944	338,794
Purchase of property, plant and equipment	7	(170,456)	(431,952)	(153,443)	(399,478)
Proceeds from disposal of property, plant and equipment		24,335	48,355	24,335	47,882
Net cash used in investing activities		(1,909,759)	(2,935,118)	(1,012,743)	(2,006,014)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid	27	(4,135,362)	(6,203,043)	(4,135,362)	(6,203,043)
Interest paid		-	(418)	-	(418)
Repayments of					
- hire purchase and finance lease liabilities		-	(25,562)	-	(25,562)
- term loan		(981,108)	(981,108)	(981,108)	(981,108)
Proceeds from issuance of ordinary shares		66,555	-	66,555	-
Net cash used in financing activities		(5,049,915)	(7,210,131)	(5,049,915)	(7,210,131)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		3,602,305	(921,095)	4,607,324	(1,048,356)
EFFECTS OF EXCHANGE RATE CHANGES		24,831	75,810	24,831	75,810
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		19,701,826	20,547,111	18,583,193	19,555,739
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	14	23,328,962	19,701,826	23,215,348	18,583,193

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

1. CORPORATE INFORMATION

Excel Force MSC Berhad ('the Company') is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur.

The principal place of business of the Company is located at Unit TA-13-1, Level 13, Tower A, Plaza 33, No. 1, Jalan Kemajuan, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan.

The consolidated financial statements for the financial year ended 31 December 2016 comprise the Company and its subsidiaries. These financial statements are presented in Ringgit Malaysia ('RM'), which is also the functional currency of the Company.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 10 April 2017.

2. PRINCIPAL ACTIVITIES

The principal activities of the Company are the development, provision and maintenance of computer software application solutions for the financial services industry. The principal activities of the subsidiaries are set out in Note 11 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group and of the Company set out on pages 46 to 112 have been prepared in accordance with Malaysian Financial Reporting Standards ('MFRSs'), International Financial Reporting Standards ('IFRSs') and the provisions of the Companies Act, 1965 in Malaysia. However, Note 36 to the financial statements set out on page 113 has been prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ('MIA Guidance') and the directive of Bursa Malaysia Securities Berhad.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

The preparation of these financial statements in conformity with MFRSs and IFRSs requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 6 to the financial statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

4.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

(a) Power over the investee;
(b) Exposure, or rights, to variable returns from its involvement with the investee; and
(c) The ability to use its power over the investee to affect its returns.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 Basis of consolidation (cont'd)

If the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) The contractual arrangement with the other vote holders of the investee;
(b) Rights arising from other contractual agreements; and
(c) The voting rights of the Group and potential voting rights.

Intragroup balances, transactions, income and expenses are eliminated on consolidation. Unrealised gains arising from transactions are also eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the other entities in the Group.

Non-controlling interests represent equity in subsidiaries that are not attributable, directly or indirectly, to owners of the parent, and is presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent 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.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. 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. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the financial year are included in the statement of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

If the Group loses control of a subsidiary, the profit or loss on disposal 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; and

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

Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. 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 *Financial Instruments: Recognition and Measurement* or, where applicable, the cost on initial recognition of an investment in associate or joint venture.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.3 Business combinations

Business combinations are accounted for by applying the acquisition method of accounting.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date, except that:

(a) Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits respectively*;

(b) Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement by the Group of an acquiree's share-based payment transactions are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and

(c) Assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration payable is recognised at fair value at the acquisition date. Measurement period adjustments to contingent consideration are dealt with as follows:

(a) If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity.

(b) Subsequent changes to contingent consideration classified as an asset or liability that is a financial instrument within the scope of MFRS 139 are recognised either in profit or loss or in other comprehensive income in accordance with MFRS 139. All other subsequent changes are recognised in profit or loss.

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

Components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, 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.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the previously held equity interest of the Group in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. The accounting policy for goodwill is set out in Note 4.7(a) to the financial statements. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

4.4 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Subsequent costs are included in the asset's 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 subsequent costs would flow to the Group and the cost of the asset could 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.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has a different useful life, is depreciated separately.

After initial recognition, property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal depreciation periods and rates are as follows:

Long term leasehold land	56 years/99 years
Buildings	2%
Furniture and fittings	10%
Motor vehicles	20%
Computers and software	20%
Office equipment	15%
Renovation	20%

Freehold land has unlimited useful life and is not depreciated.

At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 4.9 to the financial statements on impairment of non-financial assets).

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss.

4.5 Leases and hire purchase

(a) Finance leases and hire purchase

Assets acquired under finance leases and hire purchase which transfer substantially all the risks and rewards of ownership to the Group are recognised initially at amounts equal to the fair value of the leased assets or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the leases, if this is practicable to determine; if not, the incremental borrowing rate of the Group is used. Any initial direct costs incurred by the Group are added to the amount recognised as an asset. The assets are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities. The property, plant and equipment capitalised are depreciated on the same basis as owned assets.

The minimum lease payments are apportioned between finance charges and the reduction of the outstanding liability. The finance charges are recognised in profit or loss over the period of the lease term so as to produce a constant periodic rate of interest on the remaining lease and hire purchase liabilities.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 Leases and hire purchase (cont'd)

(b) Operating leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Lease payments under operating leases are recognised as an expense on a straight- line basis over the lease term.

(c) Leases of land and buildings

For leases of land and buildings, the land and buildings elements are considered separately for the purpose of lease classification and these leases are classified as operating or finance leases in the same way as leases of other assets.

The minimum lease payments including any lump-sum upfront payments made to acquire the interest in the land and buildings are allocated between the land and the buildings elements in proportion to the relative fair values of the leasehold interests in the land element and the buildings element of the lease at the inception of the lease.

For a lease of land and building in which the amount that would initially be recognised for the land element is immaterial, the land and building are treated as a single unit for the purpose of lease classification and is accordingly classified as a finance or operating lease. In such a case, the economic life of the building is regarded as the economic life of the entire leased asset.

4.6 Investments in subsidiaries

A subsidiary is an entity in which the Group and the Company are exposed, or have rights, to variable returns from its involvement with the subsidiary and have the ability to affect those returns through its power over the subsidiary.

An investment in subsidiary, which is eliminated on consolidation, is stated in the separate financial statements of the Company at cost less impairment losses, if any. Put options written over non-controlling interests on the acquisition of subsidiary shall be included as part of the cost of investment in the separate financial statements of the Company. Subsequent changes in the fair value of the written put options over non-controlling interests shall be recognised in profit or loss. Investments accounted for at cost shall be accounted for in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* when they are classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with MFRS 5.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the Group would derecognise all assets, liabilities and non-controlling interests at their carrying amount and recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

4.7 Intangible assets

(a) Goodwill

Goodwill recognised in a business combination is an asset at the acquisition date and is initially measured at cost being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.7 Intangible assets (cont'd)

(a) Goodwill (cont'd)

After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is not amortised but instead tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. Objective events that would trigger a more frequent impairment review include adverse industry or economic trends, significant restructuring actions, significantly lowered projections of profitability, or a sustained decline in the acquiree's market capitalisation. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(b) Other intangible assets

Other intangible assets are recognised only when the identifiability, control and future economic benefit probability criterias are met.

The Group recognises at the acquisition date separately from goodwill, an intangible asset of the acquiree, irrespective of whether the asset had been recognised by the acquiree before the business combination.

Intangible assets are initially measured at cost. The cost of intangible assets recognised in a business combination is their fair values as at the date of acquisition.

After initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight line basis over the estimated economic useful lives and are assessed for any indication that the asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. The amortisation expense on intangible assets with finite lives is recognised in profit or loss and is included within the cost of sales line item.

An intangible asset has an indefinite useful life when based on the analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows to the Group. Intangible assets with indefinite useful lives are tested for impairment annually and wherever there is an indication that the carrying amount may be impaired. Such intangible assets are not amortised. Their useful lives are reviewed each period to determine whether events and circumstances continue to support the indefinite useful life assessment for the asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for as a change in accounting estimate in accordance with MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors.*

Expenditure on an intangible item that is initially recognised as an expense is not recognised as part of the cost of an intangible asset at a later date.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from the derecognition is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in profit or loss when the asset is derecognised.

Research and development

Expenditure on development activities of internally developed products is recognised as an intangible asset when it relates to the production of new or substantively improved products and processes and when the Group can demonstrate that it is technically feasible to develop the product or processes, adequate resources are available to complete the development and that there is an intention to complete and sell the products or processes to generate future economic benefits.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.7 Intangible assets (cont'd)

(b) Other intangible assets (cont'd)

Research and development (cont'd)

Capitalised product development costs are amortised on a straight line basis over a period of three (3) to ten (10) years. Development expenditure not satisfying the criteria mentioned and expenditure arising from research or from the research phase of internal projects are recognised in profit or loss as incurred.

Development assets are tested for impairment annually.

Trademarks and copyrights

Acquired trademarks and copyrights have finite useful lives and are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated using the accumulated straight line method to allocate the cost of trademarks and copyrights over their estimated useful lives of ten (10) years.

4.8 Inventories

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

Cost is determined using the first-in, first-out formula. The cost of replacement parts comprises all costs of purchase plus the cost of bringing the inventories to their present location and condition.

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

4.9 Impairment of non-financial assets

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

Goodwill and intangible assets that have an indefinite useful life are tested annually for impairment or more frequently if events or changes in circumstances indicate that the goodwill or intangible assets might be impaired.

The recoverable amount of an asset is estimated for an individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ('CGU') to which the asset belongs. Goodwill acquired in a business combination is from the acquisition date, allocated to each of the Group's CGU or groups of CGU that are expected to benefit from the synergies of the combination giving rise to the goodwill irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Goodwill acquired in a business combination shall be tested for impairment as part of the impairment testing of the CGU to which it relates. The CGU to which goodwill is allocated shall represent the lowest level within the Group at which the goodwill is monitored for internal management purposes and not larger than an operating segment determined in accordance with MFRS 8 *Operating Segments*.

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU, including the goodwill or intangible asset, exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated, first, to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU. The impairment loss is recognised in profit or loss immediately.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.9 Impairment of non-financial assets (cont'd)

An impairment loss on goodwill is not reversed in subsequent periods. An impairment loss for other assets is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Such reversals are recognised as income immediately in profit or loss.

4.10 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Group.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Group.

Financial instruments are recognised on the statements of financial position when the Group has become a party to the contractual provisions of the instrument. At initial recognition, a financial instrument is recognised at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial instrument.

An embedded derivative is separated from the host contract and accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative is not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative meets the definition of a derivative, and the hybrid instrument is not measured at fair value through profit or loss.

(a) Financial assets

A financial asset is classified into the following four (4) categories after initial recognition for the purpose of subsequent measurement:

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

Financial assets at fair value through profit or loss comprise financial assets that are held for trading (i.e. financial assets acquired principally for the purpose of resale in the near term), derivatives (both, freestanding and embedded) and financial assets that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial assets classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as at fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial assets classified as at fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components of other income or other operating losses.

However, derivatives that are linked to and must be settled by delivery of unquoted equity instruments that do not have a quoted market price in an active market are recognised at cost.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 Financial instruments (cont'd)

(a) Financial assets (cont'd)

(ii) Held-to-maturity investments

Financial assets classified as held-to-maturity comprise non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, financial assets classified as held-to-maturity are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as held-to-maturity are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

(iii) Loans and receivables

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

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

(iv) Available-for-sale financial assets

Financial assets classified as available-for-sale comprise non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Subsequent to initial recognition, financial assets classified as available-for-sale are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. However, interest calculated using the effective interest method is recognised in profit or loss whilst dividends on available-for-sale equity instruments are recognised in profit or loss when the right of the Group to receive payment is established.

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three (3) months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

A financial asset is derecognised when the contractual right to receive cash flows from the financial asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised directly in other comprehensive income shall be recognised in profit or loss.

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or marketplace convention. A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 Financial instruments (cont'd)

(b) Financial liabilities

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. A financial liability is classified into the following two (2) categories after initial recognition for the purpose of subsequent measurement:

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

Financial liabilities at fair value through profit or loss comprise financial liabilities that are held for trading, derivatives (both, freestanding and embedded) and financial liabilities that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial liabilities classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial liabilities classified as at fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial liabilities classified as at fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components of other income or other operating losses.

(ii) Other financial liabilities

Financial liabilities classified as other financial liabilities comprise non-derivative financial liabilities that are neither held for trading nor initially designated as at fair value through profit or loss.

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

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Any difference between the carrying amount of a 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.

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

(c) Equity

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

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary share capital and share premium are classified as equity. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit. Otherwise, they are charged to profit or loss.

Interim dividends to shareholders are recognised in equity in the period in which they are declared. Final dividends are recognised upon the approval of shareholders in a general meeting.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 Financial instruments (cont'd)

(c) Equity (cont'd)

The Group measures a liability to distribute non-cash assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at the end of each reporting period and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

When the Group repurchases its own shares, the shares repurchased would be accounted for using the treasury stock method.

Where the treasury stock method is applied, the shares repurchased and held as treasury shares shall be measured and carried at the cost of repurchase on initial recognition and subsequently. It shall not be revalued for subsequent changes in the fair value or market price of the shares.

The carrying amount of the treasury shares shall be offset against equity in the statement of financial position. To the extent that the carrying amount of the treasury shares exceeds the share premium account, it shall be considered as a reduction of any other reserves as may be permitted by the Companies Act, 1965 in Malaysia.

No gain or loss is required in profit or loss on the purchase, sale, issue or cancellation of the own equity instruments of the Company. If such shares are issued by resale, any difference between the sales consideration and the carrying amount is shown as a movement in equity.

4.11 Impairment of financial assets

The Group assesses whether there is any objective evidence that a financial asset is impaired at the end of each reporting period.

(a) Held-to-maturity and loans and receivables

The Group collectively considers factors such as the probability of bankruptcy or significant financial difficulties of the receivable, and default or significant delay in payments to determine whether there is objective evidence that an impairment loss on loans and receivables has occurred. Other objective evidence of impairment include historical collection rates determined on an individual basis and observable changes in national or local economic conditions that are directly correlated with the historical default rates of receivables.

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

The carrying amount of held-to-maturity investments is directly reduced by the impairment loss whilst the carrying amount of loans and receivables are reduced through the use of an allowance account.

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

(b) Available-for-sale financial assets

The Group collectively considers factor such as significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market as objective evidence that available-for-sale financial assets are impaired.

If any such objective evidence exists, an amount comprising the difference between the financial asset's cost (net of any principal payment and amortisation) and current fair value, less any impairment loss previously recognised in profits or loss, is transferred from equity to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.11 Impairment of financial assets (cont'd)

(b) Available-for-sale financial assets (cont'd)

Impairment losses in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in subsequent periods. Instead, any increase in the fair value subsequent to the impairment loss is recognised in other comprehensive income.

Impairment losses on available-for-sale debt investments are subsequently reversed to profit or loss if the increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

4.12 Borrowing costs

Borrowing costs that are directly attributable to the acquisition or production of a qualifying asset is capitalised as part of the cost of the asset until when substantially all the activities necessary to prepare the asset for its intended use or sale are complete, after which such expense is charged to profit or loss. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on the borrowing during the period less any investment income on the temporary investment of the borrowing.

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

4.13 Income taxes

Income taxes include all domestic taxes on taxable profit. Income taxes also include other taxes, such as real property gains taxes payable on the disposal of properties.

Taxes in the statements of profit or loss and other comprehensive income comprise current tax and deferred tax.

(a) Current tax

Current tax expenses are determined according to the tax laws of the jurisdiction in which the Group operates and include all taxes based upon the taxable profit and real property gains taxes payable on disposal of properties.

(b) Deferred tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the statement of financial position and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profit would be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. If it is no longer probable that sufficient taxable profit would be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset would be reduced accordingly. When it becomes probable that sufficient taxable profit would be available, such reductions would be reversed to the extent of the taxable profit.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.13 Income taxes (cont'd)

(b) Deferred tax (cont'd)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority on either:

(i) The same taxable entity; or

(ii) Different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax would be recognised as income or expense and included in profit or loss for the period unless the tax relates to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax would be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on the announcement of tax rates and tax laws by the Government in the annual budgets which have the substantive effect of actual enactment by the end of each reporting period.

4.14 Provisions

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

If the effect of the time value of money is material, the amount of a provision would be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits would be required to settle the obligation, the provision would be reversed.

Provisions for restructuring are recognised when the Group has approved a detailed formal restructuring plan, and the restructuring either has commenced or has been announced publicly.

Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

4.15 Employee benefits

(a) Short term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are expensed when employees rendered their services to the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur and they lapse if the current period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the Group.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.15 Employee benefits (cont'd)

(a) Short term employee benefits (cont'd)

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

(b) Defined contribution plans

The Company and its subsidiaries incorporated in Malaysia make contributions to a statutory provident fund. The contributions are recognised as a liability after deducting any contributions already paid and as an expense in the period in which the employees render their services.

4.16 Earnings per share

(a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year.

(b) Diluted

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares.

4.17 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources would be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise a contingent asset but discloses its existence where the inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date.

4.18 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the entities of the Group are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Ringgit Malaysia, which is the functional and presentation currency of the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.18 Foreign currencies (cont'd)

(b) Foreign currency transactions and balances

Transactions in foreign currencies are converted into functional currency at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of each reporting period are translated into functional currency at rates of exchange ruling at that date. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit or loss in the period in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost, are translated using the historical rate as of the date of acquisition, and non-monetary items, which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

4.19 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable net of discounts and rebates.

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction would flow to the Group, and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be reliably measured and specific recognition criteria have been met for each of the activities of the Group as follows:

(a) Sale of goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the customer and where the Group retains no continuing managerial involvement over the goods, which coincides with the delivery of goods and services, and acceptance by customers.

(b) Services

Revenue from rendering of services is recognised upon performance of services.

(c) Interest income

Interest income is recognised as it accrues, using the effective interest method.

(d) Rental income

Rental income is accounted for on a straight line basis over the lease term of an ongoing lease.

(e) Management fees

Management fees are recognised when services are rendered.

4.20 Operating segments

Operating segments are defined as components of the Group that:

(a) Engage in business activities from which it could earn revenue and incur expenses (including revenue and expenses relating to transactions with other components of the Group);

(b) Whose operating results are regularly reviewed by the chief operating decision maker of the Group in making decisions about resources to be allocated to the segment and assessing its performance; and

(c) For which discrete financial information is available.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.20 Operating segments (cont'd)

An operating segment may engage in business activities for which it has yet to earn revenue.

The Group reports separately information about each operating segment that meets any of the following quantitative thresholds:

(a) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is ten (10) per cent or more of the combined revenue, internal and external, of all operating segments.

(b) The absolute amount of its reported profit or loss is ten (10) per cent or more of the greater, in absolute amount of:

  (i) The combined reported profit of all operating segments that did not report a loss; and

  (ii) The combined reported loss of all operating segments that reported a loss.

(c) Its assets are ten (10) per cent or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

Total external revenue reported by operating segments shall constitute at least seventy-five (75) percent of the revenue of the Group. Operating segments identified as reportable segments in the current financial year in accordance with the quantitative thresholds would result in a restatement of prior period segment data for comparative purposes.

4.21 Fair value measurements

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

The Group measures the fair value of an asset or a liability by taking into account the characteristics of the asset or liability if market participants would take these characteristics into account when pricing the asset or liability. The Group has considered the following characteristics when determining fair value:

(a) The condition and location of the asset; and

(b) Restrictions, if any, on the sale or use of the asset.

The fair value measurement for a non-financial asset takes into account the ability of the market participant 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.

The fair value of a financial or non-financial liability or an entity's own equity instrument assumes that:

(a) A liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date; and

(b) An entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016
(cont'd)

5. ADOPTION OF NEW MFRSS AND AMENDMENT TO MFRSs

5.1 New MFRSs adopted during the financial year

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

On 1 January 2016, the Group and the Company adopted the following Standards and Amendments that are mandatory for annual financial periods beginning on or after 1 January 2016.

Title	Effective Date
MFRS 14 *Regulatory Deferral Accounts*	1 January 2016
Amendments to MFRS 10, MFRS 12, MFRS 128 *Investment Entities: Applying the Consolidation Exception*	1 January 2016
Amendments to MFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
Amendments to MFRS 101 *Disclosure Initiative*	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 127 *Equity Method in Separate Financial Statements*	1 January 2016
Amendments to MFRSs *Annual Improvements to MFRSs 2012 - 2014 Cycle*	1 January 2016

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and the Company.

5.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2017

The Standards and Amendments that are issued but not yet effective up to the date of issuance of financial statements of the Group and the Company are disclosed below. The Group and the Company intend to adopt these Standards and Amendments, if applicable, when they become effective.

Title	Effective date
Amendments to MFRS 12 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*	1 January 2017
Amendments to MFRS 107 *Disclosure Initiative*	1 January 2017
Amendments to MFRS 112 *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
Amendments to MFRS 1 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*	1 January 2018
MFRS 9 *Financial Instruments (IFRS 9 as issued by IASB in July 2014)*	1 January 2018
MFRS 15 *Revenue from Contracts with Customers*	1 January 2018
Clarifications to MFRS 15	1 January 2018
Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to MFRS 128 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*	1 January 2018
Amendments to MFRS 140 *Transfers of Investment Property*	1 January 2018
IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
Amendments to MFRS 4 Applying MFRS 9 *Financial Instruments* with MFRS 4 *Insurance Contracts*	See MFRS 4 Paragraphs 46 and 48
MFRS 16 *Leases*	1 January 2019
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associates or Joint Venture*	Deferred

The Group and the Company are in the process of assessing the impact of implementing these Amendments and Standards, since the effects would only be observable for the future financial years.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016
(cont'd)

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The following is a key assumption concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of product development costs

The Group reviews the carrying amounts of product development costs as at the end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount or value in use is estimated. Determining the value in use of product development costs requires the determination of future cash flows expected to be generated from the continued use, and ultimate disposition of such assets. Any resulting impairment loss could have a material adverse impact on the Group's financial position and results of operations.

Significant judgement is made in the estimation of the present value of future cash flows generated by product development costs, which involves uncertainties and is significantly affected by assumptions used and judgement made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the results of the Group's assessment for impairment of product development costs.

Further details on assessment for impairment of product development costs are disclosed in Notes 8 to the financial statements.

7. PROPERTY, PLANT AND EQUIPMENT

2016 Group	**Balance as at 1.1.2016 RM**	**Additions RM**	**Disposal of subsidiaries (Note 33) RM**	**Written off RM**	**Disposals RM**	**Balance as at 31.12.2016 RM**
Cost						
Buildings	12,805,605	-	-	-	-	12,805,605
Freehold land	382,284	-	-	-	-	382,284
Long term leasehold land	2,030,000	-	-	-	-	2,030,000
Furniture and fittings	354,751	4,596	(8,877)	-	-	350,470
Motor vehicles	994,948	57,147	-	-	(47,673)	1,004,422
Computers and software	5,705,147	91,715	(251,717)	(616,417)	(16,357)	4,912,371
Office equipment	261,172	9,498	(9,366)	-	-	261,304
Renovation	919,787	7,500	-	-	-	927,287
	23,453,694	170,456	(269,960)	(616,417)	(64,030)	22,673,743

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016
(cont'd)

7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Balance as at 1.1.2016 RM	Depreciation charge for the financial year RM	Disposal of subsidiaries (Note 33) RM	Written off RM	Disposals RM	Balance as at 31.12.2016 RM
Accumulated depreciation						
Buildings	576,972	255,611	-	-	-	832,583
Long term leasehold land	69,479	36,250	-	-	-	105,729
Furniture and fittings	98,853	33,835	(1,752)	-	-	130,936
Motor vehicles	749,592	154,605	-	-	(47,672)	856,525
Computers and software	4,205,554	611,491	(124,305)	(520,135)	(14,692)	4,157,913
Office equipment	142,970	26,633	(3,055)	-	-	166,548
Renovation	353,749	162,473	-	-	-	516,222
	6,197,169	1,280,898	(129,112)	(520,135)	(62,364)	6,766,456

2015 Group	Balance as at 1.1.2015 RM	Additions RM	Written off RM	Disposals RM	Balance as at 31.12.2015 RM
Cost					
Buildings	12,805,605	-	-	-	12,805,605
Freehold land	382,284	-	-	-	382,284
Long term leasehold land	2,030,000	-	-	-	2,030,000
Furniture and fittings	354,097	2,688	(756)	(1,278)	354,751
Motor vehicles	1,015,641	57,637	-	(78,330)	994,948
Computers and software	5,630,622	368,296	(290,615)	(3,156)	5,705,147
Office equipment	259,040	3,331	(1,199)	-	261,172
Renovation	921,487	-	-	(1,700)	919,787
	23,398,776	431,952	(292,570)	(84,464)	23,453,694

	Balance as at 1.1.2015 RM	Depreciation charge for the financial year RM	Written off RM	Disposals RM	Balance as at 31.12.2015 RM
Accumulated depreciation					
Buildings	321,361	255,611	-	-	576,972
Long term leasehold land	33,229	36,250	-	-	69,479
Furniture and fittings	65,033	34,430	(227)	(383)	98,853
Motor vehicles	604,054	200,369	-	(54,831)	749,592
Computers and software	3,714,483	783,932	(290,545)	(2,316)	4,205,554
Office equipment	111,761	31,539	(330)	-	142,970
Renovation	192,197	161,807	-	(255)	353,749
	5,042,118	1,503,938	(291,102)	(57,785)	6,197,169

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016
(cont'd)

7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

2016 Company	Balance as at 1.1.2016 RM	Additions RM	Written off RM	Disposals RM	Balance as at 31.12.2016 RM
Cost					
Buildings	12,805,605	-	-	-	12,805,605
Freehold land	382,284	-	-	-	382,284
Long term leasehold land	2,030,000	-	-	-	2,030,000
Furniture and fittings	337,962	4,596	-	-	342,558
Motor vehicles	994,948	57,147	-	(47,673)	1,004,422
Computers and software	5,323,339	74,702	(616,150)	(16,357)	4,765,534
Office equipment	239,272	9,498	-	-	248,770
Renovation	919,787	7,500	-	-	927,287
	23,033,197	153,443	(616,150)	(64,030)	22,506,460

	Balance as at 1.1.2016 RM	Depreciation charge for the financial year RM	Written off RM	Disposals RM	Balance as at 31.12.2016 RM
Accumulated depreciation					
Buildings	576,972	255,611	-	-	832,583
Long term leasehold land	69,479	36,250	-	-	105,729
Furniture and fittings	90,045	33,033	-	-	123,078
Motor vehicles	749,592	154,606	-	(47,672)	856,526
Computers and software	4,033,535	547,086	(519,868)	(14,692)	4,046,061
Office equipment	130,319	25,017	-	-	155,336
Renovation	353,749	162,473	-	-	516,222
	6,003,691	1,214,076	(519,868)	(62,364)	6,635,535

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016
(cont'd)

7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

2015 Company	Balance as at 1.1.2015 RM	Additions RM	Written off RM	Disposals RM	Balance as at 31.12.2015 RM
Cost					
Buildings	12,805,605	-	-	-	12,805,605
Freehold land	382,284	-	-	-	382,284
Long term leasehold land	2,030,000	-	-	-	2,030,000
Furniture and fittings	335,274	2,688	-	-	337,962
Motor vehicles	1,015,641	57,637	-	(78,330)	994,948
Computers and software	5,281,288	335,822	(290,615)	(3,156)	5,323,339
Office equipment	235,941	3,331	-	-	239,272
Renovation	921,487	-	-	(1,700)	919,787
	23,007,520	399,478	(290,615)	(83,186)	23,033,197

	Balance as at 1.1.2015 RM	Depreciation charge for the financial year RM	Written off RM	Disposals RM	Balance as at 31.12.2015 RM
Accumulated depreciation					
Buildings	321,361	255,611	-	-	576,972
Long term leasehold land	33,229	36,250	-	-	69,479
Furniture and fittings	57,424	32,621	-	-	90,045
Motor vehicles	604,054	200,369	-	(54,831)	749,592
Computers and software	3,627,110	699,286	(290,545)	(2,316)	4,033,535
Office equipment	101,748	28,571	-	-	130,319
Renovation	192,197	161,807	-	(255)	353,749
	4,937,123	1,414,515	(290,545)	(57,402)	6,003,691

	Group		Company	
Carrying amount	2016 RM	2015 RM	2016 RM	2015 RM
Buildings	11,973,022	12,228,633	11,973,022	12,228,633
Freehold land	382,284	382,284	382,284	382,284
Long term leasehold land	1,924,271	1,960,521	1,924,271	1,960,521
Furniture and fittings	219,534	255,898	219,480	247,917
Motor vehicles	147,897	245,356	147,896	245,356
Computers and software	754,458	1,499,593	719,473	1,289,804
Office equipment	94,756	118,202	93,434	108,953
Renovation	411,065	566,038	411,065	566,038
	15,907,287	17,256,525	15,870,925	17,029,506

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016
(cont'd)

7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(a) As of 31 December 2016, the carrying amount of property, plant and equipment of the Group and of the Company under hire purchase and finance leases are as follows:

	Group and Company	
	2016	**2015**
	RM	**RM**
Computer and software	-	114,090

(b) As at 31 December 2016, the long term leasehold land and a building of the Group and of the Company with a total carrying amount of RM13,666,855 (2015: RM13,952,504) have been charged to a financial institution for credit facilities granted to the Group and Company as disclosed in Note 18 to the financial statements.

(c) The remaining tenure of the long term leasehold land is 54 years.

8. PRODUCT DEVELOPMENT COSTS

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Cost				
At beginning of financial year	19,924,754	17,021,650	16,261,091	14,066,843
Additions during the financial year	2,475,843	2,903,104	2,023,770	2,194,248
Disposal of subsidiaries (Note 33)	(1,086,554)	-	-	-
At end of financial year	21,314,043	19,924,754	18,284,861	16,261,091
Accumulated amortisation				
At beginning of financial year	(9,898,806)	(8,469,806)	(9,010,612)	(7,955,280)
Charge for the financial year	(1,773,670)	(1,429,000)	(1,352,853)	(1,055,332)
Disposal of subsidiaries (Note 33)	190,502	-	-	-
At end of financial year	(11,481,974)	(9,898,806)	(10,363,465)	(9,010,612)
Carrying amount	9,832,069	10,025,948	7,921,396	7,250,479

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31 December 2016
(cont'd)

8. PRODUCT DEVELOPMENT COSTS (CONT'D)

(a) Product development costs comprise salaries of personnel involved in the development and design of products prior to the commencement of commercial production.

(b) The Group reviews the carrying amounts of product development costs as at the end of the reporting period to determine whether there is any indication of impairment. If any such indications exists, the assets' recoverable amount in the Cash Generating Units ('CGUs') is determined based on their value in use. The value in use is determined by discounting the future cash flows to be generated from the continuing use of the CGUs based on financial budgets prepared by management covering a five (5) year period.

The key assumptions used in the value in use calculations are as follows:

(i) The anticipated average annual revenue growth rates used in the cash flow budgets and plans of the CGUs ranged from 8% to 44% (2015: 2% to 75%) per annum for years 2017 to 2021.

(ii) Profit margins are projected based on the historical profit margin achieved or predetermined profit margin for the products.

(iii) A pre-tax discount rate of 4.70% (2015: 8.40%) per annum has been applied in determining the recoverable amount of the CGUs.

Based on these assumptions, the Directors are of the view that no impairment loss is required as the recoverable amount determined is higher than the carrying amount of the CGUs.

(c) Sensitivity to changes in assumptions

The management believes that a reasonable possible change in the key assumptions on which management has based its determination of the CGUs' recoverable amount would not cause the CGUs' carrying amount to exceed its recoverable amount.

(d) Included in the product development costs of the Group are Executive Directors' remuneration of RM67,800 (2015: RM87,135).

9. GOODWILL ON CONSOLIDATION

Group 2016	**Balance as at 1.1.2016 RM**	**Impairment loss for the financial year RM**	**Disposal of subsidiaries (Note 33) RM**	**Balance as at 31.12.2016 RM**
Carrying amount				
Goodwill	32,528	-	(32,528)	-
	32,528	-	(32,528)	-

	[------As at 31.12.2016------]			
	Cost RM	**Accumulated impairment RM**	**Disposal of subsidiaries (Note 33) RM**	**Carrying amount RM**
Goodwill	32,528	-	(32,528)	-
	32,528	-	(32,528)	-

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016
(cont'd)

9. GOODWILL ON CONSOLIDATION (CONT'D)

Group 2015	Balance as at 1.1.2015 RM	Impairment loss for the financial year RM	Balance as at 31.12.2015 RM
Carrying amount			
Goodwill	32,528	-	32,528
	32,528	-	32,528

	[--------------------As at 31.12.2015-----------------]		
	Cost RM	Accumulated impairment RM	Carrying amount RM
Goodwill	32,528	-	32,528
	32,528	-	32,528

(a) For the purpose of impairment testing of goodwill on consolidation, the recoverable amount in the Cash Generating Unit ('CGU') was determined based on its value in use. The value in use was determined by discounting the future cash flows to be generated from the continuing use of the CGU based on financial budgets prepared by management covering a five (5) year period.

In the previous financial year, the key assumptions used in the value in use calculations were as follows:

(i) The anticipated average annual revenue growth rates used in the cash flow budgets and plans of the CGU ranged from 5% to 47% per annum for years 2016 to 2020.

(ii) Profit margins were projected based on the historical profit margin achieved or predetermined profit margin for the products.

(iii) A pre-tax discount rate of 8.40% per annum had been applied in determining the recoverable amount of the CGU.

Based on these assumptions, the Directors were of the view that no impairment loss was required as the recoverable amount determined was higher than the carrying amount of the CGU.

(b) Sensitivity to changes in assumptions

In the previous financial year, the management believed that a reasonable possible change in the key assumptions on which management had based its determination of the CGU's recoverable amount would not cause the CGU's carrying amount to exceed its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016
(cont'd)

10. OTHER INTANGIBLE ASSETS

	Group and Company 2016 RM	2015 RM
Cost	1,010,000	1,010,000
Accumulated amortisation		
At beginning of financial year	(1,010,000)	(1,010,000)
Charge for the financial year	-	-
At end of financial year	(1,010,000)	(1,010,000)
Carrying amount	-	-

Intangible assets consist of trademarks and copyrights which had been fully amortised in financial year 2013.

11. INVESTMENTS IN SUBSIDIARIES

	Company 2016 RM	2015 RM
Unquoted shares - At cost	120,000	556,000
Less: Accumulated impairment losses	(120,000)	(120,000)
	-	436,000

(a) The details of the subsidiaries are as follows:

Name of Company	Country of incorporation	Effective interest in equity held by Company 2016	2015	Principal activities
Insage (MSC) Sdn. Bhd.*	Malaysia	60%	60%	Provision of software solutions.
Capital Market Risk Advisor Sdn. Bhd. ('CMRA')	Malaysia	-	52%	Development and provision of software application.
Winvest Global Sdn. Bhd. ('Winvest')	Malaysia	-	51%	Provision of share investment solutions.

* Subsidiary audited by BDO

(b) Disposal of subsidiaries

On 31 May 2016, the Group disposed the entire shareholdings of 130,000 ordinary shares of RM1.00 each in CMRA, a 52% owned subsidiary of the Company for a cash consideration of RM416,000.

On 15 September 2016, the Group disposed the entire shareholding of 360,000 ordinary shares of RM1.00 each in Winvest, a 51% owned subsidiary of the Company for a cash consideration of RM66,738.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016
(cont'd)

11. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(c) The subsidiaries of the Group that have material non-controlling interests ('NCI') are as follows:

	Insage (MSC) Sdn. Bhd.
2016	
NCI percentage of ownership interest and voting interest	40%
Carrying amount of NCI (RM)	(80,744)
Profit allocated to NCI (RM)	1,633

	Insage (MSC) Sdn. Bhd.	**Capital Market Risk Advisor Sdn. Bhd.**	**Winvest Global Sdn. Bhd.**	**Total**
2015				
NCI percentage of ownership interest and voting interest	40%	48%	49%	
Carrying amount of NCI (RM)	(82,375)	340,780	247,942	506,347
Profit/(Loss) allocated to NCI (RM)	9,422	102,266	(95,987)	15,701

(d) The summarised financial information before intra-group elimination of the subsidiaries that have material NCI as at the end of each reporting period are as follows:

2016	**Insage (MSC) Sdn. Bhd. RM**
Assets and liabilities	
Non-current assets	1,947,035
Current assets	437,548
Non-current liabilities	(1,312,681)
Current liabilities	(1,466,843)
Net liabilities	(394,941)
Results	
Revenue	1,251,811
Profit for the financial year	4,082
Total comprehensive income	4,082
Cash flows from operating activities	199,322
Cash flows used in investing activities	(172,735)
Net increase in cash and cash equivalents	26,587

NOTES TO THE FINANCIAL STATEMENTS

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(cont'd)

11. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(d) The summarised financial information before intra-group elimination of the subsidiaries that have material NCI as at the end of each reporting period are as follows (cont'd):

2015	Insage (MSC) Sdn. Bhd. RM	Capital Market Risk Advisor Sdn. Bhd. RM	Winvest Global Sdn. Bhd. RM
Assets and liabilities			
Non-current assets	2,018,145	847,080	137,263
Current assets	345,107	392,464	830,868
Non-current liabilities	(1,798,436)	-	-
Current liabilities	(963,839)	(529,583)	(462,128)
Net (liabilities)/assets	(399,023)	709,961	506,003
Results			
Revenue	1,066,947	864,557	2,222,749
Profit/(loss) for the financial year	23,554	213,055	(195,892)
Total comprehensive income/(loss)	23,554	213,055	(195,892)
Cash flows from/(used in) operating activities	39,481	195,980	(87,952)
Cash flows (used in)/from investing activities	(5,061)	(8,965)	(6,222)
Net increase/(decrease) in cash and cash equivalents	34,420	187,015	(94,174)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016
(cont'd)

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Non-current				
Amount owing by a subsidiary	-	-	1,312,680	1,798,436
Current				
Trade receivables				
Third parties	3,299,098	7,263,263	3,058,626	6,895,976
Less: Impairment loss on trade receivables	(16,117)	(49,600)	-	(49,600)
	3,282,981	7,213,663	3,058,626	6,846,376
Other receivables				
Amounts owing by subsidiaries	-	-	728,225	591,982
Other receivables	108,079	71,615	98,783	53,677
Deposits	255,762	275,677	255,462	253,302
	363,841	347,292	1,082,470	898,961
Loans and receivables	3,646,822	7,560,955	4,141,096	7,745,337
Prepayments	315,038	350,625	308,848	308,419
	3,961,860	7,911,580	4,449,944	8,053,756
	3,961,860	7,911,580	5,762,624	9,852,192

(a) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group and the Company range from 60 to 90 days (2015: 60 to 90 days) from the date of invoice. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

(b) The non-current amount owing by a subsidiary of RM1,312,680 (2015: RM1,798,436) represents loans which are unsecured, interest-free and have fixed repayment terms ranging from five (5) to nine (9) years and, are payable in cash and cash equivalents.

Included in amounts owing by subsidiaries in other receivables is the current portion of RM781,267 (2015: RM393,120) of the above mentioned loan which is unsecured, interest-free and is payable in cash and cash equivalents within one (1) year. The remaining amounts owing by subsidiaries represent expenses paid on behalf which are unsecured, interest-free and payable in cash and cash equivalents.

(c) The currency exposure profile of trade and other receivables (exclude prepayments) is as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Ringgit Malaysia	3,483,736	7,016,702	5,290,690	8,999,520
Singapore Dollar	147,118	544,253	147,118	544,253
United States Dollar	15,968	-	15,968	-
	3,646,822	7,560,955	5,453,776	9,543,773

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016
(cont'd)

12. TRADE AND OTHER RECEIVABLES (CONT'D)

(d) The ageing analysis of trade receivables of the Group and of the Company are as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Neither past due nor impaired	3,025,580	4,190,554	2,867,035	3,880,615
Past due, not impaired				
91 to 120 days	61,415	720,102	56,009	713,742
121 to 150 days	84,032	203,112	84,032	203,112
151 to 180 days	12,635	202,664	12,635	202,664
181 to 210 days	36,692	106,738	13,054	74,938
More than 211 days	62,627	1,790,493	25,861	1,771,305
	257,401	3,023,109	191,591	2,965,761
Past due and impaired	16,117	49,600	-	49,600
	3,299,098	7,263,263	3,058,626	6,895,976

Receivables that are neither past due nor impaired

Trade receivables of the Group and of the Company that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and the Company. Trade receivables of the Group of 92% (2015: 58%) and of the Company of 94% (2015: 56%) have never defaulted. These customers maintain a long working relationship with the Group.

Receivables that are past due but not impaired

The Group and the Company have trade receivables amounting to RM257,401 (2015: RM3,023,109) and RM191,591 (2015: RM2,965,761) respectively that are past due at the end of the reporting period but not impaired. Trade receivables that are past due but not impaired mainly arose from active corporate clients with healthy business relationship, in which the management is of the view that the amounts are recoverable based on past payment history. The trade receivables that are past due but not impaired are unsecured in nature.

Receivables that are past due and impaired

Trade receivables of the Group and the Company that are past due and impaired at the end of the reporting period are as follows:

	Group and Company Individually impaired	
	2016 RM	2015 RM
Trade receivables, gross	16,117	49,600
Less: Impairment loss	(16,117)	(49,600)
	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016
(cont'd)

12. TRADE AND OTHER RECEIVABLES (CONT'D)

(e) The reconciliation of movement in the impairment loss are as follows:

	Group and Company	
	2016	**2015**
	RM	**RM**
Trade receivables		
At 1 January	49,600	49,600
Charged during the year	16,117	-
Written off during the year	(49,600)	-
At 31 December	16,117	49,600

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

(f) Information on financial risks of trade and other receivables is disclosed in Note 32 to the financial statements.

13. INVENTORIES

	Group and Company	
	2016	**2015**
	RM	**RM**
Replacement parts - At cost	26,349	79,497

During the financial year, inventories of the Group and the Company recognised as cost of sales amounted to RM444,811 (2015: RM689,939).

14. CASH AND BANK BALANCES AND SHORT TERM FUNDS

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Cash in hand	16,995	21,240	15,995	20,240
Cash at banks	6,702,103	9,201,064	6,589,489	8,739,534
Deposits with licensed banks	727,135	216,149	727,135	216,149
	7,446,233	9,438,453	7,332,619	8,975,923
Short term funds				
At fair value through profit or loss				
- Investments in fixed income trust funds in Malaysia	15,882,729	10,263,373	15,882,729	9,607,270
	23,328,962	19,701,826	23,215,348	18,583,193

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31 December 2016
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14. CASH AND BANK BALANCES AND SHORT TERM FUNDS (CONT'D)

(a) Investment in fixed income trust funds in Malaysia represents investments in highly liquid money market instruments, which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

(b) Information on financial risks of cash and bank balances is disclosed in Note 32 to the financial statements.

(c) The currency exposure profile of cash and bank balances is as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Ringgit Malaysia	22,807,122	19,273,956	22,693,508	18,155,323
Singapore Dollar	4,465	8,328	4,465	8,328
United States Dollar	517,375	419,542	517,375	419,542
	23,328,962	19,701,826	23,215,348	18,583,193

(d) The annual interest rates for short term funds and deposits with licensed banks of the Group and the Company that were effective at the end of the reporting period were 0.15% to 5.32% (2015: 0.22% to 3.53%).

(e) Deposits of the Group and the Company have an average maturity period of 30 days (2015: 30 days). Bank balances are deposits held at call with banks.

15. SHARE CAPITAL

	Group and Company			
	2016		**2015**	
	Number of shares	**RM**	**Number of shares**	**RM**
Ordinary shares of RM0.10 each				
Authorised:				
Balance as at 1 January/ 31 December	500,000,000	50,000,000	500,000,000	50,000,000
Issued and fully paid:				
Balance as at 1 January	206,768,100	20,676,810	206,768,100	20,676,810
Issued during the financial year	97,875	9,787	-	-
Balance as at 31 December	206,865,975	20,686,597	206,768,100	20,676,810

(a) During the financial year, the issued and paid up share capital of the Company was increased from RM20,676,810 to RM20,686,597 by way of issuance of 97,875 ordinary shares of RM0.10 each pursuant to the exercise of warrants at an exercise price of RM0.68 per ordinary share for cash.

The owners of the parent are entitled to receive dividend as and when declared by the Company and are entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank *pari passu* with regard to the Company's residual assets.

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31 December 2016
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15. SHARE CAPITAL (CONT'D)

(b) Warrants

On 18 July 2014, the Company issued 103,384,031 2014/2019 free Warrants ('the Warrants 2014/2019') on the basis of one (1) free warrant for every two (2) existing ordinary shares held of RM0.10 each. The Warrants are constituted under a Deed Poll dated 1 July 2014 ('Deed Poll'). The Warrants 2014/2019 were listed on Main Market of Bursa Malaysia Securities Berhad on 24 July 2014.

The salient features of the Warrants 2014/2019 are as follows:

(i) the Warrants 2014/2019 entitle its registered holders to subscribe for one (1) new ordinary share of the Company of RM0.10 each at the exercise price during the exercise period;

(ii) the exercise price of each Warrant has been fixed at RM0.68 per Warrant;

(iii) the Warrants 2014/2019 may be exercised at any time during the tenure of the Warrants of five (5) years including and commencing from the issue date of the Warrants dated 18 July 2014 and ending on the expiry date to be dated 17 July 2019 ('exercise period'). Any Warrants which have not been exercised by the expiry of the exercise period will lapse and therefore cease to be valid for any purpose; and

(iv) the new shares will, upon allotment and issue, rank *pari passu* in all respects with the then existing shares save and except that they will not be entitled to any dividends, rights, allotment or other forms of distributions for which the relevant entitlement precedes the date of allotment and issuance of the new shares arising from the exercise of the Warrants.

As at 31 December 2016, unexercised warrants of the Company are as follows:

Date granted	Exercise price	No. of warrants over ordinary shares	Warrant expiry date
18 July 2014	RM 0.68	103,286,156	17 July 2019

During the financial year, 97,875 new ordinary shares of RM0.10 each were issued pursuant to the exercise of warrants for the equivalent numbers by the registered holders.

There were no other warrants exercised into ordinary shares during the financial year ended 31 December 2016.

16. RESERVES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Share premium	56,768	-	56,768	-
Retained earnings	24,757,733	23,263,333	25,071,929	23,356,211
	24,814,501	23,263,333	25,128,697	23,356,211

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17. BORROWINGS

	Note	Group and Company 2016 RM	2015 RM
Current liability			
Term loan (secured)	18	981,108	981,108
Non-current liability			
Term loan (secured)	18	4,240,002	5,221,110
		5,221,110	6,202,218

(a) The borrowings are repayable over the following periods:

	Carrying amount RM	Within 1 year RM	1 - 2 years RM	2 - 3 years RM	3 - 4 years RM	4 - 5 years RM	More than 5 years RM
Group and Company							
2016							
Term loan	5,221,110	981,108	981,108	981,108	981,108	981,108	315,570
2015							
Term loan	6,202,218	981,108	981,108	981,108	981,108	981,108	1,296,678

(b) The borrowings are denominated in Ringgit Malaysia ('RM').

(c) Information on financial risks of borrowings is disclosed in Note 32 to the financial statements.

18. TERM LOAN (SECURED)

	Group and Company 2016 RM	2015 RM
Repayable as follows:		
Current liabilities		
- not later than one (1) year	981,108	981,108
Non-current liabilities		
- later than one (1) year but not later than five (5) years	3,924,432	3,924,432
- more than five (5) years	315,570	1,296,678
	4,240,002	5,221,110
	5,221,110	6,202,218

NOTES TO THE FINANCIAL STATEMENTS

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18. TERM LOAN (SECURED) (CONT'D)

The term loan of the Group and of the Company is secured by a first party charge over the long term leasehold land and a building of the Group and of the Company as disclosed in Note 7 to the financial statements.

The term loan is repayable by 120 monthly instalments with the fixed amount of RM81,759 with effect from one month after the date of full release of the loan.

The term loan of the Group and of the Company bears interest at BLR-2.40% based on the outstanding amount of the term loan after setting off against the available balance in the current account of the Group and of the Company maintained in the same financial institution where the term loan was drawndown.

Information on financial risks of term loan is disclosed in Note 32 to the financial statements.

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Current				
Trade payables				
Third parties	460,060	245,340	439,685	201,053
Other payables				
Other payables	248,554	402,137	237,486	295,302
Accruals	818,183	1,426,024	788,040	1,135,805
Advance billings	764,386	1,503,882	171,147	581,655
	1,831,123	3,332,043	1,196,673	2,012,762
	2,291,183	3,577,383	1,636,358	2,213,815

(a) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group and the Company is 60 days (2015: 60 days) from the date of invoice.

(b) Included in other payables are advance billings in relation to services not rendered during the financial year amounting to RM764,386 and RM171,147 (2015: RM1,503,882 and RM581,655) of the Group and of the Company respectively.

(c) Included in accruals of the Group and the Company are payroll related accruals amounting to RM522,537 and RM508,905 respectively (2015: RM960,232 and RM732,602 respectively).

(d) The trade and other payables are denominated in Ringgit Malaysia ('RM').

(e) Information on financial risks of trade and other payables is disclosed in Note 32 to the financial statements.

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20. DEFERRED TAX LIABILITIES

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority.

The following amounts are shown in the statements of financial position:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Deferred tax liabilities	63,013	76,671	63,013	76,671

(a) The deferred tax liabilities are made up of the following:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Balance as at 1 January	76,671	346,047	76,671	305,009
Recognised in profit or loss (Note 25)	(13,658)	(269,376)	(13,658)	(228,338)
Balance as at 31 December	63,013	76,671	63,013	76,671

(b) The components and movements of deferred tax liabilities during the financial year are as follows:

	Property, plant and equipment	
Deferred tax liabilities of the Group	**2016 RM**	**2015 RM**
Balance as at 1 January	76,671	346,047
Recognised in profit or loss	(13,658)	(269,376)
Balance as at 31 December	63,013	76,671

	Property, plant and equipment	
Deferred tax liabilities of the Company	**2016 RM**	**2015 RM**
Balance as at 1 January	76,671	305,009
Recognised in profit or loss	(13,658)	(228,338)
Balance as at 31 December	63,013	76,671

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016
(cont'd)

20. DEFERRED TAX LIABILITIES (CONT'D)

(c) The amounts of temporary differences for which no deferred tax assets have been recognised in the statements of financial position are as follows:

	Group	
	2016	**2015**
	RM	**RM**
Other temporary differences	(31,738)	(44,968)
Unused tax losses	3,092,263	3,092,263
Unabsorbed capital allowances	(9,081)	159,944
	3,051,444	3,207,239

Deferred tax assets of certain subsidiary have not been recognised in respect of these items as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

The deductible temporary differences do not expire under the current tax legislation.

21. REVENUE

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Application solutions:				
- Software	5,300,111	6,914,293	4,326,399	4,751,942
- Hardware	478,011	716,195	478,011	716,195
Maintenance services	1,931,161	1,968,149	1,884,248	1,924,834
Application service provider	14,763,345	15,681,358	13,398,300	14,397,652
	22,472,628	25,279,995	20,086,958	21,790,623

22. COST OF SALES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Hardware sold	391,663	704,849	391,663	704,849
Amortisation of product development costs (Note 8)	1,773,670	1,429,000	1,352,853	1,055,332
Project costs	2,008,744	1,229,064	2,243,665	1,819,327
Data centre and line expenses	1,212,579	1,243,387	1,203,990	1,231,964
Direct technical staff costs	2,167,162	2,634,900	1,540,044	1,601,119
License fees	318,592	306,458	143,430	155,226
Other expenses	757,576	883,771	195,846	115,234
	8,629,986	8,431,429	7,071,491	6,683,051

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23. FINANCE COSTS

	Group and Company 2016 RM	Group and Company 2015 RM
Interest expense on hire purchase liabilities	-	597

24. PROFIT BEFORE TAX

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Profit before tax is arrived at after charging:					
Amortisation of product development costs	8	1,773,670	1,429,000	1,352,853	1,055,332
Auditors' remuneration					
Statutory:					
- current year		53,500	57,500	50,500	47,000
- under-provision in prior year-		-	1,000	-	-
Other services:					
- current year		4,500	4,500	4,500	4,500
- under-provision in prior year		-	600	-	-
Depreciation of property, plant and equipment	7	1,280,898	1,503,938	1,214,076	1,414,515
Directors' remuneration					
- fees		418,500	421,000	359,000	348,000
- other emoluments		1,430,102	1,490,986	1,076,410	1,013,327
Interest expense on hire purchase and finance lease liabilities	23	-	597	-	597
Loss on disposal of property, plant and equipment		-	422	-	-
Property, plant and equipment written off	7	96,282	1,468	96,282	70
Realised loss on foreign exchange		34,520	-	34,520	-
And crediting:					
Gain on disposal of property, plant and equipment		(22,669)	(22,098)	(22,669)	(22,098)
Gain on disposal of subsidiaries	33	(68,938)	-	(46,738)	-
Interest income from:					
- deposits with licensed banks		(1,453)	(4,156)	(1,453)	(1,036)
- short term funds		(468,573)	(347,427)	(455,944)	(338,794)
- amount owing by a subsidiary		-	-	(102,391)	(105,744)
Gain on foreign exchange:					
- realised		-	(27,894)	-	(27,894)
- unrealised		(34,204)	(64,783)	(34,204)	(64,783)
Management fee received/receivable from subsidiary companies		-	-	(223,620)	(89,680)
Rental income from building		(67,500)	(40,000)	(67,500)	(40,000)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016
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25. TAX EXPENSE

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Current year tax expense based on profit for the financial year	1,660,867	2,305,142	1,660,867	2,305,142
- Over provision in prior year	(66,537)	(60,460)	(72,102)	(63,155)
	1,594,330	2,244,682	1,588,765	2,241,987
Real property gains tax	-	109,814	-	109,814
Deferred tax (Note 20)				
- Relating to origination and reversal of temporary differences	(56,211)	(143,962)	(56,211)	(104,423)
- Effect of changes in tax rate	-	(3,195)	-	(3,195)
- Under/(Over) provision in prior year	42,553	(122,219)	42,553	(120,720)
	(13,658)	(269,376)	(13,658)	(228,338)
	1,580,672	2,085,120	1,575,107	2,123,463

The subsidiary, Insage (MSC) Sdn. Bhd. ('Insage') has been awarded Multimedia Super Corridor status by the Government of Malaysia. Accordingly, there is no tax charge on the business income of the subsidiary as the subsidiary has been granted Pioneer Status under the Promotion of Investments Act, 1986. The Pioneer Status was for the period from 23 March 2014 to 22 March 2019.

The salient terms of the Pioneer Status are as follows:

(i) 100% tax exemption on business income;

(ii) unabsorbed pioneer capital allowances can be carried forward to the post pioneer period and deducted against the post-pioneer income of a business relating to the same promoted activity or promoted product; and

(iii) unabsorbed pioneer losses can be carried forward to the post pioneer period and deducted against the post-pioneer income of a business relating to the same promoted activity or promoted product.

The Malaysian income tax is calculated at the statutory tax rate of 24% (2015: 25%) of the estimated taxable profit for the fiscal year.

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25. TAX EXPENSE (CONT'D)

The numerical reconciliations between tax expense and the product of accounting profit multiplied by the applicable tax rates of the Group and of the Company are as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Profit before tax	6,974,507	9,652,925	7,426,187	9,650,551
Taxation at statutory tax rate of 24% (2015: 25%)	1,673,882	2,413,232	1,782,285	2,412,638
Tax effects in respect of:				
Non-allowable expenses	785,444	598,498	547,789	467,720
Non-taxable income	(730,746)	(679,639)	(725,418)	(679,639)
Tax exempt income under pioneer status	(86,533)	(177,214)	-	-
Real property gains tax	-	109,814	-	109,814
Effect of changes in tax rate	-	(3,195)	-	(3,195)
Deferred tax assets not recognised	-	19,613	-	-
Utilisation of previously unrecognised deferred tax assets	(37,391)	(13,310)	-	-
	1,604,656	2,267,799	1,604,656	2,307,338
Over provision of income tax in prior year	(66,537)	(60,460)	(72,102)	(63,155)
Under/(Over) provision of deferred tax in prior year	42,553	(122,219)	42,553	(120,720)
	1,580,672	2,085,120	1,575,107	2,123,463

Tax savings of the Group arises from the utilisation of previously unrecognised deferred tax assets and amounted to RM37,391 (2015: RM 13,310).

26. EARNINGS PER ORDINARY SHARE

(a) Basic earnings per ordinary share

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2016	2015
Profit attributable to equity holders of the parent (RM)	5,629,762	7,552,104
Weighted average number of ordinary shares in issue	206,865,975	206,768,100
Basic earnings per share (sen)	2.72	3.65

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26. EARNINGS PER ORDINARY SHARE (CONT'D)

(b) Diluted earnings per ordinary share

The diluted earnings per ordinary share is same as the basic earnings per share because the effect of the assumed conversion of warrants outstanding will be anti-dilutive and the Company has no other dilutive potential ordinary share in issue as at the end of the reporting period.

27. DIVIDENDS

	Group and Company	
	2016	**2015**
	RM	**RM**
In respect of the financial year ended 31 December 2016:		
- First interim tax exempt dividend of 1.0 sen per ordinary share, paid on 25 March 2016	2,067,681	-
- Second interim single-tier dividend of 1.0 sen per ordinary share, paid on 1 July 2016	2,067,681	-
In respect of the financial year ended 31 December 2015:		
- First interim tax exempt dividend of 1.0 sen per ordinary share, paid on 31 March 2015	-	2,067,681
- Second interim single-tier dividend of 1.0 sen per ordinary share, paid on 30 June 2015	-	2,067,681
- Third interim single-tier dividend of 1.0 sen per ordinary share, paid on 23 December 2015	-	2,067,681
	4,135,362	6,203,043

The Directors do not recommend the payment of any final dividend in respect of the current financial year.

On 24 February 2017, the Directors declared a first interim single-tier dividend of 1.0 sen per ordinary share of RM0.10 each in respect of the financial year ending 31 December 2017.

28. EMPLOYEE BENEFITS

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Wages, salaries and bonuses	8,096,175	8,675,677	6,583,642	6,407,604
Contributions to defined contribution plan	942,685	988,011	775,927	745,040
Social security contributions	63,153	60,789	48,912	42,997
Other employee benefits	301,032	320,912	267,121	256,559
	9,403,045	10,045,389	7,675,602	7,452,200

Included in employee benefits of the Group and of the Company are Executive Directors' remuneration amounting to RM1,430,102 (2015: RM1,490,986) and RM1,076,410 (2015: RM1,013,327) respectively.

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29. RELATED PARTY DISCLOSURE

(a) Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties could be individuals or other entities.

The Company has controlling related party relationship with its direct subsidiaries.

Related parties of the Group include:

(i) Direct subsidiaries as disclosed in Note 11 to the financial statements; and

(ii) Key management personnel who are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Company, and certain members of the senior management of the Group.

(b) Significant related party transactions

In addition to the transactions detailed elsewhere in the financial statements, the Company had the following transactions with related parties during the financial year:

	Company	
	2016 RM	2015 RM
Subsidiary, Insage (MSC) Sdn. Bhd.:		
Cost of services received	317,400	321,523

The related party transactions described above were carried out based on negotiated terms and conditions and mutually agreed with the related parties.

Information regarding outstanding balances arising from related party transactions as at 31 December 2016 is disclosed in Notes 12 and 19 to the financial statements.

(c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any Director (whether executive or otherwise) of the Group and the Company.

The remuneration of the Directors and other key management personnel during the financial year were as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Short term employee benefits	1,818,879	2,192,144	1,366,611	1,495,936
Contributions to defined contribution plan	239,587	286,751	186,187	211,683
	2,058,466	2,478,895	1,552,798	1,707,619

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016
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30. OPERATING SEGMENTS

Excel Force and its subsidiaries are principally engaged in the development, provision and maintenance of computer software application solutions for the financial services industry.

Excel Force has arrived at three (3) reportable segments that are organised and managed separately according to the nature of products and services, which requires different business and marketing strategies. The reportable segments are summarised as follows:

(a) Application solutions division
- Sales of software application and product on an outright purchase basis

(b) Maintenance services division
- Provision of maintenance services

(c) Application services provider division
- Income from outsourcing services charge which is volume and transaction based

The accounting policies of operating segments are the same as those described in the summary of significant accounting policies.

The Group evaluates performance on the basis of profit or loss from operations before tax. Group income taxes are managed on a group basis and are not allocated to operating segments.

Inter-segment revenue is priced along the same lines as sales to external customers and is eliminated in the consolidated financial statements. These policies have been applied consistently throughout the current and previous financial years.

Segment assets exclude tax assets and segment liabilities exclude tax liabilities. Details are provided in the reconciliations of segment assets and liabilities to the Group position.

2016	**Application solutions division RM**	**Maintenance services division RM**	**Application services provider division RM**	**Total RM**
Revenue				
Total revenue	5,795,103	1,931,161	15,203,833	22,930,097
Inter-segment revenue	(16,981)	-	(440,488)	(457,469)
Revenue from external customers	5,778,122	1,931,161	14,763,345	22,472,628
Results				
Segment results	1,574,109	991,585	3,938,787	6,504,481
Finance costs	-	-	-	-
Interest income	120,852	40,391	308,783	470,026
Profit before tax				6,974,507
Income tax expense				(1,580,672)
Profit for the financial year				5,393,835

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31 December 2016
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30. OPERATING SEGMENTS (CONT'D)

2016	Application solutions division RM	Maintenance services division RM	Application services provider division RM	Total RM
Segment assets	**13,641,800**	**4,559,357**	**34,855,370**	**53,056,527**
Segment liabilities	**1,931,547**	**645,561**	**4,935,185**	**7,512,293**
Other segment information:				
Capital expenditure	43,827	14,648	111,981	170,456
Depreciation of property, plant and equipment	329,342	110,073	841,483	1,280,898
Amortisation of product development costs	456,043	152,418	1,165,209	1,773,670
Gain on disposal of property, plant and equipment	(5,829)	(1,948)	(14,892)	(22,669)

2015	Application solutions division RM	Maintenance services division RM	Application services provider division RM	Total RM
Revenue				
Total revenue	7,630,488	1,968,149	16,346,239	25,944,876
Inter-segment revenue	-	-	(664,881)	(664,881)
Revenue from external customers	7,630,488	1,968,149	15,681,358	25,279,995
Results				
Segment results	2,478,826	1,168,602	5,654,511	9,301,939
Finance costs	-	-	(597)	(597)
Interest income	106,122	27,372	218,089	351,583
Profit before tax				9,652,925
Income tax expense				(2,085,120)
Profit for the financial year				7,567,805

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31 December 2016
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30. OPERATING SEGMENTS (CONT'D)

2015	Application solutions division RM	Maintenance services division RM	Application services provider division RM	Total RM
Segment assets	**16,603,530**	**4,282,586**	**34,121,788**	**55,007,904**
Segment liabilities	**2,951,865**	**761,381**	**6,066,355**	**9,779,601**
Other segment information:				
Capital expenditure	130,380	33,629	267,943	431,952
Depreciation of property, plant and equipment	453,947	117,088	932,903	1,503,938
Amortisation of product development costs	431,328	111,253	886,419	1,429,000
Gain on disposal of property, plant and equipment	(6,543)	(1,687)	(13,446)	(21,676)

Reconciliations of reportable segment revenue and liabilities to the Group's corresponding amounts are as follows:

Revenue	2016 RM	2015 RM
Total revenue for reportable segments	22,930,097	25,944,876
Elimination of inter-segmental revenue	(457,469)	(664,881)
Revenue of the Group per consolidated statement of profit or loss and other comprehensive income	22,472,628	25,279,995

Liabilities	2016 RM	2015 RM
Total liabilities for reportable segments	7,512,293	9,779,601
Tax liabilities	123,880	781,813
Liabilities of the Group per consolidated statement of financial position	7,636,173	10,561,414

Geographical information

The Group operates predominantly in Malaysia.

Major customers

The following is a major customer with revenue equal or more than ten (10) percent of Group revenue:

	2016 RM	2015 RM	Segment
Customer A	4,335,197	3,649,484	Application services provider division

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016
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31. FINANCIAL INSTRUMENTS

(a) Capital management

The primary objective of the Group's capital management is to ensure that entities of the Group would be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity ratio. The overall strategy of the Group remains unchanged from that in the previous financial year.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2016 and 31 December 2015.

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

	Group		**Company**	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Borrowings	5,221,110	6,202,218	5,221,110	6,202,218
Trade and other payables	2,291,183	3,577,383	1,636,358	2,213,815
Total liabilities	7,512,293	9,779,601	6,857,468	8,416,033
Less: Cash and bank balances (Note 14)	(23,328,962)	(19,701,826)	(23,215,348)	(18,583,193)
Net asset	(15,816,669)	(9,922,225)	(16,357,880)	(10,167,160)
Total equity	45,420,354	44,446,490	45,815,294	44,033,021
Gearing ratio	*	*	*	*

* It is not applicable due to net asset position.

The Company has complied with Practice Note No. 17/2005 of the Bursa Malaysia Securities for the financial year ended 31 December 2016.

(b) Categories of financial instruments

Group

2016	**Loans and receivables RM**	**Fair value through profit or loss RM**	**Total RM**
Financial assets			
Trade and other receivables, net of prepayments	3,646,822	-	3,646,822
Cash and bank balances	7,446,233	-	7,446,233
Short term funds	-	15,882,729	15,882,729
	11,093,055	15,882,729	26,975,784

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31. FINANCIAL INSTRUMENTS (CONT'D)

(b) Categories of financial instruments (cont'd)

	Other financial liabilities RM	Total RM
Financial liabilities		
Borrowings	5,221,110	5,221,110
Trade and other payables	2,291,183	2,291,183
	7,512,293	7,512,293

Company

2016	Loans and receivables RM	Fair value through profit or loss RM	Total RM
Financial assets			
Trade and other receivables, net of prepayments	5,453,776	-	5,453,776
Cash and bank balances	7,332,619	-	7,332,619
Short term funds	-	15,882,729	15,882,729
	12,786,395	15,882,729	28,669,124

	Other financial liabilities RM	Total RM
Financial liabilities		
Borrowings	5,221,110	5,221,110
Trade and other payables	1,636,358	1,636,358
	6,857,468	6,857,468

Group

2015	Loans and receivables RM	Fair value through profit or loss RM	Total RM
Financial assets			
Trade and other receivables, net of prepayments	7,560,955	-	7,560,955
Cash and bank balances	9,438,453	-	9,438,453
Short term funds	-	10,263,373	10,263,373
	16,999,408	10,263,373	27,262,781

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31. FINANCIAL INSTRUMENTS (CONT'D)

(b) Categories of financial instruments (cont'd)

	Other financial liabilities RM	Total RM
Financial liabilities		
Borrowings	6,202,218	6,202,218
Trade and other payables	3,577,383	3,577,383
	9,779,601	9,779,601

Company

2015	Loans and receivables RM	Fair value through profit or loss RM	Total RM
Financial assets			
Trade and other receivables, net of prepayments	9,543,773	-	9,543,773
Cash and bank balances	8,975,923	-	8,975,923
Short term funds	-	9,607,270	9,607,270
	18,519,696	9,607,270	28,126,966

	Other financial liabilities RM	Total RM
Financial liabilities		
Borrowings	6,202,218	6,202,218
Trade and other payables	2,213,815	2,213,815
	8,416,033	8,416,033

(c) Methods and assumptions used to estimate fair value

The fair values of financial assets and financial liabilities are determined as follows:

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

The carrying amounts of certain financial assets and liabilities, such as trade and other receivables, trade and other payables and current amounts owing by subsidiaries are reasonable approximation of fair value due to their short-term nature.

The carrying amounts of the current portion of loans and borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

31. FINANCIAL INSTRUMENTS (CONT'D)

(c) Methods and assumptions used to estimate fair value (cont'd)

(ii) Other receivables (amount owing by a subsidiary) and long-term borrowings

The fair values of these financial instruments are estimated by discounting the expected future cash flows at market lending rates for similar types of lending, borrowing or leasing arrangements at the end of the reporting period. At the end of the reporting period, these amounts are carried at amortised costs and the carrying amounts are approximate to their fair values.

(iii) Short term funds

The fair values of short term funds are determined by reference to the exchange quoted market bid prices at the close of the business at the end of each reporting period.

(d) Fair value hierarchy

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Fair value of non-derivative financial liabilities, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. In respect of borrowings, the market rate of interest is determined by reference to similar borrowing arrangements.

Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The significant unobservable inputs used in determining the fair value measurement of Level 3 financial instruments as well as the relationship between key unobservable inputs and fair value, is detailed in the table below:

Financial instruments	**Valuation technique used**	**Significant unobservable inputs**	**Inter-relationship between key unobservable inputs and fair value**
Financial assets			
Amount owing by a subsidiary	Discounted cash flows method	Discount rate (1.75% to 6.60%)	The higher the discount rate, the lower the fair value of the financial assets would be.

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31. FINANCIAL INSTRUMENTS (CONT'D)

(d) Fair value hierarchy (cont'd)

The following tables set out the financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
Group	**Level 1 RM**	**Level 2 RM**	**Level 3 RM**	**Total RM**	**Level 1 RM**	**Level 2 RM**	**Level 3 RM**	**Total RM**	**Total fair value RM**	**Carrying amount RM**
2016										
Financial assets										
Fair value through profit or loss										
- Short term funds	15,882,729	-	-	15,882,729	-	-	-	-	15,882,729	15,882,729
2015										
Financial assets										
Fair value through profit or loss										
- Short term funds	10,263,373	-	-	10,263,373	-	-	-	-	10,263,373	10,263,373

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31. FINANCIAL INSTRUMENTS (CONT'D)

(d) Fair value hierarchy (cont'd)

The following tables set out the financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position (cont'd).

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Total fair value	Carrying amount
Company	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
2016										
Financial assets										
Fair value through profit or loss										
- Short term funds	15,882,729	-	-	15,882,729	-	-	-	-	15,882,729	15,882,729
Loans and receivables										
- Amount owing by a subsidiary	-	-	-	-	-	-	2,400,000	2,400,000	2,400,000	2,040,905
2015										
Financial assets										
Fair value through profit or loss	9,607,270	-	-	9,607,270	-	-	-	-	9,607,270	9,607,270
- Short term funds										
Loans and receivables										
- Amount owing by a subsidiary	-	-	-	-	-	-	2,600,000	2,600,000	2,600,000	2,390,418

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32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial risk management objective is to optimise value creation for shareholders whilst minimising the potential adverse impact arising from fluctuations in foreign currency exchange and interest rates and the unpredictability of the financial markets.

The Group operates within an established risk management framework and clearly defined guidelines that are regularly reviewed by the Board of Directors and does not trade in derivative financial instruments. Financial risk management is carried out through risk review programmes, internal control systems, and adherence to the Group financial risk management policies. The Group is exposed mainly to credit risk, liquidity and cash flow risk, interest rate risk and foreign currency risk. Information on the management of the related exposures is detailed below.

(i) Credit risk

Cash deposits and trade receivables could give rise to credit risk which requires the loss to be recognised if a counter party fails to perform as contracted. The counter parties are major financial institutions and reputable stockbroking companies. It is the Group's policy to monitor the financial standing of counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

The Group's primary exposure to credit risk arises through its trade receivables while the Company's primary exposure is through the amounts owing by subsidiaries. The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of two (2) months, extending up to three (3) months for major customers. The Group seeks to maintain strict control over its outstanding receivables via a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Credit risk concentration profile

As at 31 December 2016, other than the amounts owing by five (5) major receivables of the Group and of the Company constituting 47% (2015: 55%) and 30% (2015: 44%) respectively of the total receivables of the Group and the amounts owing by subsidiaries constituting 33% (2015: 24%) of the total receivables of the Company, there was no significant concentrations of credit risk.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 12 to the financial statements. Deposits with banks and other financial institutions that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 12 to the financial statements.

(ii) Liquidity and cash flow risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all operating, investing and financing needs are met. In liquidity risk management strategy, the Group measures and forecasts its cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance the Group's activities.

The Group is actively managing its operating cash flows to ensure that all commitments and funding needs are met. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group aims at maintaining flexibility in funding by keeping committed credit lines available.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016
(cont'd)

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(ii) Liquidity and cash flow risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
As at 31 December 2016				
Group				
Financial liabilities				
Trade and other payables	2,291,183	-	-	2,291,183
Borrowings	981,108	4,240,002	-	5,221,110
Total undiscounted financial liabilities	3,272,291	4,240,002	-	7,512,293
Company				
Financial liabilities				
Trade and other payables	1,636,358	-	-	1,636,358
Borrowings	981,108	4,240,002	-	5,221,110
Total undiscounted financial liabilities	2,617,466	4,240,002	-	6,857,468

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
As at 31 December 2015				
Group				
Financial liabilities				
Trade and other payables	3,577,383	-	-	3,577,383
Borrowings	981,108	3,924,432	1,296,678	6,202,218
Total undiscounted financial liabilities	4,558,491	3,924,432	1,296,678	9,779,601
Company				
Financial liabilities				
Trade and other payables	2,213,815	-	-	2,213,815
Borrowings	981,108	3,924,432	1,296,678	6,202,218
Total undiscounted financial liabilities	3,194,923	3,924,432	1,296,678	8,416,033

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016
(cont'd)

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to changes in interest rates relates primarily to the Group's deposits with banks and interest bearing debt obligations. The Group does not use derivative financial instruments to hedge its risk but regularly reviews its debt portfolio to enable it to source low interest funding. The Group's deposits are placed at fixed rates and management endeavours to obtain the best rate available in the market.

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity of the Group and the Company if interest rates at the end of reporting period changed by fifty (50) basis points with all other variables held constant:

		Group Profit after tax		Company Profit after tax	
		2016 RM	2015 RM	2016 RM	2015 RM
Deposits with licensed banks and short term funds	- 50 basis points higher	+51,470	+41,523	+50,223	+40,293
	- 50 basis points lower	-51,470	-41,523	-50,223	-40,293
Term loan	- 50 basis points higher	-21,704	-25,098	-21,704	-25,098
	- 50 basis points lower	+21,704	+25,098	+21,704	+25,098

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016
(cont'd)

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(iii) Interest rate risk (cont'd)

The following tables set out the carrying amounts, the weighted average effective interest rates as at the end of the reporting period and the remaining maturities of the Group's and the Company's financial instruments that are exposed to interest rate risk:

Group	Note	Weighted average effective interest rate %	Within 1 year RM	1 - 2 years RM	2 - 3 years RM	3 - 4 years RM	4 - 5 years RM	More than 5 years RM	Total RM
At 31 December 2016									
Fixed rates									
Deposits with licensed banks	14	1.94	727,135	-	-	-	-	-	727,135
Short term funds	14	2.87	15,882,729	-	-	-	-	-	15,882,729
Floating rate									
Term loan	18	4.20	(981,108)	(981,108)	(981,108)	(981,108)	(981,108)	(315,570)	(5,221,110)
At 31 December 2015									
Fixed rates									
Deposits with licensed banks	14	0.50	216,149	-	-	-	-	-	216,149
Short term funds	14	2.87	10,263,373	-	-	-	-	-	10,263,373
Floating rate									
Term loan	18	4.20	(981,108)	(981,108)	(981,108)	(981,108)	(981,108)	(1,296,678)	(6,202,218)

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(iii) Interest rate risk (cont'd)

The following tables set out the carrying amounts, the weighted average effective interest rates as at the end of the reporting period and the remaining maturities of the Group's and the Company's financial instruments that are exposed to interest rate risk (cont'd):

Company	Note	Weighted average effective interest rate %	Within 1 year RM	1 - 2 years RM	2 - 3 years RM	3 - 4 years RM	4 - 5 years RM	More than 5 years RM	Total RM
At 31 December 2016									
Fixed rates									
Deposits with licensed banks	14	1.94	727,135	-	-	-	-	-	727,135
Short term funds	14	2.87	15,882,729	-	-	-	-	-	15,882,729
Floating rate									
Term loan	18	4.20	(981,108)	(981,108)	(981,108)	(981,108)	(981,108)	(315,570)	(5,221,110)
At 31 December 2015									
Fixed rates									
Deposits with licensed banks	14	0.50	216,149	-	-	-	-	-	216,149
Short term funds	14	2.81	9,607,270	-	-	-	-	-	9,607,270
Floating rate									
Term loan	18	4.20	(981,108)	(981,108)	(981,108)	(981,108)	(981,108)	(1,296,678)	(6,202,218)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016
(cont'd)

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(iv) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument would fluctuate because of changes in foreign exchange rates.

The Group and the Company are exposed to foreign currency risk on transactions that are denominated in currencies other than the functional currencies of the operating entities.

The Group also holds cash and bank balances denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances in United States Dollar amounted to RM517,375 (2015: RM419,542), in Singapore Dollar amounted to RM4,465 (2015: RM8,328) for the Group.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the United States Dollar ('USD') and Singapore Dollar ('SGD') exchange rates against the functional currency of the Group's entities, with all other variables held constant.

		Group and Company	
		2016	**2015**
		RM	**RM**
Profit after tax			
USD/RM	-strengthen by 2% (2015: 2%)	8,107	6,293
	-weaken by 2% (2015: 2%)	(8,107)	(6,293)
SGD/RM	-strengthen by 2% (2015: 2%)	2,304	8,289
	-weaken by 2% (2015: 2%)	(2,304)	(8,289)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016
(cont'd)

33. DISPOSAL OF SUBSIDIARIES

(i) On 31 May 2016, the Group disposed the entire shareholding of 130,000 ordinary shares of RM1.00 each in CMRA, a 52% owned subsidiary of the Company for a cash consideration of RM416,000.

The analysis of disposal of CMRA is as follows:

	Group 2016 RM
Property, plant and equipment	39,220
Product development costs	896,052
Receivables	316,783
Cash and bank balances	110,897
Payables	(589,937)
	773,015
Non-controlling interests	(371,048)
Total net assets disposed off	401,967
Less: Total disposal proceeds	(416,000)
Gain on disposal of subsidiary	14,033
Cash outflow arising from disposal	
Cash consideration representing cash inflow of the Company	416,000
Cash and cash equivalents of subsidiary disposed	(110,897)
Net cash inflow from disposal	305,103

The disposal of subsidiary had the following effect on the financial results of the Company:

	Company 2016 RM
Total disposal proceeds	416,000
Less: Cost of investment in subsidiary	(130,000)
Gain on disposal of subsidiary	286,000

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016
(cont'd)

33. DISPOSAL OF SUBSIDIARIES (CONT'D)

(ii) On 15 September 2016, the Group disposed the entire shareholding of 360,000 ordinary shares of RM1.00 each in Winvest, a 51% owned subsidiary of the Company for a cash consideration of RM66,738.

The analysis of disposal of Winvest is as follows:

	Group 2016 RM
Property, plant and equipment	101,628
Receivables	116,086
Cash and bank balances	129,662
Payables	(387,955)
	(40,579)
Goodwill	32,528
Non-controlling interests	19,884
Total net assets disposed off	11,833
Less: Total disposal proceeds	(66,738)
Gain on disposal of subsidiary	54,905
Cash outflow arising from disposal	
Cash consideration representing cash inflow of the Company	66,738
Cash and cash equivalents of subsidiary disposed	(129,662)
Net cash outflow from disposal	(62,924)

The disposal of subsidiary had the following effect on the financial results of the Company:

	Company 2016 RM
Total disposal proceeds	66,738
Less: Cost of investment in subsidiary	(306,000)
Loss on disposal of subsidiary	(239,262)

34. EVENT SUBSEQUENT TO THE END OF REPORTING PERIOD

On 31 March 2017, the Company has entered into Share Sale Agreement with its subsidiary, Insage (MSC) Sdn. Bhd. ('Insage') to acquire the entire shareholdings of 80,000 ordinary shares of RM1.00 for cash consideration of RM1.00. Upon completion, Insage will be 100% wholly owned subsidiary of the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016
(cont'd)

35. COMPANIES ACT 2016

The Companies Act 2016 ('New Act') was enacted to replace the Companies Act, 1965 and was passed by Parliament on 4 April 2016. The New Act was subsequently gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the effective date of the New Act, except for section 241 and Division 8 of Part III of the New Act, to be 31 January 2017.

Amongst the key changes introduced in the New Act, which will affect the financial statements of the Group and of the Company would include the removal of the authorised share capital, replacement of no par value shares in place of par or nominal value shares, and the treatment of share premium and capital redemption reserves.

The adoption of the New Act does not have any financial impact on the Group and the Company for the financial year ended 31 December 2016 as any accounting implications will only be applied prospectively, if applicable, and the effect of adoption mainly will be on the disclosures to the financial statements of the Group and of the Company for the financial year ending 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016
(cont'd)

36. SUPPLEMENTARY INFORMATION ON REALISED AND UNREALISED PROFITS OR LOSSES

The retained earnings as at the end of the reporting period may be analysed as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Total retained earnings of Excel Force MSC Berhad and its subsidiary/subsidiaries:				
- Realised	24,357,502	23,097,808	25,100,738	23,368,099
- Unrealised	(28,809)	(11,888)	(28,809)	(11,888)
	24,328,693	23,085,920	25,071,929	23,356,211
Less: Consolidation adjustments	429,040	177,413	-	-
Total retained earnings	24,757,733	23,263,333	25,071,929	23,356,211

LIST OF PROPERTIES

A summary of the Group's properties as at 31 December 2016 is as follows:-

Location	Approximate Built-up Area (square feet)	Brief Description and Existing Use	Current Use	Tenure / Date of Expiry of Leasehold Land	Date of Acquisition / Revaluation	Audited Net Book Value as at 31.12.16	Age of Building (years)
Pusat Dagangan, Phileo Damansara II, 611, Block B, No. 15, Jalan 16/11, Off Jalan Damansara, 46350 Petaling Jaya, Selangor Darul Ehsan.	2,583	Office Unit	Business	Freehold	9 February 2004 / 2011	612,722	16
Unit TA-13-1, Level 13, Tower A, Plaza 33 No 1, Jalan Kemajuan, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan.	18,988	Office Unit	Business	Leasehold 99 years expiring on 13 Jan 2070	11 February 2014	13,666,855	4

ANALYSIS OF SHAREHOLDINGS

as at 31 March 2017

Share Capital	RM20,686,597.50 comprising 206,865,975 ordinary shares
Class of Shares	Ordinary shares
Voting Rights	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

	Shareholders		Number of Shares Held	
Size of Holdings	No.	%	No.	%
Less than 100 shares	75	4.63	3,071	0.00
100 - 1,000 shares	355	21.93	117,271	0.05
1,001 - 10,000 shares	570	35.20	3,169,801	1.53
10,001 - 100,000 shares	448	27.67	15,414,205	7.45
100,001 – 10,338,404 shares*	168	10.38	121,194,127	58.60
10,338,405 and above**	3	0.19	66,967,500	32.37
Total	1,619	100.00	206,865,975	100.00

Notes:-
* Less than 5% of issued and paid-up shares.
** 5% and above of issued and paid-up shares.

SUBSTANTIAL SHAREHOLDERS AS AT 31 MARCH 2017

	<---------- Direct ---------->		<--------- Indirect --------->	
Name	No. of Shares	%	No. of Shares	%
Asia Internet Holdings Sdn Bhd	28,601,000	13.83	-	-
Exacta Co., Ltd	21,675,000	10.48	-	-
Mohamed Nizam Bin Abdul Razak	16,691,500	8.07	-	-

DIRECTORS' SHAREHOLDINGS AS AT 31 MARCH 2017

	<---------- Direct ---------->		<--------- Indirect --------->	
Name	No. of Shares	%	No. of Shares	%
Dato' Dr. Norraesah Binti Haji Mohamed	230,000	0.11	-	-
Wang Kuen-Chung @ Jeff Wang	949,502	0.46	21,675,000*	10.48
Ng Kim Huat	-	-	-	-
Gan Teck Ban	675,000	0.33	-	-
Eng Shao Hon	-	-	-	-
Aaron Sim Kwee Lein	-	-	-	-
Lok Choon Hong	20,000	0.01	-	-
Wong Kok Chau	-	-	-	-

Notes:-
* Deemed interest by virtue of his shareholding in Exacta Co., Ltd, pursuant to Section 8 of the Companies Act, 2016.

Other than as disclosed above, the other Directors do not have any interest in the shares of the Company or its subsidiaries.

THIRTY (30) LARGEST SHAREHOLDERS

As at 31 March 2017
(Without aggregating securities from different securities accounts belonging to the same person)

NO.	NAME	NO. OF SHARES	%
1	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR ASIA INTERNET HOLDINGS SDN BHD	28,601,000	13.83
2	RHB NOMINEES (TEMPATAN) SDN BHD RHB TRUSTEES BERHAD FOR EXACTA CO LTD	21,675,000	10.48
3	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR MOHAMED NIZAM BIN ABDUL RAZAK (MY0888)	16,691,500	8.07
4	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ASIA INTERNET HOLDINGS SDN BHD (001-ACCOUNT 2)	10,000,000	4.83
5	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR BRAHMAL A/L VASUDEVAN (PBCL-0G0115)	6,300,000	3.05
6	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR BRAHMAL A/L VASUDEVAN (M73106)	5,000,000	2.42
7	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK NORGES (NORGES BANK 14)	5,000,000	2.42
8	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JAYAKUMAR A/L PANNEER SELVAM	4,765,700	2.30
9	HONG LEONG ASSURANCE BERHAD AS BENEFICIAL OWNER (UNITLINKED GF)	4,410,000	2.13
10	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE YOKE FONG	3,682,250	1.78
11	KOH THUAN TECK	2,997,000	1.45
12	DB (MALAYSIA) NOMINEES (ASING) SDN BHD DEUTSCHE BANK AG LONDON	2,500,000	1.21
13	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR BANK JULIUS BAER & CO. LTD. (SINGAPORE BCH)	2,500,000	1.21
14	HLIB NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WANG, CHI-CHAO (CCTS)	2,452,600	1.19
15	TAN AH LOY @ TAN MAY LING	2,200,000	1.06
16	CHIA KEE SIONG	2,036,625	0.98
17	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)	2,000,000	0.97
18	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR EDISI FIRMA SDN BHD (MG0065-195)	1,842,500	0.89
19	HONG LEONG ASSURANCE BERHAD AS BENEFICIAL OWNER (UNITLINKED MF)	1,800,000	0.87
20	HONG LEONG ASSURANCE BERHAD AS BENEFICIAL OWNER (UNITLINKED BCF)	1,700,000	0.82
21	CHIA KEE SIONG	1,632,000	0.79
22	MAYBANK NOMINEES (TEMPATAN) SDN BHD ETIQA INSURANCE BERHAD (GROWTH FUND)	1,600,000	0.77
23	TAN AH LOY @ TAN MAY LING	1,500,000	0.73
24	WONG II LE	1,332,725	0.64
25	WANG, CHE-YU	1,324,250	0.64
26	WANG, CHIH-YEN	1,324,250	0.64
27	MOHD RADZUAN BIN AB HALIM	1,213,275	0.59
28	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR RHB SMALL CAP OPPORTUNITY UNIT TRUST	1,200,800	0.58
29	PWF FARMS SDN BHD	1,000,000	0.48
30	LEE YOKE FONG	901,750	0.44

ANALYSIS OF WARRANT HOLDINGS

as at 31 March 2017

Type of securities	: Warrants
Total warrants issued but not exercise	: 103,286,156
Tenure of warrants	: 5 years (2014/2019)

DISTRIBUTION OF WARRANT HOLDINGS

Size of Holdings	Warrant Holders No.	%	Number of Warrants No.	%
Less than 100 issued warrants	353	32.90	21,434	0.02
100 - 1,000 issued warrants	77	7.18	36,260	0.04
1,001 - 10,000 issued warrants	324	30.20	1,790,163	1.73
10,001 - 100,000 issued warrants	257	23.94	9,280,950	8.99
100,001 – 5,164,306 issued warrants*	59	5.5	23,429,499	22.68
5,164,307 and above**	3	0.28	68,727,850	66.54
Total	1,073	100.00	103,286,156	100.00

Notes:-
* Less than 5% of issued warrants.
** 5% and above of issued warrants.

SUBSTANTIAL WARRANT HOLDERS AS AT 31 MARCH 2017

Name	Direct No. of Warrants	%	Indirect No. of Warrants	%
Jayakumar A/L Panneer Selvam	52,115,100	50.46	-	-
Bank Julius Baer & Co. Ltd.	10,028,900	9.71	-	-
Mohamed Nizam Bin Abdul Razak	6,583,850	6.37	-	-

DIRECTORS' WARRANT HOLDINGS AS AT 31 MARCH 2017

Name	<---------- Direct ----------> No. of Warrants	%	<--------- Indirect ---------> No. of Warrants	%
Dato' Dr. Norraesah Binti Haji Mohamad	-	-	-	-
Wang Kuen-Chung @ Jeff Wang	51	0.00	-	-
Ng Kim Huat	-	-	-	-
Gan Teck Ban	-	-	-	-
Eng Shao Hon	-	-	-	-
Aaron Sim Kwee Lein	-	-	-	-
Lok Choon Hong	-	-	-	-
Wong Kok Chau	-	-	-	-

THIRTY (30) LARGEST WARRANT HOLDERS

as at 31 March 2017
(Without aggregating securities from different securities accounts belonging to the same person)

NO.	NAME	NO. OF WARRANTS	%
1	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JAYAKUMAR A/L PANNEER SELVAM	52,115,100	50.46
2	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR BANK JULIUS BAER & CO. LTD. (SINGAPORE BCH)	10,028,900	9.71
3	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR MOHAMED NIZAM BIN ABDUL RAZAK (MY 0888)	6,583,850	6.37
4	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR BRAHMAL A/L VASUDEVAN (PBCL-0G0115)	3,500,000	3.39
5	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)	3,500,000	3.39
6	KOH THUAN TECK	1,498,500	1.45
7	NG LI-SHING	1,440,000	1.39
8	PREMANAND JEARAJASINGAM	893,200	0.86
9	BAN SUAN SIM	620,300	0.60
10	MAYBANK NOMINEES (TEMPATAN) SDN BHD NG CHEN JOU	524,900	0.51
11	CHIA AUN LING	500,000	0.48
12	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR GOH EU JIM (PB)	471,400	0.46
13	MOHD RADZUAN BIN AB HALIM	445,087	0.43
14	KEK CHIN WU	432,000	0.42
15	WONG II LE	420,862	0.41
16	LOW SHIH YUN	400,000	0.39
17	YAP WEI KEONG	376,100	0.36
18	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM WILLIE	330,000	0.32
19	HO KAH HENG	310,000	0.30
20	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEOW CHEE LIP	280,500	0.27
21	YONG FOOK YOONG	279,000	0.27
22	LEE SIM NEE	275,000	0.27
23	WONG SAU MEI	259,600	0.25
24	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR TEY HOCK SENG (M53002)	251,000	0.24
25	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR WONG VOON FUI (MI 2032)	250,000	0.24
26	LAI KAH WENG	244,400	0.24
27	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR LEE WENG KHANG (MY1237)	239,300	0.23
28	CHOW CHEE FAI	234,000	0.23
29	LEE LIAN CHUAN	214,000	0.21
30	MAYBANK NOMINEES (TEMPATAN) SDN BHD HOOI CHEE KOK	209,000	0.20

FORM OF PROXY

(Before completing this form please refer to the notes below)

ExcelFORCE MSC Berhad
(Company No. 570777 X)
Incorporated in Malaysia

I/WE ______________________________ NRIC No./Passport No./ Company No. ______________________
(Full name in block letters)

CDS. A/C No. ______________________ of ____

____
(Full address)

being a member/members of EXCEL FORCE MSC BERHAD hereby appoint the following person(s) or failing him/her, the Chairman of the Meeting as *my/our proxy/proxies to attend and vote for *me/us and on my/our behalf at the Fifteenth Annual General Meeting of the Company to be held at Unit TA-13-1, Level 13, Tower A, Plaza 33, No. 1, Jalan Kemajuan, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan on Friday, 19 May 2017 at 2.30 p.m. and at every adjournment thereof to vote as indicated below:-

Name of proxy, NRIC No. & Address	**No. of shares to be represented by proxy**
1.	
2.	

	FOR	AGAINST
Resolution 1 - To approve payment of Directors' fees for the financial year ended 31 December 2016		
Resolution 2 - To approve payment of Directors' fees and benefits from 1 January 2017 until the next Annual General Meeting of the Company		
Resolution 3 - To re-elect the Director, Ng Kim Huat		
Resolution 4 – To re-elect the Director, Lok Choon Hong		
Resolution 5 - To re-elect the Director, Wong Kok Chau		
Resolution 6 – To re-elect the Director, Dato' Dr. Norraesah Binti Haji Mohamad		
Resolution 7 - To appoint Messrs. UHY as Auditors in place of the retiring auditors, Messrs. BDO		
Resolution 8 - Authority to allot shares		
Resolution 9 - Retention of Independent Director, Ng Kim Huat		
Resolution 10 – Retention of Independent Director, Aaron Sim Kwee Lein		

(Please indicate with "x" how you wish your vote to be cast. If no instruction as to voting is given, the proxy will vote or abstain from voting at his/her discretion).

As witness my hand this __________ day of ______________________ 2017

No. of ordinary shares held	

____
Signature/Common Seal

** Strike out whichever is not desired.*

Notes:-

1. *For the purpose of determining a member who shall be entitled to attend, speak and vote at the Annual General Meeting, the Company shall be requesting the Record of Depositors as at 12 May 2017. Only a depositor whose name appears on the Record of Depositors as at 12 May 2017 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote on his/her stead.*
2. *A member entitled to attend and vote at the meeting is entitled to appoint up to two (2) proxies to attend and vote in his/her stead. All voting will be conducted by way of poll.*
3. *Where a member appoints two (2) proxies to attend at the same meeting, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.*
4. *(i) Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account*
   (ii) Where a member is an exempt authorized 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 authorized nominee may appoint in respect of each omnibus account it holds.
5. *If the appointer is a corporation, this form must be executed under its Common Seal or under the hand of its attorney duly authorised.*
6. *The Form of Proxy must be deposited at the Company's Share Registrar Office at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.*

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AFFIX
STAMP
HERE

THE SHARE REGISTRAR

EXCEL FORCE MSC BERHAD

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House,
Pusat Dagangan Dana 1, Jalan PJU 1A/46,
47301 Petaling Jaya, Selangor
Malaysia

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ExcelForce MSC Berhad (570777-X)
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